



“The Civil Society Organisation’s role in Global Budget Support in Mozambique”

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*GBS global budget support

N.B. the views expressed in this paper are personal not necessary the position of any related institutions not even of Economic Justice Coalition.

The CSOs role in GBS in Mozambique

The country

Mozambique is situated on the southeastern coast of Africa and it shares borders with Zambia, Malawi, Tanzania, Zimbabwe, Swaziland and South Africa and in the east the Indian Ocean.

The total land area of Mozambique is 801,590 sq. km.

For Administrative purposes, Mozambique is divided into 11 provinces.

Savannah and forests cover about 70 percent of the land area. By the constitution the land is owned by the state.

Mozambique has a coastline of 2,700 km in length with very rich marine resources. Mozambique is also endowed with over 100 rivers including the Zambezi, which is source for irrigation, power and other economic activities.

The population of Mozambique is estimated at 20 million. It grows at an annual rate of 7.5 percent. About 45 percent of the population comprises of young people below 15 years old. The working or active population (between ages 15 and 65) constitutes about 50 percent of the total population. About two thirds of the population lives in the coastal zone.

Economy

Mozambique is a Least Developed Countries (LDC) a United Nations category that comprises low socio-economic indicators. The economy was estimated to grow slightly faster in 2006, 7,9 percent, after the year 2005 when it expanded by 7,7 percent. Economic activity in 2006 was largely due to the recovery of agriculture sector following the return of the normal rains and re-construction. It's reported that the economy grew by 10 percent during the first half of the 2006 (Standard Bank) with a high foreign debt (originally \$5.7 billion at 1998 net present value) and a notably track record on economic reform.

According to the *Human Development Report of 2004* of the United Nations Development Programme (UNDP), Mozambique ranks 171st out of 177 countries on the human development index, falling below Ethiopia and only ahead of Guinea-Bissau, Burundi, Mali, Burkina Faso, Niger and Sierra Leone. The poverty remains high by all standards; some progress in poverty reduction has been achieved in recent years as a result of economic growth coupled with the Government's infrastructure development and rehabilitation programme and investment. In 2003 estimate on incidence of poverty that the percentage of total population falling below the absolute poverty line has decreased from 69 percent in 1997 to 54 percent.

Mozambique was one of the first African countries to receive debt relief under the initial Highly Indebted Poor Countries (HIPC) initiative in 1999. In April 2000, Mozambique qualified for the Enhanced HIPC as well and attained its completion point in September 2001. Mozambique, as a LDC has achieved outstanding levels of economic growth but still experiencing relatively high poverty rates. The people of Mozambique face not only the frustrating poverty rates but also significant levels of inequalities.

Aid dependency

Donors have seen Mozambique as a "success" story of peace, stability and growth since the end of its devastating war in 1992. Indeed, it has become increasingly important to the international community as one of the few so called successes were donors have invested a substantial amount of resources and effort in supporting economic and political performance.

Aid dependence in 2003, measured by total net ODA (excluding emergency aid and bilateral debt forgiveness) as a share of GNI,

of 49 African countries for which data are available, was more than 10 per cent of GNI for 17 countries in 2003. Mozambique (21.8 per cent) is one of the top five aid-dependent economies including Sierra Leone and (23.3 per cent), Malawi (24.4 per cent), Guinea-Bissau (27.5 per cent) and São Tomé e Príncipe (51.8 per cent)

Mozambique continues to be highly aid dependent, having consistently met most donor conditions, while at the same time growing at an official average rate of about 8 percent per year since 1997. During the same period, poverty declined, but at a much slower rate. Notably Mozambique has also become a experiment by being a testing ground for so called "new aid modalities", such as GBS, in the context of the shifting international debates around aid effectiveness, enshrined in the Paris Declaration of March 2005. This has included an innovative mechanism for monitoring donor performance on harmonisation and alignment of their support to the countries.

Global discourse on aid over the past decade, reflected in the Paris Declaration have highlighted its effectiveness and government ownership may be undermined by the way in which is delivered, with its proliferation of projects responding to donor preferences rather than government priorities, and placing too heavy a burden on an unskilled bureaucracy.

Ministers and officials spend so much time in dealing with donors and they have insufficient time left for their responsibilities. And combined with the fragmentation of the planning and budgeting system, it makes very difficult for the GoM (Government of Mozambique) side to develop alternative strategies. This is further compounded by the lack of domestic analysis and critique – intellectuals and experts who could be developing alternative and innovative thinking and approaches being brain drained.

