

## **Integrating Macro and Micro Approaches: The Case of Swiss-Mozambican Cooperation**

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### Introduction

Mozambique has made enormous strides since the end of the civil war in 1992, when it was still heavily reliant on food aid and its economy was centrally planned. Today the country is at peace, the democratic system is gradually consolidating, a market economy is in place, and substantial progress has been made on a challenging reform agenda, all leading to a growth rate among the highest in the world. Even though the lives of most Mozambicans continue to be characterized by poverty, illiteracy, and disease, Mozambique's recent development is quite rightly considered to be a "success story".

What are the ingredients of this success story? This is, of course, a question that interests both the researchers as well as the policy makers. We are not attempting to give a comprehensive answer on this challenging interrogation, but we will try to identify a few crucial elements. We will thereby argue that Mozambique's political and economic achievements are mainly due to a successful peace and reconciliation process as well as to a convincing governance record of the Mozambican Government. In addition, and highlighted by Mozambique's high dependence on external support, an important contribution has been provided by the international community.

Accordingly our presentation has been divided in four parts: A first, rather short section will suggest a few key features that have been conducive for the successful peace and reconciliation process. The second part will focus on the way the international community has been supporting Mozambique, with an emphasis on Switzerland's cooperation program. We will elaborate on a particular feature of cooperation efforts in Mozambique, that is a number of donors, both bilateral and multilateral, that are at the same time active in cooperation programs on different levels as well as in close policy dialogue with Government. We will argue that there is more donor coordination, more dialogue and more responsiveness by Government than in other country's context. The third part will present a specific and rather recent sector of Switzerland's cooperation program, mine action. It illustrates well different characteristics of our cooperation policy, i.e. listening closely to our partner's needs, being flexible, risk taking and combining approaches on the micro level with efforts of capacity and institution building as well as policy

dialogue on the macro level. We will then conclude by a number of conclusions that we would like to draw from our experiences in our cooperation program with Mozambique.

### The peace process

Why has the Mozambican peace process been more successful than those of other African countries, i.e. Angola, Sierra Leone or Congo? It is very obvious that the Mozambican civil war did never offer a very lucrative war economy. There was neither oil nor diamonds to finance an endless struggle. Once the external support from South Africa dried out, the bases for sustaining a comprehensive guerilla war were gone. In this environment several internal and external actors, from the Mozambican civil society, the international community and the private sector managed to conduct a successful mediation process that led to the Rome peace accords in 1992. The ruling party, FRELIMO, conceded to its former enemy, RENAMO, the role of the political opposition party in the newly established democratic system. It became obvious to RENAMO leaders that they had more to win in a country of peace and stability than in the bush waging war without a clear perspective of decisive victory. They got houses in the city and salaries as members of parliament. They got accepted as serious actors in the political system. It is only today, after the second general elections that ended with an extremely close defeat of the opposition, that RENAMO starts questioning its role as opposition party in a system where the winner takes it all.

Formally a democracy, there has been a relatively small educated elite dominating political and economic decision-making. A considerable part of the elite has been assuming the role of the enlightened caretaker of its people. They are governing their fellow-Mozambicans in a patronizing and mostly competent manner. At the same time they have been extremely reluctant to share power with others and particularly to decentralize to levels less controlled by them. It was only four years after the first general elections when a third of the Mozambican population enjoyed the privilege of electing their local government. Only lately the civil society has started to get more organized and to voice its concerns more self-confidently. The cabinet consists largely of educated technocrats, while the independence fighters and party members of long years sit in parliament and are satisfied with economically interesting positions in state owned or newly privatized companies.

It has been this technocratic elite that showed capable of defining and implementing economic policies that led eventually to macroeconomic stability, to growth rates that exceeded in the last three years two digit figures, to reduce inflation from over fifty to less than five percent and to a stable currency. It was them that proved responsive to the requirements of large foreign investors as well as to the development policies called for by the international donor community. They embarked upon a comprehensive reform process in financial and fiscal management, in privatizing state enterprises and in public sector reform. It resulted in Mozambique ranking first place in Africa's Business Optimism Index and in continuing to attract a considerable share of

development aid. It has, however, to be acknowledged that the execution of well conceived policies is often hampered by the severe capacity constraints of state administration.

