

## THE 'PARPA': TOWARDS ACHIEVING RESULTS

(An epistemological reflexion on a burning issue)

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### WHAT IS THE 'PARPA'?

'PARPA' (*Plano de Acção para a Redução da Pobreza Absoluta*) is the Action Plan for the Reduction of Absolute Poverty in Mozambique. The Government maintains that it will be possible to achieve a growth rate in the order of 8 per cent per annum up to 2005, as was the case from 1997 to 2001. This would have as a consequence a reduction in the incidence of absolute poverty from the level of 70 per cent in 1997 to less than 60 per cent in 2005, and to less than 50 per cent around 2010<sup>2</sup>.

Poverty was officially defined as the "incapacity of individuals to secure for themselves and their dependents a set of basic minimum conditions for their subsistence and well being, in accordance with the norms of society<sup>3</sup>". The line of absolute poverty was estimated on the basis of the consumption of 2 150 kilocalories per person per day, to which is added a fixed non-food related expenditure. In monetary terms, this would be translated into US\$ 1,00 (one American dollar) per day per person.

*Cruzeiro do Sul* (the Research Institute for Development – *Instituto de Investigação para o Desenvolvimento*) carried out empirical surveys from 2000 to 2002 in the Province of Nampula. The results indicate that, on average, gross per capita income per day falls below US\$ 0,50, varying from US\$ 0,18 to US\$ 0,47 among the poorest. According to 'PARPA' it is possible for at least 20 per cent of these persons to treble their income within five years.

To this end PARPA presents a "development strategy which is based on the market [where] the main role of the government [is] the promotion of investment and productivity, [...] by means of an investment in human capital, the development of infrastructure, programmes for the improvement of the quality of public and political institutions, towards an efficient financial macroeconomic administration"<sup>4</sup>. In parallel with this strategy, one should bear in mind the proclaimed effort of the Government in pursuing policies and developing activities that will result in a reduction of the vulnerability and the empowerment of the poorest among the poor<sup>5</sup>.

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<sup>2</sup> GoM. 2001. *Plano de Acção para a Redução da Pobreza Absoluta, 2001-2005 (PARPA)*, p. 3

<sup>3</sup> *ibid.* p.11

<sup>4</sup> *ibid.* p.5

<sup>5</sup> About the evolution of the roles of the Government and of the donors in the conceptualization of poverty, see Oppenheimer, J. & I. Raposo. 2002. *A pobreza em Maputo*, Lisbon: MTS/Depart. Cooperação.

## THE 'PARPA' AND THE HIPC2<sup>6</sup>

However, in order for the 'PARPA' to be implemented, the country will have to incur a new debt, in the region of US\$ 1,8 billion. Of this amount 34 per cent will go towards education, 32 per cent for infrastructure, 25 per cent for health and the remaining 8 per cent for the agricultural sector. Of these amounts, more than 55 per cent are for operational costs and about 36 per cent are for construction works. But the fact remains that the 'PARPA' is a condition for a final forgiveness of external debt, the so-called HIPC2, which in Mozambique's case is in the region of US\$ 2 billion. In other words, the writing off of a debt of US\$ 2,000,000 necessitates the incurring of a new external debt in excess of US\$ 1 800 000. And, as if this were not enough, the majority of the foreseen obligations are for covering expenditures in sectors that were targeted with the adoption of the structural readjustment at the end of the 1980s, when the country was forced to substantially reduce public expenditure.

To sum up, for the debt to be forgiven, one is forced to incur a new debt in order to invest in sectors where those who are forgiving the debt forced a reduction of expenditure when the primary debt was incurred.

So what is happening? In the name of controlling inflation, and in defence of the operation of the free market, during the decade of the 1990s the country adopted the measures recommended to achieve structural readjustment. At the time a peculiar situation was experienced, because of the end of the war between the Government and RENAMO and the end of the apartheid regime in the neighbouring Republic of South Africa. Public expenditure was drastically reduced in relation to revenues (the end of the war greatly contributed towards this, but there were significant cuts carried out in the sectors of education, health and public works<sup>7</sup>), state enterprises were privatised and the currency devalued so as to achieve international parity and attract foreign investment. There is no doubt that there was economic growth; there can be no doubt either that significant improvements in the living conditions of the people were registered, including those living in rural areas<sup>8</sup>.

However, the growth rate among the rural poor was not maintained; in addition, it did not accompany the country's rising economic growth rate. Consequently, poverty became a real concern that, moreover, one could not foresee when it would be overcome. So, there were fears that poverty would generate instability, that it would increase the investment risk and that this, in turn, would result in capital flight. The problem of poverty became a pressing issue in our daily lives. Structural readjustment, in itself, did not succeed in providing a perspective on the eradication of absolute poverty. Why not?

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<sup>6</sup> HIPC – Heavily Indebted Poor Countries Initiative; this refers to the second package for debt forgiveness.

<sup>7</sup> Expenditure on Education and Health fell from 21,9% in 1985 to 13,8% in 1990, *in*: PNUD, Relatório Nacional de Desenvolvimento Humano de Moçambique, Maputo, 1998. See also, Van de Walle, N. 2001. *Reforma Económica em África, 1980-2000: padrões e condicionalismos*, Dom Quixote, where reference is made to the similarity of results in many other African countries.