Mozambique's aid dependence is highlighted by the fact that necessary resources cannot be easily raised domestically. Despite the emphasis that the GoM has put on increasing domestic revenues in PRSP (known as PARPA, Plano de Acção para a Redução da Pobreza Absoluta), between 1997 and 2004 revenues fluctuated around 12 percent of GDP, without any substantial increases. Reducing aid dependence has so far proved to be an elusive goal, despite a number of reforms such as the introduction of VAT and personal income taxes. Moreover, despite much inefficiency in government spending, there are no obvious areas that could be identified for large expenditure cuts. Any reductions in spending would therefore have negative impacts on expenditures. (such as the building and repair of roads, schools, hospitals, etc., currently financed by aid in any case), or tackle the much trickier of maleficiencies, wastage and corruption. (Hanlon J & Renzio P.)

The west drivers of the current development discourse and thinking need to show to the sceptical ones that there is a stories of success even is not a success at all is one of the reasons why Mozambique is portrayed as a donor's "concubine". The relation between the government and the budget support partners structured by a Memorandum of Understanding, signed in 2004, which spells out the terms under which donors are willing to provide aid as GBS, the arrangements for periodic performance

reviews, and the reciprocal obligations that the parties undertake to comply with.

The GoM is favourable GBS and other programmatic forms of donor support, in order to reduce aid fragmentation and increase the volume of resource, which flow through the national budget, there are series of costs and contradictions, which can be highlighted. First of all, as long different aid modalities coexist in Mozambique, the administrative burden of aid coordination is probably increasing rather than decreasing, as government officials need to devote more attention both to the large number of projects that still exist, while at the same time attending all the working group meetings created part of the GBS machinery.

The Poverty Observatory and Grupo20s

The Poverty Observatory (PO) emerged following more than a decade of steady evolution of Mozambican's civil society, informed by the Constitution the citizen's responsibilities, rights and opportunities, as those associated with the aid provided by the international community, is an important steps towards citizen participation and empowerment. But, PO is a consultative mechanism with no legal basis and no clear institutionalization then it cannot be accountable toward the people of Mozambique forget the donors.

In an absence of 'national development policy' the GoM allows and implement many of the 'Washington consensus', hopping to ensure a steady inflow of resources. Most of the policy discussions have happened, and continue to happen, between the executive and the donors, with little input from civil society and parliament. The fragmentation of aid further means that these discussions often happen either at sectoral or at provincial and local level, undermining any attempt do develop an overall development policy, and promoting a piecemeal approach to addressing development problems.

Both informing and consultation are important steps to strengthening public awareness, generating knowledge and improving citizen participation in monitoring public goods and policies, such as the PRSP/PARPA. However, the most effective and efficient tools for both informing and consultation must include public debates, mass media, opinion polls, hearings, seminars, workshops, conferences, think tanks, etc. Fora like the POs, which are held once a year during a plenary session of one day, cannot really fulfil this purpose.

On the basis of PRSP/PARPA, donor support has been forthcoming; goals are mostly dictated by donors – with a particular focus on ending absolute poverty and achieving the Millennium Development Goals, but without clear linkages PRSP/PARPA II, PQG, PES, OGE, MDGs. The PRSP/PARPA II is meant to devote more attention to the productive sectors, again in line with more recent shifts in international debates.

Civil society participation on PO on the capital is facilitated by the Grupo20, a civil society "arrangement". As originally create to fill the 20 places available at PO, then the magic number 20 and therefore the name - according to the assignment of PO seats to the stakeholders (20 Government, 20 CSO and donors). Actually, the reported number of participating CSO is higher, but

participation varies according to the time and interest of CS representatives.

From 2003 the Grupo20s mushroomed in provincial capitals of the countries and yet is not clear how the interface is articulated, whom do they represent? What is the added value of this multiplication? The secretariat claim that the Grupo20 has grown from 20 to several hundred organizations but there is not evidence of this claim.

The Grupo20 in the capital has no legal basis and not institutionalized its the secretariat is hosted and "controlled" by the FDC (Fundação de Desenvolvimento da Comunidade) a national million dollars corporate civic organisation with close linked with FRELIMO (current and long standing party in government), while formally it respond to its coordination group. The confusions multiplies when secretariat consider that Grupo20 has spread to ten provinces and is already present in many districts, according to the secretariat: *"... the provincial Grupo20 are autonomous, have their own dynamics, are mostly locally based, and are closely linked to the national secretariat"?!?!? Not to the coordination group?!?!?*

From 2004 to 2006 Grupo20 also produced its poverty report or RAP (Relatório Annual da Pobreza), the 2006 one is still to be reproduced. One feature that immediately catches one's when comparing the three RAP it reduces poverty in data collection and presentation in a book becoming an instrument that cannot be used by majority of Mozambicans. The RAP is a very narrow instrument as it is written in both portuguese and english with a technical content that can be more useful for consultants and donors rather than the poor and not focused on monitoring and evaluating the poverty reduction strategies. Forget the quality of the analyses and data on poverty, in the end such analyses cannot immediately be confronted with the Government's assessment and information and hardly serve as a basis for dialogue between Government and CS on PRSP/PARPA implementation.

