

# MOZAMBIQUE 170

## News reports & clippings

### 29 September 2010

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## Economic paradox - part 2

**Government admits: poverty increasing**  
**Observatorio: poverty was cause of riots**  
**UNCTAD: public investment in jobs needed**

## Following the riots

**IMF calls for Brazil-style cash transfer**  
**All SIM cards must be registered by 15 Nov**

## Chatham house says: talk tough to Frelimo

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Attached files: This report in PDF and government poverty power point presentation.

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## The Mozambique ‘paradox’

“Mozambique is a paradox. A case of success, yet still one of the poorest countries in the world”, said Shaun Cleary, British High Commissioner (ambassador) in Maputo, in a talk two weeks ago. The use of the word is not new. UNICEF in 2006 and the World Bank in 2007 pointed to what they both called the “paradox” of rising chronic child malnutrition in the face of rapid GDP growth - and praise for the Mozambique success story. The riots of 1-3 September have forced a questioning of the Mozambican development model. This issue of *News reports and clippings* is the second to look at the debate over the Mozambican “paradox”.

## Government admits: poverty is increasing

Poverty rates have increased from 54% in 2002-3 to 55% in 2008-9, the government admits. Increases in poverty have been particularly dramatic in the centre of the country. The figure is embarrassing for both donors and government, which have been loudly trumpeting a claimed unprecedented fall in poverty from 69% in 1996-7 to 54% in 2002-3. There are also indications that malnutrition is not falling, and may be increasing.

The results come from the 2008-9 family expenditure survey, which was submitted to the Council of Ministers in July and has not yet been published. But a Ministry of Planning and Development Power Point presentation from July has now been distributed by CIP (Centro de Integridade Publica) and is attached.

The most dramatic increase in what is called “consumption poverty” is in Zambezia, where poverty rose from 68% in 1996-7 to 70% in 2008-9. No other province shows higher poverty now than 14 years ago. But Zambezia, Manica and Sofala provinces, and Matola and Nampula cities all show increased poverty in 2008-9 compared to 2002-3. Nationally, urban poverty has fallen from 52% to 50% while rural poverty increased from 55% to 57%. The survey claims Maputo city poverty dropped from 54% to 36%, which will not reflect recent prices rises.

Non-monetary poverty shows a mixed picture. Education is clearly improving. Access to health services is improving in rural areas but deteriorating in urban areas. Access to water is generally unchanged, except for a big improvement in urban areas in the south.

The failure to reduce poverty since the previous survey is blamed on “lack of increase in agricultural productivity, particularly in the family sector.”

The earlier two family expenditure surveys were called IAF (Inquérito aos Agregados Familiares) and the most recent is called IOF (Inquérito sobre Orçamento Familiar).

**COMMENT:** The “rise” in poverty and subsequent embarrassment may not be real at all. We explain in *Do bicycles equal development in Mozambique?* chapter 7 that the 2002-3 IAF offered two different figures, based on different poverty lines. If the same poverty line is used in 2002-3 as in 1996-7, then the fall in poverty was from 69% to 63% - reasonable but not dramatic. And that would mean a drop now to 55% simply continues the trend. But the report offered an alternative much lower poverty line (lowering the line simply moves more people over the line) which showed 54% poverty, and naturally donors and government all cited the lower number. Now they pay the price of using an artificially low poverty line six years ago. And what do donor staff in Maputo tell their headquarters now? Do they say “our aid has only brought an increase in poverty” or do they say “we have been misleading you for the past six years over the fall in poverty”? *jh*

## **Observatory on 1-3 September: Poverty caused ‘popular revolt’.**

The riots of 1-3 September were “a popular revolt against the established order” Sheik Abdul Carimo Sau, head of the Electoral Observatory, told President Armando Guebuza at a meeting on 14 September. Urban poverty was the main cause of the riots, and government actions since then, although welcome, do not resolve the problems of penury and hunger. The Observatory consists of the three main religious denominations (Catholic, Protestant and Moslem) and several prominent NGOs, including the Human Rights League (LDH). Sheik Abdul Carimo Sau was quoted in Noticias (15 September 2010)

The Observatory was also critical of police actions. The statement the day before the demonstrations that no protests would be tolerated because no one had applied for a permit was seen as provocative

and actually encouraging the protestors. According to the Observatory, the demonstrators probably did not apply for permits “because of fear and suspicion that the promoters would suffer reprisals.”

## Invest in job creation, says UCTAD

“Unemployment is the most pressing social and economic problem of our time. ... Therefore employment creation needs to be a priority in economic policy,” declares Supachai Panitchpakdi, Secretary General of UNCTAD (the UN Conference on Trade and Development) in the *Trade and Development Report 2010*, published 14 September.

