

# MOZAMBIQUE 134

## GOVERNMENT STANDS UP TO DONORS

### BUT IS CORRUPTION THE RIGHT PLACE TO STAND AND FIGHT?

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News reports & clippings no. 134 from Joseph Hanlon

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Three files attached:

+ pdf of this mailing, with colour and formatting

+ full English and Portuguese articles

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## Government confronts donors - but has it chosen the right ground for a fight?

Government is publicly standing up to donors in an action that is both controversial and somewhat surprising in its timing. Sweden and Switzerland in May both announced small cuts in budget support to protest against lack of government action on corruption, and both President Armando Guebuza and Planning and Development Minister Aiuba Cuereneia in mid-August said that the government would use its own revenues to fill the gap.

The issue has triggered a debate. In a long article in *Noticias*, Elisio Macamo argued that “the impunity of corrupt people does not seem to me a plausible reason to reduce support to Mozambique”. In any case, the government is taking substantial anti-corruption action, he wrote.

The independent weekly *Savana* dismisses Macamo as “the official sociologist writing in the official morning newspaper”, and argues that these donor demands reflect demands being made by civil society. Writing in *Savana*, Marcelo Mosse, director of CIP, the Public Integrity Centre, dismisses the government’s Anti-Corruption Commission as an “authentic bluff”.

Both sides actually applaud the government for finally standing up to donors. Macamo complains that “government is more accountable to donors than its own electorate”, and writes: “Sweden and the President have launched a great challenge to us all. We should not be afraid of independence!” *Savana* writes: “In the first instance, the government owes its loyalty to the Mozambican people, who showed their confidence by voting for them.”

But there is real disquiet on the choice of issue on which to take a stand. This is only the second time that the government has taken a public stand against donors. Last year, the European Union made its funding of the elections conditional on Mozambique allowing a level of transparency in the electoral process that is normal in most democracies. Government responded, in effect, that in order to keep the right to change the final results in secret, it would rather pay for its own elections. This year donors are, in effect, reducing budget support because government seems unwilling to

prosecute a few senior people in Frelimo for robbing Banco Austral a decade ago, and government responds that taxpayers will pay to protect the impunity of those people.

In his article, Marcelo Mosse says government should take a stand, but not on these issues. “The central question in this debate is not the slowness of governance reforms, but the absence of any vision or strategy in relation to development options. ... Even worse, the government does not even understand the need for a minimum of questioning of the dominant development paradigm of the western donors and the nature of the reforms they have locked us into.”

Macamo agrees. The only countries that develop are those that find their own path. Mozambique probably has oil and may need less donor money, but “oil without our own ideas will not help.” Mozambique needs to “regain our independence and abandon the pernicious ideas of the development industry”, and abandon targets defined by UN agencies and imposed by “international bureaucrats impervious to our control.”

Attached are two files of the relevant English and Portuguese articles, including the Macamo and *Savana* articles. Below are further notes on the history of the issue (and the surprising and apparently accidental timing), as well as more detail on the views of both sides.

## Responding to two years of donor pressure

The public standing up to the donors seems to have come almost by accident, with ministers and the President finally responding to more than two years of donor pressure. Corruption has been a growing issue on the donor side, with donors arguing that the justice sector was being kept weak and politically influenced. The government agreed a range of governance conditions with the G19 budget support group, but year after year these were not met.

The failure of government to prosecute anyone for the looting of Banco Austral in the late 1990s or the murder of the interim head of the bank, Siba-Siba Macuacua, in 2001, took on a growing symbolic importance. It was argued that there was prima facie evidence of the violation of corporate and banking law by important people in Frelimo, and that investigations were being blocked. Nordic donors finally forced a forensic audit of Banco Austral and then stepped up pressure to force the government to use the results of the audit to investigate the fraud and murder.

Last year, two donors – Denmark and the World Bank – announced that because of governance concerns, they were reducing direct budget support. In the joint review in May this year, government was again seen to be failing to meet its agreed conditions. Speaking to *Savana* more recently, Giorgino Dhima of Swiss Cooperation said “we are not satisfied with government’s performance on governance, in general, and combating corruption in particular. We sincerely believe that government is failing to fulfil its promises.” And he stressed that “what is preoccupying is that these targets and indicators have been defined jointly [with government], and not unilaterally [imposed by donors].”

Some donors actually thought government was thumbing its nose at them. Dhima cites “chronic delays” by government in presenting reports on governance. For example, information on Banco Austral was finally presented only on the penultimate day of joint donor-government discussions.