While the Grupo20 in the capital can be see as filling the gap of information sharing and facilitate consultation for the civil society organisation in the issues of PO and Budget process. Some people believe that the ladder also shows the potential to reach more significant levels of participation, moving up to the higher rungs to citizen power but the low public interest linked with very few numbers of civil society organisations working on policy level of development is not encouraging. The weak public interest on budget issues is also due the fact the majority of the workers are in the informal sector and their income is not reflected in the budget.

The Mozambican CSOs has not so far developed an approach to monitor and evaluate the aid targets and indicators based on PRSP/PARPA, Paris Declaration, Monterrey Consensus, and LDC Plan of Action. The update on an annual basis through the PES process and agreed through cross-governmental dialogue is a Government and donor's issues were the CSOs have no significant space yet. And CSOs observes as smooth as a millpond, each year the signatories - Government and its cooperation partners - attach the agreed PAF (performance assesement framework) to their Memorandum of Understanding approved at the end of the annual Joint Review.

Macroeconomic stability and IMF

Mozambique was one of the countries that most benefited by the HIPC initiative. In 1998 its debt was reduced from US\$5,6bn to a sensible US\$1,3bn. The debt-exports ratio was estimated at 200 to 220 percent in order for the initiative to provide a way-out for the country. The immediate results achieved were satisfactory. Between 1996 and 2000 the annual inflation rate went down from 47 to 2 percent and the Gross National Product grew on average 10 percent per annum.

The implementation of disciplined macroeconomic measures has contributed to macroeconomic stability in Mozambique. However, the macroeconomic environment remains weak. A number of factors contribute, including low resources endowment, party interest, inappropriate macroeconomic policies and narrow export base with volatile terms of trade combine to undermine macroeconomic stability.

The IMF balance of payment control in Mozambique has consistently tried to impose firm caps on government spending. According to the agreement the government wage bill mostly made up of teachers and health workers, should not exceed 7 percent of GDP. IMF also made clear that it wanted to reduce primary deficit (which is, in effect, the deficit before aid is taken into account), which would limit the amount of budget support, part of which could be used to finance recurrent expenditure such as salaries. This caused disquiet in both GoM and the donor community. The wage cap meant that it was impossible to hire the additional teachers and nurses necessary to meet the MDG, and donors were anxious to increase GBS.

The first challenge came in January 2005, when one of Guebuza's first actions was to authorise the hiring of an additional 10,000 teachers, clearly breaking the cap. At first, the IMF kept quiet, then they said that it had underestimated GDP and since the cap is a percentage of GDP, the extra teachers were okay. In negotiations in September 2005, the IMF loosened the wage cap further to 7.5 percent. And as the implications of a cap on primary deficit became clear, the IMF said that it had never intended to cap aid, and that the extra budget support would be acceptable. Eventually, both caps were entirely removed, and a focus on net domestic financing was introduced instead.

Policy space and ownership

The dimensions of relations between CSOs from the north and the Mozambican CSOs are a concern. The relations that the NGOs from the north establish with the state their articulation with the south are essentially different from those in the south. Funding, facilities and, in some cases, diplomatic status, although facilitating the concretisation of their activities, place them in a situation of dependency on the agendas of their states; and these dependencies can be easily replicated by their related organisation in the south, if these ones are not strong enough. International NGOs operating in Mozambique are starting to implement policy projects, which is a clear invasion and occupation of the Mozambican CSOs national space. In addition the

development agencies are not showing the will to support national organization active in development policies.

The PRSP/PARPA II prioritised objectives to reinforce the sovereignty and the international cooperation the objective can only be fulfilled if there is national policy space to develop a national development policy. There is a need of support to articulate national sovereign equality, self determination, right to development. National policy space should be seen as freedom of development choices. These are principles and concepts that are essential to the creation of a fair, just, equitable, sustainable and rule based global economics order based on a capable of meeting the development needs and aspirations of all peoples. National and international policies including aid effectiveness should be designed in a mutually supportive way that does not overly restrict national policy space. In order to address this broad question of policy coherence, a conceptual overview of how national constraints manifest is needed.

