

Ministry of Planning and Development

**Final Report - Paris
Declaration Evaluation Phase 2
Mozambique**



KPMG Mozambique
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Preface

The Paris Declaration and the Accra Agenda for Action together seek to provide a roadmap for recipient countries and their donors to work together to improve aid effectiveness. These two international instruments, adopted by Mozambique, represented not the start of the aid effectiveness agenda in Mozambique, but rather its consolidation. Even though Mozambique had already developed its own “Performance Monitoring Framework” for Partners, the Paris Declaration provides an internationally agreed “practical, action-oriented roadmap with specific targets to be met by 2010” as well as a Monitoring and Evaluation framework, to “periodically assess, qualitatively as well as quantitatively, mutual progress at country level”. In the context of Monitoring & Evaluation of the Declaration, Mozambique has been internationally recognized as a good example due to its participation in both quantitative monitoring surveys in 2006 (to establish a baseline) and 2008 (to establish progress) and in the current impact evaluation (qualitative). Final results will be established through the planned 2011 survey.

The overall purpose of this evaluation is to assess the Paris Declaration’s contribution to aid effectiveness and development results. More specifically, to assess whether the intended results of the Declaration are being achieved, or if there is movement towards achievement. A case study of two sectors is included, Health and Agriculture. The study confirms Mozambique’s good performance on progress towards the Paris Indicators, but also reveals some challenges and key messages. It concludes that, in general, the necessary tools and systems to facilitate strategic management of aid flows are in place, but are not always used to their full potential.

Government is committed to addressing the suggestions made, such as investing more in capacity for aid management and coordination, in order to be more strategic about the available tools, and is also very keen on, together with its development partners, creating a more inclusive Aid Architecture with a clear leadership by Government. As highlighted in the Accra Agenda for Action, Aid Effectiveness requires joint efforts of all actors involved; Government, all development partners, Civil Society and Parliament. Government therefore would like to invite these actors to actively use this report and carefully assess the recommendations made.

Mozambique recognizes that conducting this kind of evaluation contributes to improved Government policies for reducing poverty and reaching the Millennium Development Goals.

On behalf of the Government, I would like to thank the Evaluation team that ensured adapting the international Terms of References to Mozambique’s reality as well as extensive consultations and data analysis. Furthermore we need to thank the Members of the National Reference Group for their availability and guidance throughout the whole process.

Aiuba Cuereneia

Minister of Planning and Development

Mozambique

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We would also like to thank all the members of the National Reference Group, and in particular the Chair, Mr Momed Piaraly, National Director of Planning and Cristina Matusse, Head of Department. The brief visit from Julia Betts from IOD was extremely helpful to contextualize the work and give guidance on methodology.

The report was financed by Finland and by UNDP, both of which also provided valuable comments on the draft report.

The workshop held on the 13th August was particularly helpful in initiating the discussions and provided some useful insights about particular debates and the different perspectives of government, donors (traditional and “non-traditional”) and civil society. We thank all those who participated.

Finally, we would like to thank all the interviewees who gave their time to reply to the extensive interview guide, many of whom also provided documents and additional information to complement the interviews. Naturally, any misinterpretation or errors are the sole responsibility of the consultants.

Interviewees

Hanifa Ibrahim, Ministry of Planning and Development – National Coordinator

Momed Piaraly – National Director of Planning

Carlos Castelo Branco – Director of the Mozambican Institute for Economic and Social Studies

Eneas Comiche – Head of the Parliamentary Commission on Planning and Budget

Domingos Lambo – National Director of Budget

Domenico Liuzzi – Director General Kulima

Akiko Akiwa – Economist, Embassy of Japan

Todd Amani – Head of Cooperation, USAID

Joeyln Mason – Country Director, UNDP

Ramesh de Silva – Aid Coordination Officer, UNRCO

Thelma Loforte – Economist, Swiss Development Cooperation

Bridget Walker Muiambo – Economist, Irish Aid
Cristina Matusse – Head of Department, National Directorate of Planning
Galmiel Munguambe, National Director, MINEC
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List of Acronyms

AAA	–	Agenda for Action of Accra
ART	–	Anti-retrovirals
CPIA	–	Country Policy and Institutional Assessment
CSO	–	Civil Society Organization
DFID	–	Department for International Development (UK)
DPG	-	Development Partners Group
EC	–	European Commission
EU	–	European Union
FAO	–	Food and Agriculture Organization of the UN.
GBS	–	General Budget Support
GDP	–	Gross Domestic Product
GFATM	–	Global Fund for Aids TB and Malaria
GoM	–	Government of Mozambique
HDI	–	Human Development Index
HIPC	–	Highly Indebted Poor Country
HLF	–	High Level Forum
HQ	–	Headquarters
JICA	–	Japanese Cooperation
M&E	–	Monitoring and Evaluation
MADER	–	Ministry of Agriculture and Rural Development
MICOA	-	Ministry for Coordination of Environmental Action
MISAU	-	Ministry of Health
MoF	–	Ministry of Finance
MOU	-	Memorandum of Understanding
MPD	–	Ministry of Planning and Development
MTEF	–	Medium Term Expenditure Framework
NGOs	–	Non Governmental Organizations
NRG	–	National Reference Group
ODAMOZ	–	Mozambican Aid Database
OECD	–	Organization for Economic Cooperation and Development
OECD-DAC	–	OECD Development Assistance Committee
PAF	–	Performance Assessment Framework
PAPs	–	Programme Aid Partners
PARP	–	Plano de Acção para a Redução da Pobreza (Action Plan for Poverty Reduction)
PARPA	–	Plano de Acção para a Redução da Pobreza Absoluta (Action Plan for the Reduction of Absolute Poverty)
PBA	–	Programme Based Approach
PD	–	Paris Declaration
PEFA	–	Public Expenditure and Financial Accountability Assessment

PEPFAR – Presidents Emergency plan for Aids Relief
PFM – Public Financial Management
PROAGRI – Common Fund in Agriculture
PROSAUDE – Common Fund in Health
PRSP – Poverty Reduction Strategy Plan
SISTAFE – Public Financial Management System
SWAp – Sector Wide Approach
TA – Technical Assistance
UN – United Nations
UNDP – United Nations Development Programme
UNRCO – United Nations Resident Coordinators Office

1 Executive Summary

The **Paris Declaration on Aid Effectiveness** was endorsed in March 2005 by more than 100 countries and international organizations. The aim of the Paris Declaration (PD) is to improve the quality of aid and its impact on development. The PD was organized around 5 key principles of aid effectiveness; Ownership, Alignment, Harmonization, Management for Development Results and Mutual Accountability. Specific commitments and targets for 2010 were established for each principle.

Monitoring and Evaluation (M&E) of the PD was built into the declaration from the start, with a commitment to “periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness”. There have been two monitoring surveys focusing on the indicators, and the first phase of the evaluation in 2007-2008 which aimed to assess how and why implementation had proceeded since adoption. The synthesis report of this first phase of evaluation was presented at the High Level Forum (HLF) in Accra in 2008 and aimed to draw out key emerging issues, initial lessons and areas for concern as inputs for the high level discussions.

This report constitutes the Mozambican country report for the **Second Phase of Evaluation** which aims to document, analyze and assess the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately to development results, including poverty reduction.

The **methodology** followed was based on a standard Evaluation Matrix developed by the International Reference Group. The matrix was organized into three core questions, related to A) the PD in context; B) Aid Effectiveness Results and C) Development Results¹. A desk review, and data analysis was carried out, as well as semi-structured interviews carried out by the KPMG team, covering senior government officials, at central and sector level, donor and UN representatives, civil society, academics and parliament.

There are certain **limitations to the report** and what can be achieved in terms of linking development results, and often even intermediate aid effectiveness results, to the PD². Firstly, many of the aid effectiveness initiatives in Mozambique pre-date the PD, and there is evidence that the Mozambican experience actually informed the drafting of the PD. Secondly, the PD was implemented in a highly dynamic context, with many other drivers of development results. Thirdly, there is no counterfactual. Therefore the team followed the guidance of the International Reference Group and focused on “plausible linkages” and “possible contributions” of the PD rather than attempting any form of attribution.

The **structure of the report** closely follows the country matrix, to enable easy comparison across countries. Headings correspond to those in the matrix, and each section heading also includes the code from the matrix for easy reference.

Mozambique has long been regarded as a success story, and a **donor darling**. Impressive rates of economic growth since the end of the civil war that followed independence, the implementation of numerous reforms, a stable, democratically elected government, good progress on a number of social indicators and a seemingly large reduction in poverty rates have

¹ See Annex B for the Matrix

² For more information on this, see Stern, Elliot D. et al (2008)

resulted in extremely large aid flows to the country. However, there are increasing concerns that the picture may be more complex, driven in part by the results of the household survey (2008/9) released in the last few weeks of this evaluation, which suggest that poverty on average may not have moved in the last few years, and has even got worse in some provinces. Results for social indicators were however in general fairly positive. There are also increasing donor concerns over governance, which led to a temporary suspension of General Budget Support (GBS) in the first quarter of this year.

In terms of the **context in which the PD was implemented in Mozambique** the main key finding is that there was already by 2004 (i.e. prior to Paris) a number of initiatives being carried out that already embodied what would become the principles enshrined in Paris. These seem to have been driven largely by internal factors, in particular a group of “like minded” donors and government officials, taking budget support forward, and a 2001/2 banking crisis which led to a suspension of budget support, which led to both government and donors recognising a need for a more transparent and structured approach to budget support. This resulted in a 2004 memorandum of understanding between Government and Budget support donors, which reads very much like a “PD-type” document³. Other contributing factors were concerns with off-budgets, predictability, and the transaction costs associated with negotiating with individual donors.

By the **2005 baseline**, there were already 18 donors providing General Budget Support (GBS) and there were already well-established Sector Common Funds in health, education, agriculture, water and HIV, some of which had been operating since the late 1990s. The proportion of programme aid (GBS plus sector programme aid) in 2005 was already 46% according to the Baseline survey. There was a nationally owned development strategy in place, and there was already a system of working groups to harmonize donor actions and promote government-donor dialogue. A joint government-donor Budget Analysis Group was working on the issue of off-budgets, and there was increasing investment in and use of government systems. There was already in place a mutual accountability framework, with a donor performance assessment framework (PAF) with indicators in Predictability, Alignment & Harmonization, Administrative Burden, Transparency and Administrative Burden.

One aspect of the **aid architecture** which can already be seen from the early 2000s is the creation of an extremely strong and influential donor grouping around budget support, which became and remains the most influential donor group. These Programme Aid Partners (PAPs) have driven the aid effectiveness agenda in the country from the beginning. However, recently the US and UN were admitted as associate members of the PAPs, which further strengthens this group but continues to leave out vertical funds and non traditional donors, both of which are increasingly active in the country, as well as Japan who were invited to join and declined, partly on the basis of the high transaction costs associated with participation.

In terms of **Ownership**, by 2005 Mozambique was coming to the end of the first Absolute Poverty Reduction Plan (PARPA I) and starting to draft the second (PARPA II). Ownership was rated as “moderate” by the baseline survey in 2005 and the monitoring survey in 2007, and the assessment would remain accurate today. There is a functioning MTEF which is linked to annual budgets. There are examples of where the government takes ownership on particular issues, however there is a feeling among government officials that there are limits to the extent to which donors are willing (or able) to allow ownership, particularly where there may be

³ The 2004 MOU can be found at www.pap.org.mz

conflicting approaches. Given this skepticism by government, which does seem to be somewhat justified by recent examples, it is perhaps reasonable to suggest that ownership remains partial.

All donors report that there is strong **alignment** between their country programmes and the government's overarching poverty reduction plans. However, PARPA II was fairly broad in scope, and donors participated amply in the formulation of the document, such that alignment of country programmes is fairly easy to achieve. There has been a steady improvement in **government systems** and increasing use of these by donors, mainly driven by programme aid but more recently donors have started to channel funding for projects (including the funding of this report) through national systems. As projects remain a large proportion of aid, this is an encouraging development. Predictability is good for GBS and common fund contributions, with firm commitments made in time for annual budgeting for the following year, but predictability remains a challenge for projects.

There has been from early on a strong degree of **harmonization** among GBS donors, in terms of policy dialogue and common reviews, and a large and cumbersome structure of working groups has been set up. There is evidence of fatigue associated with the large transaction costs involved in maintaining such a structure, although government does report positive effects of being able to deal with a large number of donors as a group. Division of Labour initiatives have been underway for a number of years, but have largely not taken off due mainly to lack of buy in from government, who see benefits in spreading risk by having a large number of donors in sectors, and who are nervous that exits from sectors would not be done in a coordinated way, thereby reducing funding. In terms of the PD indicators on missions and joint analytical work, progress has been slow. The PAP group reach the target of over 66% of aid flows provided in the context of Programme Based Approaches, but this is not the case for the country as a whole.

There is a well established **results oriented framework** attached to the PARPA II and the forthcoming PARP, which is used as the basis for a Performance Assessment Framework with PAPs. Programme budgeting has been introduced, although there remain sever capacity constraints especially at sector level in formulating indicators and also in terms of data quality.

With regard to **mutual accountability**, as part of the annual reviews between government and PAPs, the performance of PAPs with regard to PD principles is assessed. There is a Performance Assessment Framework with targets which are either the same or more ambitious than Paris. However, the results of the assessment, which scores each donor against each target, is more used by donors (in dialogue with HQ, or in terms of peer pressure by more "progressive" donors on others) than by government. It should be noted that this process only covers PAPs and associates, thereby leaving out Japan, vertical funds and non-traditional donors.

In terms of the **impact of the PD on Aid Effectiveness**, the principle role the PD seems to have played in Mozambique, given that all elements of the Aid Effectiveness agenda were in place prior to 2005, seems to have been to maintain momentum, and keep the issue on the agenda for both donors and government. This is an important role, however, as the implementation of PD and in particular the structures and processes related to the various modalities of aid have been dynamic, being refined and adapted over time. There are examples where both government and donors have used the commitments made under PD as arguments for particular courses of action, such that the PD can be seen as playing a *legitimizing and supportive role*. However, the interpretation of PD in Mozambique has been highly focused on GBS, with GBS being seen as the "purest" way of achieving PD principles, even though GBS itself is not mentioned in the text of the Declaration. This has led to a narrowing of the debate, with a focus on GBS and

sector common funds, and only now are there signs of greater interest in making projects more effective (inclusion of project-based donors in the PAP structures and some projects starting to be put on treasury for example). As projects remain the largest aid modality in the country, this is crucial. There is no reason why a project cannot be made to follow all PD principles – Government can have ownership of a project, a project can be part of a SWAp, they can be aligned with government plans, and funds for projects can be channeled via government systems. Donors could in theory harmonize around projects, and there is no reason why projects cannot be managed for results and why donors cannot be held accountable for their performance within projects.

Development Results in the country have been mixed, despite high levels of economic growth. The recent 2008/9 household survey suggests a worrying lack of poverty reduction on aggregate, albeit with significant regional variations. This is extremely worrying both for government and also for donors who have poured aid in to support poverty reduction in recent years. In general there has been more progress in social sectors than in economic sectors, and one of the key areas identified as contributing to lack of progress on poverty is the failure of agriculture. Mozambique is considered to be likely to meet four out of the 21 country level targets of the Millennium Development Goals (MDGs), to potentially meet a further ten, and to be unlikely to meet one. Six do not have sufficient data to assess.

The **sector studies** highlighted some interesting issues which may be related to this differential in performance. In **health**, there has been a good performance on achieving indicators, and there is a general consensus on the approach to the sector, shared by government and donors. There is reasonably strong government leadership, and a well functioning SWAp and common fund, with mutual accountability mechanisms and use of government systems. This is not to say that there have not been challenges in implementing aid effectiveness initiatives in the sector, and transaction costs of doing so have been extremely high, but in general good progress seems to have been made in implementing Paris. In contrast, the situation in **Agriculture** is one where the donors and government have disagreed on the way forward, and where donors have been withdrawing from, or reducing support to, the common fund, which was repeatedly described by donors as “a mess”. Of course this is not to suggest that where the PD is implemented at sector level, development results will flow. There are many other factors, some of which may impact on *both* development results and the implementation of the PD. For example, where government has a clear and strategic vision and is able to take leadership, donors may be more likely to support the sector with Programme Based Approaches. In fact, given the withdrawal from the common fund of some donors in agriculture, it could be suggested that donors may only be willing to provide programme aid when they agree with the approach taken by government.

As discussed above, the assessment of the **Impact of the PD on Development Results** is a fairly tentative exercise. One hypothesis is that the implementation of “PD-type” aid in itself might attract funding, either to a country with a good record in this area, or to a particular sector. It could therefore have a local leveraging effect – although the extent to which this would be new funds rather than a result of donors switching modalities would be debatable. To the extent that aid is made more effective (i.e. better development results are achieved per dollar spent) than it will have an impact on results – but as there is no measure for effectiveness, this cannot be verified. Perhaps the best that can be said, based on the evidence at sector level, is that where there is pre-existing strong vision and leadership from government, and where donors in general agree with the strategic direction taken, then “PD-type” aid can contribute positively to enabling the government to achieve its development results. At central level, there is less evidence that GBS has had a positive impact on poverty reduction, given the recent

household survey, but more analysis needs to be carried out of these initial and very recent findings before any firm conclusions are drawn. However, much of the dialogue around GBS has been on social sectors, and on governance issues, and there has been good progress in the former, and donors have secured (admittedly through temporarily freezing GBS) specific commitments from government on the latter.

A number of **key lessons** are highlighted in the report, and a few summarized here. i) Mozambique put in place a whole mechanism of coordination and dialogue which was created to address the principles established in Paris. Working groups, a troika system, annual reviews, mutual accountability frameworks etc. However, these have become cumbersome, and there has been an increasing focus on process rather than results. ii) The creation of structures only provides the space for aid effectiveness to happen – whether aid actually becomes more effective depends on these structures being used appropriately, and in particular depends on government ownership. There are all sorts of reasons why government may not feel comfortable exercising ownership as envisaged by the PD. An example of this is the PAF, which should give government the tools to hold donors to account, but is in fact largely ignored by government. iii) It is important to ensure *all* aid is covered by aid effectiveness initiatives – in Mozambique there has been huge attention given to GBS and programme aid, but projects continue to be the largest element of aid to the country, and with the increasing involvement of non-traditional donors, this may actually increase in future. iv) There is clearly a need for greater investment in capacity of governments to deal with the “new” forms of aid, which tend to have transaction costs which are felt more at central level, and at a higher technical and political level. v) Donors must also invest in the technical capacity of staff to engage in discussions on highly technical areas such as governance reform. vi) The PD is only really known by a small number of officials at central level, and to a lesser degree by some in the sectors who work directly with donors. vii) Perhaps, though, the main finding is that the PD ignored completely political and power aspects of the aid relationship. Implementation of the PD implies a mentality shift on both sides, but it is naïve to expect that a recipient country and a donor will come to see each other as truly equal partners in development, when the ability to “punish” is so one-sided. Time and again government officials raised their frustration that for all the fine words, when push comes to shove, donors are able to force government to comply by threatening to reduce or withdraw aid.