Mozambique is not the only low income country to face a crisis due to failure to increase production, and the fault lies with past policies, notably those promoted by the IMF and World Bank policies. “More than 20 years of orthodox macroeconomic policies and policy reforms have had limited success in creating the conditions necessary for rapid and sustainable growth, particularly in sub-Saharan Africa,” says Panitchpakdi.

Panitchpakdi calls “for a rethinking of the paradigm of export-led development based on keeping labour costs low.” Instead, “a sustainable growth strategy requires greater reliance on domestic demand than has been the case in many countries over the past 30 years.” Domestic demand creates a “virtuous circle” of job creation and investment. In any case, falling levels of consumption in the industrialised countries make export-led growth less practical.

The UNCTAD Secretary-General looks back at what he calls the “golden age of capitalism” in the industrialised countries, between 1950 and 1973, when central banks were expected not just to maintain price stability, but also high employment. Interest rates were kept low and government guaranteed bank loans and targeted priority investment areas.

The report also calls for higher taxes on mining, and the “revitalization of agricultural support institutions.”

And UNCTAD in its Policy Brief 16 (September 2010) says that there has been too much focus on social development and Millennium Development Goal (MDG) related social investment in low income countries. “The resulting tendency to neglect investment in the productive sectors needs to be reversed,” it argues “What is urgently needed is a macroeconomic framework more conducive to *inclusive growth and development*.”

“A major constraint on strengthening the development dimension of the MDGs has been the dominant macroeconomic consensus. This consensus has obliged policymakers to focus their attention on maintaining *market stability and confidence* and in particular, on containing price inflation,” rather than promoting growth and development.

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## IMF urges Brazil-style cash transfers

Mozambique should establish “conditional cash transfers to the poor, as was successfully done in countries such as Brazil and Mexico”, the IMF representative in Maputo, Victor Lledo, told donors on 15 September.

There is already a “food subsidy”, which is really a small non-contributory pension, which goes to more than 100,000 older people in Mozambique. But the Brazilian and Mexican programmes are very much larger, and this is probably the first time that anyone as important as the IMF has proposed such a large grant. It would probably cost in the range of 0.5% to 1.5% of GDP.

In Brazil, the Bolsa Familia (family grant) goes to 26% of the population, about 12 million families. Any family with a per capita income of less than 30% of the minimum wage receives a grant. (That is per capita, so a family of five with an income of less than one and a half minimum wages would receive a grant.) Such a grant would probably cover the majority of Mozambicans. In Mexico, the Oportunidades family grant goes to 22% of the population, but to more than half the people in the poorest states.

Cash transfers are discussed in detail in my new book “Just Give Money to the Poor: The Development Revolution from the Global South”, <http://tinyurl.com/justgivemoney>

+ The presentation also gives Victor Lledo’s view of the riots and the economy. He notes that “inflationary pressures are likely to persist [and therefore] keeping inflation under control requires a tighter monetary policy” with sharp reductions in credit – exactly the policy UNCTAD says is wrong. Lledo supports the various subsidies and price cuts announced in response to the riots, but then warns: “Care needs to be taken that measures remain affordable. This will be crucial as fiscal policy needs to be supportive of the envisaged tightening of monetary policy required to keep inflation under control and room to expand domestic financing of the budget is limited. After all keeping inflation under check is ultimately the most sustainable way to protect real incomes, particularly for the poorest segment of the population.”

## All SIM cards must be registered by 15 Nov

Just one week after text messages (SMS) were used to organise the demonstrations of 1-3 September, the government ruled that SIM cards must be registered. A data base will be created with all telephone numbers and basic information about the individual.

Anyone who sells SIM cards will have to be registered, and Mozambican and foreign buyers will need to give an address and show an ID card, drivers licence, passport, or other identity document – or bring someone who is already registered who can vouch for the applicant (the system used for electoral registration). Children under 14 cannot have their own SIM card. No individual can have more than three SIM cards per operator.

All existing users of mobile telephones must register by 15 November.

One confusing aspect is that the regulation says the data base is public but that information collected is confidential. The new rules are in Ministerial Diploma 153/2010 issued by Transport and Communications Minister Paulo Zucula on 10 September.

## **Chatham House tells DfID:**

### **Donors should talk to Party and 'hold out for real change'**

Donors should tighten the screws on the government, and talk directly to the Frelimo party, argues a new report from the prestigious London-based Royal Institute of International Affairs (Chatham House). Written for DfID as a "political risk analysis", the report claims that "Without a doubt, Mozambique has been a development success, and its government as well as international partners can take credit for this."