<sup>8</sup> There are those who argue that the structural adjustment resulted in the real impoverishment of the rural families; however, statistics prove that there was an improvement in the income at rural levels, when one compares to the period that preceded the war. If it is true that the end of the war greatly contributed towards this, it is also true that the perspective of the end of a centralised economy contributed also towards the end of the war.

On another occasion I had the opportunity to say that, among the main difficulties in the implementation of the neo-liberal models, the following must be noted: (i) contrary to theoretical presuppositions, in the 'real' world the markets are imperfect, incipient or simply non-existent; (ii) the "invisible hand of the market" by itself brings external factors to bear, particularly against women (owing to the opportunity costs of the work time) and the environment (as a result of 'uneconomical' economies of scale); (iii) it has been established that savings have leaned towards mercantile capital, becoming international, to the detriment of productive investment at national level; (iv) rural families do not have access to sufficient savings which in turn would afford them options in accordance with the economic rationality of the market<sup>9</sup>.

### IN THE REALM OF POLITICAL ECONOMY

An intervention in the economy, based on an aggregate analysis, was not sufficient to generate multiplied effects that would guarantee a socially fair economic growth. Although there were some people who maintained that the problem would be addressed by means of the mere economic growth sequence<sup>10</sup>, the fact remains that poverty became part of our daily agenda, and special programmes had to be drawn up. The need arose to disaggregate the analysis and the countries, which sought to have their entire debt forgiven, had to comply with conditions which bound them to the working out of the Poverty Reduction Strategy Paper (PRSP)<sup>11</sup>. It was in this context that the 'PARPA' emerged in Mozambique.

Suddenly, after John Stuart Mill, the "pure economy", the "analytical mathematical economy", in a normative effort without any precedents, is once more added to the political economy of iconoclasts such as Marx, Veblen and Galbraith, to analyse capital as a social relationship. However, this more or less unconscious theoretical breach, which at least was imposed by the practical results in the application of the neo-liberal models, and perhaps because of this, does not rest, nor is accompanied by, a coherent and consistent theoretical framework. As a result we are confronted by countless imperfections and multiple empiricisms that hamper the performance of the governments of the poorest countries in the world.

### CONDITIONALITIES

One of the most notorious inconsistencies in the working out of the 'PARPA' or the PRSPs has to do with the sense of property. According to the institutions of the Bretton Woods system, the governments define strategies without any conditions

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<sup>9</sup> Negrão, José. 2001. Como induzir o desenvolvimento em África. CEsa/ISEG, Col. Doc. Trab. No.61, Lisbon.

<sup>10</sup> The article by Bloom & Sachs, "Geography, Demography and Economic Growth in Africa", *Brookings Papers on Economic Activity* 2, is a clear example of neo-liberal utopia, in suggesting the coastal urbanization of the entire Continent, the specialisation of the transport services and the negation of African cultural diversity as a solution for development problems in Africa. David Dollar, *Ajuda ao Desenvolvimento, Reformas e Redução da Pobreza em África*, Dom Quixote, argued also that growth is good for the poor, but avoided any reference to the fact that, by itself, it is not sufficient and for this reason the Bretton Woods institutions began to demand the PRSPs (Poverty Reduction Strategy Papers).

<sup>11</sup> Wolfensohn, J. 2000. Heavily Indebted Poor Countries Initiative and Poverty Reduction Strategy Papers; Memorandum to Members of the IMF and World Bank, September 7.

imposed by the donors. It is a fact that the Mozambican experience in the working out of the 'PARPA' has shown that no conditions had been imposed for its elaboration. The Government launched the process, made the studies of what was possible, and presented its Action Programme for the Reduction of Absolute Poverty to the IMF and the World Bank. If it is true that there are no conditions, it is however a fact that there are conditionalities<sup>12</sup>. Wolfensohn referred to them as "the tension between the sense of property of the process on the side of the country, and the prerequisites of the IDA and the IMF when having to verify if the content of the strategies designed by the country provide a valid basis for the concessionary loans of these institutions as well as for the forgiving of the debt<sup>13</sup>".

### First conditionality

The first conditionality imposed upon the poor countries concerns the *sui generis* determination by the Bank and the IMF that there are **good** governments and **bad** governments; the former, in turn, would be classified as countries that could qualify for total debt forgiveness. If the lords of debt forgiveness decide that a country has a bad government, then the debt is not forgiven; as a consequence, the necessary support for poverty reduction is not made available. But what is a bad government? Obviously, it will be a government where there is corruption and capital drainage by the governing elites towards superfluous consumption in any part of the world; in other words, governments that act against their own constituents. But the Bretton Woods institutions also believe that any government that does not liberalise agricultural prices, does not accept the free circulation of capital, or does not accept as a given fact that markets lean towards perfection and regulate themselves. In conclusion, a government that, in spite of not being corrupt, is guilty of the sin of not accepting the neo-liberal norms is considered a bad government and its external debt is not forgiven<sup>14</sup>.