There are particular **key messages** for different stakeholders that have emerged from the study. For **government**, one key message is that there are tools available that can facilitate the strategic management of donors, such as the Memorandum of Understanding (MOU) with the PAFs, the PAFs PAF, ODAMOZ (the national aid database) and the PD itself. There is perhaps greater “space for manoeuvre” than the government realises, and government needs to be more strategic about using these, which of course also implies the need for greater investment in capacity for aid management and coordination. There needs to be a clearer overall lead on aid effectiveness and donor dialogue issues, and government needs to be better structured internally to handle these issues in a comprehensive and coherent way. Ultimately, development results depend on good policies and effective implementation, and the donors can play a supportive role to this, if constructively managed. For **donors** it is clear that there needs to be more matching of behaviour to commitments. There is a wide variation in this aspect, but the “bad behaviour” of some reflects on all and creates skepticism within government. Donors need to recognize that ownership is more than government agreeing to donor suggestions and joint working groups. Donors should engage more with non traditional and vertical donors, to ensure

complementarity of approaches and also to learn from different perspectives. Donors also need to invest in the skills required for engaging in policy discussion with government, including better preparation of analysis to support high level policy dialogue, and specialized skills in areas such as legal reform and governance. Donors (PAPs) should also consider improving the institutional memory of the partnership and providing some permanent technical capacity for the group. For **government and donors jointly**, there is clearly a need to improve the productivity of political dialogue, to avoid a building up of frustration which leads to suspension of GBS, as happened in early 2010. There is a need to create a more inclusive aid architecture, especially given the increasing importance of non traditional and vertical funds. This should also include a shifting of focus from programme aid to looking at ways to make *all* aid more effective. In particular, much more needs to be done to build on the initial attempts by some donors to channel project funding via government systems. ODAMOZ needs to become more accurate, organized by government budget classifiers, and government needs greater capacity to use it. There should be more open and honest discussions around the objectives of Division of Labour initiatives, and government needs to either take a lead, or clearly express that they do not wish these to go ahead. For **Parliament and civil society**, there are tools and procedures available to increase scrutiny, and many of these are publicly accessible⁴. There is also an openness on the part of donors, and a precedent set by AAA, to support capacity creation and information availability to both parliament and civil society, and this can also be made use of.

Finally, in terms of **Key Implications Beyond the Planned Term of the Paris Declaration**, it is necessary to look in greater detail at the implicit assumptions behind Paris, and in particular there is a need for a more realistic understanding of the highly political context in which the PD is implemented. There also needs to be a discussion around whether the current interpretation of the PD is equally applicable to all sectors, or whether different approaches need to be taken in different sectors. Despite worrying findings from the household survey, this should not inhibit concerns with aid effectiveness. Making aid more effective may be only one factor in achieving development results, but remains a valid objective. There is a clear need going forward to widen the awareness of key stakeholders regarding aid effectiveness, and also to widen the scope of aid effectiveness initiatives to other donors and other modalities. The role assigned to the UN development system by the AAA to further support the capacities of developing countries for effective management of development assistance⁵ in shaping a new, more inclusive aid architecture needs to be better defined. In particular, the UN could play a crucial role in supporting the government in finding the right balance between inclusiveness and effectiveness. In a way, much of the gains in terms of aid effectiveness have so far been achieved by a shift towards more “PD-type” modalities, but as projects continue to be a large proportion of aid, and are likely to remain so, more efforts need to be invested in addressing how to make these more effective. There is also a need to discuss in greater depth the concept of ownership. Ownership is to some extent a pre-requisite for all other PD principles to be implemented fully – but ownership is not something that can be manufactured. Finally, it should be recognized that five years is an extremely short timeframe for behavioural and attitudinal change, which is what is

⁴ All annual reviews of government and PAP (+associates) and supporting documents are available on www.pap.org, along with a number of other useful reports. The websites of the Ministry of Planning and Development and Ministry of Finance also have a great deal of information. Institutions such as the Institute of Economic and Social Studies (IESE), Centre for Public Integrity (CIP) and Foundation for Community Development (FDC) produce some interesting analysis, much of which is online. UNICEF also produces material on budget analysis.

⁵ AAA Paragraph 31



required for the Paris Declaration to go beyond fine sounding words to having an impact on development results and the lives of the poor.

2 Introduction

2.1 The Paris Declaration

The Paris Declaration on Aid Effectiveness was endorsed in March 2005 by more than 100 ministers, heads of agencies and other senior officials from a wide range of countries and international organizations. The aim of the Paris Declaration (PD) is to improve the quality of aid and its impact on development. The Paris Declaration was organized around 5 key principles of aid effectiveness, each with specific commitments and targets for 2010. In total, 56 commitments, with respective indicators and targets, were established.

The five key principles of aid effectiveness established at the High Level Forum and codified in the PD are:

- *Ownership: Partner Countries exercise effective leadership over their development policies and strategies, and co-ordinate development actions.*
- *Alignment: Donors base their overall support on partner countries' national development strategies, institutions and procedures.*
- *Harmonization: Donors' actions are more harmonized, transparent and collectively effective.*
- *Management for Development Results: managing resources and improving decision-making for results.*
- *Mutual Accountability: Donors and partners are accountable for development results.*

Many of the concepts enshrined in the PD were not new, but the PD represented the bringing together of a number of different strands of the aid effectiveness debate, into a widely accepted consensus, with a clear action plan and specific targets.

2.2 Monitoring and Evaluation of the PD

Monitoring and Evaluation was built into the declaration from the start, with a commitment to “periodically assess, qualitatively as well as quantitatively, our mutual progress at country level in implementing agreed commitments on aid effectiveness”. A survey was carried out in 2006, to establish national baseline figures for the indicators. Another monitoring survey was carried out in 2008 to establish initial progress, and a further survey will be carried out in early 2011 to define achievement of the targets for 2010. Mozambique participated in the first two monitoring surveys, and will participate in that in 2011. With regard to qualitative assessment, the First Phase of the Evaluation of the Implementation of the Paris Declaration was carried out in 2007-2008, covering Bangladesh, Bolivia, the Philippines, Senegal, South Africa, Sri Lanka, Uganda and Vietnam, plus a number of donors HQ level evaluations⁶. This evaluation aimed to assess how and why the implementation of the PD had proceeded since adoption, and in particular to

⁶ Asian Development Bank, Australia, Denmark, Finland, France, Germany, Luxembourg, the Netherlands, New Zealand, the UK and the United Nations Development Group.

focus on causal effects which are not captured in the indicators used in the quantitative monitoring surveys. The synthesis of the country and donor HQ evaluations was presented at the HLF in Accra in 2008, and aimed to draw out key emerging issues, initial lessons and areas for concern as inputs for the high level discussions.

2.3 Purpose and Scope of the Current Evaluation

The current Mozambique evaluation constitutes part of the Second Phase of the Evaluation of the Implementation of the PD. In total, 22 recipient countries participated, and a number of HQ level studies were again carried out. The Terms of Reference for the evaluation can be found in annex A.

The aim of the phase two evaluation is *to document, analyze and assess the relevance and effectiveness of the Paris Declaration in the country and its contribution to aid effectiveness and ultimately to development results, including poverty reduction*⁷.

Specific Objectives of the Evaluation included:

- To document the results achieved in the country through implementing the Paris Declaration;
- To enable the partner countries and donors/agencies active in the country to clarify, improve and strengthen policies and practice consistent with the Paris Declaration in pursuit of aid effectiveness and development effectiveness;
- To highlight barriers and difficulties that may have limited the effectiveness of the Paris Declaration and its effects and impacts – and ways that these barriers and difficulties may be overcome; and
- To enable sharing and exchange of experience among stakeholders, countries and partnerships so as to facilitate reflection, lesson-learning and policy improvement.

2.4 Approach and Methodology of the Evaluation

The evaluation was coordinated globally by an International Reference Group, and technical support was provided to country teams by a Core Group. An Operational Matrix was produced which listed all aspects to be covered and possible sources. The matrix was divided into three Core Questions, namely:

Core Question A: *What are the important factors that have affected the relevance and implementation of the PD and its potential effects on aid effectiveness and development results (The PD in context).*

Core Question B: *To what extent and how has the implementation of the PD led to an improvement in the efficiency of aid delivery, the management and use of aid and better partnerships? (Process and intermediate outcomes).*

⁷ Generic Country Terms of Reference P. 3

Core Question C: *Has the implementation of PD strengthened the contribution of aid to sustainable development results? How? (Development Outcomes).*

In Mozambique, a National Reference Group (NRG) was established, with participation from Government, Civil Society, Donors and Academics. The NRG was chaired by the Ministry of Planning and Development, and served to give strategic guidance to the project and to provide comments on the draft report.

The process was coordinated by a National Coordinator from the Ministry of Planning, who supported the team of consultants in day to day matters, including coordinating the interviews, handling logistics and providing technical insights.

The methodology included an initial desk review prior to the interview phase. The interview phase was preceded by a workshop to launch the process, which included group work on various relevant topics. The workshop was well attended by government, donor and civil society representatives, and the debate in each group was lively and productive, and provided useful inputs for the consultants in preparing for the more detailed interview stage.

Interviews were held over approximately a month, with donors, government, civil society, academics and parliament. A total of 37 interviews were carried out, which was somewhat less than planned due to riots in Maputo during the third week of interviews which held up the process, but the team still felt that a broad enough range of interviewees were covered to be able to draw some conclusions. An initial draft of the report was also circulated widely in order to give an opportunity to both interviewees and other interested parties to comment.

During and following the interview stage, an attempt was made to construct data sets for certain key indicators, although often a variety of sources needed to be triangulated, and data should be taken as indicative rather than definitive.

A first draft of the report was produced and circulated and a presentation of the report was made to the NRG. Comments resulting from this process were then discussed by the NRG and incorporated prior to submission.

2.5 Limitations of the Report

It should be noted that there are serious issues of attribution in any attempt to distinguish the impact on development results and poverty of a particular policy or document. The PD is no exception.

To the extent that the PD was implemented, this was done in a highly complex development context, in which many other priorities and influences were present. The implicit assumptions of the PD are that by improving aid effectiveness, development results should be improved. This is an entirely logical assumption, but extremely difficult to prove. Firstly, there is no exact definition or indicator of aid effectiveness, and secondly, because there are so many other influences on development outcomes and poverty.

This limitation was recognized and widely discussed *a priori*, and an agreement was reached to focus on *plausible linkages* and *possible contributions* rather than attempting to directly link PD implementation with development outcomes.

Another limitation of the report is that while the initial proposal was to carry out the evaluation over 6 months, this period was reduced to three months due to delays in contracting the

consultants. This did lead to fewer interviews being carried out than originally planned, and less time for analysis. However, the delays were in part due to the desire of the Ministry of Planning and Finland, who provided the majority of the financing, to channel funds through the treasury system. As this was a first experience for the Ministry of Planning of receiving project funding via the treasury, this did lead to delays in receiving the funds from the treasury. However, the team felt that this was a clear example of use of country systems, and a great opportunity for learning, and do not feel that the delays significantly altered any conclusions.

2.6 Structure of the Report

The report closely follows the template defined by the International Reference Group, for ease of comparison across country studies. However, this has led to a certain amount of repetition and some rather long sub-headings.

Firstly there is an executive summary, followed by a brief introduction. Country findings are then divided into three sections, aligned with the three core questions, with a separate section for conclusions. We have tried to remain as close to the country matrix outline as possible, and each section title has a reference which denotes the section of the matrix to which it refers. For core question 3 we have followed the headings in the matrix, but then integrated findings from the sector studies underneath these.

There is then a section on Key Lessons and Recommendations, and a section on Possible Key Implications Beyond the Term of the PD. Annexes include: A) The Country ToRs, B) The Country Matrix, C) The various interview guides, D) the sector tracer study, E) the inception report, F) the Paris Declaration itself, G) the Accra Agenda for Action, H) Bibliography, and I) selected additional sources of information.

3 Country Findings on the Common Evaluation Questions

3.1 The Paris Declaration in Context

3.1.1 Key Characteristics of the Country That Have Been Most Relevant to the Implementation of the Paris Declaration (1a)

3.1.1.1 Background Information

Mozambique is a Low income country, with a Gross Domestic Product (GDP) per capita of 838 USD⁸. Mozambique has long been considered a “donor darling”, and has for many years received substantial international support, both due to the extremely high levels of poverty and reported success in reducing this, and a reputation for relatively good governance and willingness to implement reforms. However, this positive picture is becoming more complex, due to debates around the real levels of poverty reduction that have been achieved, and increasing governance concerns expressed by donors and civil society.

Official household surveys show that in 1996/7 the poverty headcount was 69.4%, in 2003/4 it was 54.1% and according to the recently released data from the household survey 2008/9, poverty seems to have increased to 54.7%⁹. While the increase is not statistically significant, and while there are large variations in poverty trends across the country, initial analysis of the data suggest that consumption poverty has not fallen on average, and has got worse in some provinces, particularly in the centre of the country. However, these figures should be treated with caution, as there have been concerns raised that the 2004/5 figures may have been artificially low¹⁰, due to the choice of a lower poverty line, exaggerating therefore the fall between the first two figures, and suggesting a possibly artificial rise between the second two. Whatever the detailed picture, the recent figures do pose a challenge for both government and donors, who have invested greatly in poverty reduction. Initial (unofficial) analysis from government suggests that much of the lack of performance on poverty headcount reduction may be due to poor performance of agriculture (in particular the family sector) and increases in international prices.

Mozambique seems to have performed better on measures of Human Development. In 2000 the HDI index placed Mozambique at 135th out of 139 with an index value of 0.35. In 2007, the latest year for which there is data, the index had increased to 0.402 and Mozambique was ranked 172 out of 182 countries in the world. The recent household survey also supports this, with key health and education figures improving. This is not surprising given that the focus of both government and donors has been on service delivery.

With regard to the Millennium Development Goals (MDGs) Mozambique is considered to be likely to meet four of the Millennium Development Goals (MDGs), to potentially meet a further ten, and to be unlikely to meet one. Six do not have sufficient data to assess. See Table 1 below for more details.

⁸ World Bank, PPP 2008, (current international USD), International Comparison Project Database

⁹ INE . Inquerito aos Orçamentos Familiares, 2008/9

¹⁰ Hanlon, J, Do Bicycles Equal Development in Mozambique? Chapter 7.

Table 1 – Mozambique’s Progress on the Millenium Development Goals

OBJECTIVES / TARGETS	WILL THE GOAL / TARGET BE MET?			
	Probably	Potentially	Unlikely	Without data
EXTREME POVERTY AND HUNGER				
Reduce to half, by 2015, the proportion of people living under extreme poverty		Potentially		
Ensure, by 2015, decent work for all, including women and young people				Without data
Reduce to half, by 2015, the proportion of people who suffer from hunger		Potentially		
UNIVERSAL PRIMARY EDUCATION				
Ensure that , by 2015, all boys and girls will be able to complete a full course of primary schooling		Potentially		
GENDER EQUALITY				
Eliminate, preferably by 2005, gender disparity in primary and secondary education, and by 2015 in all levels of education	Probably			
CHILD MORTALITY				
Reduce by two thirds, by 2015, the under-five mortality rate	Probably			
MATERNAL HEALTH				
Reduce by three quarters, by 2015, the maternal mortality ratio				Without data
Achieve, by 2015, universal access to reproductive health		Potentially		
HIV/AIDS, MALARIA AND OTHER DISEASES				
Have halted, by 2015, and begun to reverse the spread of HIV/AIDS		Potentially		
Achieve, by 2010, universal access to HIV/AIDS treatment for all those who need it			Improbably	
Have halted, by 2016, and begun to reverse the incidence of malaria and other major diseases	Probably			
ENVIRONMENTAL SUSTAINABILITY				
Integrate the principles of sustainable development into national policies and programmes and reverse the loss of environmental resources		Potentially		
Reduce the loss of biodiversity, achieving, by 2010, a significant level				Without data
Reduce to half, by 2015, the number of people without access to safe drinking water and sanitation		Potentially		
By 2020, to have achieved a significant improvement in the standard of living of the slum dwellers		Potentially		
GLOBAL PARTNERSHIP FOR DEVELOPMENT				
Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. This includes a commitment to good governance, development and poverty reduction – both nationally and internationally		Potentially		
Address the special needs of the least developed countries				Without data
Address the special needs of landlocked developing countries and small island developing States and the outcome of the twenty-second special session of the General Assembly of the UN				Without data
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term				Without data
In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries				Without data
In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	Probably			

Source: Ministry of Planning and Development - Report on the Millennium Goals – Mozambique – 2010

With regard to governance, progress has been made in many areas, in particular the roll out of eSISTAFE, an electronic public financial management system, and the establishment of a Central Office for Combating Corruption, and a national strategy and action plan (2007-9) on

combating corruption. However, according to one recent study¹¹ “some donors are becoming concerned that deteriorating governance may now be limiting the extent to which further poverty reduction can be achieved”. Particular concerns include the perception of increased merging of party and state, the conflicts of interest between government and business, and alleged irregularities during the elections in 2009. Budget support donors temporarily suspended budget support (but not other forms of aid) at the beginning of 2010 while discussions around these allegations and wider governance issues were discussed, leading to government commitments to donors presented in a “political matrix” that is to be followed up at political level between budget support ambassadors and ministers.

