RAKG

Trip Reports R.H. Green

Mozambique November and December 1989
Tanzania November 1989

Mozambique

Mozambique is a very exciting place to work again. The resources to do something and the security to begin to move back into rural areas exist; the leadership is open to new ideas; the decision taking process is remarkably rapid.

The downside is that the resource levels are fragile (Emergencia at $350 million a year cannot last - donor "emergency weariness" is settling down -); the security looks worse to donors than it is because "more bang for bucks" principle has targeted it on rural Maputo and the power line to Maputo both very visible (or invisible in a way, i.e. power cuts) to outsiders; the technical ideas politicians are basically 3 (Prime Minister Mario Graca da Machunga, Finance Minister Abdul Magid Osman, Vice Minister For Health and Chairman SDA Commission Dr. Igreja Campos) and the speed of putting programmes from a decision into working order can be glacial. (e.g. in late 1988 on basis 2 Urban Income-Expenditure - Nutrition surveys and some related memos, including 2 of mine, Finance proposed and PM/Ministers agreed to change minimum wage boost from 30% to 50% in October payable November. In January Labour senior officials still not clear on what level was; took until March before everyone was paying).

My role is ideas articulation and analysis coordination adviser to Magid Osman and sometimes Igreja Campos so they can begin to get articulated strategies and programmes to present in enough detail not to have donors hijack them! We cannot avoid donor fuelled rehabilitation (over 40% of recurrent and 100% of capital budget are 'donor' funded) but we can try to avoid a fully donor driven situation. (Bank is an ally on that - partly because it isn't keen on some donors' ideas. They do not have quite the same 'hit list' as Mozambique.)

Strategic principles, panache, diplomacy and bluff have taken Mozambique a long way since 1986. No other SAP I know of says reflating domestic demand and raising gainful employment/self employment are central. (That's '86 statement well ahead of Bank 'enthusiasm' for SDA.) $1,300 million (emergency

- regular - debt relief say, 350-700-300) is perhaps not quite achieved in hard pledges but nobody blinks at the claim (pretty well documented) and most gets put up. Movement contains - Bank SDA team (with Mozambique's and my encouragement) put up $8mn and, 3 years for data, planning, 2 to 4 pilots because it agreed Mozambique thrust to get recurrent budget, "emergencia" turned into rehabilitation of livelihoods (5.5 million deslocados/affectados/ 1.25 million potential retournados from exile - 2 to 3 million often burnt out' or 7.75 to 9.75 million of 16 million total destitute or near destitute because of war) with SDA providing ideas and tests not minor odd SDA projects. Predictably (with Mozambique encouragement) donors blew up at Paris (November) pledging Conference. Demanded more than $8 million and some substantive programmes. So PM, MF could offer:

a. recasting investment toward job creation;

b. recasting emergency into livelihood rehabilitation and putting non survival food elements back into national government (that was also a domestic front win - emergency committee and agency vested interests were not happy);

c. specific health and less specific education and agriculture rehabilitation proposals;

d. 40 (of 130) rural districts priority rehabilitation programme;

e. food subsidy on self targeting, inferior staple (yellow maize);

f. food security supplements to low wage large households and three non-wage urban absolute poverty categories (female, disabled and aged headed households).

The January 1989 Poverty in Mozambique study (Bank financed for data collection by 10 to 12 seminar Mozambicans part time while serving seminar officials and UNICEF financed for putting together and analysing as to policy implementation) was impetus for most of above. It was promptly discussed by Council of Ministers and Central Committee at length. Weakness is nobody had both time and ability to revise so published in Portugese by PM's office as original consultancy report with author (RHG) name so Mozambique can hand out to show how ideas go but deny any detail if it wants. (Actually rather shrewd but reason is lack of personnel not cunning.)

The problem is that only e and f are adequately articulated and have existing institutional vehicles to operate. The 40 district strategy has fairly articulated principles (and is shifting to a programme - e.g. restored commercial network, seeds, restored health posts - not a project approach) and 40 useful (incomplete) district background studies (by Mozambican consultants). But between it is very vague (PM's working paper in Paris was a consultancy set of notes to the Priority District Programme Working Party). In services Health and Water know where to go as - with a bit of help - does Works (who actually build things). Education has begun to think (before it modelled aggregatively do didn't notice its stable overall enrollment meant 30 to 50% fall rural areas of at least 2 provinces over 89-93! In fairness 2 Bank Missions didn't spot it either - an Education Sector and Public Expenditure Review one. But once spotted and reported PM and Minister Ed have acted to start redoing and Bank accepts error and is re-running model.) Transport has no clue in roads below trunk highways and Commerce has lost a perfectly sensible starting point study on how to get private rural commercial network functioning. Danger is delay and over piloting - bank wants 4 districts a year for 10 years or - I suppose - all 130 in 2022! I am trying with some success to sell 10-25-40 sequence.