The application of the World Bank model for rural development arises out of a value judgment of a country's performance. The model was published in 1997 and has been serving as a guide for the PRSPs of countries where the poor population is basically rural<sup>15</sup>. It comprises the following elements:

- o strong and competitive private agriculture, showing a certain amount of sympathy for family agriculture and implicitly recognising the importance of technological development;
- o guarantees that there are no distortions in the products, inputs and financial markets, allowing them to operate freely and having no discrimination against agriculture in the fiscal policy;
- o public investments in economic and social infrastructures, in health, nutrition, education and family planning;
- o adoption of decentralised and participative methods that do not discriminate against women.

Independently of the greater or lesser validity of each of its components in the specific context of each country, the problem with this model is that it stipulates what should

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<sup>12</sup> IMF&IDA. 2000. Poverty Reduction Strategy Papers – Progress in Implementation. mimeo.

<sup>13</sup> *ibid.* p. 5.

<sup>14</sup> In this respect see the abovementioned article by David Dollar.

<sup>15</sup> World Bank. 1997. Rural Development: from vision to action. Washington.

not be done (market distortions), which methods should be adopted (participative and non-discriminatory), where they should invest the funds which are to be employed (infrastructure and human capital) and on which actor should one bet (private agricultural enterprise), but it does not reveal how!

It is clear that this was not a lapse, but stems from the neo-liberal postulate that the market (if perfect) will place the capital where returns will be assured and will incline towards growth; this will not require the adoption of any other measures, except to let the market operate without distortions.

## Second conditionality

The second great conditionality relates to the insistence that the markets are exempt from social relations that are being established by means of capital. The consequences in the application of this theoretical presupposition during the formulation stages of the PRSPs, are three. First, starting with the principle that, in whatever sectors the investment may have been made, it will result in multiplying effects which will contribute towards the reduction of absolute poverty. Second, that there is a perfect inter-sectorial mobility of capital that will, sooner or later, benefit the poor, provided that opportunities present themselves and that there are 'good projects'. Third, that the financial market rests exclusively on the perfect convertibility between assets and capital, whether they belong to the poor or to the rich.

However, in practice it has been shown that none of these normative premises is in keeping with reality. In this area, the case of Mozambique is a clear example. The Country has been able to attract investments, particularly for the energy resources sector. The ventures related with the production of aluminium, iron and steel, the utilization of natural gas and cheap hydroelectric energy, added to the recently signed agreement concerning titanium, are obvious examples of the lack of the so-called multiplying effects for the poor at short and medium terms. The special conditions required by the investors relating to exemptions of payment of rights, fiscal and customs facilities, and the export of capital, added to the reduced number of jobs created, leads us to predict that the multiplying effects will still take many years to reach the 70 per cent of people who live in absolute poverty. Mozambique is not an exceptional case; several times already it has been established that a rather long 'time lag' exists between investments and their results; for this reason, in the decades of the 1970s and 1980s one would speak of 'safety nets' in order to minimise the negative effects upon the most disadvantaged strata of the population. However, in the decade of the 1990s all of this has been abolished, and the mere mention thereof has become taboo in the preparation of the PRSPs<sup>16</sup>.

At the time when capital was developed at national level, this was steered towards the sector that would produce the greatest profit in the shortest time; this makes it therefore improbable that it would have any direct influence on the poor. In other words, the desirable mobility between the energy sector and the agrarian sector, where most of the poor are found, is not a proposition. In their turn, the few investments, which are known in the Mozambican agrarian sector, are related to the felling and commercialisation of indigenous forests; however, these projects are neither being accompanied by industrial processing nor by initiatives in the realm of silviculture. In

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<sup>16</sup> Kanbur, R. 2001. *Economic Policy, Distribution and Poverty: the nature of disagreements*. Cornell University.

the agricultural area, with the praiseworthy exception of sugar cultivation and industry, which benefits from protective measures, not a single important investment has been made to-date. It became necessary to institute protection in order for the sugar sector to attract investments. In other instances, where good ideas existed but there was no protection, as in the case of cashew farming, no investments were made.

In contradiction to the third presupposition in the working out of the PRSPs, there is an enormous difficulty in establishing the connection between the savings of the poor and the investments of the rich. In contrast to the rich, the assets of the poor cannot always be totally converted into capital, and there is a set of assets that is indispensable in order to guarantee social reproduction and, as such, are retained in reserve<sup>17</sup>. This comprises the house, the land, the work implements and tools, the bicycle and other assets that, by their nature, are essential to the productive activities of the rural family, but these cannot constitute collateral or any other guarantee for the attainment of credit. Given this fact, and in the face of the limitations derived from the presupposition that there is complete convertibility between assets and capital, the poor will hardly be in a position to access the savings of the rich and vice versa. In conclusion, a dual financial system is developed, on the basis of which it is impossible to start the formation of capital at national level; this results in an increase of dependency, leading even to exclusively foreign capital investment, to the detriment of domestic capital.

### **Third conditionality**

The third great conditionality is tied to the presupposition that development leads inevitably to the *nuclearisation* of the family and to a commercialisation of individual relationships. Just because in the countries of the North the settlement patterns led to urbanisation and an increasing commercialisation of inter-personal relations, sometimes even within the bosom of the family, it cannot be accepted as a given that the same phenomenon will happen in developing countries. The social dynamics and high population growth rates which are not accompanied by job creation, the limitations to the transit of people between African countries and the absence of concentration of land ownership (at least for now), the negative experiences of hyper urbanisation in the North and the functional relationship of African societies with the land, are factors which, possibly, will influence the adoption of a less concentrated settlement pattern. Thus the latter would become more dependent on social relations.