Mozambique scored 52.1 in the Mo Ibrahim index in 2008/9, placing it 20th out of 53 African countries. This compares to compared to 55.8 in 2005, placing it 23rd. Transparency International gives Mozambique a score of 2.5 in the corruption perception index, which places Mozambique at 130 out of 180 countries surveyed. This compares with a score of 2.8 in 2005 (97th out of 158 countries). In 2003, the first year Mozambique was included, a score of 2.7 and rank of 86 out of 133 was attributed. World Bank CPIA scores reflect a gradual improvement, rising from 4.0 in 2005 to 4.5 in 2008.

In terms of gender, Mozambique ranks 77th out of 102 on the OECD Social Institutions and Gender index. In the World Economic Forum index of gender gap, Mozambique ranked 43 out of 128 in 2007, and 22 out of 134 in 2009, mainly reflecting the large number of women in public positions.

3.1.1.2 National and International events that affected implementation of the PD and AAA priorities (1b)

Implementation of PD and AAA priorities seems to have been affected more by internal factors than by external events, in part because Mozambique was often ahead of the curve. It seems that a group of like-minded donors and a number of senior government officials in the ministry of Planning and Finance (before the split in 2005 into Ministry of Finance and Ministry of Planning and Development) worked together in the early 2000s to shape a new type of aid relationship centered on GBS, developing coordination mechanisms and a mutual accountability framework and instituting many of the foundations of today’s aid architecture.

One internal factor mentioned by both government and donor representatives that was highly influential in setting out the framework for greater cooperation, harmonization and focus on more effective aid was the 2001/2 freezing of budget support by donors, due to concerns about a banking crisis which donors felt the government did not address adequately. According to interviewees on both government and donor sides who were involved at the time, this caused serious economic problems for the GoM, and led to calls from government to make conditions under which suspension could occur more transparent. This, and an increasing realization of the huge burden placed on government by the large number of donors operating in the country, and a fairly pro-active joint Budget Analysis Group led to the development of the 2004 MOU between budget support donors and government, which replaced a previous agreement and contained many aid effectiveness elements.

¹¹ Jeremy Astill-Brown and Markus Weimer: “Mozambique, Balancing Development, Politics and Security”; August 2010 (Chatham House Publications).

As one senior government official put it “there was an internal demand [for change] saying we could not continue to work in this way, and then [later] the Paris Declaration arrived”.

Elections at the end of 2004 and the formation of a new government had a direct impact on aid effectiveness activities with the decision to split the Ministry of Planning and Finance into two Ministries (of Finance, and of Planning and Development). This naturally split the team and two of the key functions within government related to aid, although the two ministries continued to cooperate closely and almost all decisions or processes related to aid effectiveness are carried out jointly.

In terms of external events, the language and procedures established in the 2004 MOU are clearly influenced by the 2003 Rome Declaration on Harmonization, and the High Level Forums themselves are seen as having given visibility to the PD and AAA, as can be particularly seen by an increasing concern with Civil Society and parliament involvement post-Accra.

3.1.1.3 *The Place of Aid subject to PD principles pre and post Paris (1c)*

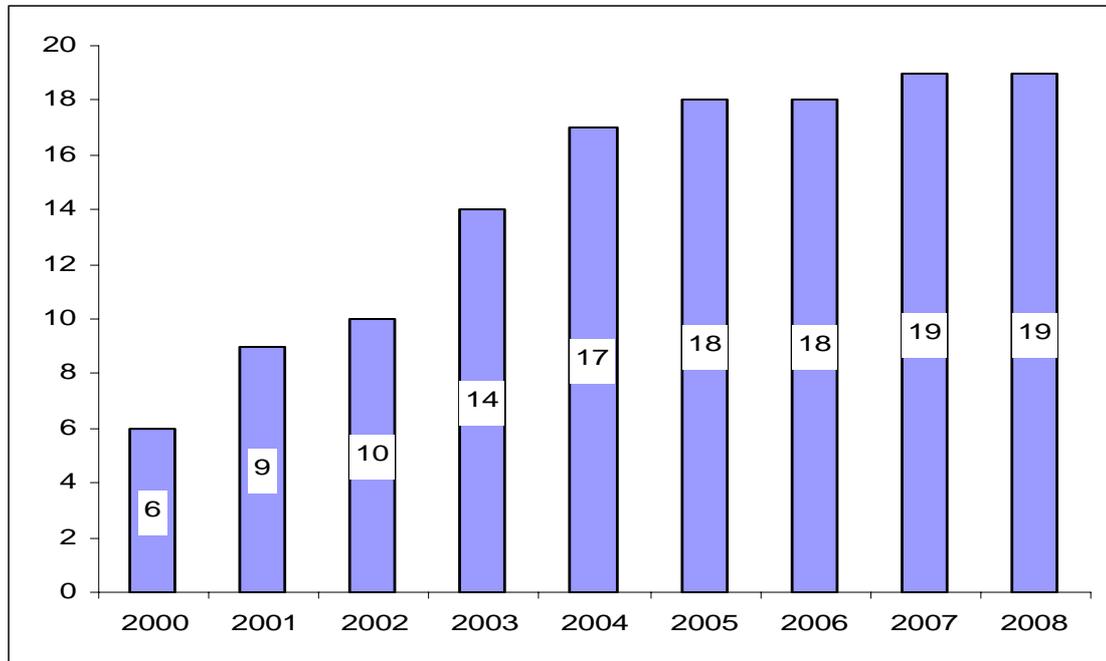
Mozambique was one of the countries at the forefront of many aid effectiveness initiatives that influenced the debate that ultimately led to the Paris Declaration. This provides unique challenges for this evaluation, and in particular for the attribution to the PD itself of any changes in aid effectiveness and development results.

As such, it is useful to document the situation and trends prior to 2005 with regard to aid effectiveness initiatives. According to a contemporary report,¹² the case of Mozambique was mentioned in the initial draft of the PD as a good example, although this was subsequently removed from the final draft. Therefore it can be said that Mozambique influenced the Paris Declaration, as much as the Paris Declaration influenced Mozambique.

The Government of Mozambique has received Budget Support since the beginning of the 1990s, initially including Balance of Payments support, and a donor coordination mechanism was developed in 2000, initially with a group of four like-minded donors which led to a “Joint Donor Programme for Macro-Financial Support”. By 2003, there were already 14 donors providing GBS, called the “Programme Aid Partners” or PAPs, which grew to 18 by end 2005. Since 2005 there has been one new addition, taking the current total to 19.

¹² Trocaire (2008) An independent analysis of ownership and accountability in the development aid system January 2008

GRAPH 1 – Number of Agencies providing GBS



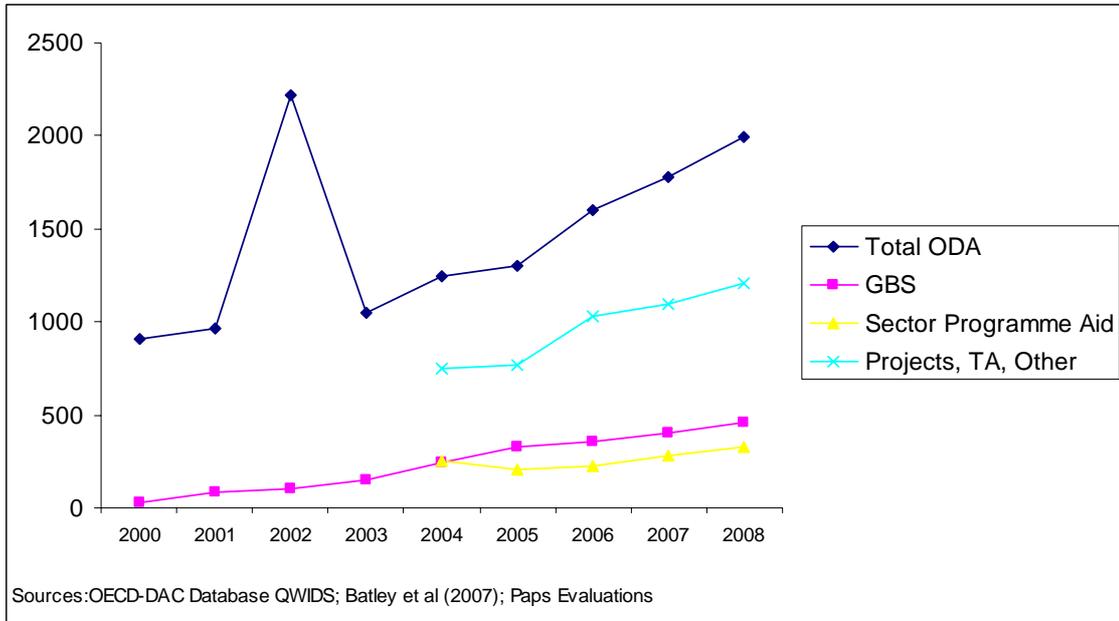
In 2004 a new MOU was signed which replaced the Macroeconomic Agreement. This MOU states that “GoM and PAPs declare their commitment to the modality of Programme Aid, given the potential to improve aid effectiveness and country ownership of the development process through increasing donor harmonisation, increasing recipients’ institutional capacities in planning, implementing, monitoring and evaluating their programmes, strengthening domestic accountability, reducing transaction costs, allowing allocative efficiency in public spending and increasing predictability of aid flows”¹³.

The joint annual review in 2004 also clearly reads like a document influenced by concerns for aid effectiveness. Mention is made of efforts to document and reduce off-budget funds; the role of parliament and civil society; criticism of donor “ad hoc M&E demands”; and there is evidence of moves towards alignment as the document states that the World Bank had agreed to use the annual government M&E document as a PRSP progress report instead of requiring a separate report.

In terms of mutual accountability, in 2003 a baseline study of PAP performance was carried out, and in September 2004 a Performance Assessment Framework (PAF) for GBS donors was approved, with indicators in Predictability, Alignment & Harmonization, Administrative Burden, Transparency and Administrative Burden. This became an annual matrix, later adapted to be in line with the structure and indicators of the PD.

¹³ Article 3, P. 3 – the MOU can be found at www.pap.org.mz/downloads/mou

Graph 2 – Aid modalities over time¹⁴



Aid effectiveness initiatives were not limited to General Budget Support. At the sector level, programme based approaches became common in the late 90s/early 2000s. A SWAp was established in the education sector in 1998, and a common fund (FASE) set up in the same year. An Agriculture common fund (PROAGRI) was established in 1999. A Swap was established in the health sector in 2000, followed in 2003 by a common fund (PROSAUDE). By 2005 there were a number of well established common funds including in agriculture, health, education, water and HIV-Aids as well as other modalities considered by the 2006 baseline survey as PBAs, such as pooled TA, provincial budget support and basket funds¹⁵.

Thus, by the time of the Paris High Level Forum, many of the gains that may be seen in other countries from implementing the Paris Declaration had already been seen in Mozambique. GBS and other programme based approaches were well developed, with 46%¹⁶ of all aid being provided in this form. According to the baseline survey, 83% of aid was reported in the budget in 2005, a figure which remained constant between 2005 and the mid term monitoring survey in 2008. Efforts to improve country systems were ongoing, and the use of these by donors was increasing (although this was driven almost exclusively by increasing participation in common funds and GBS). Donors (or rather, those providing budget support) were working in a coordinated way, with established joint review mechanisms and sector working groups. A mutual accountability system was already established with indicators similar to those later used

¹⁴ Note that 2002 is an exceptional year as it includes debt write-offs; Sources include OECD-DAC database QWIDS for figures on total aid; Annual PAP Evaluations (2004-9) for GBS and programme aid figures; Batley et al (2006) for figures prior to 2004 for GBS;

¹⁵ For more information on common funds and sector wide approaches in Mozambique, see the KPMG-UNICEF paper “UNICEF Mozambique’s Engagement in Common Funds and Sector Wide Fora”, June 2010.

¹⁶ OECD DAC Baseline Monitoring Survey

in the PD. What is perhaps more important is that the whole tone of documents from the early 2000s clearly demonstrate that all the issues later included in the PD were being actively discussed and attempts being made to counter them, well before the formalization of the aid effectiveness debate in the form of the PD¹⁷.

However it should be noted that despite great progress, “aid subject to PD principles” is still not the majority of aid received by Mozambique, if we interpret this as meaning using government systems, being harmonized, subject to mutual accountability mechanisms etc. There have been some “quick wins” by shifting to GBS and programme aid but to improve aid effectiveness the ultimate aid must be to have *all* aid covered by “PD principles” – whatever the modality and whatever the donor. There is no reason why a project cannot be subject to PD principles. This evaluation, for example, was “owned” by government, in that it was coordinated by the ministry of planning and development and the funds were channeled via the national treasury. However, a lot of thinking needs to be done around how to truly bring projects into programme based approaches and to subject them to the same principles. This requires government to be in the driving seat defining which activities should be financed, and via which modality. Project funds would need to be committed in time for inclusion in planning and budgeting, and would need to be channeled via government systems. Outcomes from the activities implemented by a project would need to be included in government monitoring and evaluation systems and donors would need to be subject to a mutual accountability mechanism which evaluated their performance. Many of the elements of this scenario already exist, but there needs to be greater discussion about how to operationalise such a system.

3.1.1.4 Key actors in the country with respect to aid and the influence of PD and AAA commitments (1d)

The main responsibility for overall coordination of aid and aid effectiveness issues lies with the Ministry of Planning and Development, in coordination with the Ministry of Finance and the Ministry of Foreign Affairs. A forthcoming cooperation policy is expected to define a broad division between bilateral and diplomatic issues (to be dealt with by Foreign Affairs) and Aid coordination and effectiveness (Ministry of Planning and Development) and implementation and management (Ministry of Finance). However, in practice these three ministries work together on many aspects of aid effectiveness and PD implementation. This has led to some donors to complain of a lack of clarity regarding division of labour within government, and does sometimes lead to delays or lack of clarity with regard to aid effectiveness strategy.

Within the Ministry of Planning there is a recently-established aid coordination team, within the directorate of planning, however it is as yet unclear how this is articulated with the directorate of investment and cooperation, which also deals with aid. In practice, the aid coordination team deals with the budget support donors, holding monthly technical meetings, and coordinating reviews. They are also the focal point for OECD-DAC activities (this report, the monitoring surveys etc), and were in charge of coordinating the development of the new MOU with GBS donors, and the subsequent code of conduct process aimed at developing a wide-ranging framework for cooperation with all donors (as opposed to just GBS donors). However, the cooperation policy was coordinated by the Ministry of Foreign Affairs.

¹⁷ See for example the Macroeconomic Framework and the 2004 memorandum of understanding, as well as review documents from the time.

All government interviewees stated that knowledge of the PD and AAA was high among central ministries, but that this was less the case at sector and provincial level. It seems that among sectors with common funds and SWApS, there is a general understanding of the Aid Effectiveness agenda, and the Paris Principles, without these necessarily being directly referred to. The principles of the PD seem to have permeated discussions at this level, without necessarily being recognized as stemming from the PD.

The G19 group of budget support donors is consistently referred to by government, civil society bodies and donors themselves as the most influential donor coordination group, despite the existence of a Development Partners Group at Head of Mission level which is more inclusive. The G19 is seen as the main body that pushes for change and for reform, even more so since 2009 when the US and UN joined as associate members. The G19 coordinates a large number of working groups, both those with exclusively donor participants, and others which are jointly chaired with government counterparts. These working groups discuss policy and function as a way to harmonize donor positions prior to meetings with government officials in the different sectors. The working groups also serve to provide inputs for annual planning and reviews. Non G19 donors and UN agencies also participate in these groups. Some groups are extremely active, with numerous sub-groups and regular meetings – others function only during review processes.

The Development Partners Group is seen by many to be more of a forum for discussion than harmonization, and does not have a regular government counterpart in the same way that the G19 does. The DPG also does not have separate technical or administrative capacity, although it is chaired jointly by the World Bank and the UN. However, the DPG includes non-traditional donors (China has participated, as do Brazil and Vietnam for example) and therefore might be a possible vehicle for developing a more inclusive aid architecture in the future.

Among individual donors, DFID is often mentioned as a “progressive” donor, possibly due to the high level of GBS in their portfolio, and the fact that they are currently chair of the troika. The World Bank and the US were also often referred to as influential, due to the key role the World Bank plays in financing large infrastructure and policy advice, and due to the significant amount of funding that the US provides.

There seems to be a strong consensus that the PD and AAA do influence decision making by the G19 donors, although it is recognized to be one of many priorities. Some countries referred to new governments at home being increasingly skeptical of certain commitments, and one explicitly referred to a push for more “attributable” aid, which was recognized to implicitly challenge common funding and GBS.

The strength and direction of influence of the PD on donor activities seems to vary, with some donors stating that HQ pushed them to implement Paris, while others stated that it was those people on the ground pushing HQ to enable them to be more “Paris compliant”.

Non budget support donors suggested that the PD has to some extent been hijacked by GBS donors, to the detriment of aid effectiveness as a whole. A number of non-GBS donors felt that projects could be made to be effective and could follow all PD principles. However, it seems true to say that the non budget support donors in general feel less pressure from HQ to act in a “PD compliant” way, and that the extent of engagement in aid effectiveness discussions is more dependent on the individuals in country.

Mozambique is one of eight UN Delivering as One pilot countries, and one of the reasons for UN reform is to be able to fulfill its role in the aid effectiveness debate and to facilitate fulfilling

its PD commitments, through a more harmonized UN engagement at country level. The UN in Mozambique decided to join the G19 as associate members, on the explicit understanding that by doing so the UN could participate in developing a more inclusive (less GBS-focussed) aid architecture, as called for by the Government. With its wide thematic presence and through its membership comprising both the Government of Mozambique and all its development partners, the UN can play a unique role in finding common ground.

The so-called “non-traditional” donors in Mozambique are certainly present and active, but little is known about their activities, seemingly even within government. China, Russia and Brazil all participated in the workshop that launched this process, and interviews requested, along with Vietnam and South Africa. Only Brazil was eventually interviewed and articulated a somewhat different approach to that of the traditional donors (see box 1).

Box 1 – Different Approaches to Aid (Brazil)

Mozambique is the second largest recipient of Brazilian aid, after Haiti. Cooperation takes place through training, capacity building, courses, and scholarships. Particular focus is in the agricultural and health sectors. Brazil also contributes to various multilateral projects. Brazil is not a member of the G19, and does not provide either GBS or pooled funding. They are also not a signatory to the PD.

