MOZAMBIQUE 137

WORLD BANK

Still backing failed cashew policy
Mozambique falls in discredited ranking
$3.4 bn from World Bank

DONORS BACK CASH TRANSFERS

STRUGGLING TO MEET MDGs

And politics, fire, flood

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News reports & clippings no. 139 from Joseph Hanlon
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This is an irregular service of news summaries, mainly based on recent AIM and Noticias reports. Previous newsletters and other Mozambique material are posted on
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Three files attached:
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Há mais bicicletas - mas há desenvolvimento has sold out and is being reprinted and should be available in bookshops again soon. For more information, contact Kapicua
Rua Fernão Veloso, 12, 1º, Maputo
Telef 21 41 32 01 kapicuadir@tdm.co.mz

The English edition, *Do bicycles equal development in Mozambique?* will be published late next month. Order now to obtain a 40% discount. Form attached.
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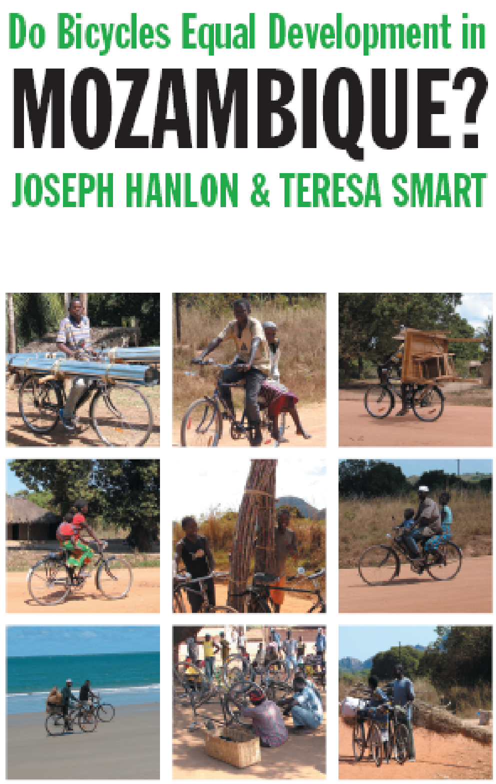

A decade later
World Bank still backs failed cashew policy

The World Bank continues to back its disastrous 1995 policy for Mozambique's cashew nut sector. In a new report, its cites the cashew "reform" as one "designed to benefit poor and vulnerable groups", which was only blocked by the powerful vested interests of "cashew nut processors and their urban workforce", "to the detriment of a voiceless community of small farmers". The World Bank's main error, says the report, was its failure to carry out "seminars and public information campaigns … illustrating the advantages of liberalisation for the rural poor."

Mozambique cashew is one of a series of mini-case studies in a World Bank report "The Political Economy of Policy Reform" published in June. The report is available on http://siteresources.worldbank.org/EXTSOCIALDEVELOPMENT/Resources/244362-1217517341604/PE_Reform.pdf

COMMENT: I have been repeatedly told that the World Bank now admits its cashew policy was wrong, and that in general the Bank has changed from its 1990s neo-liberal Washington Consensus policies. This new report makes clear how little has actually changed. This report assumes that all of the free market "reforms" imposed by the Bank over more than a decade are automatically beneficial and "pro-poor", and that all who opposed them were "vested interests" and that the problems were of "elite capture" and "rent seeking". With breath-taking arrogance, it does not admit the possibility that the policies themselves may have been flawed.

Our new book "Ha mais bicicletas – mas ha desenvolvimento?", "Do bicycles equal development in Mozambique?", has a chapter on cashew, which shows that recent success has come about only by completely rejecting the imposed World Bank policy. Yet the Bank continues to defend it. *Joseph Hanlon*

Mozambique falls two places in discredited Doing Business table

When Mozambique fell two places in the World Bank report *Doing Business 2009*, from 139 to 141, it was front page news. The report was released last week with great fanfare – and with little comment about the June report of the World Bank's own Independent Evaluation Group (IEG), which was highly critical of the report and said, in effect, that its rankings were ideologically biased and of little practical use. The IEG found that there were "no statistically significant relationships" between the indicators used in the report and growth, investment or employment.