On the other hand, the appearance of a capitalist class based on relationships of kinship via the State, found today in the entire continent, leads us to believe that development will lead to a reinforcement of family and group interdependencies in place of the *nuclearisation* of the family. As has happened in Japan, the relationships at the core of the extended families of the African elites come out strengthened by the State's action in the formation of a capitalist class. This process is intensified as globalisation increases. It is a group defence phenomenon, in the face of a common challenge, with which the citizen identifies his- or herself<sup>18</sup>.

<sup>17</sup> Negrão, José. 2000. *Cem Anos de Economia da Família Rural Africana*, Promédia, Maputo

<sup>18</sup> In this respect, look at the social conscience in the face of 'affirmative action' in South Africa, and the social tolerance towards black capitalism. The social projection upon specific individuals is evident in day-to-day expressions such as "he/she is one of us we are going to get there".

One of the most important theoretical implications of bringing this presupposition into question is that one accepts the existence of collective rationalities in parallel with the individual rationality. In my view, this does not mean setting one type of rationality against the other, or to establish a hierarchy of succession, or even to question the insertion or not of the economy in society, as was done by Polanyi. Rather, it means to work out in detail this other rationality, as well as the interactions that will be established among them as the development process unfolds.

In the normative context, the practical implications became obvious during the decade of the 1990s, in the issue of the land. The structural readjustment based its land policies on the evolutionary theory of land tenure rights. This theory purports that when both the population and market activities increase, land availability will decrease; this situation will lead to an increase in conflict and, as a consequence, a better definition of land tenure rights is required. It stipulates, in its normative component, that property rights should be guaranteed by the State by means of individual title deeds. Once the land has been individually titled, the transaction costs decrease whilst the economic efficiency of the enterprises increases; in this way, the land market will be developed, which will result in the convertibility between land and capital, which in turn will lead to an improvement in the financial markets<sup>19</sup>.

Empirical evidence collected in the 1990s has shown that the application of this theory on the African continent revealed unforeseen configurations; above all, the very theoretical presuppositions were thus brought into question. Individual rationality is not only non-exclusive, but it also gives rise to disadvantages for the poorest persons and for women who are heads of households. It has also been established that there is no positive correlation between the titled land and credit disbursements, and that the land market that flourished had been so distorted by the State's intervention, that even the very food security of the poor was brought into question, as well as the much desired political and social stability<sup>20</sup>. The market does not go through the convertibility between assets and capital exclusively; but it also goes through the convertibility between the latter and the systems of social obligations. Despite this the World Bank continued to insist on individual title deeds as a condition for the eradication of absolute poverty<sup>21</sup>.

#### **Fourth conditionality**

The fourth and last great conditionality in the elaboration of the PRSPs is tied to the imposition of structuralist positivism on a global scale; usually, this phenomenon is known as globalisation. But not only is one forced to follow a positivist logic, but what Pascal called *esprit géométrique* is also required; this is related to the need for economists to use only a reduced number of variables, to create hypotheses on the basis of repetitive correlations, and to have as a given that human beings act in accordance with precise and repetitive programmes<sup>22</sup>.

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<sup>19</sup> Platteau, Jean-Philippe. 1996. *The Evolutionary Theory of Land Rights*. Development and Change, Oxford.

<sup>20</sup> Negrão, José. 2002. *Political Economy of Land & Resources*, Pan-African Programme on Land and Resources Rights, CASS & American University of Egypt. For the first time in the history of Africa, African 'absentee landlords' appeared, because of the World Bank's disastrous intervention in the area of land during the decade of the 1990s.

<sup>21</sup> Deininger, Klaus and Feder, Gershon. 2002. *Land Institutions and Policy: Key messages of the Policy Research Report*, preliminary version presented in Kampala.

<sup>22</sup> Cipolla, Carlo. 1993. *Introdução ao Estudo da História Económica*, Edições 70.

Today, in the universities, when we discuss with our students: the whole issue of the problems surrounding the post-structuralist analysis, the need to incorporate change into normative models, the inclusion of cultural explanations into the analytical models, and the integration of the unpredictable or of 'chaos' through the interaction of the effects in the postulates; it becomes obvious that, in the under-developed areas of the world, there is a joint action of the logical frameworks, the ramifications of the problems, and the deductive participative methodologies.

Going back to Pascal, the *esprit de finesse*, defined as "The capacity to perceive the presence and the importance of an infinite number of variables, many of which can neither be measured nor defined; ... [the capacity] that knows how to recognise the high frequency of associations of the non-linear type, ... which excludes strict relationships of causality and ... which perceives itself and knows how to bear in mind ... the irrational in the human adventure"<sup>23</sup>, is denied not only to the governments, but also to the intellectuals, the professionals, as well as to the citizens who participate in the elaboration of the PRSPs.

This crusade for the hegemony of a single way of thinking, elaborating and of acting, is intimately related to the so-called consultation process of civil society and the universal model of democracy which accompanies the PRSPs. The institutions of the Bretton Woods system say that a consultation process that is as wide as possible must accompany the PRSP or the 'PARPA'<sup>24</sup>. The European Union donors send out their officers to see whether the consultations are really taking place, and how they are taking place; international civil society<sup>25</sup> organises seminars and commissions studies debating what should be said in the consultations and to guarantee that the poor, the real poor, are being consulted<sup>26</sup>.