Brazil does not hold formalized political dialogue with the government of Mozambique, and all assistance provided is requested by the government. For example, the Ministry of Mineral Resources recently requested that staff be trained in Brazil. The Brazilian embassy seems to have very good relations with a number of Ministries with which they work and a less confrontational and conditional approach than “traditional” donors. Brazil does not impose conditions on its support to the Government of Mozambique beyond basic reporting requirements. In particular, Brazil does not impose political conditionalities, and suggested that political development and citizenship development should be a goal not a pre-condition of aid, as they naturally evolve only after social and economic development are achieved, coming as the result of a historical and social process, not because of donor pressure.

It could therefore be said that the Government of Mozambique has greater ownership of its cooperation with Brazil than with other donors, and there is a greater sense of partnership, drawn especially from the fact that Brazil is still conscious of having fairly recently been an aid recipient. In terms of alignment, Brazil stated that while they do not use government systems, as all aid is agreed *a priori* directly with ministries, and therefore projects are aligned with government plans and wishes. Where existing programmes are being implemented, Brazil contributes to these rather than creating parallel systems, to some extent therefore harmonizing support with other donors. One interesting approach that is being taken is to replicate in Mozambique activities financed previously by other donors in Brazil.

However, the lessons for other donors from this case study are limited – Brazil is a special case, and linked to Mozambique through historical and linguistic ties. Brazil is a relatively recent donor, with a very different perspective on the role of aid and the development process. It would be naïve to suggest that traditional donors could develop the same informal approach. However, greater dialogue and discussion between traditional and non-traditional partners might stimulate interesting debates around development processes and perspectives, and would perhaps challenge some of the assumptions underlying traditional approaches.

There are a number of Vertical Funds operating in the country, including the Global Fund for Aids TB and Malaria (GFATM), The Clinton Foundation, The President’s Emergency Fund for Aids Relief (PEPFAR), and the Fast Track Initiative. The lack of knowledge among central

ministries (and donors) about their activities was remarkable. The GFATM did attempt to participate in the common fund in the health sector, and this was at the time hailed as a unique and groundbreaking experiment, but was short-lived and ultimately unsuccessful, with the GFATM being asked to leave the common fund by the government soon after due to the fund's inability to abide by common arrangements and the heavy transaction costs and unpredictability of GFATM funding. See box 2 for an overview of the GFATM in Mozambique.

Box 2 - Different Approaches to Aid - Global Fund For Aids, TB and Malaria

The Global Fund is a signatory to the PD but donors and government officials in general did not rate positively the engagement with the Fund. It was felt that while there are enormous financial benefits in terms of volume of resources, it is clear that the government finds the Global Fund extremely difficult to deal with, and in fact the Minister of Health recently suggested to donors that they fund a separate unit, outside of the Ministry of Health, simply to deal with GFATM applications and reporting. It was also felt that the GFATM did not sufficiently coordinate with other donors, and in fact could not participate in sector discussions, not having an official country representative.

However, it cannot be denied that the GF has achieved results on the ground. They claim to support over 170,000 people on ART, to have detected and treated over 46,000 cases of TB, and to have distributed nearly 3m bed nets. The total amount of approved grants is over 406m USD, although of this so far only 107m USD has been disbursed. One informed observer who works with the sector suggested that the issue is more one of timeframe – in the short term, the huge volume of resources the GF can bring in does have an impact on the ground, but that this impact is not sustainable, and possibly has negative effects in terms of government time and predictability. Therefore there is possibly a trade off between long term and short term results. Ideally of course, the country needs both, and with good cooperation and dialogue, and a strong country leadership in the sector, it should be possible to combine the vertical with the harmonized.

Perhaps the example of government requesting that donors fund a separate team to deal with some of the transaction costs associated with the GF is an example of accommodation of the GFATM, and maybe it should be recognized that given the large amount of funds available, instead of expecting vertical funds to align with government systems and priorities, pooled funds and the SWAp can be used to “horizontalize” the vertical funds, complementing these and ensuring that investments in long term health system strengthening and other aspects not covered by the vertical funds are covered, so that the maximum benefits for the country can be realized.

3.1.1.5 To what extent and where have the PD Principles been Implemented (1e)

This section is complemented by section 3.2 on process and intermediate outcomes, so some general issues will be raised here, and dealt with in more depth in section 3.2.

The PD principles and the aid effectiveness agenda have all become an integral part of dialogue between government and donors in Mozambique, and have also to a certain extent been picked up by civil society. All PD principles have been significantly implemented. To summarize the extent to which the PD has been implemented in Mozambique so far, and some key issues going forward, please see table 2 below:

Table 2 – Mozambique’s progress on PD Indicators

PD Indicator	2006	2008	Comments	Target 2010
Ownership	Medium	Medium	Medium	
1. Operational Development Strategy	C	C	PARPA II ended in 2009 and its successor is under preparation now, so the 2011 survey will analyze the new Development Strategy.	B or A
Alignment	Medium	Medium	Medium	
2.A Public Financial Management	3.5	3.5	Likely to see improvements due to roll out of SISTAFE	4
2.B Procurement	N/A	N/A	New procurement law passed.	N/A
3. % Aid flows reported in the budget	83%	83%	Likely to see improvements; the UN now provides consolidated commitments for the budget and MTEF. Need to extend this to non traditional donors and vertical funds.	85%
4. % Coordinated TA	38%	27%	Little progress has been made.	50%
5.A % Aid flows using government PFM systems	36%	44%	Most of progress so far due to GBS/Common Funds. Need to include projects.	57%
5.B % Aid flows using government procurement	38%	54%	GBS plus most (not all) common funds. PAPS plus associates (just) reached the target of 55% in 2009, so the country as a whole unlikely to.	55%
6. Number of Project Implementation Units	40	26	PAPs plus associates have 25 (2009) so country unlikely to reach the target.	13
7. % of aid disbursed within the fiscal year for which it was scheduled.	70%	73%	Good predictability for GBS and Common Fund disbursements. Still poor for projects and vertical funds.	85%
8. % untied bilateral aid	89%	91%	Most aid is now untied, target already reached in 2008.	> 89%
Harmonization	Medium	Low	Medium (but high transaction costs and too much focus on process)	
9. % aid provided in the form of PBAs	46%	46%	To reach the target will need to bring projects into PBAs. PAPs plus associates provide 52% as PBAs (2009), so country unlikely to reach target.	66%
10.A % joint missions	46%	13%	Some examples but little real progress. Needs to be resolved at HQ level. PAPs plus associates 26% in 2009.	40%
10.B % joint analytical work	63%	32%	PAPs plus associates (2009) at 64%, but less for all donors. Sector Working Groups could be made responsible for coordinating.	66%
Managing for Results	Medium	High	High with regard to the indicator, but improvements needed on defining indicators and use of results to define policy.	
11. Transparent and monitorable PAFs to assess progress against (a) the national development strategies and (b) sector programmes.	C	B	PAFs exist both at national level (GBS) and for key sectors with common funds. However, need to invest in capacity for government in defining appropriate indicators and statistical system strengthening.	B
Mutual Accountability	Medium	Medium	Medium	
12. Mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in the Declaration.	2 Well developed PAFs.	2 Well developed PAFs.	The PAFs are well developed but only cover G19 and associates. Need to include all donors. Government needs to use the donor reviews more.	

Sources: Ministry of Planning and Development.

In terms of *ownership*, Mozambique clearly achieves the PD target of having in place an operational development strategy. The PARPA II (2006-9) was developed in a highly consultative way, and established the key development strategies, including a detailed M&E framework. Its successor, PARP, is currently being developed, and will cover the years 2011-14. However, as was highlighted in the Phase 1 Evaluation Synthesis report, the development of a National Development Strategy does not by itself cover the full concept of ownership, and in fact the definition of the concept itself is open to interpretation. Ownership can also be exercised in different, more subtle, ways than that seemingly envisaged by the PD, i.e. of stating clearly the government position and defining the strategies to which donors must align. It may be that government officials find other, less confrontational, ways, to get their own way with donors. Often what donors may interpret as lack of capacity or even incompetence may actually be an indirect way to ensure a particular outcome.

There are two relevant issues related to ownership as defined in PD. Firstly, government's willingness and ability to "take" ownership. In interviews, government officials expressed skepticism about the donor's ability to respond, were government to truly exercise ownership, and an unwillingness to be put in a situation of confrontation with. The belief that recipient country's have a right to take ownership is still weak, and weakened further when donors act in a way that seems contrary to ownership, such as the insistence by the World Bank in the 2009 planning meeting of the inclusion of a new indicator¹⁸, breaking the hard-won agreement that all indicators in the PAF should be a subset of indicators from the government's own M&E framework. The suspension of GBS in early 2010 due to concerns regarding a possible breach of underlying conditions was also seen as undermining ownership, given that government felt that the procedures stipulated in the recently-signed MOU were not followed and that therefore all the painstaking drafting and agreement on the wording of the MOU was ignored at a critical moment. PAPs disagreed with the government's interpretation, but the situation contributed to a feeling by government officials that the MOU could be bypassed when considered expedient by donors. This leads to a great deal of cynicism about the benefits of really taking "ownership".

Even if government wishes and feels able to exercise ownership on policy matters, capacity to do so is often limited. Facing a fairly harmonized, well-resourced group of donors who can draw on well-staffed local offices and highly skilled experts at HQ, requires a great deal of capacity and technical ability. One issue mentioned by officials was that while donors have the "luxury" of being able to focus exclusively on aid issues, and often to focus on one particular sector or issue, dealing with donors is often only one part of a government official's mandate. This can lead to a situation where ownership is little more than lip service, for example by agreeing to a proposal made by donors or placing technical staff in a working group.

There are some examples of ownership on aid effectiveness issues such as the government insisting, against some donor resistance, that the monitoring framework for GBS donors be a subset of (and therefore not additional to) the existing government M&E framework, and requesting the inclusion of stricter indicators in the Performance Assessment Framework. On specific issues, such as the decision by the Ministry of Health that bed nets not be charged for at health posts, even at reduced rates, government has also shown ownership, but as a whole, it cannot be said that the government of Mozambique is truly able to exercise full ownership.

Accra placed greater emphasis on the issue of ownership being *national* rather than simply *government* ownership, with a resulting increase in focus on parliaments and on civil society. While there have been moves by donors to stimulate and strengthen both of these, it is fair to

¹⁸ Indicator 41 on land use (see http://www.pap.org.mz/downloads/rp_qad_09/matriz_qad_gov_2010_2011.pdf)

say that both remain weak, and cannot be said to fully represent the people of Mozambique. Some excellent work is carried out by certain CS institutions on analyzing government policies and attempting to hold government to account, but this is still limited and reaches a fairly narrow audience.

In terms of *alignment* great progress has been made in improving government systems, including the roll out of eSISTAFE, the national electronic public financial management system. Donors are increasingly using government systems, with the majority of aid included in the budget and the MTEF. A new procurement law was passed in 2007. The G19, including associate members and Japan, provide commitments for the following year in May each year, which is aligned with government budget preparation. One key improvement brought in with the new MOU signed in 2009 was the stipulation that funds for GBS and Sector programme aid be considered final in May, whereas previously these were indicative and only confirmed in September.

Less aid than is on-budget is channeled via the Unique Treasury Account (CUT) – all GBS, all common funds, and a very few projects. There has just started to be interest in putting projects on-CUT, and there have been a number of teething problems; donors and government officials in recipient ministries state that the processes for putting projects on-CUT remain onerous and unclear, and there have been long delays in receiving funds due to this. However, some projects (including the financing of this study by Finland and a performance audit of the National Disaster Management Institute financed by DFID) have now been successfully channeled through the CUT, and has led to positive learning processes and should pave the way for greater use of this channel in future.

In terms of *harmonization* this has been most prominent with regard to budget support donors, who have a complicated network of working groups and coordination mechanisms. The results of this seem to be broadly positive, in that government officials suggest that the transaction costs are reduced in comparison with dealing with each of the individual agencies separately. The G19 aims to present a joint view to government on political and technical issues. However, the transaction costs of this coordination are immense, as often there are differing views within the group, and as each agency is considered an equal partner. This can lead the group to be extremely slow in responding to government and may also lead to a “lowest common demoninator” joint view. One donor also expressed concern that so much focus on harmonization has led to a great deal of time spent on discussion of process, and coordination, at the risk of crowding out more substantive policy discussions.

So far, harmonization efforts largely centered on budget support and the G19, but in 2008 the Minister for Planning and Development expressed a desire to widen this to all donors. Moves were made to develop a Code of Conduct, which was intended to include non-traditional donors as well as major non-GBS donors such as the US and Japan, as well as the UN. However, the process lost some momentum due in part to disagreements amongst donors on revising the aid architecture, which led to long delays in responding to government suggestions, and also due to the delay in producing the cooperation policy, which was seen by many as essential to frame any work on a code of conduct. The cooperation policy has still not been made available, and the admittance of the US and UN as associate members of the G19 grouping has been seen by some as a compromise measure. A number of interviewees mentioned that the acceptance by the US and the UN of associate membership was predicated on an understanding that work would progress on a more comprehensive restructuring of the aid architecture, but so far there is no evidence of this happening.

With regard to *Managing for Results* the PARPA II introduced a “strategic matrix” with defined annual indicators and indicators for 2009. This was measured every year as an integral part of the government’s monitoring and evaluation document, the *Balanco do PES (BdPES)*. However, there were problems regarding availability of data and often the matrix was not fully filled in for the BdPES. There are also two Performance Assessment Frameworks, evaluated during the annual reviews with G19 (plus, now, associates), one to measure government performance on 40 key indicators and another to measure donor performance. The government PAF is a subset of indicators from the strategic matrix of the PARPA II, which ensures total alignment between the two M&E systems. This was a hard-won victory for government, which used the Paris Declaration as an argument for alignment, as donors wished to keep the flexibility to include new indicators that were not in the PARPA II, and in 2009 the World Bank insisted on the inclusion of a non-government target. It remains to be seen whether government will be able to keep the alignment with the new PARP.

A positive development in the last few years has been the introduction of “technical notes” for all PAF indicators, which indicate the source of information, the method of calculation and the responsible government department. This has greatly improved review processes, especially in sectors where indicators tend to be complex and have serious data quality issues or more qualitative indicators (e.g. governance).

Programme budgeting has been introduced into the MTEF and the budget, with a detailed structure linking every activity to a sub-programme, programme and strategic area of the five year plan. This is still a work in progress, with some sectors further ahead than others.

In general, the frameworks are there for Managing for Results, but there seems to be a need for greater capacity to develop appropriate indicators and to develop results chains. This needs to happen at the sector level, as well as at the coordinating ministries.

Finally, in terms of *mutual accountability*, Mozambique was possibly the first country to introduce a donor PAF. A baseline was developed in 2003, which led to the first PAFs approved in 2004. Currently, the PAF covers the G19, and was applied for the first time in 2010 to the new associate members (US/UN). However, the PAF is geared towards GBS donors, and therefore may need to be adapted to accurately reflect aid effectiveness of other types of donors.

Mozambique is regularly asked to present its donor PAF to other African countries, and is generally seen as a good example. While this reputation is undoubtedly deserved, there is a risk of mistaking the means for the end. The involvement of government in defining targets is patchy, and the donor PAF seems to be used more by the donors themselves (peer pressure on less “progressive” donors, and in reporting to HQ) than by government, or civil society. Parliament is not involved, and the head of the parliamentary commission was not aware of the process when interviewed. The press have picked up on the exercise, and do report on donor rankings, but there is little understanding of the implications of these.

One issue raised both in the discussions at the workshop and in a number of interviews with government, donors and civil society was the unequal nature of the relationship, and there is a certain skepticism about whether any evaluation can be truly mutual, given that donors have the tools available to “punish” government (cutting aid, switching modalities, imposing stricter conditions) whereas this is not the case for government. However, it is true to say that the government could be more pro-active in using the results in negotiations with donors, and could also disseminate more information on the process, and on the PD commitments of donors, such that civil society and the press would be better informed.

Government officials expressed the desire to make the evaluation of donors more entrenched and ongoing, rather than an annual exercise carried out by an external consultant, but the capacity to do so seems lacking at this point.

Therefore it can be said that the tools exist, but they are not yet used in a way which is truly mutually accountable.

3.1.1.6 Conclusions on the PD in context

The take-up of the aid effectiveness agenda was early and highly significant in Mozambique. The principles enshrined in the PD have become a common part of the discourse between government and donors, at both central level and in some sectors where there are programmatic approaches. There are also some signs that civil society is becoming more interested in and engaged on these issues.

However, much of the initial discussion of aid effectiveness in Mozambique took place prior to the HLF and endorsement of the PD, as can be seen from documents at the time, in particular the 2004 MOU between government and GBS donors. The main increase in programme based approaches was prior to 2005, and the great majority of current members of the G19 were already members by the time of the HLF. There were already ongoing discussions about use of country systems and alignment, and a mutual accountability framework was already in place.

There continues to be a high level of engagement in the aid effectiveness agenda, by both government and donors, at both central and sector level, however it seems fair to say that this has faltered somewhat in the last couple of years. Efforts to develop a code of conduct have come to a standstill, the long-awaited cooperation policy has still not been officially circulated, and no movement has been made on the development of a more inclusive aid architecture.

Part of this stems from the fact that in Mozambique, from very early, coordinated aid effectiveness initiatives were linked intrinsically to GBS. Until recently it was not possible for non-GBS donors or agencies to join the main harmonized donor group although they could participate in sector working groups, and even now there are limitations on their participation as associate members. This has led to a highly organized block of donors, who have gained a great deal of access and influence on policy dialogue, and while agency positions within the G19 differ, as a whole they have been unwilling to re-shape the aid architecture in a way which would be more inclusive of non-GBS donors. The inclusion of the US and the UN as associate members was a positive step, but has also taken the momentum out of any broader, ambitious initiatives.

There also seems to be a certain weariness with the cumbersome nature of the coordination mechanisms and with the transactions costs for donors associated with harmonization. Attempting to reach a common position amongst 19 diverse members, with different HQ perspectives and systems, is an extremely time consuming and complex process, and there are risks that it leads to a “lowest common denominator” approach. Despite the troika system the annual changeover of G19 Troika chair leads to disruption as each agency approaches matters in a different way, and government must adapt to new staff and priorities.

