

The Politics of the District Budget

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In 2005, the central Government of Mozambique allocated, for the first time in the history of the Republic, a percentage of the state budget for a value of Mt7Milion (USD300,000) to each of the country's 128 districts. A few weeks after this information was sent out to the districts, a preparatory meeting to the mid-term review took place with international partners, national directors and functionaries of the Ministries of Planning, State Administration and Finance to discuss progress to date in decentralization. Government officials were puzzled about this new district budget, and asked the international partners if they had any idea what this money was for. For the sectors? For infrastructures? For running costs? And where did the money come from? National Directors had obviously not been consulted in this new decision. Two years later, this question is still top on the agenda.

The “7bilions”ⁱ, or OIILⁱⁱ, as this locally-managed part of the district budget came to be known, became the symbol of the increased autonomy of the district. It gave logical continuity to the Law on Local State Bodiesⁱⁱⁱ passed in 2003. This law and its regulations, define the responsibilities of the district government notably that of steering local development with direct supervision of public services such as health, education and agriculture. The law also makes participatory planning and monitoring compulsory, with the creation of local consultative councils through informal elections. With the “7bilions”, districts control the funds for the implementation of development priorities, within the limits of their competencies. Non-governmental organizations supporting local governance saw this as a real achievement towards the empowerment of the rural poor.

Early 2006, the President of the Republic went on a tour of the districts. As 2005 had been the year to fight laissez-faire, 2006 was the year to turn the district into the “pole of development”. During his tour, the President publicly condemned the districts that had used the fund for rehabilitation/construction of civil servant residences and administration buildings rather than for pro-poor initiatives. Indeed, state houses and offices were being built or repainted, and new office equipment was bought. By March, some commented that Home Centre, the largest furniture shop in the country and a main supplier of office furniture for the government nationwide^{iv}, was becoming the real beneficiary of the 7bilions! Guebuza instructed all districts to set up the consultative councils, as stipulated in the law, and to get their approval before carrying out any works. In May, Ministries of Planning and Finance sent guidelines^v to all provinces laying out the role of this district budget - for social infrastructures and for projects for

¹ Established in November 2006, this group is composed of civil society organisations (Concern, CARE, Centro de Integriade Publica, Ibis, SNV, Helvetas, Agro Accao Alemana, Concern Universal, Trocaire, CAFOD) working in district planning, facilitation, partnership, advocacy and democratic monitoring. It meets on a regular basis to discuss issues related to local governance. The group was set up in response to the felt need to better organize the interface with government and donors on the issue of local governance. Its objectives are to reflect, propose and implement solutions on current issues in local governance, civil society and democratisation.

economic development – as well as broad regulations for its use – including compulsory participative consultation for its planning and monitoring.

In the remaining six months of 2006, district technical teams^{vi} went to some length to set up the councils, with help from the Provincial Department of Planning and Finance, NGOs and bilateral and multilateral projects^{vii}. The district teams went out to plan again, and get their plan approved by the councils. By the end of 2006, most districts had some form of council set up. They were neither really representative nor participatory^{viii}, but the concept and importance of consultation had started taking seed in the minds of civil servants. The money was released from the Province to the districts. Wells were opened, schools were built, livestock production was promoted, tractors were bought, etc. This was a significant change, after decades of top-down centralized bureaucracy. To a large extent, infrastructure construction was managed directly by the district team, with the newly appointed district infrastructure technician. There had been fear that the districts would lack capacity to spend such large amounts of money. Districts proved that capacity, although probably equaled by a certain propensity to deviate funds^{ix}, was there. Dialogue between civil society and local government was also becoming more open both at local and national level^x.

At central level, new institutions were being set up, such as the Ministry of Planning and Development (MPD), the National Authority for Public Administration and Provincial Assemblies. It may have been that reforming existing institutions from the inside seemed an impossible task, or that new institutions were more obvious landmarks for legacy and easier to control; but regardless, these were widely understood as signifying the renewed interest in decentralization and the endorsement of the positive past experiences in decentralization^{xi}. Keen to keep the momentum going, donors and civil society organizations urged MPD to come up with a formula/criteria for the OIIL as well as legal guidelines as to what the fund was intended for, a vision for decentralization of the sectors, an idea of the exact role and interaction of the new institutions in place and an overall policy statement on decentralization. Generally, there was faith that the government was now taking decentralization seriously, and it was mere technicality to ask the government to fine tune what was understood as a move in the right direction.