But it also raises a number of issues, in particular citing "declining standards of democratic and political governance": It argues that "there are signs that democratic space is being monopolized as an elite element within the ruling party, Frelimo, consolidates its political and economic hold on power". And the analysis warns "that the culture of impunity that has grown up around these illegal activities and their sponsors is a countervailing force working directly against government-led efforts to deliver basic services and to reduce poverty."

The report implicitly accepts that government won the donor strike earlier this year. "Despite the government's initially angry reaction to the 'donor strike', it became clear it was making serious efforts to address these concerns, and in March 2010 its offer of a package of concessions led the donors to revoke the threat of punitive action. There was an expectation among donors and the majority of civil society observers that these concessions would be the minimum the government judged necessary to persuade the donors to turn on the flow of funding again. Observers feared that this was to be achieved as much by threatening the consensus for action on governance within the donor group as by agreeing to meaningful reform. The government may believe that the donors need to disburse funds as much as, if not more than, it needs to receive them."

Chatham House calls on donors to "hold out firmly for real change. Donors should hold out for significant improvements in governance, including much improved accountability and effectiveness in the security sector. Symbolic gestures by donors will be seen for what they are by informed Mozambicans, the government and Frelimo."

Perhaps most provocatively, the study calls on donors to "recognize the importance of Frelimo (as distinct from the government) in Mozambican politics, and accept that a political dialogue with Frelimo to complement the existing dialogue with government is necessary to help achieve developmental outcomes." Government and Frelimo are not the same, and (as in any democracy) government is accountable to the majority party.

"Donors occupy most of the political space in relations with the government," notes the report, and budget support donors (PAPs) "have some of the best access to information, including from government databases and sources, and have long-term and predictable support and funding

structures that lock them into partnership over extended periods. No other civil accountability or oversight bodies in Mozambique have the same relationship with the government.”

Thus, in dealing with government, “Frelimo is the donor’s biggest competitor and should be understood, in this context, as distinct from the state. Misreading the relationship between party, state and donors impedes the donors’ ability to achieve their objectives.”

Although it says that “a fundamental change in the foundations of the economy will be required - away from consumption and towards production” the report says little about highly contentious economic issues. It was completed on 4 August, before the riots of 1-3 September, but had the foresight to warn that “Such a large number of unproductive, disillusioned and impoverished young people is not only a source of potential conflict and crime in itself; it is also a ready-made constituency that can be mobilized and used for political or violent ends.”

“The country’s projected economic growth may be too slow and too dependent on foreign investment to create sufficient economic opportunities for the increasing population, particularly in the peri-urban areas. An exacerbating factor is that while tertiary education has been expanded, it is sub-standard. This has further raised expectations, especially among the peri-urban youth, but the economy is unable to accommodate them and their skills set.”

And with no related discussion or background, the report makes two unexpected points. It calls for “support to local development banks.” And it warns that “foreign investments and, more importantly, the allocation of land to (often foreign) investors undermine and threaten the livelihoods of the rural population.”

+ “Mozambique: Balancing Development, Politics and Security”, by Jeremy Astill-Brown and Markus Weimer, Chatham House (The Royal Institute of International Affairs)  
<http://www.chathamhouse.org.uk/publications/papers/view/-/id/944/>

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## Two working papers on the web

### Poverty is not being reduced in Mozambique

LSE Crisis States Research Centre Working Paper No. 74 (series 2)

Benedito Cunguara and Joseph Hanlon

<http://www.crisisstates.com/Publications/wp/WP74.2.htm>

June 2010 também em Portugues

### Mozambique's Elite – Finding its Way in a Globalized World and Returning to Old Development Models

Joseph Hanlon and Marcelo Mosse September 2010

WP/105 UNU-WIDER: The Role of Elites in Economic Development project

[http://www.wider.unu.edu/publications/working-papers/2010/en\\_GB/wp2010-105/](http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-105/)

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**Also on the web:** Previous newsletters and other Mozambique material are posted on

[tinyurl.com/mozamb](http://tinyurl.com/mozamb)

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**NOTE OF EXPLANATION:**

This mailing list is used to distribute two publications, both edited by Joseph Hanlon. This is my own sporadic "News reports & clippings", which is entirely my own responsibility. This list is also used to distribute the *Mozambique Political Process Bulletin*, published by CIP and AWEPA, but those organisations are not linked to "News reports & clippings"

Joseph Hanlon

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**Mozambique media websites:**

Noticias: [www.jornalnoticias.co.mz](http://www.jornalnoticias.co.mz)

O Pais: [www.opais.co.mz](http://www.opais.co.mz)

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Canal de Moçambique: [www.canalmoz.com](http://www.canalmoz.com)

AIM Reports: [www.poptel.org.uk/mozambique-news](http://www.poptel.org.uk/mozambique-news)

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