It seems that Mozambique is suffering somewhat from having been one of the very first to implement aid effectiveness initiatives. Many of the structures and instruments have been put in place, but some are not necessarily used to their full potential. For example, the much-lauded mutual accountability frameworks remain one-sided and little used by government. The

coordination structures have undoubtedly improved harmonization and reduced transaction costs for government – but at a huge cost in terms of time and resources of donors and at a risk of losing sight of policy discussion or of watering down donor positions in order to accommodate all. Ownership remains a debated and often-invoked concept, but is essentially a political concept, and is tied up with notions of power and political economy. Alignment is happening in terms of improvement and increasing use of systems, which is without doubt positive for government, but is still partial, and without a clear strategic vision from government, alignment to government priorities remains an exercise in picking the parts of government plans that suit the country programme of each agency. Progress is being made in management for development results, but there is still much more capacity needed to develop indicators and collect information.

To sum up, all PD principles have been implemented in Mozambique, all starting prior to 2005, so the role of the PD was perhaps to sustain momentum and keep the issue high on the agenda for both government and donors. The PD can be said to have had a *legitimizing and supportive role*. Many of the structures necessary for “PD-type” aid have been put in place. However, to achieve aid effectiveness and impact on development outcomes, the creation of such structures (donor PAFs, working groups, dialogue forums etc) is not sufficient. In particular, any successor to the PD must recognize that the process is not merely technical – the mere existence of such processes and structures does not guarantee true ownership, harmonization, alignment, management for development results and mutual accountability. The relationship between donor and recipient is by its nature unequal, and to ignore this risks the creation of structures that are not used to their full potential or in the way envisaged by the PD. Ultimately issues of ownership and accountability, and even the other seemingly more technical aspects of Paris, depend on real shifts in mentality and a genuine change in the nature of the relationship.

3.2 Process and Intermediate Outcomes

3.2.1 Are national strategies and frameworks stronger? (Ai)

The Government’s overarching strategy, which pre-dates the Paris Declaration, is Agenda 2025. This established a vision for the year 2025. Each government immediately after elections produces a five year plan, which is largely implemented by a series of multi year poverty reduction plans, a Medium Term Economic Framework (MTEF) and the annual Economic and Social Plans and corresponding budgets.

The first Poverty Reduction Plan (PARPA I) ran from 2001-5, and its successor from 2006-9. The third, PARP, is currently under preparation. PARPA II is viewed by Government and donors as a much stronger strategy than its predecessor, which was essentially prepared to qualify for HIPC, and involved substantial consultation during its preparation. However, several donors believe that an overall unifying vision has been lacking, with the national plan being essentially a series of sector strategies that have been joined together without adequate prioritisation or a sense of common purpose. The drafting of PARP has also been a cause for

concern with significantly less time spent on preparation than for its predecessor and donors complaining of only limited consultation and insufficient use of analysis of the results of PARPA II and the household survey to inform its design. This has led to pressure from donors to extend the consultation process, which seems to have been successful as a new timetable was circulated at end September 2010.

The poverty plans are not subject to discussion in parliament, being approved by cabinet, but the Economic and Social Plans which should derive from the poverty plans are approved by parliament, as are the annual budgets.

PARPA I did not contain a specific section on aid effectiveness, however its successor did, drawing on the then recently-adopted Paris Declaration. All the PD principles are mentioned in PARPA II.

At sector level, clear strategies are in place in most sectors and the Government has been increasingly decentralizing some aspects of planning and finance, with districts producing District Development and Investment Plans and receiving funds to support these. While none of these initiatives seem to have come about as a result of the Paris Declaration *per se*, the Declaration does appear to have added momentum to ongoing processes and helped Government to convince donors to support their efforts.

The Government has been working on a Cooperation Policy to provide guidance to donors on how they should work and on how Government will undertake to manage the aid they provide. While widely welcomed as a strong potential framework for Government ownership and donor alignment, all donors who commented on an initial draft that was circulated expressed a belief that it is neither clear nor specific enough in its current form in terms of specifying who should do what and that it is therefore unlikely to result in any real behavioural change on either side. Indeed, one donor described it as an opportunity missed for putting donors to work far more effectively for Government. Government appears rather reluctant to take a stronger line with donors out of a belief that this would be inappropriate and could also risk decreasing funding, an understandable concern in a country where aid makes up nearly a quarter of Gross National Income.

Ownership has been hampered somewhat by a lack of joined-up Government, highlighted in both the 2005 and 2007 monitoring reports and still evident in 2010. Management of aid is split between the Ministries of Planning and Development, Foreign Affairs and Finance without a clear division of labour between them and with donors still negotiating bilaterally with sector ministries. This impairs both central Government's coordination of donors and its coordination of the work of line Ministries' with donors. A number of donors interviewed, while recognising this issue, highlighted that this is the nature of any Government and that in no country is it a single coherent, entity but rather a coalition of forces with various tensions that pull it in different directions. This political aspect of ownership is largely neglected by the Paris Declaration.

PAPs have increased the proportion of aid that they provide in the form of budget support from around 32% in 2005 to 39% in 2010 which may have served to further reinforce national strategies and frameworks. However a note of caution was sounded by several donors, CSO representatives and academics regarding the interactive nature of strategy and policy setting: while the Government may write its own policy, this does not necessarily denote ownership as it

may be keenly aware of what donors want and what they will provide funding for, shaping its policy accordingly. Donors also contribute to policy making through participation in various sector working groups as well as having a more centralized policy dialogue with the ministry of planning. This is a high risk to ownership in a country where such a large part of the national budget is funded by aid and where such a large part of that aid is delivered in the form of budget support.

In both the 2005 and 2007 monitoring surveys, ownership was defined as “moderate” in Mozambique and a similar assessment would still be accurate in 2010.

3.2.2 Is there increased alignment of aid with Mozambique’s priorities, systems and procedures? Have Mozambique’s capacities been strengthened? (A ii)

All donors that were interviewed stated that their strategies for Mozambique were based on PARPA II and both the 2005 and 2007 monitoring surveys report that 83% of aid is aligned with national priorities. However, PARPA II’s broad scope and lack of clear prioritisation does offer the potential for “cherry picking” by donors to justify their own strategies post-formulation as opposed to using PARPA II as the basis for setting their strategy in the first place. In addition, as mentioned above, Government may in fact set its strategy in accordance with what it feels donors will fund. This last point was reflected by the comments of several donors who said that they would only align with Government if they agree with what it is doing, while having quite strong and precise views regarding what this should be.

The proportion of aid given as budget support or sector programme aid, and thus making use of national systems and being theoretically aligned with national priorities, has risen over the past five years. The main driver for this appears to have been donors themselves. While the introduction of budget support pre-dates the Paris Declaration in Mozambique, the Declaration does seem to have given donors an additional push towards using this modality and to have assisted both Government and existing budget support donors in convincing additional donors to come on board. This support is now well-aligned with the national budgetary planning cycle, with firm commitments for following year disbursements given in time for budget preparation. Donors’ individual country strategy papers are on the whole not aligned with Government’s timeline, due to the majority of them employing a single fixed strategy period worldwide. Nevertheless, some donors have now introduced rolling strategies for their work in Mozambique in order to address this.

The degree to which budget support may be equated to alignment is open to question. Government highlighted that budget support is often used by donors to “buy a seat at the table” in order to influence national policy, as opposed to getting behind it. Different donors then have different opinions about what the “right” policy should be. These issues, coupled with concerns over predictability, dependency and transaction costs, have led Government to retreat from wholehearted support for budget support over the last two years. Donors’ enthusiasm also appears to be waning with concerns about high risks, limited returns and heavy transaction costs.

The Government has chosen not to guide donors as to which sectors they should be working in. One donor, Denmark, did seek Government guidance on which sectors their new strategy

should target but found the Government very reluctant to give it until a direct approach was made to the President. This may be perceived as a rational risk-management strategy on the part of Government, which also includes not obliging any donor to join any particular coordination structure, rooted in a belief that donors may decrease their financing and commitment to Mozambique if not allowed to work in their favoured sectors and using their favoured aid modalities, despite what their rhetoric may claim. The Government's priority is therefore to ensure no shortage of funds and no orphan sectors.

Use of public financial management systems has risen consistently over the past five years though there has been a bias in favour of budget execution and financial reporting systems as opposed to audit systems. Among donors, those not using Government systems cited concerns about their quality (to be contrasted with other donors who asserted that it is actually by channelling aid through these systems that their quality is improved) and in-house procedural barriers. It is important to make a distinction between aid that the Government knows about and that is therefore described as "on budget" and aid that actually uses Government systems as much "on budget" aid in fact does not.

Use of procurement systems has similarly steadily increased over recent years, helped by a new Procurement Code. However both Government and donors agree that more work needs to be done to fully apply existing legislation and regulations in practice. The World Bank was cited by a number of interviewees as not being able to follow national procurement procedures, which has led to increased transaction costs in, for example, the education sector, where the common fund follows world bank procedures rather than national ones to accommodate the Bank.

The use of parallel implementation units has declined over the past five years, helped by the increased proportion of aid going to budget support and common approaches. In addition, donors who favour a project-based approach (such as the US and Japan but also "non-traditional" donors such as Brazil) have moved towards aligned projects that are provided in response to specific Government demand and implemented according to Government preferences.

Donors have placed a strong emphasis on providing capacity building support since the end of the civil war in 1992 when it was feared that Government risked collapsing without it. In terms of doing so in an aligned and coordinated way, there was a marked decline from 38% to 27% between 2005 and 2007 according to the monitoring surveys. A key constraint here has been the lack of a clearly defined national strategy that sets out Government's needs and priorities for capacity development which donors can then align behind and, to a lesser degree, a lack of agreement between donors and Government about what type of support is actually needed. The planned Public Sector Reform Programme may go some way to addressing this issue. Nevertheless there is a general consensus that national capacities have generally been strengthened over the past five years, with particular achievements visible in the public financial management field, as detailed below. Capacities have also been strengthened indirectly as the advent of more budget support and common approaches has stimulated cross-Government coordination and empowered central ministries previously left weak by aid being channelled through their sectoral counterparts.

Overall the comment made in both the 2005 and 2007 monitoring surveys that alignment was good within budget support and common approaches but absent outside these modalities remains true.

3.2.3 Defined Measures and Standards of Performance and Accountability for Country Systems (A iii)

This section looks at whether there are defined measures and standards of performance and accountability for country systems in public financial management, procurement, fiduciary standards and environmental assessments in line with broadly accepted good practices, and whether their application is widespread.

The Ministry of Finance has taken forward extensive reforms of public financial management over the past five years. An added push has come from donors providing increasing amounts of budget support which has led to more scrutiny of national systems. A Public Financial Management Action Plan has encompassed a series of commendable reforms, notably an integrated financial management system, SISTAFE, which has now been rolled out across Government with the support of several donors, and a single Treasury account. While the monitoring surveys report no change in standards between 2005 and 2007 on the basis of the World Bank's Country Policy and Institutional Assessment (CPIA), Government asserts that very significant progress has been made over the last five, and particularly the last three, years and donors generally concur with this assessment. With the completion of the implementation of SISTAFE, Mozambique is therefore poised to improve its CPIA score in future. Supporting this view, the World Bank's Public Expenditure and Financial Accountability Assessment (PEFA) has recorded significant improvements in revenue collection and management, cash management and internal controls over the past five years. The Ministry of Education reports that, as systems have improved, so more donors have been prepared to use them and this in turn has further improved the systems creating a virtuous cycle and an increase in funding for the education sector.

No baseline information for procurement systems was available at the time of the 2005 monitoring survey and therefore no targets were set. However it was reported that in 2005 less than half of medium-sized and large contracts were awarded in an open and competitive tendering process and that the procurement complaint mechanism was relatively ineffective. The introduction of a Procurement Code in 2005¹⁹, which provided for an independent regulator and an effective procurement complaint mechanism, has delivered some improvement though implementation has been acknowledged by both Government and donors to be incomplete.

The increase in budget support has also helped to drive forward fiduciary reform. The 2007 monitoring report highlights improvements in revenue collection since 2005 which have continued through to 2010. However, more work remains to be done on enforcing tax regulations and improving the efficiency and effectiveness of collection. Government and several donors highlighted the need to prioritise revenue collection in order to decrease Mozambique's aid dependence.

Environmental standards are set by the Ministry for Coordination of Environmental Action (MICOA) and in 2006 guidelines were published to standardize environmental assessments in the country. These are overseen by the National Directorate for the Evaluation of Environmental Impact²⁰

Two issues are evident in terms of donor support to country system reforms, firstly the

¹⁹ Decree 54/2005

²⁰ Direcção Nacional de Avaliação do Impacto Ambiental

provision of diverse or even conflicting advice on what reforms are needed, and secondly a lack of specialised donor technical capacity at the country level to deal with the complexities of issues such as public finance management.

3.2.4 Is there less duplication of effort and are donors' activities more rationalised and more cost-effective? (B iv)

Over the past five years, the provision of budget support and the use of common approaches has increased, with the Paris Declaration possibly exerting some influence on new donors to join these pre-existing mechanisms, or for existing GBS donors to increase the proportion of PBAs in their portfolios. This has naturally improved rationalisation and, in sectors where sector wide approaches have been established, reduced gaps and overlaps. However, while in 2005 Mozambique was scored "moderate" in terms of harmonisation, in 2007 this fell to "low" and the Paris indicator score on "use of common arrangements" stayed stationary at 46% between 2005 and 2007.

Some donors have been trying to push forward division of labour, notably the EU in the framework of their Code of Conduct on Division of Labour. A Joint Action Plan has been agreed by the EU while a wider donor Task Force on Working Groups and Division of Labour has been established. This has resulted in an extensive annual mapping and the establishment of comparative advantages for donors and proposed exit sectors for some. However little change has so far been evident in terms of actual sectoral rationalisation beyond a handful of bilateral withdrawals from sectors which have taken place without sufficient consultation (this has been recognised by donors as an issue that urgently needs to be addressed). In addition the characterisation by some donors of certain sectors that they work in as "non-focal" (and therefore not counting as an area of engagement, despite still being present) and the substitution of bilateral programmes on the ground with programmes managed from their capitals has done nothing to rationalise aid. It is therefore to be hoped that current plans for further exits and rationalisation by 2012 bear fruit and are carried out in a sufficiently coordinated way. However, pressures from donor headquarters to stay involved in certain sectors for political and visibility reasons remain high and local sectoral choices are generally strongly influenced by capitals as opposed to starting with a blank page and a local consultation with Government and other donors to establish where value could be added. The work on DoL that has been done to date has been wholly donor-driven rather than Government-led due to (i) a concern by Government that rationalisation may decrease external financing and limit its options in terms of partners and aid modalities and (ii) a perceived lack of a suitable "instrument" to make decisions on who should work where. Education and health are currently seen as darling sectors while water, environment and social welfare are seen as orphan sectors.

The Paris Declaration takes into account both coordination of missions and of analysis in assessing harmonisation and on both counts progress in Mozambique has been poor. While 46% of missions were joint in 2005 (meaning the 2010 target had already been met), this fell back to 19% in 2007 with the overall number of missions also increasing. There has been little movement to address this issue beyond donors announcing to each other when missions are coming in. Also, some joint missions hold an initial meeting jointly and then split up, somewhat stretching the spirit of the indicator. Nevertheless, given that the majority of donors plan their missions at the headquarters level, this is an issue that would appear to need addressing through

improved coordination between donor capitals. Two “quiet periods” are defined in the MOU between GBS donors and government but these are quiet more by default than through active compliance, given that they coincide with donor or government holiday periods.

The case of joint analytical work is a similar one, with joint studies having decreased from 63% in 2005 to 32% in 2007 while the number of studies undertaken almost doubled. Again the majority of cooperation has taken place around budget support and sector wide approaches. The 29 sector working groups in place do offer a clear focal point for coordinating analysis and could in future be mandated to approve any new studies before they are carried out as well as developing a list of prioritised research that they would like to see funded. There is also a clear need for a one-stop-shop that groups and shares analysis. The Task Force on Working Groups and Division of Labour is currently considering this issue.

In terms of cost-effectiveness, both Government and donors cautioned against the common assumption that more budget support, common approaches and coordination automatically equals more cost-effective aid. On the contrary, the heavy coordination machinery in Mozambique around the G19 and the Performance Assessment Frameworks (PAFs) used to assess Government and donors has led the majority of donors to complain that the cost in terms of time and resources of working on common approaches is higher than that incurred when operating bilaterally. Representatives of the academic community have stated that, as these costs have risen, so the space for real debate and policy dialogue has shrunk as the focus has shifted to simply completing the annual administration of coordination as an end in itself. It should also be noted that the transaction costs of budget support and common approaches are borne at a higher level on the Government side than those of projects as they require Ministers and senior civil servants to spend substantial amounts of their time in donor coordination meetings.

3.2.5 Have donor policies and procedures been reformed and simplified? Is there more collaborative behaviour? (B v)

For virtually all donors, decisions on policies and procedures are made at the headquarters level. Few donors could give examples of specific procedural simplification. However several have taken steps to make it easier for them to work with others, for example the US is currently reforming its Foreign Assistance Act while the EU has introduced a Code of Conduct on Division of Labour and specific legislation at the European Commission level to make it easier for the Commission and EU Member States to work together. Several of these initiatives have been undertaken, at least in part, from a desire to better implement the Paris Declaration. In addition, some local donor representatives report having successfully lobbied their capitals to make changes to policies and procedures in order to facilitate the ground-level implementation of Paris.

The level of budget support and the number of common approaches have increased over the past five years and, due to the nature of these modalities, there has naturally been an increase in collaborative behaviour as a result. However, the majority of aid is still delivered in project form and it is here that collaboration remains weak. Nevertheless, a handful of silent partnerships are operating including delegation from DFID to the Netherlands in the water sector, from Ireland to Canada in agriculture and from Denmark to Finland in education. In addition, as mentioned above, the EU is leading a drive to introduce division of labour. The

Government cites a lack of strong trust between donors as a significant barrier to further collaborative behaviour between them.

The G19, the main forum for donor coordination, has been criticised by both Government and donors for being too complex and administratively overweight. At the same time it lacks a permanent secretariat with the result that technical and administrative tasks fall onto Government and donor employees and therefore the management and success of the group become largely dependent on the capacity of the donor who happens to be chairing it in any particular year. One positive step has been the recent admittance of non-budget support donors into the group as associate members which has the potential to increase collaboration in the future. However it needs to be ensured that this is the first step in adapting the group to the needs of non-budget support donors as opposed to entrenching the status quo.

