CHAPTER 5

A Possible Triangle: Employment, Aid, and Mineral Wealth

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Over the last decades, aid has been a subject in any discussion on economic development in Mozambique. However, both the literature and the policy-making have paid scant attention to the effects of aid on the structure of the Mozambican economy. In particular, aid effects on employment are only now beginning to be considered quantitatively in the literature, despite its potentially important policy implications. For Mozambique, this investigation is of particular interest, since the country is so dependent on aid. In this context, some observers have been critical of its effects on the economy (see, e.g., Hanlon and Smart 2009), while others suggest that aid might have an impact on the quality of institutions and on the citizen–government relationship (Hodges and Tibana 2004; de Renzio and Hanlon 2008). Whether aid creates employment and in what sectors are related issues that also need to be addressed, given the policy relevance of the topic, as well as debates about the effects of aid on the economy.

Moreover, according to de Brito (2009), amongst others, since 2005 Mozambique has entered a new stage in terms of its economic history: the country’s economic development is now based on recent mineral discoveries, which are changing the structures of external dependence, wealth distribution, growth, and patterns of employment creation. This change is leaving unscathed the characteristics of Mozambique as a ‘rent economy’ since it is moving from aid to mineral resources as main drivers of economic activity (Auty 2007).

Given these circumstances, an assessment of the role played by aid in an area of economic development such as employment creation is all the more important. It may help our understanding of what has happened beneath the surface of the Mozambican miracle of economic growth and it could also help predict the evolution of the ‘rent economy’ scheme experienced by Mozambique.

1 The Donors’ Darling

What is known as international aid bureaucracy works in cycles. It selects one or a few countries in which it is considered important – almost fashionable – to
intervene. It inundates these countries, the donors’ darlings, with aid flows for a period of time – often around ten years. During and after this period, the aid bureaucracy strives to demonstrate that aid works in that specific situation. Finally, it leaves, having achieved little when measured against the amounts of money spent.

In Africa this general pattern can be identified in a number of cases: Ghana in the 1980s, and Uganda and Ethiopia in the 1990s (Dowden 2009). Arguably, Mozambique constituted the donors’ darling of the first decade of the twenty-first century. If trends in aid disbursements to Mozambique since the 1980s are examined, it is clear that the country has changed its stance towards international aid. While in the first years following independence Mozambique was an outcast from the circuits of international aid, the mid 1980s saw a shift towards increasing aid dependence: aid flows registered a rising trend. In 2008 they again reached the unprecedented levels of 1992 – the year of the peace agreement, and the beginning of the costly demobilization of troops.

If we look at relative aid trends, that is, at the relationship between aid and gross national income (GNI) (table 5.1), aid represents over 20 percent of GNI between 2000 and 2010.

This means that per capita over the period 2000–2007 every Mozambican has received on average US$67 per year. Comparatively, over the same period, Uganda and Tanzania, which have the same per capita GDP as Mozambique, have received on average, respectively, US$39 and US$40 per person per year. Not only does this show that international aid represents an important part of national income, it also suggests that aid performs a vital economic role. As table 5.2 shows, ‘foreign aid has been the predominant source of investment funds’ until the gas boom (Jones 2009, 15), and it can thus be considered a key ingredient in what has been termed the ’Mozambican miracle’. According to Jones (2009), overseas development aid (ODA) in Mozambique has provided

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*Source: World Bank Development Indicators, 2014. Author’s elaboration*

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1 For usage of this term, see for instance Reibel 2010. However, the real nature of the Mozambican miracle has been widely questioned (for example, Hanlon and Smart 2009; Hanlon 2010). Recent World Bank data seem to confirm some of this scepticism: Mozambique is one of the few countries in sub-Saharan Africa where poverty between 2003 and 2008 increased, albeit marginally.