Personnel are a real, a horribly real, obstacle. Portugal left very little; the educational system has been war devastated; 10 (11 counting Cidade do Maputo) quasi Federal Provinces eat up talent (whatever their other advantages); even 1/2 time on job training (e.g. all 22 degree holders in Finance including all of top 10 civil servants are on Open University MA course in the mornings) does reduce immediate output; below top 1 or 2 in a national directorate and top 1 in a provincial one quality is very uncertain and training pretty certain to be totally inadequate. This means rethink on uses of expatriates (by Mozambique) and on provision of ta (by outsiders):

a. a handfull of strategy policy advisers who know Africa, preferably Mozambique and are in broad sympathy with their ministers are needed full or part time to do strategic data coordination/analysis, fleshing out top Mozambican ideas, because no Mozambican has the time. (That is my role and MF rather wishes it were full time.) More than a handfull can't be used - any such person can in a week produce several person years of detailed high and middle level work to be done!

b. 250 odd senior (or rising near senior) professionals to be #2-#5 in Directorates working to Mozambican heads. Just as "a" should act as senior Cabinet do Ministre Officials (in French sense) latter should operate as senior professionals including policy advisers/articulators (I don't use adviser=expatriate terminology, a Chief Economist in a Treasury is an Economic Adviser even if a citizen);

c. 1000 higher junior and middle level technicians/professionals until Mozambique has more engineers, doctors, economists, agronomists. These are needed for 4 to 5 years minimum in many cases. And the <u>more</u> there are the <u>faster</u> we can train their replacements (on 1/2 time or sabbatical or straight from university);

d. <u>some</u> specialist short stay programme advisers/trainers. But without a-b-c (who are not 1990's standard ta idea) they <u>can't</u> be fully effective but <u>can</u> hijack policy.

Mozambique (PM-MF-President-Minister of Transport who is #2 political power and a good Minister) agrees at top level and indeed complains about overconcentration on "d".

The <u>implications</u> for ta providers include:

a. more 2 year + renewal personnel to be operational (not training/pure advisory) personnel;

b. providing policy/strategy senior advisers <u>and</u> accepting they are Mozambique's people not theirs (World Bank is <u>very</u> bad on this in practice which is why <u>Poverty in Mozambique</u> was $250/day UNICEF not $400/day Bank for me - Bank made only too plain it wanted pre-delivery to Minister censorship over my drafts, UNICEF grateful to be allowed to see them as soon as submitted);

c. developing released time courses - especially at senior professional level - in Mozambique (e.g. Open University one noted);

d. parallel national or regional two week courses (Mozambique believes it profited greatly from SASSA SS here in 1988 and from what I have seen in Finance and heard from Agriculture I agree and sent 4 to EDI's '89 regional onee in Harare. A 25 person 2 week course there would broaden very narrow base of macro/sectoral policy informed senior officials.

Yes, if we want to make a proposal and find funds - e.g. EEC - together with Mozambique there would almost certainly be positive response. I have not suggested because I'm not so sure we could do it.);

e. selective full professional training (to Doctorate or equivalent) overseas or in region. There can be 5 to 10 people a year - say 2 to 3 from government, 2 to 3 from University, 1 or 2 ex-Empressa. (CH's SIDA PhD is on target. Hope MF or Rector Rui Balthasar Santos - ex MF! - will respond. MPhil also useful for University. Know a young lady will apply - probably for 1990-92 - at Rector's initiative. IDS is well know and highly respected basically Segal plus Health SS and Green plus SASSA SS but also some agriculture and gender course contact.

Tanzania

Objectively Tanzania is not doing badly. 1984-1989 GDP rose each year. 1986-1989 average over 4%/year. (Revised population growth estimate 2.8% on 1977-88 intercensal data comparison.) Food growth trend remains about 3.5% a year (1960-62 to 1987-89 or 1960-62 to 1971-73 or most long sub-periods starting and ending with some type of weather) and industrial/export crop growth is positive 1986-1989.