3.2.6 Are donor commitments more predictable and more multi-year? Have conditionalities changed to reflect the commitment of the Accra Agenda for Action on increasing ownership? Has the untying of aid progressed? (B vi)

In the 2005 survey, in-year predictability was scored at 70% with the caveat that that this was largely dependent on budget support which was delivered much more reliably than other aid – without it the figure would have been 59%. In 2007 in-year predictability rose to 74%. The picture remains similar in 2010 with good predictability for budget support and common approaches but work still needed to improve the predictability of project funding. Donors are increasingly making multi-year commitments for budget support and Government is receiving all the monies pledged in the promised year. Donors are also now making firm annual commitments in May as opposed to September, in order to synchronise with national budget planning and the PAF for the PAPs now includes a monthly as opposed to quarterly disbursement target. Peer pressure is said to have played an important part in improving donors' performance in this respect. Government engages in detailed budgetary planning and donors' planned monthly disbursements are an integral part of this. This does however leave the Treasury very vulnerable to any delays in disbursements that do occur on a monthly basis as these have a direct and immediate effect on national finances.

The issue of exchange rate variations impairing predictability was raised by the Government. Donor commitments are made in donor home currencies while the Mozambican budget is in the national currency of meticaís. The Ministry of Finance asserted that this caused a shortfall of some \$6m in 2009. In light of this, and in line with the principles of ownership and alignment, donors could be recommended to express their budget support commitments in meticaís in future. This suggestion was made on the basis that donors have access to developed financial markets where commitments could easily be insured against exchange rate movements.

Paragraph 25 of the Accra Agenda for Action commits donors to drawing the conditions they put on their aid from partner countries' own development policies wherever possible and ensuring that all conditions are made clear and public. The indicators used by donors to assess the implementation of the national poverty reduction strategy in Mozambique reflect this, being drawn directly from the Strategic Matrix of that strategy and therefore encouraging strong ownership and alignment. They are also harmonised, at least for budget support, across donors. However, one downside has been that Government and donor focus has tended to concentrate

heavily on the indicators selected and give less emphasis to progress on the others that together constitute the complete Matrix.

The number of conditions placed on budget support has increased over the past five years and their focus has also widened to include more political issues. For example, conditions covering electoral reform, governance and management of prisons have been added on donors' request. With these type of political conditions, precise definition and mutual agreement on interpretation have become more difficult and Government states that donors seem far more prone to react on the basis of these issues than on the regular PAF indicators. This was reflected in a 2010 suspension of budget support by donors due to governance concerns. According to the Government-donor Memorandum of Understanding, such a suspension would only take place in response to a breach in the agreed underlying principles. However, in this case a mere suspicion of a breach led to an immediate suspension of funding. The credibility of donors in adhering to their commitments on conditionalities has therefore been brought into question. Donors on the other hand defended their actions as in defence of good governance and embodying a wider interpretation of ownership, extending to safeguarding the rights of citizens. It seems that the G19 were split over whether there had been a breach or not, and so the group felt they had to suspend GBS during discussions, but did not want to officially claim that there had been a breach, due to the impact such a statement would have. This may point to a missed opportunity in the MOU, which may need to be revised, but the situation still damaged relations between the government and the G19.

A broader predictability issue highlighted by Government is that donors' aid is dependent on whatever Government is in power in their respective capitals. Therefore when donor Governments change, their aid commitments tend to do so as well. This can be particularly seen for budget support, which is coming under increasing scrutiny by some new European governments.

In terms of untying, the proportion of untied aid rose from 89% in 2005 to 91% in 2007 and the majority of donors now provide most of their aid untied. However it should be noted that, as with mission coordination and procedural simplification, this is an issue that normally has to be addressed at the headquarters' level. Government noted that, even when aid is untied, large amounts are still earmarked by donors to pay for foreign consultants, often from the donor country, which Government perceives as a deduction from the amount of "real aid" that the country receives.

3.2.7 Is there now sufficient delegation of authority to donors' field staff? Have incentives been adjusted to promote effective partnerships between donors and partner countries? (Bvii)

The amount of delegation from donor headquarters to country offices varies significantly by donor and is generally determined by the headquarters themselves. DFID and the Nordic donors were generally believed to be more decentralised than donors such as the World Bank and Portugal. The Ministry of Planning and Development believes that far more decisions are now taken at country level than was the case ten years ago. Both donors and Government agree that delegation is a good thing, giving donors more flexibility and allowing them to capitalise on their local knowledge and contacts in the country. Some donors report instances of pushing their

headquarters to work more in line with the Paris Declaration rather than the other way round.

Several donors have adjusted their local staffing in order to take account of new ways of working and the importance of forming partnerships with the Government and other donors. France has introduced a policy of hiring staff from a more diverse range of backgrounds in order to secure the necessary expertise for working with a more diverse range of stakeholders. Several donors, such as DFID and Japan, have received new staff allocations from their headquarters especially for coordination, and this has also been the case for the UN system, with a post of “aid effectiveness officer” created within the UNRCO. The majority of donors are now also providing dedicated aid effectiveness training to their staff. In terms of incentives, anecdotal evidence does suggest that a handful of donor capitals are specifically assessing their country staff on the basis of their adherence to the Paris Declaration. However overall more work appears to be needed to mainstream the Paris principles in donors’ staff job descriptions, management information systems and assessment procedures in order to provide more powerful incentives for joint working.

Government has expressed concerns that some donors are still not supplying adequately qualified staff to participate in policy dialogue on issues such as governance which requires specialist technical knowledge. Several donors, especially smaller ones, have also expressed frustration that the amount of donor and joint working groups and coordination fora to be participated in impose unreasonably high human resource demands. The majority of those interviewed highlighted that the turnover of donors’ expatriate staff every 3-4 years is a significant impairment to forging strong partnerships given that relationships have to be re-built from scratch each time.

One donor mentioned that, with strong Government leadership, the hand of donors’ country offices could be strengthened vis-à-vis their capitals, increasing their lobbying power. This provides an alternative way to get donor decision-making aligned with local realities when sufficient delegation has not yet occurred.

3.2.8 Is there now sufficient integration of global programmes and initiatives into the national development agenda? (Bviii)

Both Government and donors state that global programmes and initiatives are not sufficiently integrated into the national strategy or national systems. Rather, they tend to take a top-down approach, require dedicated conditionalities and reporting and display a limited ability to integrate with existing initiatives in the country or to use national systems without requiring specialized conditionalities. Very high transaction costs are reported and the Ministry of Health has even proposed that a stand-alone, donor-financed, external unit is needed to take care of the administrative requirements of the Global Fund. A lack of official representation in country exacerbates the situation and Government states that common funds are much more effective than global programmes and initiatives in achieving development results. However, this may depend on the timescale considered, as it was felt that vertical funds may deliver results faster, but are unsustainable in the medium term.

Nevertheless, there does seem to be an increasing awareness of this issue and a willingness to address it, for example the recent emphasis by the US’ Global Health Initiative to work with

Governments and other donors to target system-wide change. It should also be recognised that these high-profile funds have brought very significant amounts of financing to their respective sectors in Mozambique that would have been difficult to attract from traditional sources. One donor also highlighted the value of these initiatives in providing new and innovative approaches that can be leaned from and built upon.

3.2.9 Does Mozambique now have stronger capacities to develop and implement a results-driven national strategy? (Bix)

The 2005 monitoring survey assessed managing for results as being “moderate” in Mozambique while in 2007 this assessment was raised to “high”. On the specific indicator for results-based monitoring frameworks, a score of C in 2005 improved to a B in 2007. Mozambique has now had a results-based national strategy in place for several years with annual reviews of progress on meeting targets taken from a Strategic Matrix of specific deliverables. Both Government and donors are assessed on specific PAFs for budget support purposes, and there is a clear, institutionalised system for doing this. In addition, key sectors hold annual reviews, which take place prior to the general annual review between government and donors.

However, for the national strategy to be “results-driven”, the past results achieved (or not achieved) need to be used to inform future action, that is to set and adjust policy. Their role in doing so appears to be somewhat limited. Both donors and the consultants carrying out the annual performance assessments have expressed frustration that the main focus is instead on completing the heavy administration of the assessment process. Criticism has also been levelled at the PAF choice of sector indicators, with some donors suggesting that single ratings are needed for each sector, based on the preceding sector review, that would better encapsulate the various sector indicators in one measurement.

One donor also expressed concerns that budget support is a very blunt instrument in terms of addressing issues that PAFs throw up - it can either be turned on or off. In 2001/2 GBS was temporarily suspended, which led to commitments from government on the banking crisis, and to the development of a list of “underlying principles” in the 2004 MOU which specified what the preconditions for GBS were. Again in 2010 GBS was temporarily suspended, which resulted in a “governance matrix” to address donor governance concerns. Therefore for issues of high donor concern, the suspension (or mere threat of this) seems to “work” in the sense that it forces government to respond. However, naturally this has huge implications for government-donor relations and for the economy, and of course can only be used in extreme circumstances. The government in general seems fairly unresponsive to GBS variable tranches, as long as the overall total value of GBS is not cut. Some donors interviewed argued that these limitations of GBS as a tool makes a case for more project support to tackle specific issues that are highlighted in assessments. There is also perhaps a need to separate the impact of non-achievement of specific PAF indicators and the impact of non-achievement of higher level policy and governance concerns. GBS is not fine-tuned enough to handle particular technical concerns. On the Government side, concerns were expressed that donors are not sufficiently called to account when they miss indicators and that the Government-donor relationship is therefore unequal.

One other element of concern during interviews was that the ongoing development of the new

national development strategy, PARP, was taking place at a time when the latest household survey measuring specific poverty indicators across the country had not yet been released by Government. The data does now seem to have been circulated, but much of the PARP process has already taken place. If the PARP does not have a foundation in this survey, it will be hard to describe it as a results-based strategy given that the survey is widely acknowledged as providing the most thorough and reliable assessment of poverty in Mozambique.

In conclusion, while the capacities and machinery to implement a results-driven national strategy are in place, they are not currently being used to their full potential.

3.2.10 Is the Government and are donors more accountable to citizens and parliaments? What activities, behaviour and relationships have changed? (C x)

Parliaments' role in aid management and decision-making has been very limited to date and it has played only a minor role in the development of national poverty reduction strategies. However, efforts are being made to change this and a number of initiatives have recently taken place to raise Parliamentary awareness of aid effectiveness issues. There is also increasing interest on the Parliamentary side to get involved. Several donors are also supporting Parliament to more fully assume its rightful role in this regard. Parliament itself states that it feels constrained by a lack of information regarding what donors, and particularly non-traditional donors, are doing. It should be noted that the five year plans, budget and annual reports on progress in implementing the national development strategy are all submitted to Parliament for approval, and government therefore feels that the poverty reduction plan does not need to be discussed in parliament.

The role of civil society has similarly been relatively minor to date, predominantly due to a lack of organisation and a limited capacity and confidence to engage in policy dialogue and the calling of Government and donors to account. Some members of civil society also reported that a lack of access has impeded their work. Nevertheless, the "G20" brings together churches, labour unions, networks of NGOs, the private sector and academics and produces an annual Poverty Report. In addition, annual Development Observatories at central and provincial level brings various civil society organisations together with Government representatives to monitor the implementation of the national development strategy. However the follow-up from both groups tends to be quite weak with few concrete deliverables. Civil society organizations from Mozambique have participated in international dialogue processes around the role of Civil Society in aid effectiveness, and there have been a number of initiatives to increase awareness of, and engagement in, the aid effectiveness agenda. A number of donors and the UN are addressing this, providing specific support to strengthen civil society while the Government has stated that it is ready and willing to engage with them more closely and that this task is becoming easier as civil society becomes increasingly organised and centrally represented. One civil society member stated that the Paris Declaration had served to benefit Government rather than Parliament or the people. However the Accra Agenda for Action is said to have sparked more awareness among civil society organisations of their legitimate role and to have inspired increased confidence in assuming it.

PARPA II, the last national development strategy, involved numerous drafts and public consultation with civil society. However, the recent development of PARP, the new national

development strategy, has instead taken place very rapidly, giving limited time for consultation and raising questions of accountability. The Government has countered that this strategy is based upon its election manifesto on the basis of which it was voted into office and has therefore been pre-approved by the citizens of Mozambique.

A key driver of accountability is the availability of information, as recognised in the Accra Agenda for Action where paragraph 24 calls for public disclosure of revenues, budgets, expenditures, procurement and audits. The 2005 monitoring survey highlighted the need for better dissemination of Government strategies, budgets and policies. The 2007 survey subsequently recorded progress on these issues and this appears to have continued up to 2010 with the Public Information Bureau disseminating new legislation and public policies and the national press being utilised to make similar announcements. Documents such as the Medium-Term Expenditure Framework have been published, and the websites of the Ministries of Planning and Development and of Finance, of the National Statistics Institute and the Programme Aid Partners provide a large amount of information covering national economic and social indicators as well as Government and donor performance. The ODAMoz database, publicly accessible online, provides very substantial information on aid to Mozambique although several donors and government officials have reported that the reliability of data and the user-friendliness of the system need to be improved. Overall information on budget support and common approaches is more easily accessible than that on donors' bilateral work.

The press in Mozambique recently criticised Government's accountability to donors, claiming that it appeared at times to be more accountable to the G19 than to its own citizens²¹. This echoed a previous charge made by sections of civil society and it has indeed been acknowledged that certain information goes to donors before being made public or indeed without being made public at all. One donor also stated that the G19 is a channel where concerns can be raised with Government that "even Parliament cannot bring up". With such a large proportion of the national budget depending directly on donors and a small proportion on domestic tax revenue, there is inevitably a strong incentive for Government to pay significant attention to donor agendas. Clearer and more restricted aid conditionalities that are more strictly adhered to (with consequences for breaking them on both sides), and the rationalisation of the administrative machinery around the PAF process would assist in addressing this issue and in opening up more space for both Government and donors to address their limited accountability to other stakeholders.

3.2.11 Have the general commitments of paragraph 50 of the Paris Declaration and the specific mutual commitments of paragraph 24 of the Accra Agenda for Action been met regarding transparency, mutual accountability for development results, information, and parliamentary oversight? (C xi)

This question is largely answered above in the responses to sub-questions 9 and 10a which cover mutual accountability, transparency, parliamentary oversight and results measurement.

The 2005 monitoring survey rated mutual accountability as moderate with an identical rating given in 2007. Both surveys raised the problem of the existing PAF system only applying to budget support donors. This has started to be addressed to some extent in 2010 by including the

²¹ O Pais – September 2010

associate members in the evaluation, but as the PAF is largely weighted in favour of GBS donors, there would need to be a wholesale re-design of the PAF in order to fairly and accurately monitor performance of all donors vis-à-vis PD commitments.

The firmly-established PAF process should nevertheless be recognised as a significant achievement and it provides a thorough assessment of both Government and budget support donors' performance. A joint review takes place in March / April of each year after the Ministry of Planning has reported on the annual implementation of PARPA and this serves as a basis for donor commitments for the next year. A subsequent planning meeting in September focuses on agreeing the PAF matrix for the following year.

The challenge that remains is to (a) improve the inclusiveness (other modalities, other donors) and (b) the efficiency of the process which should lower its administrative burden, freeing up capacity to (c) concentrate on discussing the implications of the results of the reviews and agreeing and implementing actions to tackle them. An opportunity to address these challenges has arisen with the recent addition of associate members to the G19 as this included a condition that work to formulate a more inclusive aid coordination architecture and results measurement framework would now be driven forward.

3.2.12 Is there less corruption and more transparency? Has this led to more public support for Government and to more effective resource mobilisation and allocation? (Cxi)

Transparency International rates countries on a "Corruption Perception Index" with a value of 0 equating to "highly corrupt" and of 10 equating to "clean". Mozambique's score has got steadily worse over recent years, declining from 2.8 in 2005 to 2.5 in 2009, placing it at number 130 out of the 180 countries surveyed.

The general perception amongst donors is similarly that corruption is increasing, though many acknowledge that this could be a product of better enforcement and reporting as opposed to an actual increase in incidents. Issues of conflict of interest and state-party relations were flagged as in particular need of attention. Some donors cautioned against making an overall judgment on Government given the diversity of its constituent parts. Some government officials expressed frustration that Government is sometimes seemingly judged by donors on the basis of rumour or perceptions.

Despite this, there have been several Government initiatives to tackle corruption, which pre-date the Paris Declaration in their agreement if not their implementation. These include a 2004 Anti-Corruption Law, the 2005 creation of an Anti-Corruption Agency and the introduction of an Anti-Corruption Strategy in the same year. Reforms in the public finance management system, as mentioned above, have also served to make the budgeting process more transparent and to restrict opportunities for the misappropriation of funds.

Regarding the link between aid and corruption, the majority of those questioned did not perceive a direct relationship. However a small number of donors and NGOs raised the possibility that budget support may give more opportunities for the misappropriation of funds given the large amounts of money paid directly into national systems without earmarking and the status of these funds as payments from donors which may make them more "acceptable"

targets for would-be appropriators. This was contrasted to the tighter control of funds that a project approach is seen to give. However, others asserted that the increased level of scrutiny applied to public financial management as a condition of budget support should have lowered the possibilities for corruption across both internal and external funds. One non-traditional donor and one NGO proposed that corruption and political development are issues that should be dealt with after social and economic development targets have been met as the latter are in effect a pre-condition for the former.

Issues of transparency are dealt with in the answer to sub-question 10a above.

Public support for Government may be judged to be relatively strong given the re-election with a greater majority of the ruling party to Government in late 2009. However concerns were raised by both the European Union Election Mission to Mozambique and the Carter Centre who stated that they did not believe the National Electoral Commission had conducted fair and transparent elections. Concerns over the independence of the Commission were also partly behind donors' decision to suspend budget support in 2010.

The effectiveness of resource allocation poses a challenge in terms of measurement. The 2010 household survey suggests that poverty has improved less in rural areas than in urban areas, and that there has been good progress in social sectors but less so in economic sectors, However the results are very recent and the link between these and resource allocation decisions remain to be explored. Nevertheless, the answer to Question 3 in this evaluation report provides more details on the relationship between aid effectiveness and development results, which are the direct product of the resource allocation choices that have been made.

3.2.13 Have there been unintended consequences of the Paris Declaration? Is there evidence of better ways to make aid more effective?