There are methodological discrepancies concerning four points. First, regarding the nature of the consultations. The insistence on consultations arises from the series of criticisms about the quantitative methodologies' exclusively monetary measurement of poverty. In order to counterbalance this, qualitative methodologies were adopted; these would allow for the capture of the perception and the experience of poverty by the affected populations at local level<sup>27</sup>. Our own criticism is directed at the binomial that was created between the quantitative methods (monetary measurement) and qualitative methods (deductive participative approaches). There are quantitative methods which also allow for the measurement of the living experiences of the poor by the poor themselves, who do not per force reduce everything to monetary quantifications; in the same way, there are qualitative methods which are not as dependent upon an ideological discourse of the interviewee as the participative ones<sup>28</sup>.

<sup>23</sup> *ibid.* p. 22.

<sup>24</sup> "Persons, groups or institutions which have an interest, a responsibility, a commitment in and for a specific topic or action programme, as mediators, implementers, beneficiaries / affected persons, financial backers or simply listeners". *in*: GoM. 2001, p.93.

<sup>25</sup> By civil society is understood any organisational formation of citizens, which is subjected to a structure which is generally recognised by them, and to which they adhere through their own and free volition. This definition seeks to capture Gramsci's sense of Civil Society, by incorporating the associativism of class or of professional groups such as trade unions and the leaderships of cooperativism.

<sup>26</sup> Palha de Sousa, César. 2002. *PARPA / PRSP process and civil society involvement in Mozambique*, Cruzeiro do Sul.

<sup>27</sup> See Oppenheimer, J. & I. Raposo. 2002. *A pobreza em Maputo*, MTS/Depart. Cooperação, Lisbon.

<sup>28</sup> Among the quantitative methods outside of the 'money metrics', there stand out those methodologies which are related to 'network analysis'; and among the qualitative methods which are based on

Strictly speaking, what is at stake is the non acceptance of an *a*-logical theoretical reasoning in the formulation of the problems, as well as an attempt to find methodologies which will be more easily capable of integrating the opinion of the poor in the structure of the 'sacrosanct' logical-deductive thinking pertaining to Western philosophy of science.

Second, there is nothing to prevent the World Bank, or any other institutions from engaging in any consultation that they may deem necessary<sup>29</sup>; however, the consultations may neither legitimate nor replace the negotiation processes with the governments, as well as those negotiation processes between the governments and civil society and the private sector within the country. Wanting to replace negotiations at national and international level by a joint musing exercise is the manifestation of a positivistic arrogance concerning the options to be considered.

Third, the consultations cannot be used as an argument that the PRSPs do not have to be approved by the respective national parliaments. To argue that the 'PARPA' is a matter that concerns the executive and not the legislature, even though it may be fitted into some type of legal framework, is to narrow the rights of a democratic institution of national sovereignty. This way of thinking is a demonstration of the *esprit géométrique*, whereby the debt is treated merely as an accountancy problem, and its political and social dimensions are thus excluded at the present moment and for the future generations.

Last, the consultations are being imposed as a palliative for the discussion of a deep problem that is related to governance and with the democratic system. The World Bank insists that the question of governance is limited to decentralisation, transparency and the absence of corruption; these being in the name of economic efficiency and the reduction of transaction cost. However, the problem of governance in countries where political parties are far removed from being the vehicles *par excellence* for the citizens' political intervention is far more complex than what a less attentive reading can understand. In such countries, governance is intimately related to the right of action, but not exclusively via the State, with a proliferation of a corporate culture in civil society – in other words, with the relative roles of participative and representative democracies.

### **SO IT WILL NOT PRODUCE RESULTS!**

Why will there be no results? It will not work simply because the 'PARPA' is not a strategy. It is rather a set of actions that are dictated by common sense and by the implicit rural development model of the World Bank; and the bank's financing of a new external debt in the region of US\$ 1,8 billion will fall upon the future generations. Due to the abovementioned conditionalities the 'PARPA', like many other PRSPs, is characterised by basing itself upon erroneous assumptions, namely: (i) the market will

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analytical theoretical systems we can mention, for example, those which are followed by economic anthropology.

<sup>29</sup> "We have fought for years so that we would at least be heard, and are we now going to refuse being heard?" this was a comment made in Kampala during a week of consultations by the World Bank with the African Continent, regarding whether this initiative should be supported or sabotaged. In turn, it was argued against the indispensability of the World Bank having to consult the poor and the landless, because this would mean that the World Bank would be recognized as a global government, and this would exonerate the governments from their functions as negotiators at national level.

tend towards covering the costs of the money, whereby any State intervention becomes unnecessary; (ii) the consultations which are guided by deductive methodologies are sufficient, and so it is not necessary to work out a theoretical framework; (iii) the elasticity of the demand in the agrarian products' market is perfect; (iv) the institutions are regarded as the legal framework which was approved by the national parliaments and the operation of the ministries; (v) and the debt legitimating is done through the approval of a single product – the 'PARPA' or PRSP document.

