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## Mozambique: Breaking new grounds

*Richard Gerster\**

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“Welcome to the Directorate of studies and Policy Analysis! A think tank within Government.” This greeting is presented not without pride on the respective website of Mozambique’s Ministry of Planning and Development. The direct access to policy makers as well as the high quality of DNEAP’s work make the institution an influential corridor of power when it comes to broad economic issues of national interest, such as the fight against poverty, fiscal policy, inflation, world trade or decentralisation. The institute owes its existence to the International Monetary Fund (IMF).



*Employees of the think tank DNEAP are writing important research contributions dealing with economic policy in Mozambique.*

On the occasion of a programme evaluation in 1996 the IMF found that Mozambique did not meet its economic aims. As a consequence support to Mozambique should be discontinued (“off-track”). Those bilateral donors which were represented in Maputo fought against this verdict referring to the recent civil war and demanded a waiver for unmet requirements. The government itself realised that it did not dispose of the knowledge needed for a contentual debate with the IMF and to propose alternatives. The donors invited the world-famous economist Jeffrey Sachs (Harvard University) to present his differing view of the situation. As a consequence the IMF revised its rigorous position. The govern-

ment founded an internal research cabinet (GEST) and asked the donors for support in order to develop its own capacities for economic analysis and research. Switzerland responded to the call and offered to co-finance GEST’s development through Harvard together with Sweden and Norway. Over the years the research cabinet developed into the think tank DNEAP whose Swiss support will be phased out in 2010.

### ***Budget support as platform for dialogue***

A group of 19 countries – again including Switzerland – and international organisations contribute 448 million US dollars (500 mio CHF, 2008), some 15.6 percent, to Mozambique’s national budget. Other projects and programmes in key areas complement this budget support which is not a blank check but combined with a performance assessment framework measuring the aims and reforms the government has set out to achieve. At the same time the aims and measures defined in this framework are the basis for the annual policy dialogue which takes place at various levels throughout the year. “Budget support is a unique platform for dialogue. Without it the Swiss government would never ever have such privileged access to the government”, summarises Thomas Litscher, Switzerland’s Ambassador in Mozambique, his experiences.

Cooperation is made easier if donors agree on whether the government has met its commitments or not. If donors harmonise their conditions it eases the administrative burden for all parties involved. Should the donors also speak with one voice when it comes to economic recommendations? For example, whether the provision of electricity should be privatised or remain in the hands of the state? If donors are committed to democracy and a multi-party system, it should not be considered a virtue to unify

varying political ideas within their own ranks. Mozambique's former president Joaquim Chissano once said at an event, that he considers budget support to be the best method of aligning aid with the partner country's priorities. He added, however, that "the donors' common voice often becomes a common front in an unbalanced power relationship that may have dire consequences." Similarly, Carlos Castel-Branco of the independent think tank IESE praises pluralism: "The decisive point is that donors do not impose their ideas on the partner country. If they have differing opinions on how to achieve a certain aim this leaves more room to the government."

Usually all the parties involved can agree effortlessly on the road to be taken. However, recently there were several instances with far-ranging disagreements: The government of Mozambique, for example, fought against a cutback of customs duty which protected the domestic processing of cashew nuts and the sugar production. From the donors' point of view the alternative, namely agricultural subsidies, was taboo – even though they themselves protect their agricultural production. A long course

of back and forth, caused above all by the World Bank, ruined the national cashew production which afterwards had to be rebuilt. Another controversy concerned the construction of a state development bank which was and most likely still is favoured by the government. On the donors' side, however, scepticism is prevailing since financial services are considered to be primarily a responsibility of the private sector. With their surprising initiative to annually transfer 260'000 dollars (7 mio Meticaís) to each district starting in 2007, the government caused mini para-banks to blossom in all 128 districts.

### ***The risk of a shadow cabinet***

There is a real risk that some donors consider themselves to be a "parallel or shadow government", says Carlos Castel-Branco of IESE. He continues: "They tend to become too involved in management, decision making and policy development. Some donors are still measuring progress (or lack of it) as a function of the government's implementation of policy priorities developed or suggested by donors, irrespective of their adequacy and of the en-



*There were enormous differences in opinion between the government and some donors when it came to the local processing of cashew nuts.*

dogenous policy debate. The perception that large donors or international financial institutions, such as the World Bank and the IMF, can provide the capacity for policy development, analysis and monitoring and that the recipient government needs little more than managerial and procurement capacities to implement such policies, is still present and strong with some donors.” That is how donors’ strengths can turn into weaknesses and vice versa.

Between 1997 and 2002, the research cabinet GEST benefited from the support from Harvard mentioned at the beginning. The Harvard people produced numerous studies but, contrary to the made agreements, carelessly neglected the education and training of young Mozambican economists. Three years without any foreign support followed the Harvard area, because the government first wanted to give account for its current and future needs. Finally GEST received more local staff from the government’s side. “A strong ownership by the government can compensate for weaknesses on the donors’ side”, was the assessment of a retrospective evaluation. Today, external professional support is provided tailored to the DNEAP’s needs.

The lead is with the University of Copenhagen which coordinates an international consortium made up of academic institutions from Great Britain, the Netherlands, the USA and Sweden.

### ***The benefit of diversity***

Strengthening local capacities is a paramount accompanying measure of budget support. Switzerland contributed considerably to the development of governmental as well as non-governmental institutions. When choosing its partners and instruments, Switzerland always attended to diversity:

- DNEAP has been a partner for Switzerland since its foundation. Today, the think tank has become an important voice in economic policy and is, among others, in charge of development, growth and poverty reduction strategies.
- When developing Mozambique’s own revenue authority, Switzerland contributed on several levels and played a distinctive role (see separate article).
- In their effort towards autonomous administration a number of municipalities and districts in Nampula province re-



*If all things achieved are not to be eroded like sand at the sea, new grounds will have to be broken.*



ceived financial as well as practical and theoretical support from Switzerland and other donors for several years.

- Support for the Mozambican Association for Development of Democracy (AMODE), the Centre for Public Integrity (CIP), the Mozambican Debt Group (GMD), and the Human Rights League (LDH) aims at strengthening civil society in their task of observing the government's work and demanding the fulfilment of its promises.
- The contribution to the Institute for Social and Economic Studies (IESE) aims at strengthening independent development research, the political participation and governance. Ireland, Denmark, Norway, Great Britain and Switzerland contribute financially to its programme.

There is unanimous agreement when it comes to the significance of increased local capacities for analysis in view of alternative economic policies ("policy space"). "If capacities are enlarged to try new approaches, the partners will be more critical when it comes to unseeingly adopting the donors' recipes", says Markus Dürst, head of Swiss development cooperation in Mozambique. In other words: it is all about the shadow cabinet. Antonio Cruz, DNEAP's Director in the Ministry of Finance, ex-

presses it positively: "If Mozambique not only disposes of more financial resources but also capacities to elaborate various political possibilities and to choose among them, the diversity is directly relevant for development."



*The new paths should contribute to the improvement of basic services for the population.*

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