There have been several unintended effects of Paris-Declaration type aid reported by the various stakeholders in Mozambique. These include:

- The hijacking of the idea of “aid effectiveness” to mean the Paris Declaration and thus a narrowing of the understanding of the issue and an unwarranted association of fatigue with the Paris Declaration to fatigue with making aid more effective.
- An interpretation of aid effectiveness as being the sole driver of development results as opposed to a recognition that it is a “necessary but not sufficient” condition.
- A very high administrative burden that is perhaps not justified by the results achieved.
- The consumption of significant amounts of political capital that is again hard to justify in terms of results.
- A strong bias in favour of budget support, crowding out other potentially beneficial modalities and restricting new innovative approaches while promoting dependency, increasing risk and decreasing predictability.

- Bilateral, Government-to-donor, accountability as opposed to mutual accountability. This is due to the asymmetrical nature of the aid relationship which belies the partnership rhetoric and is reflected in there being no effective sanction for donors who do not meet their commitments. While donors have failed to undertake simple administrative fixes such as coordinating their analysis and missions, huge and complex changes have been demanded from Government in areas such as public financial management.
- Government turning increasingly to non-traditional donors, and often to loans from these, given the lack of explicit economic and political conditions placed on their aid, and the lack of transparency of the agreements between government and these donors.

A series of suggestions were also received on how the Paris Declaration could have been better implemented in Mozambique:

- Formulation under the auspices of a “more equal” forum such as the UN Economic and Social Committee.
- Greater involvement of the DPG as a forum for discussion of aid effectiveness issues and better definition of the role of different donor forums.
- Greater recognition of the political aspects of giving and receiving aid as opposed to assuming it is merely a technical exercise.
- Built-in consequences for donors who do not meet their commitments.
- Less all-out focus on budget support as a panacea in recognition of the fact that there is no one correct approach and what is needed is rather a mix of modalities to spread risk for both sides. In particular, address the aid effectiveness of projects.
- Definition of harmonisation as starting from the stand-point of a donor agreement to fund the national plan prior to decisions being taken on how to divide that funding up between the various donors.
- Mandatory embedding of Paris Declaration targets into donors’ management information systems, internal performance assessments and individual staff’s job descriptions.
- Sensitisation from donors’ headquarters to their country offices regarding the implications of the Declaration for local work.
- Adaptation of policies and procedures by donors’ headquarters to actually facilitate the implementation of the Declaration.
- Annual monitoring by Government of the donor indicators as opposed to reliance on an independent evaluator.

Finally, a range of proposals were made on how aid could be made more effective in future:

- More focus on good policies as, without these, no amount of ownership, alignment or budget support will deliver development results.
- Prioritisation of enhancing Government's revenue generating capacity in order to decrease aid dependence.
- Greater focus on the effectiveness of projects and finding innovative ways to bring projects into line with Paris.
- Prioritisation of capacity building of Government institutions.
- Fewer conditions on aid and less "interference" in Government policy making in order to promote real ownership. Commitments by donors to not provide money "with political intent" or any financing outside of official development cooperation. However some of those interviewed reported that donors provided a useful political counterweight in a country where the opposition voice is somewhat weak.
- More evolution and innovation in aid delivery rather than top-down centralised planning by donors.
- More focus on feedback from beneficiaries and using this actively to adjust policy and implementation "on the hoof".
- Employment of a range of aid modalities to spread risk, reduce dependency and provide the Government with more choice. However some stakeholders have called for the avoidance of budget support due to issues of dependency and policy interference.
- More direct institution-to-institution cooperation.
- More leverage of approaches that have delivered results elsewhere, with the help of those who were the beneficiaries and the donors that supported their introduction (for example as has happened in Mozambique with the introduction of agricultural practices which yielded strong results in Brazil in cooperation with the Brazilians themselves and with JICA who previously worked in Brazil to introduce them).
- Less donor staff turnover in order to make donors more accountable for their results and cut down on the repetition of mistakes and the failure to capitalise on lessons learned.
- Reform of donor administration to cut down on bureaucracy and reduce the time taken from planning to implementation.
- Investment in capacity for aid effectiveness activities and coordination activities, in both donors and government. Specifically, a number of interviewees suggested the need for a permanent technical capacity of the G19 to provide institutional memory and inputs for dialogue with government, while on the government side the capacity is still weak and supplemented by foreign TA.
- More action and fewer grand commitments. The "Partners in Development" report published by the World Bank in 1969 precedes the Paris Declaration and Accra Agenda

for Action in calling for more ownership, greater coherence in donors' work, more programmes instead of projects, untying of aid, better use of technical assistance, and more effective capacity building. The commitments are therefore there and what is needed is not more policy or promises but rather a stronger emphasis on concrete action to implement what has already been agreed on the ground and on accountability for practicing what we preach.

3.3 Development Outcomes

3.3.1 Has the implementation of the PD strengthened the contribution of aid to sustainable development results? How?

The causal relationship between the values-based consensus represented by the Paris Declaration's understanding of aid effectiveness²² and sustainable development results²³ remains a matter of some controversy. As Phase I of the Paris Declaration evaluation highlighted, the explanatory power of the PD model in mainstream scientific terms remains tentative.²⁴ Actors are likely to understand and be motivated by the Paris Declaration differently, with the result that it might be perceived as having different kinds of results achieved via dissimilar kinds of mechanisms. Moreover, the Declaration's impact on development is likely to have a longer time horizon than originally anticipated. Finally, in the Mozambican context, the effects of the Paris Declaration are more difficult to assess given it pioneered many of the aid modalities prior to the Declaration's formal adoption. To make matters more challenging, 2005 also marked the year of transition to a new Government under the leadership of President Emilio Guebuza, and the splitting up of the Ministry of Planning and Finance into its constituent parts. Finally, in terms of poverty data, the results from the recent household survey suggest that at best consumption based poverty has largely not moved on average during the period of the last poverty reduction strategy, with fairly large variations by province. As the PD is largely a centrally-implemented initiative, it does not seem to have any explanatory power with regard to either the overall figures or the regional variations.

There are therefore multiple reasons to believe that the causal relationship between aid effectiveness and development effectiveness has been driven by dynamics other than the Paris Declaration.

With these caveats in mind, this section seeks to understand the Paris Declaration's *plausible contributions* to the achievement of sustainable development results by exploring the relationship between aid flows, aid relationships and development results in the agricultural and health sectors in Mozambique. A comparative approach is applied in order to illustrate divergent impacts more clearly.

²² Aid effectiveness is defined as "arrangements for the planning, management and deployment of aid that is efficient, reduces transaction costs and is targeted towards development outcomes including poverty reduction." See Stern, E. D., Altinger, L., Feinstein, O., Marahon, M., Schultz, N.-S., & Steen Nielsen, N. 2008. *Thematic Study on the Paris Declaration, Aid Effectiveness and Development Effectiveness*. Copenhagen: Ministry of Foreign Affairs, Denmark. p. viii

²³ Development effectiveness is defined as an outcome related to MDGs that have country level impacts with discernable effects on the poor *and* the improvement of capacities of the State and other development actors to transform society. See Ibid.

²⁴ Ibid., p. 46

3.3.2 Were results in specific sectors enhanced through the application of the PD principles? (3a)

3.3.2.1 Health

Aid's contribution to the sector

The first sector strategy for health in Mozambique was launched in 2001. The Health Common Fund (PROSAUDE) emerged as a vehicle to support this strategy in 2004. The Common Fund currently encompasses 13 donors, almost half of the main donor partners in health. In 2008 aid represented around 75% as a proportion of total funds for the sector, and the common fund represented around 22% of aid to the sector²⁵. See table 3 below for figures on the financing of the sector. To the extent that aid flows to the Common Fund fell in 2008, this was mainly the result of the GFATM moving out into vertical forms of financing.²⁶ Donors not participating in the common fund cite the need to earmark funds to specific projects that make their participation untenable.

Table 3: Health Financing by Source (M US\$)									
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Government Budget	70	82	96	105	104	108	127	132	132
Common Funds	17	20	37	63	106	99	125	85	80
Vertical Funding (Incl Projects)	75	75	75	85	130	141	150	308	376
Total Expenditure	162	177	208	253	340	348	402	525	588

Sources: Mozambique Taking Stock Report 2008 (for figures up to 2007); PROSAUDE Development Partners Group (for 2008, 2009 figures)

The current Health Strategy (2007-2012), has 9 guiding principles: increased focus on Primary Healthcare, equity and social protection for vulnerable groups, universal access, evidence-based high quality interventions, community mobilization and involvement, institutional and human resources development, promote partnerships with local and international partners; promoting healthy lifestyles. The link between the detailed sector strategy and overall government planning seems to be fairly weak, with 6 indicators chosen to be included in the monitoring of the PARPA II but with different targets and timeframes.

²⁵ WHO http://www.who.int/countries/moz/areas/health_system/en/index2.html

²⁶ This decision was made by the Minister of Health because of the size of the GFATM and because of differences between its procedures and those of the Common Fund.

Effects on the aid relationship

Since the Paris Declaration, the Memorandum of Understanding for PROSAUDE has been revised twice to integrate other off-budget common funds (the Provincial Common Fund and the Pharmaceutical Common Fund). Government leadership in the sector has been critical in integrating these funds, and donor willingness to do so underlines their faith in GOM's capabilities. Great progress has been made in implementing the PD in the sector, but not without extremely high transaction costs. The latest revision of the MOU for the common fund, which took fund close to "pure" sector budget support, took nearly three years, and even so, there have been teething problems with implementing it, especially around commitments on audits. According to one interviewee this was equally down to donors and government, with the MOU being perhaps having been overly ambitious. This nearly led to delays in disbursements in the first quarter 2010, although the situation now seems to have been resolved.

Over the last decade, Government has led the main sector structures of communication and dialogue (Box 3) and the general opinion is that the government does take ownership of the management of the SWAp and the development of the sector.

Box 3: Coordination fora in the Health sector

- **The Sector Coordination Committee (CCS)** meets twice in a year, is chaired by the health minister and comprises his/her cabinet, selected provincial health directors (on a rotating basis) and the representatives from development partners active in health. The forum endorses key reports and recommendations (such as those emerging from the joint annual reviews of the Strategic Plan), informs development partners of significant issues or decisions relating to health sector policy, especially focusing on MISAU Annual Operation Plans for the following year;
- **The Joint Coordinating Committee (CCC)** replaced the former SWAP MISAU Partners Working Group, provides a good opportunity for a small group of representatives from MISAU and the community of external partners to deal with some critical issues in a more informal manner.
- **SWAP-related thematic working groups** provide an opportunity for development partners and the MISAU to jointly review or oversee specific areas of health policy where a more in-depth analysis is required prior to their adoption or consideration by the CCC. All of these have their own jointly agreed ToRs.

As donors increasingly channel health-sector support to Mozambique via the Common Fund, so too have they aligned with the GOM's priorities, systems and procedures. PROSAUDE utilizes the GOM's financial and procurement systems, such that all funds are disbursed first to the Treasury and allocated to MISAU. Donors have a choice to allocate their funds as external (balances at year end stay in the health sector) or internal (balances returned to the general budget). This option is the only "exception" to pure budget support²⁷ under the new MOU. There is a regular joint audit of PROSAUDE that donors seem satisfied with. Investments to the health sector outside the Common Fund still require each bilateral government to conduct its own audits.

²⁷ See KPMG, UNICEF Mozambique's Participation in Common Funds and sector wide Fora, , 2010

Technical assistance to support capacity building in the sector seems to be growing, although no figures are available on this. MISAU seems to have a clear idea of which areas it is interested in having TA for, e.g. financial management, and in which areas it is reluctant to receive TA (e.g. clinical matters). Apparently this has on occasion led to disagreements between donors and MISAU.

Building more inclusive and effective partnerships for development

Under the health sector SWAP, a dramatic increase in aid flows has translated into improved coordination among donors even among those operating outside the Common Fund (e.g. USAID). According to government interviewees, administrative workloads for the GOM have decreased substantially as donors harmonized their procedures, with the only exception being the GAFTM.

The logic of comparative advantage does not yet inform a division of labour amongst donors within the sector, partly due to lack of a clear statement by GOM on how to achieve donor complementarity. There has nevertheless been some movement of development partners leaving the health sector (e.g. Norway, Finland) as well as choosing different priorities within the sector (e.g. Denmark moving to health infrastructure). The only case of a ‘silent’ partnership that was mentioned in health was that of the Clinton Foundation that put Ireland in charge of its contribution to PROSAUDE. The GFATM has an “informal agreement” with the Dutch to keep them informed and act as an information channel.

As mentioned earlier, donor procedures and policies at the sector level display some collaborative elements (e.g. Funding for the common fund via the GOM public financial management system and reliance on GOM auditing mechanisms within the Common Fund) but this is still only a part of funds received by the sector. While joint planning exists under the rubric of the SWAP, the plurality of financial channels, particularly resulting from multiple global programmes and vertical initiatives, has precluded common and harmonized arrangements for disbursement, monitoring and evaluation. Commonality and harmonization is therefore centred on the common fund, in a replica of the national picture where there is a great deal of coordination and harmonization around GBS but much less so in projects.

In-year predictability in general has improved, with the exception of the GFATM which caused serious problems due to delays in disbursements caused by extra requirements after approval (and hence after incorporation into the budget) of funds. Predictability beyond the following year remains weak, and estimates in the MTEF often remain above what is actually disbursed.

Delivering and Accounting for Development Results

Results-based reporting on the sector takes place in the context of indicators embedded in the Performance Assessment Framework (PAF) that are updated annually and based on the PARPAII and the Economic and Social Plan. These indicators rely on a national health information system of data collection that has served as the foundation for regular joint reviews of health sector progress. I.e. all indicators agreed between donors and government are based on government statistics. Some exceptions are made for global programmes, the USAID and vertical funds where donors in charge of implementation rely on their own evaluation procedures. Interviewees expressed some concern that funding commitments in the sector tend not to be based on results obtained. Moreover, it seems that some targets remain un-ambitious for fear that donors may reduce their funding if they are not met.

While an aid-monitoring database (ODAMOZ) is meant to monitor both on and off budget contributions, this was considered not to be a very reliable source of information on aid flows. There also remains a lack of routine statistical data about the activities pursued by the Ministry of Health.

Interim development results

In terms of progress against sector programmes, the household survey of 2008/9 gives some indication that health outcomes had improved over the period 2003-2009, although the picture is somewhat mixed, with improvements in rural areas seemingly at the expense of urban areas²⁸. The evaluation of the PARPA II also suggests a fairly positive assessment, as can be seen by table 4 below²⁹.

Table 4 – Selected Health Indicators and Results from PARPA Evaluation

<u>Indicator</u>	<u>Baseline 2005</u>	<u>Target 2008</u>	<u>Result 2008</u>
Infancy/Youth mortality rate	178 per 100,000 (2003)	140 per 100,000 (target readjusted in 2008 = 147.6 per 100,000)	154.22 (missed)
Maternal mortality rate	408 per 100,000 (2003)	340 per 100,000	N/A
Malaria incidence in children younger than 5 years old	55 per 10,000 (2001)	44 per 10,000	N/A
% of pregnant women with HIV+ receiving complete prophylaxis treatment in the last 12 months	5%	22%	32% (achieved)
% of eligible people to receive antiretroviral treatments which do receive them following to national protocols	1.5% (2001)	39% (adjusted to 29.6% in 2008)	30% (achieved)
HIV/AIDS prevalence in youth 15-19 years old	3.78%	4.2%	3.87% (achieved)
HIV/AIDS prevalence in youth 20-24 years old	9.02%	10.4%	11.3% (achieved)
% of population with easy access to a sanitary unit, i.e., within 30 min	36%	45%	N/A

Beyond the specific targets, the PARPA evaluation is fairly positive, referring to better policies being developed, the inclusion of Reproductive Health and Child Health in the national agenda,

²⁸ Hanlon, J, Mozambique Bulletin 29 September 2010

²⁹ Evaluation of the Impact of PARPA II. Note that these indicators are those for which information was provided, there are four others that did not have clear indication of results or targets.

the development of the Human Resources Plan for the sector, the development of a strategy for gender and Health, on-the-job training of staff in child and obstetrics care, an increase in general access due to infrastructure development. Challenges going forward were cited as a lack of qualified human resources, weak sanitary coverage; weak community involvement; planning, logistical and monitoring problems across the country.

Development results

The chief indicator of the development of health sector improvement is the distance to the nearest primary healthcare facility. Looking at the Household Surveys of 2002/03 and 2008/09 one sees a large increase in the number of families that are now in close distance to such a facility. This has been more noticeable in rural areas and in the Northern provinces. While the target for 2008 was 141, a total of 442 primary healthcare units were built.

Access to health services for children has improved considerably on the last five years. The severe health deprivation indicator is the proportion of children under five years of age that have never been immunized or those that have suffered from a severe episode of acute respiratory infection that was not treated. Severe health deprivation among children fell from 18 per cent in 2003³⁰ to 12 per cent in 2008³¹. Yet, rural children are more likely to experience severe health deprivation than urban children (14 per cent versus 7 per cent). Nevertheless, deprivation levels have decreased significantly for rural children while remaining fairly constant among urban children. Provincial levels of health deprivation range from five per cent in Maputo city to 19 per cent in Zambezia and Nampula provinces. Niassa province showed a strong improvement, with deprivation falling from 32% in 2003 to 9%. By contrast, severe health deprivation increased significantly in Maputo province, from 4 per cent in 2003 to 11 per cent in 2008.³²

In the maternal health sub sector, the proportion of healthcare centres with maternal facilities increased to 58%, most of it due to improvements in rural areas. While 15% of district capitals had these facilities in 2005, in 2008 the proportion was 75%. The number of healthcare centres with capacity to deliver preventative medicines for vertical transmission of HIV/AIDS increased considerably, from 96 in 2005 to 774 in 2008.

While this is not an extensive description of the achievements of the sector,³³ these statistics highlight a clear and generally positive trend in the health sector over the last five to seven years. In particular, access to health services has increased quite dramatically, especially in rural areas. The PARPA II Evaluation suggests that the development of health sector policies improved considerably during this time.³⁴ Yet, challenges remain in terms of coverage of the health system, quality of services, health personnel, access to medicines and overall logistics.

³⁰ (Demographic and Health Survey)

³¹ (Multiple Indicator Cluster Survey)

³² See Ministério da Planificação e Desenvolvimento (MPD), Governo da República de Moçambique (2009), "Relatório de Avaliação do Impacto, do PARPA II, 2006-2009"

³³ More details can be found on the PARPA II Evaluation and its matrix of indicators, targets and results.

