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## Mozambique: no results – no money

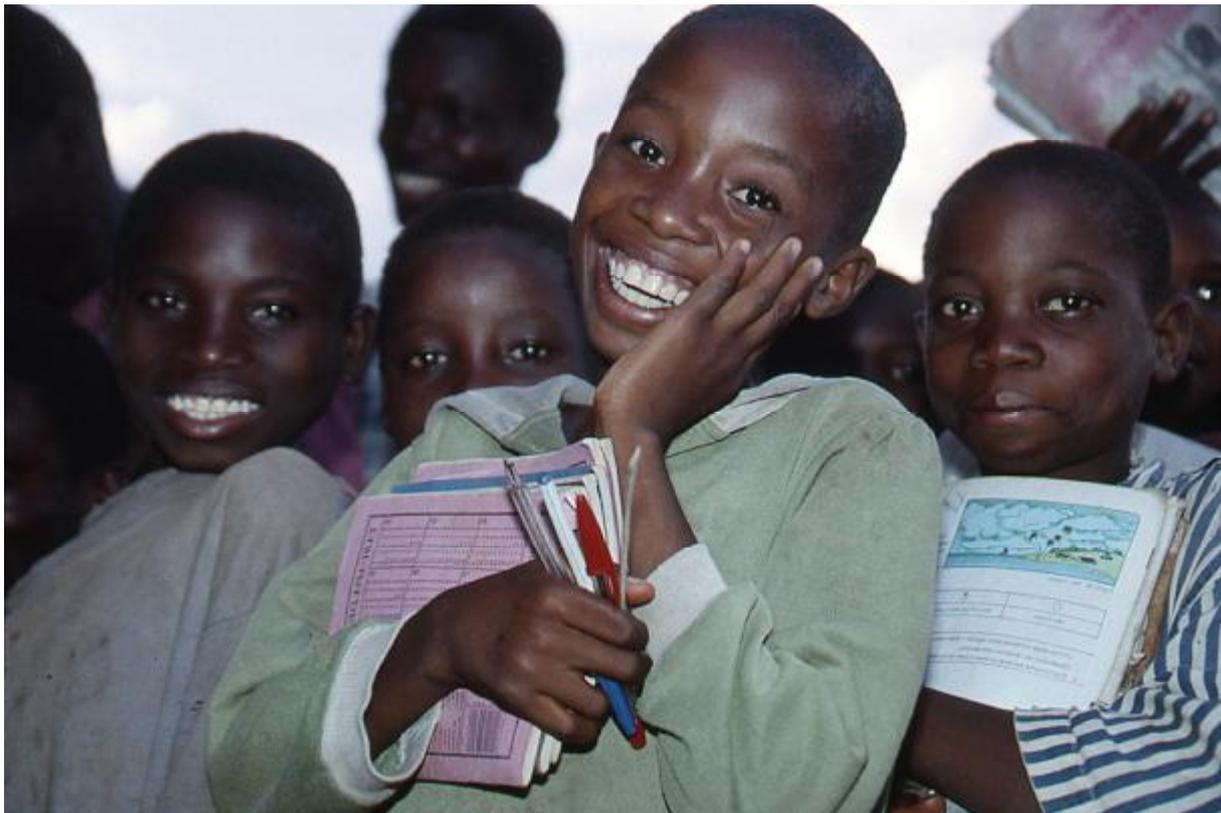
*Richard Gerster\**

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On the last day of the annual budget support conference 2008 in Mozambique, the Irish ambassador and president of the donor group is being very frank in saying that governance, particularly the “lack of substantial indications about the progress in the fight against corruption” is a cause for concern. Two countries, Switzerland and Sweden, are therefore announcing a reduction in their contributions to budget support for the following year. Other countries freeze their contributions at the same level and do without the planned increases. The message to the government is loud and clear. “There is no way that diplomats can be more direct”, is what one of them says afterwards. The government supplied additional data about the fight against corruption in a hushed operation on the eve of the event, something which was not satisfactory for Switzerland.

### ***Accomplishments and their reciprocation***

19 donor organisations and countries, including Switzerland, are co-financing the state budget of Mozambique. The international contribution amounts to 448 million US dollars (2008) which is equivalent to 15.6 percent of the budget approved by parliament. In return, the government commits itself to work towards 40 goals from various areas of state activities. If government reforms and their progress are considered to be satisfactory overall, the donors agree to support the state also in the following year. This was the case at this year’s (2008) annual conference. Economic development, progress with respect to the population’s access to drinking water, the expansion of schooling etc. were considered to be positive. A large amount of the contributions is based on this overall pro-



*Amongst other things, budget support facilitates the expansion of the educational system.*

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*Mozambique is a country of contrasts: There are huge gaps between the shopping centre in Maputo ...*

gress assessment. In addition, Sweden, the European Commission and Switzerland tie a small portion of their aid to chosen performance criteria.

