

# MOZAMBIQUE 130

## FOOD AND FERTILISER

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SIBA-SIBA & BANCO AUSTRAL  
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This is an irregular service of news summaries, mainly based on recent AIM and Noticias reports.

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## FOOD, FERTILISER AND A GREEN REVOLUTION

### ADB & MOZAMBIQUE BACK FARM SUBSIDIES

"You can't manage agriculture commercially without subsidies", said Mozambique's Planning and Development Minister Aiuba Cuereneia. "This used to be taboo, but now it is being accepted. We are now seeing international organisations talking about subsidizing agriculture."

Cuereneia is chair of the African Development Bank (ADB) Board of Governors, and he was speaking at a press conference in Maputo on 16 May after the ADB approved the African Fertiliser Facility to make subsidised fertilizer available to farmers. He said the decision was not unanimous. The United States was opposed to the fertilizer facility, "but the Board of Directors voted for it".

ADB President Donald Kaberuka said African agriculture used to suffer from low producer prices, and farmers had little incentive to produce. Now, with the sharp rise in grain prices internationally, there were incentives -- but fertilizer prices had also soared, so "there must be some degree of fertilizer subsidy". Such subsidies should be "market-smart" and targeted, and they would require support from international institutions. He recognised that "fertilizers are not enough. If there is no road, you will produce tomatoes, but they will rot. For markets to operate, the infrastructures must be working -- the roads and the irrigation systems -- this will prevent the crops from rotting before they reach market".

But speaking to parliament on 7 May, Agriculture Minister Soares Nhaca made no mention of fertiliser subsidies. Instead, he said the government was promoting large scale imports of fertilizer which should reduce the price paid by farmers. The longer term solution, he claimed, is to attract private investors willing to set up fertilizer factories in Mozambique.

## **ADB CALLS FOR BIGGER STATE ROLE IN AGRICULTURE**

For successful green revolutions in Africa, private investment is not enough, and the state must play a key role, said ADB President Kaberuka at the opening of the meeting on 14 May. In order to reverse agricultural decline in Africa, there must be both "crowding in of more private investment and a greater role for the state".

Private investors need infrastructure, input and product markets that function, research institutions that deliver and policies that are stable. Only the State is well equipped to provide these, he said. That meant that governments must empower their Agriculture Ministries. In a clear attack on previous policies of the World Bank and the IMF, Kaberuka remarked "in the years of structural adjustment, it seems a lot of capacity in this sector (agriculture) was cut to the minimum".

## **COULD MALAWI FERTILIZER SUBSIDY BE A MODEL FOR MOZAMBIQUE?**

Fertiliser subsidies, introduced over the fierce opposition of donors, have turned Malawi from being a maize importer to being an exporter. Could the programme be a model for Mozambique, where fertiliser use and productivity is very low?

Malawi has a history of fertiliser subsidies, which were withdrawn under donor pressure leading to a fall in production and hunger in 1987 and 1997, leading to a reintroduction of subsidies both times. A further donor-imposed cutback in subsidies again led to famine in 2002. In the 2004 elections all parties called for the reintroduction of fertiliser subsidies but donors said they would block debt cancellation if fertiliser subsidies were reintroduced.

In 2005, the new President Bingu wa Mutharika, introduced the Agricultural Input Subsidy Programme -- in what one study said was "in the face of fierce opposition from donors". The subsidy was paid entirely by government, and led to a record maize harvest in 2006 of 2.6 million tonnes, meeting all national needs. The cost of fertiliser subsidies was only half the cost of food imports the previous year.

This led DfID (UK Department for International Development) to switch sides and support the programme, in exchange for increased involvement of private traders in supplying fertiliser. The World Bank and USAID continue to strongly oppose the programme. But production has continued high, and Malawi exported maize to Mozambique and Zimbabwe in 2007 and again this year.

The scheme is based on vouchers which allow the purchase of two 50kg bags of fertiliser at one-quarter the normal price and a bag of improved seed at a subsidised

price. Vouchers go to half of Malawi's farmers - they must be poor but still have farms and enough money to buy at the subsidised price (so the very poorest are excluded).

The best report on the programme is "Planting ideas: How agriculture subsidies are working in Malawi" from the Africa Research Institute in London. The full report is not on the web, but summaries are on <http://www.africaresearchinstitute.org/>  
DfID has produced a very positive report on the programme:  
<http://www.dfid.gov.uk/casestudies/files/africa%5Cmalawi-harvest.asp>

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## **DONOR-GOVERNMENT JOINT REVIEW**

### **DONORS SAY POOR DO NOT GAIN FROM GROWTH**

"Although the tendency for poverty reduction continues, there are also perceptions and clear indications of an ever growing gulf between the privileged and the poorest," Norwegian ambassador Thorbjorn Gaustadsaether, outgoing head of the G19 donor budget support group, said at the closing ceremony of the Joint Review on 30 April. He added that various factors, notably the lack of jobs, meant that "the least favoured members of society have not benefited from the country's economic growth." The riots in Maputo on 5 February "remind us of the need to create greater equity in society".

The incoming G19 chair, Irish ambassador Frank Sheridan, said "it seems to me that many of the poorest are struggling just to maintain their present standard of living, or are even falling back, while the most prosperous are benefiting disproportionately". He warned that failure to deal with problems of inequality could lead to "social tension and subsequent political failure", and thus he wanted to see "greater stress on economic growth that benefits the poorest."

