

## TAX REVENUE TO FILL ANY GAP CAUSED BY SWEDISH AID REDUCTION

Maputo, 19 Aug (AIM) – Mozambique's Planning and Development Minister, Aiuba Cuereneia, said on Monday that the government will use domestic revenue to cover the reduction in support for the state budget from Sweden, one of the country's main donors.

He was referring to the decision of Sweden to reduce, by 20 million Swedish crowns (the equivalent of 3.3 million US dollars), its commitment to direct budget support in 2009.

The Swedish decision has been mentioned in some of the Mozambican press over the past few weeks as if it were hot news. Journalists reporting the matter like this simply haven't bothered to check their facts. The Swedish decision was taken months ago, and was made absolutely public on 22 May when the 19 donors and funding agencies who provide direct budget support gave the government their pledges for 2009.

The pledges showed that two donors, Sweden and Switzerland, were promising less budget support in 2009 than in 2008, citing fears of corruption and poor governance. Most donors pledged to keep budget support at the same level as in 2008, and only four (Austria, Germany, Ireland and Spain) promised an increase.

At the time the chairperson for the 19 (known as the Programme Aid Partners), Irish ambassador Frank Sheridan, stressed that, although the government's performance in 2007 was regarded as sufficiently satisfactory for the donors to continue direct budget support, this type of support was not being expanded, nor was support to projects and programmes being converted into budget support.

This was due, he stated, to "serious concern about performance in the area of governance, in particular the lack of substantive indications about progress in the fight against corruption".

Sheridan's statement made it clear that concerns over corruption are not some eccentric Swedish position, but are common to the entire group of 19. The money Mozambique is losing is not just the cuts in budget support by Sweden and Switzerland, but the refusal by other members of the Programme Aid Partners to increase their commitment.

Speaking at a Maputo press conference, Cuereneia denied that the reduction in Swedish support was a severe blow to the budget. "Mozambique has ways to cover this situation, through domestic revenue and the contribution of some other partners who are now working with us", Cuereneia told reporters on Monday.

No doubt the government could take comfort from the visit by the Danish Finance Minister, Lars Rasmussen, who declared to reporters on Friday that Denmark expected to increase its aid to Mozambique slightly over the next few years.

The statements by Rasmussen flatly contradict a BBC story on Monday that Denmark intended to reduce its support, again because of concerns over corruption. Cuereneia said he had received no information about such a report.

Likewise claims in some of the media that Norway is taking a similar stand are bereft of any evidence. Both Denmark and Norway are among the countries which in May declared their intention to keep their budget support in 2009 at the same level as in 2008.

Cuereneia noted that the decentralization of planning and finance to district level in some provinces has enjoyed Norwegian support. A new project was being designed to cover the entire country, and Norway would not be taking part in that, he explained. That had nothing to do with reducing budget support.

Cuereneia disputed the claim that there has been no progress in the fight against corruption. One of the main concerns cited by donors, including Sweden, had been the failure to bring to justice those who ruined the privatised Austral Bank, which had to be bailed out, at great expense, in 2001.

He pointed out that the Public Prosecutors' Office now appears to be making progress, with people who had held senior positions in the bank questioned by prosecutors in recent weeks. He added that the Finance Ministry had given the prosecutors information about who owed Austral money.

"The courts are working on this, and some people, not covered by court proceedings, are repaying their debts", Cuereneia said. He did not believe that the country's partners would now cite lack of progress in the fight against corruption, given that progress was becoming visible. 71808E

## 85808E **SWITZERLAND CONFIRMS "SYMBOLIC" CUT IN AID**

Maputo, 22 Aug (AIM) – Like Sweden, Switzerland has now confirmed to the Mozambican press that it is reducing its support to the Mozambican state budget because of concerns over corruption.

When, on 22 May, the 19 donors and funding agencies who provide direct support to the budget (known as the G-19), delivered their pledges for 2009 to Planning and Development Minister Aiuba Cuereneia, Sweden and Switzerland announced that they would be giving less than in 2008. Four donors (Germany, Austria, Ireland and Spain) announced an increase in budget support, while the other 13 partners pledged to keep support at the same level.

Interviewed in Friday's issue of the independent weekly "Savana", Giorgino Dhima, the deputy resident director of the Swiss Development Cooperation agency (SDC), said "Our reduction in support for the state budget derives from the fact that we are not satisfied with the government's performance in the sphere of governance in general, and in the fight against corruption in particular. We sincerely believe that the government is not keeping its promises".

Dhima added that the reduction was "symbolic" – a decline from eight million Swiss francs (7.3 million US dollars) this year to 7.5 million in 2009.

The Swiss official also claimed that there was a lack of "continual dialogue" between the government and its partners. He thought it was a matter of concern that the government missed targets, since these were defined jointly, and were not simply imposed by the donors. One specific example of the poor communication that Dhima mentioned was "until the penultimate day of the joint review we had not received information on the situation of legal cases linked to the Austral Bank".

Every year there is a joint review between the government and the budget support partners of progress over the previous year, and it is largely on the basis of this that funding for the subsequent year is confirmed. The privatised Austral Bank nearly collapsed under a mountain of bad loans in 2001, and the government was forced to resort to domestic debt (through high interest bearing treasury bonds) to rescue it. Since then the government has been trying to recover money from the debtors, with varying degrees of success.

Contrary to claims made in some of the media, neither Norway nor Denmark intends to follow Sweden in cutting budget support. Both are maintaining support for 2009 at the 2008 level, and when he visited Maputo last week, the Danish Finance Minister, Lars Rasmussen, publicly announced that there would be a slight overall increase in Danish aid in the coming years.

The Minister-Counsellor in the Norwegian Embassy, Mette Masst, told "Savana" that initially Norway had considered increasing budget support for 2009, but then changed its mind. The 2008 Norwegian contribution is 160 million Norwegian crowns (30 million US dollars). Initially the decision was taken to add a further 20 million crowns, said Masst, "but on the basis of discussions between the G-19 and the Mozambican government, we reached the conclusion that it was better to keep support at 160 million crowns".