So on 22 May, when donors presented the budget support plans for 2009, G19 chair Frank Sheridan said budget support was not being increased, with money instead going to projects. This is due to “serious disquiet about performance in the area of governance, particularly the lack of substantive indications of progress in the fight against corruption”. Sheridan warned that “these concerns about governance have been growing in recent years, and could have a long term influence if we do not find ways together of making tangible progress”.

Two donors, Sweden and Switzerland, announced an actual reduction in budget support, and Norway said a planned increase would be postponed. Denmark and the World Bank had cut the previous year and maintained that lower level. Of the remaining 14 donors, 10 kept their 2009 budget support at 2008 levels. But four (Austria, Germany, Ireland and Spain) announced an increase. And Dhima stressed that the 6% Swiss cut was “symbolic”. (Actual values are confusing because of rapidly changing exchange rates. Cuts were expressed in donors’ own currency, but Mozambique accounts aid in dollars, so cuts were cancelled out by the falling value of the dollar against the Euro and other currencies.)

None of this is new. It is all published on the G19 website: <http://www.pap.org.mz/>. It was also reported here in Newsletter 130.

Then on 18 July *Savana* reported an interview with the Swedish ambassador Torvald Akesson in which he mentioned the cut. In an interview on 23 July an annoyed Planning and Development Minister Aiuba Cuereneia said the Mozambican government had received no formal notification from Sweden that it intends to reduce Swedish support to the Mozambican budget: “We still haven’t received any communication from Sweden. We haven’t received information that they are going to reduce support to the budget for the reasons cited of lack of government transparency and corruption”. He then summoned the G19 donors for an urgent meeting.

But AIM and *Noticias* both pointed out the 22 May statement, and ministry staff also seem to have noticed, so the donor meeting was not the angry confrontation expected. Nonetheless, the issue was finally raised in the Council of Ministers in early August, which appears to have led to the belated decision to publicly stand up to the donors.

## **Incoherent and hypocritical donors, or greedy elites?**

In his *Noticias* article, Elisio Macamo called the donor approach “incoherent” – in May four increased budget support and two reduced it – “what message does that send to government?” He goes on to argue that there have been “significant advances” both in the control of public spending and in introducing regulations to ensure that the Banco Austral fraud is not repeated.

(Also in recent weeks, the government has announced that 2000 civil servants had been expelled, and the Attorney General’s office has begun interviewing witnesses on the Banco Austral case.)

Macamo argues it is exactly World Bank, IMF and donor capacity building which has improved government financial administration and audit capacity. Macamo goes on to cite the labour minister’s very public report of fraud in the social security administration as an example of a new attitude in government.

He goes on to stress that the judicial process is working and no court has yet pronounced on the Banco Austral case, and therefore the presumption of innocence must apply. He accuses the donors of wanting to go back to the era of “revolutionary tribunals” in which people are convicted just because donors are “certain” they are guilty.

Next, he argues that the Swedish decision has nothing to do with Mozambique, but rather that corruption is a “pretext” of a new conservative government looking for excuses to cut aid.

And he attacks the whole “development industry” and its “army of professionals” whose “understanding is always based on simple formulas” – in particular that “it is corruption that impedes development in Mozambique”. At the least, he says, donors are being “hypocritical”.

Although Macamo opposes the aid cut, he agrees with the critics on the failure of the Attorney General’s office (Procuraduria-Geral) to process cases quickly enough. He also cites the lack of transparency in terms of conflict of interest between government and the private sector.

For *Savana*, these are not small remaining problems, but central issues. Senior government figures take decisions on issues in which they have a financial interest and "dedicate a considerable part of their time" to their business dealings instead of their government responsibilities.

Far from accepting that there has been progress on corruption, *Savana* notes that of 350 cases registered by the Central Office to Combat Corruption (Gabinete Central de Combate a Corrupção), none has moved forward. Writing in *Savana*, Marcelo Mosse claims that the anti-corruption strategy "has had no effect".

Mosse cites the failure to control the traffic police. Indeed, *Savana's* humour supplement *Sacana* recently ran a cartoon of a traffic policeman reaching into the window of a stopped car and saying to his colleague "this is my ATM" [cash machine].

Mosse continues that Mozambique has signed a range of international anti-corruption conventions, but these are irrelevant because of the restrictive definition of "corruption" in Mozambican law. Most importantly, misusing state money is not "corruption" and is not dealt with by the anti-corruption office, because it is "theft" and thus already illegal under other laws.

"Questions of governance in Mozambique touch on many sensitive aspects (conflict of interest and political patronage) of the survival and reproduction of political elites", Mosse notes. And he wonders if they may now feel they can end the "marriage of convenience" with the donors because of the prospects of money from China and oil.

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