Access to development enhancing policy options varies considerably among countries due to their own national policy constraints. These constraints result from inadequate financial, human, institutional and infrastructural resources needed to implement desirable development objectives. Financial and infrastructure constraints are prevalent in Mozambique with debt servicing requirements that leave limited funds available for government expenditures and civil society initiatives. Furthermore, in Mozambique, human and institutional resources remain insufficient to satisfy policy implementation, monitoring and assessment requirements for development

Policy space is about freedom of choice and to be supported. It is about the freedom to choose the best cocktail of policies possible for achieving sustainable and equitable economic development given the unique and individual social, political, economic, and environmental conditions.

Conclusions

The present overview of the relationship between Mozambique and its donors presented central question is the current international discourse on 'ownership' and 'sovereignty' in aid relationships. And Mozambique is a case in which the expression of national sovereignty has been very much a contested issue, undermined at different times both by external actors and by internal political dynamics.

For instance, as an integral part of the AU's New Partnership for Africa's Development (NEPAD), the African Peer Review Mechanism (APRM) aims to foster the adoption of policies, standards and practices that lead to political stability, high economic, sustainable development and accelerated sub regional and continual economic integration. This is to be done through sharing of experiences and reinforcement of best practices, while identifying deficiencies and assessing the needs of capacity building in the areas of governance and socioeconomic development. It is believed that as a regional mechanism, APRM will encourage the emergence of sound national institutions and promote economic development by improving political, economic, and corporate governance.

But, in this era of increasing global governance, Mozambican government must actively seek to secure a maximum of benefits in global instruments such as Paris Declaration, Monterrey Consensus, LDC Plan of Action while at the same time maintaining as much policy space as possible in order to adopt, and adapt as needed, domestic policies that best serve national interests. Strategies to achieve these often conflicting objectives underlie national flexibility under multilateral instruments is not a simple exercise because global governance necessarily limits what states can and cannot do, sometimes in draconian ways. It is a complex process, simultaneously affecting interactions between countries across various institutional domains in ways that challenge concepts of national sovereignty and autonomy.

According to J. Hanlon and P. Renzio, there is number of reasons which have characterised Mozambique's weak capacity to set the terms of the aid relationship over the years:

Firstly, in a number of occasions, donors have been very inflexible in their imposition of specific policy prescriptions, creating an environment where the questioning of the predominant development paradigm is seen as losing strategy for an aid-dependent country, which needs to keep aid resources flowing into the economy.

Secondly, Frelimo's internal political dynamics, with the coexistence of a 'state capture' group alongside a more progressive wing, and with the importance given to party unity, have stifled its capacity to present a unified position vis-à-vis the donor community, especially on difficult policy areas which might have led to an internal split.

Finally, over-stretched bureaucratic capacity dealing with a complex and fragmented set of aid interventions has meant that government often devotes more time and attention to the process of managing aid, rather than to the content of the policy dialogue and to the internal debates which could lead to the development of a coherent policy position to be confronted with that proposed by donors.

While Mozambique need the donor support to secure aid resources flowing into the country and the western world dominated by the pro market thinking need to show a example of success, one do believe that the GoM can exercise a certain kind degree of ownership and sovereignty in aid relationships and in overall development processes. But Mozambique needs urgently its own and home rooted national development policy.

Concluding remarks:

The budget support has partial re shaped the relations among the government institutions and in case of Mozambique the Ministry of Plan and Development has gain much power among other ministries, given the fact of the existing des coordination and competition among the government institutions this situation cannot be sees as a optimal one as the most needed should be the shared responsibilities;

The government policy space has reduce as budget support is new space for dialogue with the donors, were the level of scrutiny and conditional ties has increased;

The process of budget support excludes the CSOs and Parliament. And there is a need to set up a strategic engagement approach on GBS in Mozambique if the Grupo20 is to become the hub for such engagement with the GoM must include shared responsibility on partnership, lobby, negotiation; and

As the majority of workers are in informal sector their income cannot be easily traced in the budget then the aid effectiveness in future can become a issue for the NGOs but beyond this level. This is linked with a clear need to reform the current global paradigm were the financial logic has become more important than the productive logic.

Finally, to exercise ownership in budget processes CSOs need to built new structures or strengthen existing ones were sovereignty issues, citizenship and rights are articulated in interface of the dominant economic paradigm.

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