### The external support

Mozambique covers around 50% of its government expenditure - investment and current expenditure taken together - by external grants and credits. In concrete terms the country needs every year between five and six hundred million US Dollars of development aid to finance its government program. This amount does not include the comprehensive support Mozambique has been granted to rehabilitate damage caused by the flood disaster at the beginning of this year. Government's plans foresee to reduce the relative dependency on external support calculated in percentage points of budget and of GNP considerably in the next ten years. In nominal terms, however, the aid level will have to be maintained, if the target of reducing the poverty incidence rate from today 70 to 50% shall be met in 2010.

Main recipient domains are education and health, rural infrastructure, energy, governance and private sector development. External support is channeled increasingly in the form of general or sectorial budget support, even though there is still plenty of aid administered through vertical projects. Such a high aid dependency calls inevitably for an intensive dialogue and coordination among donors and between Government and donor community. It is fair to say that both forms of coordination function exceptionally well in Mozambique. There are many mechanisms of coordination, be it formal or informal. Once a month heads of mission of all major donors meet under the co-chairmanship of the World Bank and UNDP. This forum, called The Development Partners Group, is for both donors and the Government a very practical channel to communicate common concerns. In addition, there are in all major cooperation sectors and subsectors coordinating bodies, chaired either by a focal donor or by the concerned line ministry if capacities are available, that allow at least information exchange between donors and in the best of cases real coordination along the lines of government priorities.

Besides more formal coordination mechanisms there is as well informal dialogue. Some donors are more often than others asked to facilitate this type of informal exchange that is extremely important in Mozambican society to achieve progress in substance without anybody losing its face. It is in this sense that Switzerland has been asked both by the economic team of the Government as well as by the Development Partners Group to organize an informal dialogue between Government and donors to prepare for the most important coordination and dialogue event, the biannual Consultative Group Meeting chaired by the World Bank. A paper of common donor concerns was drafted and in the context of informal dinners discussed with the Government's economic team. This helped both the Government to prepare well its position and the donors to focus their inputs and contributed substantially to a successful CG meeting.

## The Swiss Cooperation program

In colonial times the Swiss Mission, the “Missao Suica”, played quite an important role in educating the future Mozambican elite and in shaping a national consciousness. But it was only a few years after independence, in 1979, when a small official cooperation program was initiated. The cooperation volume remained modest until the second half of the eighties. Once Mozambique started embarking upon its structural adjustment program in 1987/1988, Switzerland increased its aid program considerably. When the war was fading at the beginning of the nineties, Switzerland was the only donor that dared to support on the request of the Minister of Finance a first demobilization program even before the Rome Peace Accords were concluded. The experiences made by demobilizing and reintegrating the first 16'000 men into civil life were then used by the UN operation “ONUMOZ” that successfully managed to demobilize more than 100'000 fighters from army and guerilla. In the immediate after-war period SDC launched a major program to support peace, reconciliation and democratization.

Today Switzerland conducts one of its worldwide largest cooperation programs with Mozambique. Its annual financial volume will this year reach about 45 million Swiss Francs including the support to post-flood relief and reconstruction. The Coordination Office in Maputo is implementing for the Swiss Agency for Development and Cooperation (SDC) and for the State Secretariat for Economic Affairs (SECO) programs in four sectors: Support to the National Health System; rural water supply and sanitation; promotion of civil society and rural development and finally promoting “good governance” by supporting economic management, fiscal reform, democratic decentralization and police reform. In addition we are implementing a major relief and rehabilitation program funded by humanitarian aid. From the peace and reconciliation as well as from the good governance program there is only a small bridge to cross to today's peace building measures that are implemented on behalf of the Political Division III of the Foreign Ministry. By far the most important component represents the mine action program that will refer to in detail in the next chapter.

There are some common features to all Swiss program activities: We are normally trying to combine technical assistance with dialogue on Government's policies in the respective areas. We are active with technical cooperation on different levels, often on micro, meso and macro level corresponding to grassroots or district, provincial and national level. By capitalizing our technical work on different levels we know what we are talking about in policy dialogue with our counterparts from the line ministry. We also try to listen very closely to our partners' needs and avoid imposing preconceived concepts. Our principle is thereby to empower our partner institutions to solve their problems themselves. We renounce wherever possible to set up parallel structure just to implement a project. We are ready to invest the extra time and energy necessary for capacitating our partner institutions to tackle the problem themselves. This implies quite often also the readiness to take some calculated risks: for instance you cannot expect perfect financial administration skills from one day to the other. It is through learning by doing that you will acquire them. The same is valid for program management. So national execution

approaches are more time consuming at times more risky, but in a developmental perspective certainly more sustainable.