As a consequence, there is no strategy. At most, there is a tactic. A tactic that has as its means: decentralisation, participation and democracy. As conditions, this tactic has the good operation of the apparatus, the improvement of health conditions and the improvement of the educational level. As instruments it has: a macroeconomic policy that is directed towards currency stabilisation, and an improved roads network. This is a tactic where the strategic options for maximising results are left to the discretion of the market. But it lacks a strategy.

It is essential to have a strategy. Why? Because the reduction of poverty is not an objective *per se* it is rather a result. The objective is to increase wealth and to distribute it; in other words, the objective is the formation of the national capital and its distribution. For this to happen it is essential that a strategy be formulated; this strategy should identify the forces upon which investment will unleash multiplying effects which will allow the country to exit the cycle of poverty.

## **GREAT STRATEGIC OPTIONS**

In the elaboration of a strategy, there are some elements that could already be taken into consideration on the basis of experiences that were acquired and systematised by research carried out in Mozambique. These elements include the great options of a strategic character that a country should embrace.

It could be asserted that the market by itself would take care of these options. But unfortunately in Mozambique, the market or markets are not perfect. In the majority of the cases they are incipient; in other cases they don't even exist. Therefore equilibrium has to be established between what can be viably expected from the market and what can possibly be done from the normative point of view.

### **First strategic option**

Should the country's poverty reduction strategy be different or equal to the economic growth strategy? At first sight it may seem obvious that poverty reduction emanates from economic growth. But economic history has shown several times that, although there is a positive correlation between them, the time period that separates them is far longer than has been supposed.

In the face of the unforeseen, nothing else can be done but to adopt mechanisms that would enable the results to interact with the postulates. So, nothing prevents a multifaceted strategy being adopted whereby, on the one hand, the economic growth question would be targeted and, on the other, poverty reduction would be addressed.

For example, the country may determine that accelerated economic growth may depend on the exploration of energy resources by means of foreign investment; while poverty reduction would be addressed by attracting national investment to the agrarian sector.

### **Second strategic option**

If an option is made to reduce poverty by means of national investment, should the State then create financial mechanisms aimed at reducing the risk for the invested capital, or should one wait for the market to do it by itself?

Even where it is said that the markets tend towards perfection, as may be the case in the European Union and the United States, the question of agricultural subsidies continues to occupy the agendas of international forums. How can one expect markets that are incipient and structurally distorted by the international situation to regulate themselves regarding investment in the agrarian sector?

However, the question arises on the nature of subsidies to agriculture. Experience has already shown that subsidised products or privileged agents do not always contribute towards the decrease of social asymmetries; and they do increase the tendency towards capital flight. What type of subsidy then could minimise risk? In this sense, studies have still to be carried out; but one can already say with certainty that the costs of investigation, market research and information can very well be covered by the State without running the risk of distortion. In addition, compensation funds may be created, and return periods of interest rates may be revised in function of the productive cycle and the behaviour of international markets with fewer risks. This is beyond the already accepted co-participation of the State in the initial investment costs, by means of the building of infrastructure and service provision such as energy and technical assistance networks, added to the costs of exploration and maintenance.

### **Third strategic option**

In the case of poverty reduction via the agrarian sector, should the country opt for agriculture of scale, with an intensive use of the labour force, or for a highly productive family agriculture?

For a long time studies have been carried out and debates taken place in the realm of agrarian economics, concerning the relationship between the dimension of the area of agricultural exploration and economic efficiency. Today it is known that the multiplicity of factors that influence economic efficiency is such that one cannot have a single dimension as being the ideal area. The following factors, among many others, are responsible for the unforeseen in this field: the productivity of the soils, the storage systems, the routes of access to the market, the costs of inputs, the appearance of niches as well the disappearance of others in the market, the unpredictable atmospheric changes, etc. However, not being able to know the ideal dimension does not imply that the measure of the non-desirable is not known; this is that which is utilizable, it is that of the non-utilized land for speculation purposes. In Zimbabwe, one of the reasons for the land crisis arises from the fact that a large percentage of productive and good quality land lies abandoned; this is side by side with the enormous search for land by the poor. There is no doubt that the State has a role to play in this regard, and in Mozambique the land legislation has mechanisms to prevent

the same from happening.

Another approach to the problem of the dimension of agricultural exploration and its efficiency is related to labour. When priority is given to agriculture of scale, this means that one has opted for the transformation of the peasantry into rural labourers; as Samir Amin would say, this is an option for the proletarianisation of the peasantry. This would imply a profound revision of the rural worker's salary level, accompanied by the guarantee that the supply of employment in the great farms would correspond to the number of self-employment jobs that are guaranteed by a family agriculture. There is little chance that this will happen.

The third factor pertaining to this option is related to the physical planning of the rural population centres. If one opts for agriculture of scale, then one would unquestionably have to revise the settlement pattern that is predominant in Mozambique. It is not by chance that, in the region, Mozambique is the only country that has a dispersed settlement pattern in the greater part of its rural areas. This is a result of the predominance of family agriculture, in relation to commercial scale agriculture. If the latter becomes predominant, it will become necessary to concentrate the citizens in function of the economic rationality of the businesses where they will be employed; the option between the so-called development hubs and the services networks where the citizen resides is dependent on the option which has been chosen by the country in relation to the type of agricultural exploitation to be adopted.

