

Four Years of Nyusi's Governance: Between Growth and Degeneration

António Francisco

Four years after the start of President Filipe Nyusi's term of office, two fundamental questions deserve the greatest attention, in any assessment and balance sheet on his governance: 1) Has it contributed to improving or worsening the fundamental rights and freedoms of citizens? 2) Has it improved or worsened economic freedom and the development of a healthy, dynamic and progressive market? I shall try to answer these two questions, in a simple and direct manner, leaving for others the chronological systematisation of events which may illustrate and justify the aspects stressed here.

In order to put my comment into context, I recall the answer I gave to a journalist in December 2014, after the confirmation of Filipe Nyusi as the future President of the Republic (PR) of Mozambique. Since he was a relatively anonymous political figure, without a political career, or any leadership experience in any body of his party, Frelimo, and particularly in the Public Administration, I limited myself to stressing two points. I admitted that the new PR deserved the benefit of the doubt; and I expressed the hope that he would do something substantive in reducing the highly predatory appetite and orientation prevalent in the preceding governance.

Four years later, what assessment do I make of the four years of governance of this PR, from the political and economic points of view? This was the question that the weekly paper Savana asked me. The reply was published in its edition of 18 January 2019, which has been converted into this IDeIAS, with slight adjustments. In short, the analysis I make of the governance of President Nyusi is that it has been an exhausting and extremely costly experience, for Mozambican society in general, and particularly for civil society and the private economy.

1) On the fundamental rights and freedoms of citizens

From the political point of view, both the democratisation efforts, and the affirmation of civil society have faced great obstacles and have paid a cost that is difficult to assess in financial and

economic terms. The list of selective assassinations, whether successful or not, with strong indications of unscrupulous political motivation and in many cases undertaken in broad daylight, is long and shocking.

At the very least, recalling some of the countless victims, in various parts of the country, could serve to leave no room for doubt, for those who were perhaps not aware of the scale of this saga and are surprised at the generalised association of such crimes to the heinous and unpunished action of the so-called "death squads"; an action which, for many citizens, benefits from the connivance of various state bodies.

4 Years of governance marked by:

- **Dozens of summary executions by "death squads" still at large; successive electoral frauds; recurrent politico-military hostilities; kidnappings of business people, and other physical and psychological aggression against citizens; new military tension in Cabo Delgado, with no end in sight.**
- **Scandal of the illegal and fraudulent debts, to the value of two billion dollars, recently legalised and incorporated into the State Budget.**
- **Betting on a growth strategy that is hostage to external savings, state control and intervention and restriction on the economic freedom of citizens and of private.**

On the other hand, although we are not able to list most of the victims, either of assassinations or of beatings, it is at least possible to record those who merited some media publicity: Gilles Cistac (March 2015), Jeremias Pondeca (October 2015), Inlamo Ali Mussa (August 2015), Manuel Bissopo (January 2016), Filipe Jonasse Machatine (February 2016), Aly Jane (March 2016), José Manuel (April 2016), Marcelino Vilankulos (April 2016), Jaime Macuane (May 2016), José Fernando Ngiraze (June 2016), Jorge Abílio (September 2016), Armindo Kutche (September 2016), Mahamudo Amurane (October 2017), Ericino Salema (March 2018).

How many assassinations, assaults and violations (physical and psychological) will be necessary to conclude, without fear of exaggeration, that the fundamental rights and freedoms of Mozambicans have been "captured" by crime, in the last four years? There is no exact, or even indicative answer, but if we add to this balance other worrying events which have also marked the last four years of governance, the result is devastating. It is enough to mention, for example: the wave of politico-military instability between the government forces and the Renamo Party, arising from irregularities in the count of the October 2014 general elections; the continued kidnappings of business people and armed robberies against Mozambican and foreign citizens; the disastrous management and violence exercised by the authorities in the recent municipal elections of October 2018, which reached its most scandalous point in the repeat election in the municipality of Marromeu; and the most recent wave of disturbances, murders and destruction in Cabo Delgado province, attributed to so-called "insurgents".

Faced with the list of events and incidents mentioned above, an enormous imaginative capacity and emotional courage, sheathed in a high degree of cynicism and shamelessness, is needed in order to turn a blind eye to their consequences and implications, and still conclude that there are sufficient reasons to believe that the political future of Mozambique, in the short term, inspires confidence. This is also borne out by the deterioration of international assessments. For example, the corruption index of Transparency International has gradually deteriorated over the present decade, and on this index Mozambique fell six places in the last two years, The Fragile States Index (FSI) shows a gradual weakening of the Mozambican state from the level of "High Risk" (74,8 points in 2006) to "Very High Risk" (88,7 points in 2018). The recently published 2018 Democracy Index of *The Economist* magazine, for the first time assessed Mozambique as "an authoritarian regime" instead of "a hybrid regime".

Anyone who really defends equitable and inclusive freedom will have to recognise that only

justice, and not feeble speeches given out of mere convenience, could be converted into a driving force for political actions, resting on principles of morality and justice consistent with human nature which rejects violence in the affairs of Mozambicans.

2) Has economic freedom been strengthened or weakened?

Any improvement in economic freedom and in the market, in the last four years, is due mainly to private citizens and companies and not to the State. The latter continues to bank on an active state interventionism and political and bureaucratic control over the productive activities of citizens.

From the beginning of the present Millennium, the Mozambican economy underwent fifteen years of relatively high growth, but strongly commanded and interventioned by the State. It should be recalled that the main natural resources, beginning with property in land and control of land titles, legally remain an exclusive State monopoly. In practice, the state monopoly institutionalised informality in land ownership, and converted economic growth into degeneration – that is, a degenerate, manipulated and perverted growth, through political and bureaucratic allocation of natural resources; a gradual institutional degradation and adulteration of the rules of the market and of the State strategy for economic growth.