The IEG points out the *Doing Business* is actually a measure of regulation, not of the ease of doing business. It notes that seven of the 10 indicators "presume that lessening regulation is always desirable". Since "the indicators presume that less regulation is better" the report implies that the World Bank "values reduced regulatory burdens more than other development goals". IEG notes that top ranking is given to "tax havens and oil states". It notes that countries with less job protection automatically gain a higher score, which goes against the spirit of International Labor Organization (ILO) conventions. Furthermore, the report "measures the costs but not the benefits of regulation." IEG adds that "since regulations generate social benefits as well as private costs, what is good for an individual firm is not necessarily good for the economy or society as a whole."

The World Bank's own independent evaluators are also high critical of the accuracy of the information, even within it own limited goals. It notes that the report only measures "written rules, not actual practice". And most of its information comes from a small group of lawyers and not from actual business people. The full evaluation report is available on www.worldbank.org/ieg/doingbusiness

$3.4 billion from World Bank

World Bank advice may not be useful, but it comes with a lot of money. At a press conference with the Bank on 17 September, Minister of Planning and Development, Aiuba Cuereneia, said that since joining the Bank in 1984, Mozambique had benefited from 64 projects (mostly loans but recently a few grants) totalling $3.4 billion. This included funds for structural adjustment, direct budget support and project aid. Currently 18 projects supported by the World Bank are underway, budgeted at $853 million. This year, Cuereneia said, the Bank will spend $190 million, including $80 million in direct budget support.

Total debt is $3.3 bn

Mozambique's foreign debt is $3.3 billion, according to finance minister Manuel Chang. At its peak in 1998, foreign debt was $6 billion. Mozambique benefited from debt cancellation under the HIPC and MDRI programmes; the World Bank cancelled $1.3 bn, African Development Bank $500 million, and the IMF $154 million, Chang said. But Chang also pointed to the rapid increase in the government's domestic debt, which has more than doubled since 2005.

Donors back expansion of cash transfers

By 2010, more than 200,000 Mozambicans will be receiving cash payments of 100 to 300 Meticais ($4-$12) per month. With five people in the average family, Virgilia Matabele, the Minister for Women and Social Action, estimates that the money will reach more than 1 million people – 5% of the population.

The Mozambican grant goes primarily to older people with no other source of income, although the programme also includes some permanently disabled people. Grants now reach 120,000 people.

The grant is called a "food subsidy" and dates back to 1990 when a small programme was started as a safety net to prevent people starving as structural adjustment caused a sharp increase in poverty. Some Mozambican officials have been reluctant to expand the programme. Indeed on 9 May 2007 Matabele said the number of people receiving the food subsidy should be cut. She said "we are giving people alms", and they should be involved in income generating projects instead of receiving handouts.

But the donor community and others in government took a different line. First, most of those receiving the grant are unable to work. But more importantly, experience in other countries shows that the poor use the money wisely to buy additional food for the family (important in Mozambique where half of children are malnourished) and to invest in income generating activities.

In a statement in Maputo on 25 August, Britain, the Netherlands, UNICEF, the International Labour Organisation, and the Ministry for Women and Social Action jointly announced the expansion of the programme. The Netherlands is to provide 5 million Euros over four years and Britain (DfID) 25 million Euros over 10 years.

This is not new DfID money and in the first three years comes from money already pledged, but it is important as a long term commitment. This is Britain's third 10-year commitment; the others are in roads and education. It is on-budget and through the Mozambican Treasury, but it not counted as budget support because it is allocated to a specific budget line and because DfID retains the right to audit the use of this money.

South Africa has by far the largest un-conditional cash transfer programme in Africa. More than 4 million people receive child benefit or non-contributory pensions (ranging from $20 to $75 per month), meaning money reaches more than 15 million family members.

