MOZAMBIQUE 181
News reports & clippings
7 July 2011

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NOTE OF EXPLANATION:

This mailing list is used to distribute two publications, both edited by Joseph Hanlon. This is my own sporadic "News reports & clippings", which is entirely my own responsibility. This list is also used to distribute the *Mozambique Political Process Bulletin*, published by CIP and AWEPA, but those organisations are not linked to "News reports & clippings" Joseph Hanlon

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Attached file: This newsletter in pdf.

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In this issue:

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Big shift in farm policies
More interventionist
World Bank impositions reversed
Contract farming prioritised

Major shifts in policy are set out in the Strategic Agriculture Plan 2011-2020 (PEDSA) approved by the Council of Ministers on 3 May. Donors and foreign investors received hardly a mention, and the stress is on domestic investment and the development of small and medium commercial farmers, making them more productive and competitive.

The Strategy gives a much more interventionist role to government, explicitly reversing the disastrous farm policies of the World Bank, IMF and donors over the past two decades. Mozambique has the lowest productivity levels in southern African, and there is to be a big expansion of rural extension and agronomic research, both blocked by the Bank in the past. Demonstration farms will be re-established.

And the Council of Ministers on 28 June moved to reverse two World Bank impositions of the 1990s and introduce PEDSA policies:
+ Domestic seed production was killed by the Bank in the 1990s and only 10% of Mozambican farmers now used improved seed. Ministers approved a $52 million project to boost local seed production.
+ The Bank also forced the run-down of the marketing board, the Mozambique Cereals Institute (ICM), but on 28 June it was agreed that ICM will return to its traditional role as buyer of last resort, promising to purchase all grain that private traders fail to buy. AIM quoted Agriculture Minister Jose Pacheco saying "we cannot run the risk of our farmers increasing productivity and their output without guaranteeing a market for their surplus". PEDSA also calls from the establishment of minimum prices, reversing another Bank imposition.

Priority for state intervention will be input production and supply (including local production and bulk imports of fertilisers), provision of technology packages, animal traction and mechanisation, increased use of water and electricity, and agro-processing. Government will also intervene to ensure seasonal credit for farmers and credit for traders and suppliers, and the provision of insurance.

PEDSA attempts to focus government and Ministry of Agriculture activities. Investment will be concentrated in the areas of higher agricultural potential, and in others areas the emphasis will have to be on non-farm incomes. Great stress is put on "value chains" -- for a specific crop, working on the entire system from planting the crop through to marketing and processing. The plan also talks of "clusters" in particularly productive locations, which would link different value chains and which would have a new kind of rural service centre.

Investment not just in farming but in the entire value chain is essential and the plan tries to promote private investment and reduce risk. The private sector is seen to include family farmers, associations, emergent commercial farmers, and large commercial farmers, as well as commercial foresters and traders and providers of services and inputs

Three traditional crops – cotton, sugar and tobacco – are seen as successes with small holders because they use concession and contract systems, in which a private company takes much of the risk and supplies inputs and extension services. PEDSA wants this system expanded to other crops.

In one of the few references to foreign investment, the plan points to "a preoccupation with the underuse of very large areas which have been granted to investors."

The strategic plan has taken three years to write, and stresses that it incorporates eight national strategy and policy documents and well as a range of international commitments and agreements.

The Maputo declaration says that 10% of government expenditure should be on agriculture, but Mozambique spends only 6%. The strategic plan puts forward two financing options, below and above 10%. The lower expenditure variation puts stress on rain-fed farming. The higher expenditure would include a big expansion of irrigation. Mozambique has 3.3 million hectares that could be irrigated, but only 50,000 actually is, and 60% of that is for sugar. (Another 70,000 ha has some irrigation infrastructure but is not being used, in part because 1980s wartime damage has still not been repaired)

+ Cashew is the only sector that presently has a government support structure, the cashew institute INCAJU, notes PEDSA. A new report on the cashew value chain has been published by GIZ, the African Cashew initiative, and Mennonite Economic Development Associates.