#### **Fourth strategic option**

Once more, in the case of poverty reduction through the agrarian sector, is the country going to export primary materials, or is it going to add value through industrial transformation?

Knowing that approximately one third of the external debt that is now being incurred is earmarked for the area of infrastructure, it becomes relevant to have a clear option on a market access strategy for agrarian products. If an option to export is made, then the roads linking the interior to the coast should be the ones to be constructed; the electrical energy capacity to be distributed among the districts will be less; and the water supply will be exclusively for human consumption. On the contrary, if an option towards the products' transformation is made, then one should have to think in terms of road networks; energy has to be measured according with potential industrial utilisation; and the quantity and quality of water will depend on the type of venture which one can foresee happening.

To the question surrounding the type and dimension of the infrastructures one should add that of the long-term sustainability of the natural resources utilisation, as well as the dependence of export monocultures on the whims of international markets.

#### **Fifth strategic option**

The last strategic option that should be emphasised is related to the disbursement of the funds that were made available by the 'PARPA'. Should this disbursement be carried out exclusively by the State, or can the co-participation of the private sector and civil society be accepted?

Up to the present, the State has been solely responsible for this financial disbursement,

although it is a known fact that, in certain areas, the private sector has greater capacity, while in other sectors civil society has a greater agility. Since the debt will have to be paid by all the partners, there is nothing to prevent the question being asked, “Why is only one of the development partners responsible for its disbursement?”

The concentration in the State, more actually in the executive, not only exacerbates the administration costs, but also exonerates the other partners, which are seen as integral and indispensable elements in the process, from any responsibility. The Central Bank could very well become the meeting place of the various partners in the execution of the PARPA's financings, in place of the Ministry of Finance. It goes without saying that, from the moment the agreements have been signed, there will be no way to go back on them, even in the name of efficiency.

## OTHER INITIATIVES

The non-acceptance of a *laissez faire, laissez passer* is felt everywhere, not only on the African Continent but also in other regions of the world and among international co-operation organisations. Various parallel initiatives are currently running; among them one should mention MAP, the Agenda 2020 or 2025, the New Partnership USA-Africa, the International Conference for Development Financing, and NEPAD.

MAP, the Millennium Partnership for the African Recovery Programme, is more like a declaration of intent of the African countries in complying with the rules of international markets within a democratic framework, than a strategic programme for the Continent's reconstruction. MAP's merit is that it has as an objective to force donors to commit themselves to lasting and sustainable development for Africa<sup>30</sup>.

The Agenda 2020, in some countries Agenda 2025, is an initiative of the United Nations Development Programme. Its operational objective is to build lasting consensus at national level, regarding development policies, independently from the political party that is in power. The main preoccupation of the Agendas 2020 or 2025 is the search for lasting stability in the economic area as well as in the political arena.

The New Partnership USA-Africa is related to the fact that the Bush Administration, as opposed to the Clinton Administration, has allocated strong reserves for the adoption of the what is called the ‘jump strategy’, which was supported for a long time by the neo-classical developmentalists. According to the jump strategy, because of the natural decline of agriculture, investments must be geared towards industrialisation, and not towards the modernisation of agriculture. The Bush administration however considers that the development of agriculture is indispensable for, among other factors, the attainment of the necessary stability towards current and potential North-American investments in the African Continent.

The International Conference for Development Financing, which took place in Monterrey, in Mexico, produced the Consensus of Monterrey, which received the official recognition the Heads of State and of Government who were present, including those from the donor countries, that it is necessary “to explore innovative

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<sup>30</sup> In an internal document of MAP, dated April 2001, it can be read: “ensuring full commitment and support by the following leaders: President of the United States, Prime Minister of United Kingdom, President of France and Prime Minister of Japan” as a crucial factor for the success of the initiative.

financing sources which will not overburden the developing countries<sup>31</sup>". In addition it was acknowledged that it had been agreed to study the issue, making reference to the use of "special drawing rights", recently advocated by Soros<sup>32</sup>.

NEPAD, the New Partnership for Africa's Development, is the most recent initiative of the Continent. Contrary to the PRSPs, NEPAD takes up a clear position in relation to the indispensability of considering both the agrarian sector and rural development as conditions for the eradication of poverty. However, it does not put forward a clear strategy on how this objective can be attained, although it can be foreseen that it will go in the direction of the industrialisation of agriculture model, on the basis of great agricultural estates.

## TOWARDS RESULTS

Cipolla said that for the economy the problem arises when one goes over from the analysis of a short term period to an analysis of a long term period, which encapsulates the problems of economic development of the "underdeveloped". He concluded then that "the development theory was and continues to be a total failure<sup>33</sup>", without another alternative except resignation and the analytical delights of Economic History. On the other hand, Galbraith said that, at the same time as we understand the historical roots of the economy, we can understand the present and its projection.

Having degrees in both Economic History and Development Economics, I would dare to disagree with Cipolla. It is possible, **it has to be possible!**, to theorise with a degree of acuity of projection in the area of how and what to do, where and when to invest, with which mechanisms of theoretical self regulation, and which are the instruments of analytical interaction with the development process.