Switzerland is considered to be a small but active and therefore influential donor. With 7,2 million dollars (8 mio CHF) it only contributes 1.7 percent to budget support. For 2009 Switzerland announced the above mentioned reduction to 6,7 million dollars (7,5 mio CHF). In the longstanding cooperation between Mozambique and Switzer-

land it only happened two times that the contribution was not disbursed completely, namely in 2006 and 2009.

### **2009: Public debate**

In spite of the clear message expressing the donors' concern and the financial consequences for 2009 there were no initial reactions, neither from the side of the government nor was the issue taken up by the media. Apart from the local currency Meticaïs the US dollar is used in Mozambique. Since the exchange rate between the Euro and the dollar has improved considerably, the dollar amounts pledged for 2009 increased significantly in spite of cuts and hid stagnating and backward movements. Only when months later the Swedish ambassador reiterated the issue, a public debate emerged – about corruption as well as the donors' behaviour. The government reacted in an irritated manner. It said it was not informed, even though it chaired the annual meeting! And it accused the donors of interference in internal affairs. It is very rare for the Mozambican government to publicly criticise the donors. And civil society voices doubt whether the fight against



*... and rural live, for example in Nampula.*

corruption was the right issue for confrontation. They wished for a public debate about economic policies and Mozambique's developmental path. The unproportionally large influence exerted by the donors is also a consequence of the government's lacking visions.

Talking to CIP, a private association of activists committed to the fight against corruption, the organisation's deputy head/vice president Adriano Nuvunga signals understanding with respect to the conclusions drawn by the donors, in the case of the government not meeting its contractual commitments. However, from his personal perspective, as a citizen of Mozambique, he adds that at the end of the day the population is the real loser, when aid is cut: "Cutting aid is not necessarily the best solution."

### **2006: missed goal in tax revenue**

In the year 2006 Switzerland already once cut its contribution to budget support from 9 million to 7,6 million dollars (10 to 8,5 mio CHF). As one of 40 performance indicators, the government proclaimed to increase its generation of tax revenue to 14.7 percent of the national income (GDP). Switzerland declared this goal to be its levelling board for the disbursement of its flexible share in budget support. More self-generated revenues reduce the dependency on foreign aid. However, the revenue remained at 13.6 percent and as announced, Switzerland did not pay. Already during the year it became foreseeable that the goal will be clearly missed. But the government did not take action. Observers assume that due to domestic issues in the election year of 2004 the government closed its eye on purpose in order not to annoy tax payers (particularly companies) who used certain tricks. In the official memo ("Aide Mémoire") for the annual conference, however, no such information can be found. Since this "occupational accident" Mozambique's self-generated income has risen continuously, albeit slowly.

There is no money without the agreed results. Success, on the other hand, does not always automatically turn into support. With

the exception of 2006, Switzerland contributed 9 million dollars (10 mio CHF) annually to Mozambique's state budget for a number of years. The fact that in the three year contract of 2007 – 2009 the contribution was cut to 7,2 million dollars (8 mio CHF), was not related to Mozambique's performance at all. In spite of all weaknesses and difficulties it is undisputed that Mozambique has come a long way within a short time: The reduction in contributions merely reflects the internal saving efforts in the federal household.



*Virginia Videira, member of parliament, always looks at the budget in depth.*

### **New impetus in the fight against corruption?**

Contrary to 2008/09 Switzerland's budget cut of 2006 went almost unnoticed by the public. Furthermore, there is no noticeable impact on Mozambique's efforts to mobilise its own revenues – returning to the path of virtue would most likely also have happened without the Helvetian warning. At that point, Switzerland acted in isolation, whereas in 2008/09 dissatisfaction was shared by a large number of donors and Sweden announced its reduction parallel to Switzerland. The events of 2008 demonstrate that coordination and cooperation among donors reinforces the relevance of positions taken by Switzerland.

It came as a surprise when in September 2008 the former Minister of the Interior, a former Minister of Transport and some other high ranking people were arrested and accused of corruption. In December 2008 followed the arrest of three suspected

murderers, who supposedly killed Antonio Siba-Siba Macuacua, reorganisation specialist for Bank Austral (see separate article), in broad daylight. Furthermore, the government decided to increase personnel at the anti corruption office. Whether all these measures can be attributed to the donors' criticism and the ensuing public

debate is a matter of speculation. Also whether this is the start of a new era can not yet be decided. Either way, the measures take a direction which not only the donors but a large share of the population desire. And with regard to the upcoming elections this can not be meaningless for the government.



*If the government fulfils its responsibilities, this is done at the service of the people.*

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