However, no further significant policy reforms came forth that could signify a commitment to making districts more autonomous. The points above were discussed over again within the performance assessment framework in the reviews in 2005, 2006, and 2007, without fundamental progress being noted. MPD communicated that a formula taking into account population size and poverty indexes had been put together for the calculation of the OIIL and some work was put into the design of the National Program for Decentralized Planning and Finance. But to date, the development of a national policy on decentralization has stagnated. And without a clear policy formulation, it is impossible to understand government intentions regarding district finances, subsidiarity, decentralization of the sectors, local democracy, etc.

After the FRELIMO party congress at the end of 2006, some Provinces instructed the districts to spend the OIIL on projects that would have an “economic impact” for the

rural population of the districts. Those districts that had not yet spent all of their 2006 funds, re-jigged their projects and budgets for the third time. Plans for 2007 were adjusted and renegotiated with the district councils. Schools turned into maize mills and bridges into cash cropping, livestock schemes and commercial associations. By December 2006, it seemed that districts used about 60% of the 2006 budget for infrastructure and 40% to income generation projects, as was well demonstrated in the Nampula case^{xii}.

However, this changed again. In March 2007, the newly appointed Governor of Inhambane^{xiii}, upon return from a tour of the districts, announced that all OIIL transfers to districts were going to be suspended. The Governor was, in part, frustrated with corruption in some livestock projects. But mostly, the reason for the suspension is that Inhambane Province, like earlier Nampula^{xiv}, wanted districts to use the OIIL strictly and entirely for food production and income-generation projects in the form of loans to farmers associations. A few weeks later, Guebuza would exhort farmers in Zambezia to “start taking the habit of working”^{xv} and explained to the nation that infrastructure development should no longer be managed by districts. In May, the Governor of Manica further criticized the districts for having wrongly used the OIIL for socio-economic infrastructures when it was intended for food production^{xvi}. A policy choice was being made: priority is being given to access to lending at district level for “local economic development” through farming. And for the fourth time since 2005, district technical teams and consultative councils went out to redo their current plans.

Should the prerogative of districts and district development strategies be limited to lending for local economic development and take precedence over infrastructure development? Surely, economic development and basic services support each other in a pro-poor development strategy. By recentralizing infrastructure and basic services development to the Province, an opportunity is lost to plan and implement holistically. Moreover, the logic of using the OIIL strictly to support local economic development is difficult to grasp as two other funds already exist aiming at the same objective: one for decentralized funding for food and livestock production in the Ministry of Agriculture under the national fund for agricultural development (ProAgrill), another for rural micro-finance in the Ministry of Planning and Development (FARE). Granted food production and economic development are essential components of poverty reduction, the emphasis on this strategy should not be a pretext for recentralizing.

A sum of Mt7Milion to be given out by district government without clearly established rules, at the eve of three rounds of elections poses problems. With councils potentially dominated by Frelimo and easily manipulated, checks and balances will be minimal^{xvii}. When Guebuza visited Vietnam, he was obviously struck by the food production capacity of rural areas. He could have stopped in Bangladesh; there, the major focus of decentralisation became not to improve services, but to seek privileged access to financial favours for clients, leading to breakdown in responsiveness and local resource mobilisation^{xviii}.

The new direction given to the OIIL implies a recentralization of sector ministries from the district back to the provincial sector departments^{xxix}. This may have been done to retain or regain favor of provincial civil servants. This decision undermines the significant achievements made in many districts in previous years. It caused widespread frustration among the district administrators^{xx}. They felt that the government was interfering in what would normally be a parliamentary function. And community participation became the orphan in the decentralization family tree; nobody in the central administration took seriously that district plans for 2007 had already been negotiated and approved with the consultative councils^{xxi}. By asking the councils to review their plans over and over again, their legitimacy is being undermined. Moreover, with the new orientations for the district budget, funds are no longer available to finance the costly consultation model designed by central government. Finally, there has been no indication of how the district will develop capacity to become a lending institution, nor any consideration of how this will affect the development of commercial banks.

After the decision to change the purpose of the OIIL was taken, one district public works technician said “I am the most affected by this decision because I will no longer have any infrastructure to manage”. In suggesting he should discuss the issue with his superiors, his eyes transmitted a certain angst, and he said. “No, it was the right decision, they made the right decision”^{xxii}. This is the practice that prevails, as MC Roger’s song goes: “Patrão e patrão, ... respeita o patrão”^{xxiii}. The education and management culture in Mozambique is not conducive to voicing contrary opinions to that of a superior. Moreover, the increased separation between the political and technical aspects of governance (reminiscent from the centralized post-independence regime), whereby presidential decisions are removed from technical inputs by sectoral ministries^{xxiv}, risks creating operational frustration and poor performance of civil servants.