But it is depressing because no more breakthroughs are apparent. With exports 40% of imports and soft aid 20% of recurrent budget, 5 to 6% export and 5-6% revenue growth (real) won't get sustainable pattern this century (or ever?). No real breakthrough to new exports (old base can't provide adequate import capacity ever again) in sight - best project (fertiliser) has taken 9 years not to raise finance even with top external technical/sales partners, 20% least unlikely real rate of return equity, escrow account for 90% export project, majority external private ownership! (i.e. official agencies do not in fact finance or even back non-traditional export projects). No real recovery industrial capacity utilisation (30% overall and 5% annual growth) partly because dcf ceilings choke re-expansion; partly because BoP support import allocation is cumbersome on provider side; partly because of inadequate prioretisation within multi plant firms (e.g. textiles); partly underestimation of catching up on deferred maintenance needed. Transport rehabilitation on non-SADCC sector (internal railways, highways) very defective despite 14 years of 'starts' (SADCC sector - ports and Tazara plus oil pipeline goes much better despite starting 7 years ago). Unclear whether Railways now moving. If so a great cost reduction and lorry demand reduction since present freight by rail - excluding Tazara - under 40% of early 1970's but more goods moved, so lorry fleet crisis could be reduced drastically by rehabilitating long haul rail. Privatising agricultural purchasing (to co-ops which are de facto manager run with no real peasant owner or state control) has somewhat improved efficiency of buying and of paying growers and - up to a point - of inter-regional commercial flows but not of controlling costs (au contraire) nor of reducing marketing deficit (new bad loans to co-ops which eat up most of dcf ceiling - indeed more than all of - it negate reducing state bank borrowing to near nil and keep intolerable credit squeeze on other sectors e.g. industry). I suspect 75% of export proceeds to growers policy ensures losses especially if there are substantial processing costs - at least until restoration of rail and competition on roads reduce transport costs. But data are so bad (despite hi cost, spurious data provided by Marketing Development Bureau under Bank hegemony 1975-82, which created this mess. Before it marketing losses were limited as to time and amount and real, if imprecise, data were to hand).

The hopeful sign is that MF (CD Msuga) knows all of the above pretty well and is trying hard to find answers. (Open to picking brains pretty widely for leads. Spent 3 hours with him and two of his economic analysis crew.)

Interesting mess on devaluation. Tanzania wanted to get back to 1979-80 real rate (when nobody thought seriously overvalued) then go down monthly with excess inflation (25-30% inflation pattern 1980-89 with 45% in 1984 - a SAP without blessing of Fund/Bank so no offsetting resource inflows) plus a bit more handled as a technical Central Bank/Treasury decision. That meant 2.5% to 3% a month (i.e. 2% excess inflation and 1/2 to 1% real). For some time that held up. Then Fund pressure shoved it to 4 to 5% a month. Predictably about all that did was reinforce inflation and - even more - domestic reaction. So - alas - Tanzania halted monthly shifts. Then 25% to catch up and 3 to 4% a month to early this year. Then when Fund wanted 25% again. God knows why - it wouldn't help BoP and real exchange rate is now 20% below late 1970's with Dar a fairly cheap city at official rate i.e. well below Nairobi, Harare, Gaborone, Lusaka. If an export breakthru became possible on capacity side, 25% would make sense but to do it now is too soon, inflation would erode. So Tanzania stopped again. Now restarted but credibility of 20% below 1979/80 real rate and real commitment to offset excess inflation plus a bit more is lost in this stop and go! (MF now agrees.) Moral would seem to be that attempted outside "fine tuning" is counterproductive for all concerned!

Very odd situation on income distribution/SDA. From 1985 real increases Health/Education/Water budgets and minimum wage increases are running about equal prior year's inflation (and some - lesser - increases and quasi tax band indexation higher up). These have been handed to Bank/Fund as faites accomplis. With higher output offsetting external terms of trade and good weather offsetting unit price falls, farmers are gaining (but at cost of the marketing system deficit which is now central engine of inflation and one reinforced by impact on interest rate ca 25% and annual devaluations ca 35%). But because T has, and continues to have, strong 'rural bias' urban wages are very low (Sh 1,300 = $9 urban minimum vs MT 22,000 = $25 in Mozambique). While informal incomes make the $9 no good - thank God! - as household income estimate, they don't offset the incentive it provides to 'time off', "daylighting", petty corruption, low morale. But at GDP/capita growth of say 1.5% a year restoration of 1973's $30 (a fairly stable year) will take forever. Thus the fear that unless one can break to 6 to 8% real growth with 10 to 15% inflation the present 4 to 5% and 25% will presently implode.

Re IDS - Tanzania is another of our admirers and users. IDS - Dar has self evaluation which leads to desire on part of Director (Hasa Mlawa - our PhD) for:

a. staff development especially re macro policy and structural transformation (CH's SIDA PhD directly relevant);

b. jointly funded/jointly staffed research projects;

c. jointly funded-jointly invited conferences on agreed topics with African or E and S African reach;

d. exchange of staff for 6 to 12 month periods.

We are likely to get proposals on these lines. I was mildly encouraging - i.e. encouraging in principle subject to concrete areas of mutual interest.

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