### In the theoretical field

Throughout the text we have been constructing some assertions that were based on empirical evidence, namely:

- o the return of the theoretical exercise of political economy, in other words, the reinstatement of non-logical theoretical reasoning, for a subsequent conceptualisation in a logical-deductive structure;
- o to adopt a philosophical stance in the face of science, which will have change as a constant, culture as a given, and the interaction of the effects in the postulates as a means to integrate the unforeseen;
- o the non-theorisation around value judgments of a normative character;
- o the acceptance as a departure point, and not as an additional, that the markets incorporate social relationships which are established by means of capital;
- o the acceptance of collective rationalities, in parallel with individual ones;
- o the construction of a strategy able to identify the forces upon which investment will unleash multiplying effects which will allow one to exit the poverty cycle.

<sup>31</sup> United Nations, General Assembly 2002. A/AC.257/L.13, p. 10.

<sup>32</sup> Soros, G. 2002, On Globalization.

<sup>33</sup> Cipolla, *op. cit.*, p. 23.

It was equally mentioned that the reduction of poverty couldn't be an objective in itself, but rather a result. The objective is to increase wealth, or the formation of capital and its distribution; for this end, it is indispensable that a strategy exists and that it obviously should rest upon a theoretical framework.

Up until our time there have been various theoretical attempts to explain growth and to project development. Adam Smith spoke about division of labour, David Ricardo about the productive reinvestment of the surpluses, Karl Marx about the accumulation of capital and Schumpeter on the role of the 'entrepreneur' in innovation. After Keynes, Harrod and Domar concluded that the growth rate is a function of the relationship between the savings rate and the investment rate. Solow argued that technical progress is exogenous to the local dynamics, while Romer, Barro and Lucas advanced the theories of endogenous growth. In the 1950s and 1960s development economics was defending the dualist models; later on the productivist models of the Green Revolution were set against it, arguing that the poor themselves could also bring about development. The protectionist models appeared with import substitution and severe restrictions to international markets, leading to the neo-liberals in the 1980s arguing exactly the opposite.

It is obvious that a theory cannot be good or bad by itself alone; only its explanatory capacity is greater or smaller, and its capacity to forecast and project is more or less adjusted in function of the multiplicity of variables presented by the real world to the exercise of abstraction. However, there are moments in the history of science when simple changes do not yield results anymore and one has to think out everything anew, calling into question the very conceptual body. Everything leads us to believe that this is the situation in which we find ourselves. Theoretical production has been shattered. And when such a thing happens, nothing else can be done but to return to empirical evidence, be it for the enrichment of the presuppositions, or for the construction of a new theoretical body.

### **In the analytical field**

It is in this direction that, with the limitations we have and with the means of co-operation at our disposal, we try to develop our research activities. But, taking into consideration that the process is extremely fast, and that the positions taken by the governments of today can have serious consequences for the future, we were forced to elaborate on a valid alternative for the 'PARPA' in Mozambique.

Earlier we spoke about strategic options that should be urgently addressed. Our own options would aim at:

- o the adoption of a multifaceted development strategy, where one would tackle the question of economic growth by the exploration of energy resources by means of foreign investment; at the same time we would take the question of poverty by attracting domestic investment into the agrarian sector;
- o the State must create financial mechanisms for reducing the risk of invested capital, including the revision of interest rates and return periods, in function of the productive cycles and the behaviour of international markets. With immediate effect the State must: co-participate in the costs of research, market research and information; and contribute towards the creation of compensation funds, in addition to what is already contained in the 'PARPA';
- o a highly productive family agriculture;

- o to add value to agrarian products by means of industrial transformation;
- o co-participation of the private sector and civil society in the financial execution of 'PARPA's' funds via the Central Bank.

### **In the normative field**

So, on the basis of work that has been done so far, some elements were identified to enable the 'PARPA' to achieve results<sup>34</sup>:

- o Adopt as a strategy: the development of agro-industry by the entrepreneurial sector, with the dual objective of increasing and assuring demand near the rural families, and to add value to the national product to be placed in the market and its niches.
- o In order to assure that this strategy will yield results it is necessary:
  1. to establish **entrepreneurial-type partnerships** between the entrepreneurial and family sectors; the latter will have the natural resources of the area which it occupies as capital. The former's capital will be technology and the *know how* concerning administration and access to markets;
  2. to make 'cheap money' available to the domestic entrepreneurial sector;
  3. to reconstitute the 'institutional fabric', having as objectives the institutionalisation of the negotiation processes among the various stakeholders, the equilibrium in gender relations and the incorporation of endogenous and hybrid institutions into the dynamics of governance.
- o And these are the conditions:
  1. the development of 'human capital', particularly by means of basic education, the improvement of the quality of water for consumption and of the general sanitation conditions;
  2. the decrease of the 'relative distances' to services, markets and resources by means of the construction of infrastructure, the availability of low cost transport and the progressive replacement of wood fuel by electric and fossil fuels.

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<sup>34</sup> Cruzeiro do Sul. 2001. *Relatório Final do Projecto de Seguimento do Programa de Desenvolvimento de Nampula*. Cruzeiro do Sul & José Negrão. 2001. Como induzir o desenvolvimento em África. CEsA/ISEG, Col. Doc. Trab. No.61, Lisbon.