These issues were recently presented in a meeting with the partners group on deconcentration. Some donors are now actively engaging with the topic internally, and heads of cooperation will be discussing this in a high level meeting in June. A government-led consultation process is also taking place in each region with provincial and district staff. It is hoped that these discussions will lead to the legal establishment of criteria and guidelines for the use of the 7 millions - making funds available to the districts for all the key functions described in the Law on Local State Bodies that contribute to poverty reduction as identified in the PARPA^{xxv}, and not only for local economic development. The technical reflection on district finances should also lead to a political statement on government intentions regarding decentralization. It will be essential to get clarity on subsidiarity, on sectoral decentralization and on local accountability mechanisms in the decentralization policy. Finally, thought should be given to the role of the district as a lending agency and possible duplication that may exist with other sectoral initiatives. Civil society organizations working in local governance, especially through the Rede de Parceiros in Nampula and the CSO informal group on governance, should be involved in these discussions. Decisions should also be informed by an independent analysis of the use and impact of the OIIL in 2006 and 2007 and of the role and influence of consultative councils.

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- ⁱ Now 7 millions in the new Metical currency
- ⁱⁱ Orçamento de Investimento e Iniciativas Locais : Budget for Investments for Local Initiatives
- ⁱⁱⁱ LOLE in Portuguese: Lei dos Órgãos Locais do Estado
- ^{iv} For more information on the links between Home Center Propriator and Frelimo, see SAVANA Maputo 15.12.06
- ^v See Orientações para execução de fundos para despesas de investimento de iniciativas locais, May 2006, Ministry of Finance and Planning and Development
- ^{vi} Equipe Técnica Distrital: responsible for the planning exercise, including that of setting up consultative councils, composed of different sectoral technicians
- ^{vii} This was the collaboration model set up during the pilot project in Nampula province. In 2006, donors were supporting different projects in different regions, under the same acronym of the PPF (Programa de Planificacao e Financas Descentralizadas). A number of NGOs, active at district level supported local governance, mostly through facilitation and training of consultative councils and support in planning to the technical team.
- ^{viii} See studies conducted by MPD, “Community Participation in the District Planning Cycle, A Study of the Functioning and Effectiveness of IPCCs, 2005”, Concern “Research on representation, power and inclusion in District planning, in Machaze and Tambara, Hughes, Alexandra(2005)” and CARE “Relatorio de Pesquisa sobre Poder e Representatividade nas IPCCs no Norte de Inhambane”, 2006
- ^{ix} See for example the imprisonment of district administrator, Montepuez, Macua Blog, 05/01/07, and Noticias April 3rd, 2007
- ^x At district level, civil society organizations were actively supporting citizens to prepare for the dialogue with local government. At Provincial level, the poverty observatory laid the foundations of a structured dialogue between the government and civil society.
- ^{xi} Especially in Nampula Province through the UNCDF pilot project
- ^{xii} See Nampula OIIL, A presentation by the Provincial department of planning and finance
- ^{xiii} See Noticias, April 3rd, 2007
- ^{xiv} See Nampula Province, Circular 396, March 29th, 2007
- ^{xv} Noticias, April 19th, 2007
- ^{xvi} Noticias, May 9th, 2007
- ^{xvii} See “Integration of traditional authorities in local Governance in Mozambique and Angola – the context of decentralization and democratization, ORRE A., Chr. Michelsen Institute, Bergen, Norway. Paper prepared for the seminar *The state and traditional law in Angola and Mozambique*, Leiden, April 18-19, 2006.
- ^{xviii} Hulme D, Siddiquee NA. 1999. Decentralization in Bangladesh: promises, performances and politics
- ^{xix} The funds to constitute the OIIL originally came from the sector departments, so one can assume that even less funds will now be available for infrastructure development.
- ^{xx} See internal field visit note, SNV, 04/05/07
- ^{xxi} Ibid
- ^{xxii} See internal field visit note, CARE, 16/04/07
- ^{xxiii} MC Roger ft Zico: “ The boss is the boss, ... respect the boss ...”

^{xxiv} See Rogério Siteo, Noticias, May 11th, 2007

^{xxv} Plano de Acção para a Redução da Pobreza Absoluta (Mozambique Poverty Reduction Strategy Paper)