<All four papers referred to in this newsletter --- PEDSA, Cashew, PARP, and Vale/Sachs – are posted on tinyurl.com/mozamb>

Poverty policy stresses farming, jobs

Mozambique's new Poverty Reduction Action Plan 2011-2014 (PARP, Plano de Acção para a Redução da Pobreza) was also approved on 3 May. It puts priority on agriculture, and like the agriculture policy, hardly mentions foreign investment, only looking to promote labour intensive foreign investment

PARP has three "strategic objectives": "to increase output and productivity in the agriculture and fisheries sectors; (ii) to promote employment; and (iii) to foster human and social development." The plan says "the lack of opportunities for marketing farm and fishery products constitutes the principal disincentive for intensifying production, and limits the growth of rural family incomes." Again, agriculture policy is more interventionist, with an explicit commitment to "revive the Mozambique Cereals Institute (ICM)" and "promote special lines of credit and guarantee funds to support small producers and economic agents."

Employment policy stresses supporting self-employment and starting small businesses, but this is to be assisted by business incubators, "knowledge transfers centres", industrial parks, and assured access to credit. Labour-intensive public works schemes will be promoted.

Otherwise, PARP promises to continue present policies, and is vague on most issues.

Mozambique had not planned to do another Poverty Reduction Strategy Paper after the previous one finished in 2009, and this was done entirely for donors. Indeed, its main purpose seems to have been to keep donor staff occupied in interminable meetings during 2010, to limit the time they had to interfere in ministries. The final document reads very much like the classic joint donor-government documents. It is not expected to have any role in government policy or decision making.

Use mine revenue to boost farming

Turning non-renewable resource wealth into effective and sustained development requires promotion of agriculture as well as creating more domestic linkages to the mining industry, according to a draft report from the Vale Columbia Centre.

The report is on the lower Zambeze basin. The centre is funded by the Brazilian mining giant Vale, which has one of the two huge coal mines in the Zambeze valley, and it is linked to Jeffrey Sachs' Earth Institute at Columbia University, New York, the promoter of Millennium Villages.

Priorities suggested include: rural finance (which must be subsidised, the report stresses), weather insurance, input subsidies, more agricultural research, and an agricultural development centre.

Fertiliser use in Mozambique is only 4 kg/ha, less than the continental average of 10 kg/ha and the 2006 Abuja goal of 50 kg/ha, the report notes. "Low fertilizer use is a major constraint on development, keeping productivity and yields low, thereby limiting profit (and the means of purchasing additional inputs). Mozambique does not currently provide generalized subsidies on agricultural inputs, as some neighbouring countries do. But the situation is anticipated to change." And the report offers the services of the Earth Institute to "design and implement a national input subsidy programme that would enhance smallholder productivity."

The most fertile regions should be identified and priority should be given to building roads in those areas. The report cites Tsangano, Macanga, Chifunde and Angonia districts in Tete, where it says land is not used because of lack of access roads.

Like PEDSA, this report also points out that cashew is still the only sector where a value chain approach has been applied, and calls for value chain thinking to be applied much more widely. Instead of supporting individual projects, government should identify and support value chains and "industrial clusters". Some should be directly linked to supplying the mega projects and could involve light engineering.

The report also has an extensive discussion of transport links and electricity transmission – of special interest to Vale – and gives various models of open access regulation, to ensure all users gain access to new facilities.

Increase mining company taxes say Vale and Earth Institute

"While early investments were considered risky in the years after Mozambique's civil war, Mozambique is no longer an untested investment destination," notes the Zambeze basin report. And in a conclusion that carries more weight coming from a centre sponsored by Vale, one of the biggest foreign investors, the report says that Mozambique should be "requiring more benefits from future investors, through revenues, infrastructure investments and corporate social responsibility (CSR) commitments."

Government to take share in mines

The Mozambican state will take a "share in consortia or businesses holding mining concessions for strategic mineral resources, such as coal", said Minister of Mineral Resources, Esperanca Bias, speaking at the International Coal Conference in Maputo Tuesday 5 July, reports AIM. The state will hold its shares through Empresa Moçambicana de Exploração Mineira, SA (EMEM).