In the middle of this decade, the degeneration was characterised by two processes that were negative for the national economy: 1) Persistent increase in public expenditure, significantly higher than revenue, in a perverse perspective that some regard as a proactive Keynesianism; 2) Strengthening of corrupted and corrupting mechanisms of the financial and economic system, which reached its peak with the scandal of the so-called hidden debts, involving about two billion US dollars, and for which there is still no solution in sight.

At first sight, the rupture observed in economic growth, in the second half of this decade, was due to the international exposure of the illegal and fraudulent debts, in March 2016. But a more careful analysis can show that this interpretation reflects a simplistic association between economic growth and foreign indebtedness. Only part of the foreign direct investment and foreign aid declined, due to suspension of support from the International Monetary Fund (IMF) and from other international partners who used to contribute to the State Budget. Other reasons of a conjunctural nature, at national and, above all, international level, justified that certain foreign investments were not made, or were delayed. Furthermore, as data from the General State Account show, both revenue and public expenditure did not stop growing in the last four years. The same should happen with the 2019 State Budget, approved last December; it envisages an increase in expenditure and in the collection of revenue of above 10%, as well as a record deficit of 91 billion Meticaís.

Despite the commitment of the State to ensure the expansion of public revenue and expenditure, no minimally credible and realistic economic research body forecasts that a new cycle of substantial economic growth will resume before the end of this decade. Some risk predicting slight improvements, arising from the foreign investments associated with the preparation for the exploitation of natural gas, forecast to begin in the middle of the next decade. However, the most important question that deserves to be assessed concerns the nature and substance of the economic growth strategy implemented under the present governance. In the fundamentals, it has in no way changed, much less improved, when compared with the growth strategy prevailing in previous legislatures. There remains the bet on a growth strategy that is hostage to the replacement of domestic savings with external savings, in the expectation that the enormous foreign investments envisaged for the exploitation of the natural gas, will come as soon as possible to revive and tone up the chronic dependence on aid and foreign financing.

As for the expectation that something would be done to rein in and block the predatory, gold-digging and rent seeking nature of the economic growth strategy prevalent under the previous governments, there was little or no advance. Indeed, if the governance of President Nyusi was unable to surpass the external financing, legal and illegal, mobilised during the Guebuza governance, it was not for lack of will – it was only due to the discredit caused by the mess provoked by the enormous, fraudulent indebtedness of the three companies - EMATUM, Proindicus and MAM – set up by the State Intelligence and Security Service (SISE).

Unfortunately, the will to learn and to do something so that the scandal of the fraudulent debts is not repeated is missing from the government and from the main bodies responsible for ensuring compliance with the legislation in force. The measures announced by the government, allegedly intended to correct and discipline financial and budgetary implementation, have merely sought to restore cooperation with the IMF, without ever damaging party control over the administrative machine. Alongside the alleged measures of fiscal consolidation, the government has stepped up the collection of revenue in order to expand public expenditure. To this end, it has banked on expanding domestic indebtedness, through treasury bonds, in order to compensate for the fall-off in foreign debt. It has benefitted from the restrictive measures of the Bank of Mozambique, centred on sucking up the financial resources of households and of private companies, in order to sustain the financing of technically bankrupt public companies and public sectors that are not social priorities.

In a context like this, no matter how much the private economy commits itself to freeing the country from the hole into which the state has plunged it, it will find it difficult to do so while the public sector goes

on digging, maintaining public companies running at a deficit, protecting businesses of doubtful legality and viability, and doing little to contradict the weakening of the economic freedom of Mozambicans. It is no accident that the Economic Freedom Index of the *Heritage Foundation* and of the *Wall Street Journal*, a very irritating indicator for the ideological interventionists and those who find it convenient to join them, assesses the current Mozambican economy as “repressed”. The 2018 Index witnesses the deterioration of the rule of law, the ineffectiveness of the legislation in halting contraband and the trafficking in people and in drugs, as well as the aggression imposed on the social arrangement of voluntary exchanges of goods and services, and the perversion of the opening up of the market.

The Executive spared no effort, and did not rest, until it managed to persuade the Assembly of the Republic to legalise the illegal and fraudulent debts and incorporate them into the State Budget. As the international investigation presses ahead, with strong evidence that proves the fraudulent nature and scale of the formerly hidden debts (first, through the Kroll international audit, and more recently through the formal indictment by the judicial authorities of the United States), we shall see how the Mozambican authorities will face and deal with the creditors and national public opinion.

In any case, the conversion of the government growth strategy into a strategy of degeneration is becoming clearer. We are increasingly understanding that the illegal debts were only possible due to the combined efforts of artful private pirates (foreign and Mozambican), corrupt bureaucrats and unscrupulous politicians. And if this were an isolated and exceptional case, we could regard ourselves as fortunate. But as the IESE research into the execution of the State Budget has shown, the recent fraudulent debts are just one case, among other questionable budgetary practices (e.g. debudgetization), that can destabilise the public account (on this, see the reports on the audits of the General State Account by the Administrative Tribunal).

Will some effort be made in the final year of this legislature and eventually in the next one, if President Nyusi is re-elected, to ensure that Mozambique ceases to be a paradise for rent-seekers, gold-diggers, predators and thieves, at the same time that it has been an inferno for entrepreneurs, producers and workers? Time will tell, but if nothing positive and substantial is done in the coming years, it will be difficult to reverse the slippage witnessed by the international rating agencies from the “selective default” into which Mozambique has plunged, to the “highly speculative” level in which it was formerly viewed. In this scenario, there are few reasons for believing in a stable state of the nation that inspires confidence.