Sheridan talked of "contradictory signals" on the effect of economic growth, which seems a polite way of saying donors no longer accept government's claim to be dramatically reducing poverty. This is a radical change; previously the donors heaped praise on the government for reducing poverty. But the joint donor-government aide memoire makes clear that the 2007 rural income survey (TIA, Trabalho de Inquérito Agrícola) "is not encouraging, showing a decline in family production and marketing".

### **CORRUPTION MEANS NO INCREASE IN BUDGET SUPPORT**

Budget support is not being increased and money going to projects and programmes is not being converted into budget support, said G19 chair Frank Sheridan at the 22 May ceremony to announce 2009 aid by the budget support donors. 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”.

The rapid devaluation of the US dollar hides the refusal to increase budget support. Most budget support donors give aid in Euros or other European currencies which have appreciated considerably against the dollar over the past year. Thus Swedish and Swiss budget support decreased in Swiss francs and Swedish crowns, but increased in dollars. Total budget support increased, from \$384 mn in 2008 to \$445 promised for 2009. In Euros, however, it remained constant, as 280 million Euros.

Four of the G-19 (Austria, Germany, Ireland and Spain) are increasing their budget support over the 2008 level, when the sums are expressed in Euros rather than dollars. 13 of the group are keeping their support at much the same level as in 2008. The largest pledges to the 2009 budget come from Britain (\$82 million), the World Bank (\$70 million), and the European Commission (\$67 million).

In addition, \$329 million is promised for sector programmes and common funds (such as PROAGRI in Agriculture and PROSAUDE in Health). This is a real increase on the \$241 million promised for 2008. In Euros, there is an increase, from €176 million to €210 million.

"All donors -- and indeed citizens of the country -- remain preoccupied" with continued governance problems, as well as with a perceived lack of seriousness on the part of government leading to a report to the joint review only at the last minute, said Sheridan.

Anti-corruption laws, plans and strategies exist, but they are not being implemented. The result is a continued "idea of impunity" warned Gaustadsaether. He went on to say that the "lack of transparency not only creates the space for conflicts of interest between public office and commercial interest – but also spreads perceptions of corruption in Mozambican society."

According to the joint aide-memoire, the donors urged the government “to show greater effort in the fight against corruption”. Donors were particularly concerned that statistics showed that not a single case of corruption has yet been judged in the courts.

## **DONORS CITE INACTION ON SIBA-SIBA & AUSTRAL**

A touchstone for donors has been the failure to bring prosecutions over the looting of Banco Austral by people high in Frelimo in the late 1990s and then the assassination of Bank of Mozambique head of banking supervision Antonio Siba-Siba Macuacua, who introduced a vigorous loan recovery programme but on 11 August 2001 was murdered and his body thrown down the stairwell at Austral headquarters.

Under donor pressure, the government ordered a forensic audit of Austral by an international law firm. Although that audit was completed in 2006, nothing has happened. The results of the audit have not been made public, and nobody has been arrested for fraud or malfeasance. Nor has anyone been arrested for the murder of Siba-Siba. "The lack of progress in criminal investigations following up the forensic

audit of Banco Austral remains a recurrent preoccupation of the partners," Gaustadsaether said.

On Friday 25 April, Siba-Siba's widow, Aquina Manjate, took out a half page advertisement in the daily "Noticias" to appeal to the government and the donors to put the murder on their agenda. She says that Siba-Siba's family, and the Mozambican public, "are still waiting for justice to be done". The forensic audit "provided important data for bringing criminal charges in relation to the ruinous management of the bank, and clues that could lead to solving the crime. ... But the investigation is happening at a very slow pace -- if indeed, any investigation at all is taking place." She concludes by noting that "the concerns of the government and the donors are only to do with recovering the non-performing loans. They completely ignore the investigation into the murder".

In a statement to parliament on 30 April, Attorney-General Augusto Paulino said his office is taking seriously the assassination Siba-Siba. He said that he has set up a team, headed by a prosecutor, which is dealing exclusively with the Siba-Siba murder and the associated looting of Austral.

## **ADMINISTERING AID LEAVES TOO LITTLE TIME FOR REAL WORK**

Donors are failing to keep their promises and failing to reduce the workload for the government, the donors themselves admit. For example, the budget support donors sent 191 missions to Mozambique in 2007 -- meaning one arrived nearly every working day -- and totally failed to keep their pledge to reduce missions to 140. They also failed to cooperate more on technical assistance.

In an unusually angry comment, Mozambique's Planning and Development Minister Aiuba Cuereneia on 30 April said "we must mention, as we have in every joint review, the need to reduce the administrative burden of foreign aid, including the duration of joint and semi-annual reviews, which continue to be very long and complex, absorbing too much work time of senior members of the government and partners."

Cuereneia notes that the memorandum of understanding between budget support donors and government runs out in April 2009 and that a new one is being negotiated. "The new memorandum must find new ways of functioning that turn this into a short and swift process, in order to rationalise the time spent and allow us to spend more time on implementing our programme."

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The 19 countries and agencies in the budget support group are known as the "Programme Aid Partners", or the G-19. The group includes the World Bank, the African Development Bank, the European Commission, most EU member states, Canada, Norway and Switzerland. The United States and Japan are not members. The G19 has an **excellent website** with all PAP documents (including donor pledges and payments) as well as useful government documents including the plan and budget:

<http://www.pap.org.mz/>