Plans are now under way to change the 2002 Mining Law. The other change flagged by Bias will be to introduce a capital gains tax on the transfer of mineral concessions. The Australian company Riversdale was taken over by Rio Tinto, but the Mozambican state earned nothing from the sale of the Riversdale shares, even though the only reason those shares had such a high value was because of Mozambican coal. “As owner of the mineral resources, the state should also share in any benefits resulting from the transfer of mineral titles”, said Bias.

+ The conference also heard that a second huge coal reserve is thought to exist in the Maniamba basin in Lago district, Niassa, according to AIM. Bloomberg reports there is also the possibility of gas there.

Presidencia Aberta: only handpicked speakers?

A study of President Armando Guebuza's Open Presidency (Presidencia Aberta) tours of the districts reports that "many of citizens who are permitted to raise their concerns and thus demand accountability during the comicio [public meeting] are actually pre-selected by the district administration or local structures of the governing party."

The report by the German Development Institute follows a two-month study earlier this year. It concludes that the Presidencia Aberta "so far largely serves as a monitoring instrument of the executive, in which the sub-national level is accountable to the national level." A visit is preceded by 6-8 weeks of preparation by the President's staff, and then a meeting with the district administration and local development committee. The public meeting then serves as a check on what the President has been told in the earlier meeting. The President then has a review meeting with the district administration.

The President leaves behind a set of instructions, and the report raises two linked concerns. First, that existing development plans will be side-lined at officials carry out Presidential instructions, and second, that the system "potentially poses a threat to the development of effective independent institutions at local level."

The report calls on Mozambican civil society organisations to take a more active role in the process, so the local people raise more issues at the public meeting. And it recommends that donors continue to keep their distance from the Presidencia Aberta, because it is a national political process.

On the President's more recent tour from 3 April to 23 June, he spent 44 days on visits which took him to 5 cities, 44 district capitals, 29 administrative posts and 17 localities.

Savana (20 May) reported that at the rally in Marromeu, Sofala, a resident, Jorge Caoza, said: "Why does Mr President come by helicopter? If he came by car he would see the bad state of our roads." And there have been other criticisms of the high cost of the presidential visits.

But in the final public meeting of the lastest tour, in Macalonge, Niassa, Guebuza responded to the criticism, AIM reports. “The Open and Inclusive Presidency allows us to see what Mozambicans are doing, the maize and the soya they are producing”, said Guebuza. “It allows us to see how roads and schools are appearing, where people are struggling and learning how to defeat poverty, and so it has no price”.

The DIE report is available on: http://www.die-gdi.de/CMS-Homepage/openwebcms3_e.nsf/(ynDK_contentByKey)/ANES-8JBEG2/$FILE/BP%206.2011.pdf

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Now in paper at a reasonable price

Do bicycles equal development in Mozambique?

by Joseph Hanlon & Teresa Smart
is now available in **paperback**, for £17.99 (+ p&p)
from the publisher http://www.boydellandbrewer.com/store/viewItem.asp?idProduct=13503
and on
Amazon.com for $27.95
Amazon.co.uk for £17.99

Just Give Money to the Poor: The Development Revolution from the Global South

by Joseph Hanlon, Armando Barrientos, and David Hulme
Most of this book can now be **read on the web**
http://tinyurl.com/justgivemoney

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Two working papers on the web

Poverty is not being reduced in Mozambique

LSE Crisis States Research Centre Working Paper No. 74 (series 2)
Benedito Cunguara and Joseph Hanlon, June 2010 t
http://www.crisisstates.com/download/wp/wpSeries2/WP74.2.pdf
Tambem em Portugues:
http://www.crisisstates.com/download/wp/wpSeries2/WP74.2portuguese.pdf

Mozambique's Elite – Finding its Way in a Globalized World and Returning to Old Development Models

Joseph Hanlon and Marcelo Mosse September 2010
WP/105 UNU-WIDER: The Role of Elites in Economic Development project
http://www.wider.unu.edu/publications/working-papers/2010/en_GB/wp2010-105/

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