There are only five other large cash transfer programmes in Africa. In Lesotho and Namibia more than 200,000 older people receive $25 per month. Kenya has a programme paying $2.50 per person per month which it hopes will reach 1.5 million people by 2010. Ethiopia plans to pay 5 million people $3 per month. And Ghana has just launched a cash transfer programme.

Struggling to meet MDGs

Mozambique will meet only some of the Millennium Development Goals (MDGs), the government admitted on 15 September.

Goal 1: Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day; Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

CONTESTED: Government believes the number below the poverty line will fall below 40% by 2015. But the fall in poverty in recent years is highly contested. And AIM points out that for 40% to be a halving of poverty means that it was 80% in 1990, which was during the war when accurate data was impossible to obtain. The portion of people below the poverty line in 1997 was 67%.

Goal 2: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
Goal 3: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015

POSSIBLE: Primary attendance is very high for the first level of primary schools (EP1). But not enough schools continue through the second level (EP2) so that many children graduating from EP1 cannot find a place in EP2. To achieve the MDG education target, the government stresses, will require more attention to the conclusion of primary education, and improved quality of education.

Goal 4: Reduce by two thirds, between 1990 and 2015, the under-five mortality rate

UNLIKELY: Although child mortality is falling -- The government's figures show that mortality among under 5s fell from 147 per 1,000 live births in 1997 to 105 in 2006, this is not fast enough to meet the target. Worse, recent statistics show an increase in malnutrition.

Goal 5: Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio

UNLIKELY: The number of women who die from complications related to pregnancy and childbirth rose from 214 per 100,000 live births in 2005 to 253 per 100,000 live births in 2006.

Goal 6: Have halted by 2015 and begun to reverse the spread of HIV/AIDS. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases

POSSIBLE: HIV prevalence among adults aged between 15 and 49 seems to have stabilized at around 16% and anti-retroviral (ARV) tresatment is expanding rapidly. The government reported a sharp increase in the distribution of condoms, with 4.3 million distributed in the first half of the year – still fewer than one per adult. In the fight against malaria, about three million mosquito nets treated with long lasting insecticide were distributed in the first quarter of the year – far short of the target of at least two nets per household.

Goal 7: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation.

LIKELY, at least for water, due to rapid expansion of urban water systems.

"Victims of dictator Dhlakama"

The last minute rejection by Renamo of Daviz Simango, its most successful elected figure, as candidate for mayor of Beira, has contributed to an image of Renamo as an ever-weaker party failing to be an opposition to Frelimo and likely to further lose ground at local elections on 19 November. Simango is just the latest in list of more than a dozen people – David Aloni, Benjamim Pequenino, Jafar Jafar, Rachide Tayob and others – who had the ability to build Renamo into a serious party, but who were expelled or marginalised by Renamo president Afonso Dhlakama. Salomão Moyana, himself a former advisor marginalised by Dhlakama, has produced a good article on the people pushed out by the Renamo president. The article is titled “The long list of victims of dictator Dhlakama” and in is the 3 September issues (attached) of new *Diario Independente*, of which Moyana is director.

Other news

+ The National Election Commission (CNE) must release the final list of candidates for local elections by Saturday 20 September. Candidates for mayor and municipal assemblies had to submit their nomination papers by 5 September. The CNE must check that each of the several thousand candidates has submitted the necessary documents – including photocopies of their identity document and voter card, a certificate of no criminal record, and a declaration from the local authorities that they have been living in the municipality for at least six months. They must also check that each candidate for mayor is nominated by at least 1% of the municipal electorate – ranging from 6,600 signatures of registered voters in Maputo to just 70 in Manjacaze.

+ Fires in Manica and Sofala provinces in early September killed 49 people, destroyed 2235 houses, and ranged over an area of 3 million hectares, according to government spokesman Luis Covane. This is the dry season when peasants normally burn off grass and stubble, but unusually strong winds drove the fires out of control and rapidly spread them over large areas.

+ Above average rain with possible flooding for parts of Mozambique is indicated by provisional weather forecasts published on 17 September. For October-December above average rain is expected in the centre and south, while for January-March there are forecasts for above average rain in the north and south – with a warning of below average rain in the centre.