³⁴ For example, reproductive and child health was introduced into the national agenda, as was an Integrated Plan for the Achievement of MDGs 4 and 5 and a plan for human resources development in the sector.

3.3.2.2 Agriculture

Aid's contribution to the sector

The comparison with Agriculture is interesting, as while there is a clear and consensual role for government in health provision, there is an ongoing debate about the exact role of government (and therefore of donors) in the agricultural sector.³⁵

The Agriculture sector has a much less clearly defined strategy than health, and less consensus between government and development partners on the approach to developing agriculture. A recent performance audit of agriculture, drawing on a recent paper on the sector³⁶, highlights divergent opinions on the role of the state in agriculture, and the experience of other countries (Malawi, Rwanda) in subsidizing fertilizer, suggesting that the government has been “too indulgent” with donors who do not support direct involvement by the state in the market³⁷.

There has also been less debate about the application of PD type aid to non-social sectors, and whether there is a need to adapt approaches to different types of sectors. The agriculture sector is inherently more complex, and one donor suggested that it might require a different approach from a service delivery based sector.

Agricultural production currently remains below pre-independence levels on a per capita basis. The 2008/9 household survey results have prompted the MPD to highlight lack of agricultural productivity as a key contributing factor to the lack of progress in reducing poverty, and a recent (October 2010) reshuffle replacing the minister of agriculture may be related to this. Certainly, there is concern within both government and donor circles that a new strategy is needed in the sector.

Historically, the structural adjustment period resulted in no clear strategy for the sector, and an ambiguous role for government, with very little coordination between donors and government. In order to deal with the fragmentation that resulted, a concerted effort to improve the capacity of the Ministry of Agriculture and Rural Development (MADER) began in the mid 1990s. In the process, PROAGRI became the first SWAP in the agricultural sector in the world. The level of aid channelled to the sector via PROAGRI went up from 24% in 1999 to 64% in 2005. In these early days, a large proportion of sectoral programme funds (35%) targeted capacity building within MADER, with some success.

Yet, investments seemed to have little visible impact on the ground. Donors were vocal in their criticism of PROAGRI I. PROAGRI II emphasized the role of state as agriculture regulator rather than producer. Nevertheless, with the election of a new government in 2005, President Guebuza shifted the sector strategy to underline the state's direct involvement in agricultural production, reflecting concerns about food security in the main. MADER was split, with the creation of a new ministry of agriculture (MINAG), and rural development becoming part of the Ministry of Planning and Development. In 2010, following the 2009 elections, Rural Development was again moved, this time to the Ministry of State Administration. The president personally took a specific interest in the agricultural sector, production targets were set with government contributing with inputs to farmers (seeds, equipment, etc). Many donors expressed their disapproval of the new policy direction. Both USAID and the World Bank left the

³⁵ See Lundin, I. Levene, C. & Germano, M. (2004) “Uma Visão Sobre O PROAGRI”, Grupo Moçambicano da Dívida (GMD)

³⁶ Hanlon, J. “Poverty is not being reduced in Mozambique” (Crisis States Research Centre, Cunguara

³⁷ Eurocis, 2010, Auditoria ao Sector Agrário,

PROAGRI fund in 2006 and 2007 respectively, possibly as a result of disagreements over the change in emphasis. Two strategy documents underlined this change in strategy: The Green Revolution Document produced in 2007 and the Food Production Action Plan (PAPA) released in 2008. According to a recent performance audit of the sector, these represented a “change of paradigm” in agriculture, which led to the government taking an approach which was different from that defined for PROAGRI II. The report states that “there is a great difference between, on the one hand, PROAGRI II financed by the donors, and on the other hand the new programmes PAPA and PEDSA defined by the government. Although there are few years between the development of these two approaches, PROAGRI II gives more emphasis to good governance, transparency and decentralization, while PAPA/PEDSA gives more emphasis to results and to the priority districts in terms of increasing production and income³⁸. Donors have also criticised the fact that there seem to be a number of competing strategies, rather than a unified, consistent approach; these include PAPA, PEDSA, Green Revolution and the CAADP³⁹.

Despite donor concerns over these approaches, a memorandum of understanding for PROAGRI II was signed in 2007 between donors and government.

Since the adoption of the Paris Declaration, and despite large volumes of aid continuing to be channelled to the sector, the implementation of “PD-type” aid had been limited, because not only have reforms stagnated but aid flows have also become more fragmented. The growth of actors involved in the agriculture sector outside the common fund, including non-traditional donors (e.g. Brazil, China) and global development institutions (Clinton Foundation, Millennium Challenge Account) has made it harder for government to pursue a coherent national plan in agriculture. As Table 5 below demonstrates, PROAGRI planned resources as a proportion of funding to the sector went from a peak of 64% in 2005 to a low of 32% in 2009. While some shifted from the Common Fund but continued support to the sector, there was an actual decline in funding to the sector which led to GOM increasing internal financing.

³⁸ Eurocis (2010), Auditoria de Desempenho ao Sector Agrário, p. 20, KPMG translation.

³⁹ Comprehensive Africa Agriculture Development Programme, in partnership with NEPAD.

Table 5 – Agriculture Sector Financing by Source 1999-2009, M USD (Unofficial figures)

	1999	2000	2001	2002	2003	2004	2005	2006		2007	2008	2009			
									Budget	Real	Budget	Real	Budget	Real	Budget
State budget	25	37	44	44	47	51	56	60		50	84	49	114	80	113
- Domestic resources	15	18	15	15	16	24	20	17		15	26	18	45	32	70
- Proagri common fund	10	19	30	29	31	27	36	43		35	57	31	70	48	43
Off budget external grants	16	11	12	7	0	0	0	22		0	9	0	10	0	19
Off budget own revenue	0	0	0	0	0	0	0	5		11	0	0	0	0	0
TOTAL	41	48	56	52	47	51	56	87		61	93	49	124	80	132
	%	%	%	%	%	%	%	%		%	%	%	%	%	%
State budget	61	77	79	86	100	100	100	69		82	90	100	92	100	85
- Domestic resources	37	38	26	29	35	47	36	20		25	28	36	36	40	53
- Proagri common fund	24	39	53	57	65	53	64	49		57	62	64	56	60	32
Off budget external grants	39	23	21	14	0	0	0	26		0	10	0	8	0	15
Off budget own revenue	0	0	0	0	0	0	0	5		18	0	0	0	0	0
TOTAL	100	100	100	100	100	100	100	100		100	100	100	100	100	100

Source: PROAGRI Partners Group

Effects on the aid relationship

Country ownership over development

Government remains a central leader in aid coordination within the agricultural sector under PROAGRI II (Box 4). The new unilateral interventionist policy stance appears to have made Government more defensive about scrutiny and consultation with stakeholders. According to donors, coordination fora are staffed with few MINAG personnel and their participation is generally quite limited. This explains perhaps why concerns were expressed that the working groups are effectively “talking shops” that do not inform the work of MINAG.

Box 4: Agriculture Sector Coordination Fora (2007 MoU)

Agriculture Joint Review Meeting (2nd quarter of every year) – MINAG presents the donors with an implementation report of the previous year and also the sketches the next Annual Work Plan and Budget (PAAO). Donors reveal their planned commitments for the following year.

Agriculture Mid-Year Review Meeting (3rd quarter of every year) – Donors confirm their commitments for the following year.

Fórum de Concertação (every 3 months) – Chaired by the Minister of Agriculture. It is the principal forum for dialogue on policy and strategic direction for PROAGRI II. Senior staff of MINAG, MPD and MoF as well as donor representatives are present.

PROAGRI working group (at least every month) – the PROAGRI working group focuses on specific issues the sector faces and proposing operational solutions. The group is led and coordinated by the PROAGRI coordinator who is also a MINAG staff member. There are two PROAGRI subgroups (financial management and extension).

It seems like the common fund is becoming less important in donor agricultural policy and practice in Mozambique.⁴⁰ While funding has increased overall since 2005, the proportion of funds to the sector which are channelled through the common fund has not increased at all, in fact there has been a slight decline. Two large donors (USAID and World Bank) exited the common fund, although others joined (Austria, Finland, Italy). PROAGRI II has still not had its strategic plan approved. Non-traditional donors seem to be increasingly involved in the sector and provide their financing outside the Common Fund. The number of agricultural projects managed outside the PROAGRI II framework (and often outside the structures of MINAG) is perceived by donors to be on the rise.

There are also problems with the predictability of financing to the sector, with a recent Performance Audit⁴¹ suggesting that the funds from PROAGRI are normally not available during the period most needed (January to April), and that there are significant delays in receiving external funding in the sector. Some large projects were included in the budget for 2009 but then not executed, whereas on the other hand a large amount of funds (79.762.952 Mtn which is over 2M USD) were executed but off budget. According to one donor, work is ongoing with the ministry to find an appropriate and more functioning model for financing the sector going forward.

⁴⁰ See Cabral, L. & Muendane, C. (2007). “Formulating and Implementing Sector-wide Approaches in Agriculture and Rural Development: The National Programme of Agrarian Development (PROAGRI) – Mozambique”. Global Donor Platform for Rural Development.

⁴¹ Eurocis (2010) “Auditoria de Desempenho do Sector Agrário” p. 21.

Building more inclusive and effective partnerships for development

While aid fragmentation in terms of proportion of funds to the common fund seems to have been increased, donors often remain members of the PROAGRI working groups even after exiting the common fund. This still ensures a certain level of coordination among donors active in the sector.

As with Health, there is no real government guidance on division of labour in the sector, with instead donors gravitating to those working groups catering to their areas of comparative advantage or interest. Within each group, donor participation is limited to three or four representatives. Bilateral agencies are more present in planning and financial management groups while specialized organizations like the FAO tend to participate in technical working groups.

Within the Common Fund, alignment of donor planning and budget cycles with the GOM has increased the predictability of disbursements, however as we have seen, the % of funds channelled through the fund has decreased substantially. While commitments tend to be planned for one year in advance, multi-year commitments are infrequent given the absence of a sector strategy. Some notable exceptions have been the credits of IFAD and the Finnish Forestry Programme. Global programmes like the Millennium Challenge Account, Alliance for a Green Revolution in Africa and the Comprehensive Africa Agriculture Development Programme, by contrast, retain parallel procedures.

Results-based reporting is central to PROAGRI II. In 2007 the three agriculture indicators present in the general GBS PAF were used to assess sector performance. However, in response to requests from the donor community 23 more indicators, derived from the government M&E system, were included, to govern performance assessments within the sector, but these seem to have had little buy in from the ministry, which has resulted in a weak link to both MINAG activities and sector strategy. As a result, some observers have claimed that measuring performance is not seen as a priority for the Ministry, and these indicators are not monitored within annual activity plans nor do they form a basis for organizing responsibilities.⁴² Essentially, the PROAGRI indicators are not aligned with government M&E systems. To the extent that the Ministry is concerned with measurable results however, it is because donor disbursements are dependent on positive progress against these indicators.

Delivering and Accounting for Development Results

Targets agreed with donors as part of the PROAGRI II M&E process seem to have little linkage with sector strategy, partly because as described, this strategy is itself not clear. One interviewee suggested that it was necessary to agree targets to keep funds flowing, but that these were somewhat de-linked from actual activities.

There are also serious concerns over data collection and quality. Information on aid flows is available through the online database ODAMOZ, but there are concerns about the quality of the information.

The financial management of PROAGRI II is routinely audited annually by Mozambique's administrative court.

⁴² See Cabral, L. (2009a). "Sector Budget Support in Practice: Desk Study Agriculture Sector in Mozambique". Overseas Development Institute.

Development results

One of the challenges in assessing development results is the lack of a clear and comprehensive sector strategy, with instead a number of initiatives such as the Green Revolution and the Food Production strategy, and also the targets established with PROAGRI partners, which do not seem to be based on an overarching vision for the sector. The splitting of the Ministry of Agriculture and Rural Development into its constituent parts also reflected a wider debate within government with regard to the role of agriculture.

Three out of five agriculture indicators in the PARPA II matrix have been achieved. There has been an increase in investment in the sector since 2007, the implementation of PAPA is said to have increased the range and availability of services provided by the government, and better communications between the central and provincial governmental structures have improved the time to respond to the needs of farmers.

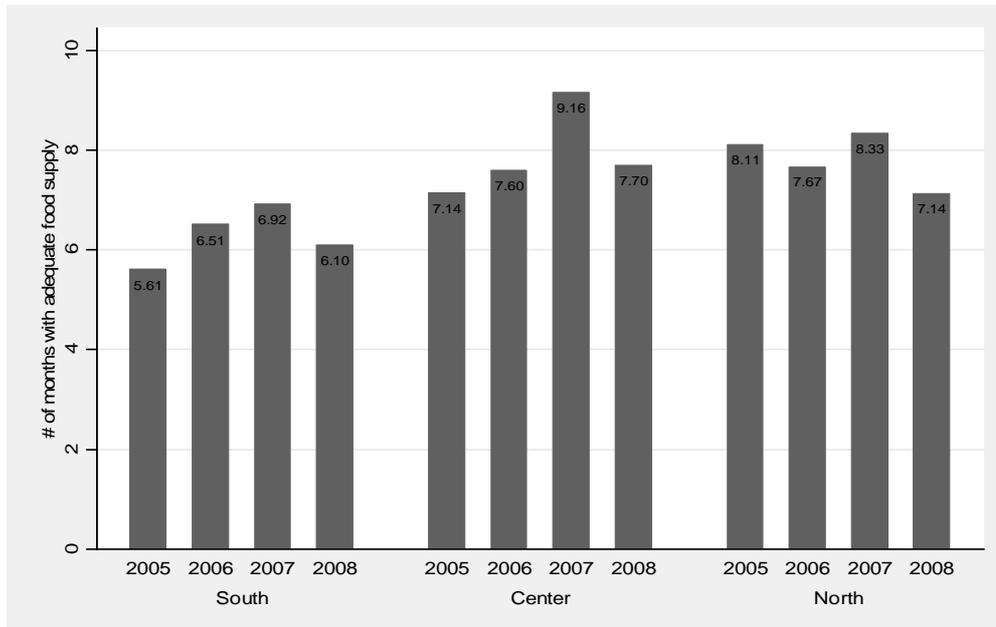
Nevertheless, results in the agricultural sector remain disappointing.⁴³ Food security remained precarious at best over the duration of the Paris Declaration. Graph 3 displays the mean number of months each household reported to have a sufficient food supply from own production of the main staple crop. With the exception of 2007, on average, Mozambican families had less than 8 months of adequate food supply. The problem is particularly acute in southern provinces.

Rural incomes on average also show little sign of increasing⁴⁴. Different regional rain patterns may be widening income inequality. This is further exacerbated by the fact that only around 5% of Mozambican farmers have access to irrigation systems. Utilization of new technologies and access to agricultural inputs remains low. Strategy implementation has been limited due to a lack of qualified human resources, external financial dependence, delays in fund disbursements and lack of coordination.

⁴³ See Kelly (2009), PARPA II Evaluation and National Agricultural Surveys for details on statistics presented in this section.

⁴⁴ Household survey and 3rd National Poverty Assessment

Graph 3: Mean number of months with adequate staple food supply from own production



Source: Kelly, 2009

3.3.3 Did the implementation of the PD help countries to improve the prioritisation of the needs of the poorest people, including women and girls, and reduce social exclusion? (3b)

The implicit assumption of the Paris Declaration is that an inclusive approach to ownership can ensure that diverse interests in society become visible in such a way that reduces social exclusion.⁴⁵ Certainly, this was the logic that governed both the stated policy in the health and agriculture sectors. For example, both PARPA I and especially PARPA II underlined the health needs of the poor, especially poor women and children. Access to primary healthcare for the poor was made the number one priority of the GOM sector strategy. Attention was placed on vulnerable populations with one or more of the following diseases: malaria, tuberculosis, leprosy, HIV/AIDS, parasitosis, cholera, dysentery, and meningitis. An overarching strategy for gender inclusion was also developed during the PARPA II period.⁴⁶ Similarly, in agriculture both PARPA I and II acknowledged the importance of agriculture to the reduction of poverty, particularly in rural areas. PARPA II prioritized larger scale agricultural development to increase rural incomes, as rural small farming is usually associated with higher levels of poverty

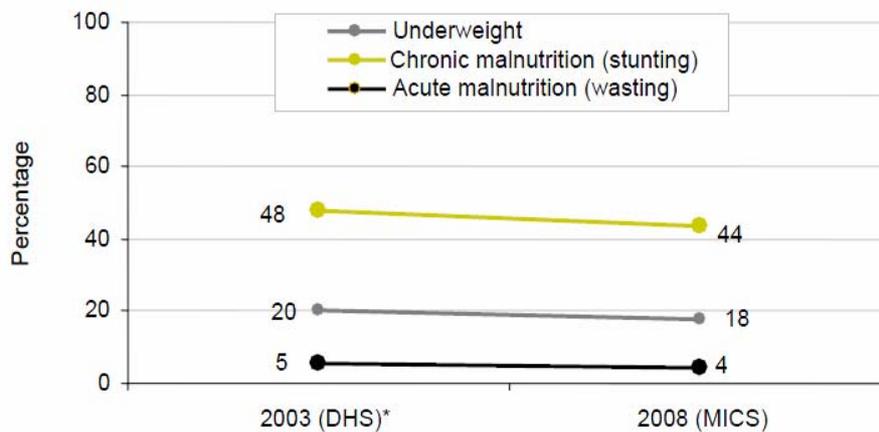
⁴⁵ Stern, E. D., Altinger, L., Feinstein, O., Marahon, M., Schultz, N.-S., & Steen Nielsen, N. 2008. *Thematic Study on the Paris Declaration, Aid Effectiveness and Development Effectiveness*. Copenhagen: Ministry of Foreign Affairs, Denmark. p. 24

⁴⁶ Paragraph 352 stated “gender will also receive particular attention, not only as regards the promotion of the rights of women in the health care sector, but also with respect to specific interventions that are needed in order to eliminate existing barriers and promote gender equity in access to services.”

and vulnerability. Nonetheless, ninety-nine per cent of farms in Mozambique are smallholdings where subsistence farming is still pursued⁴⁷.

One way to assess whether agricultural and health policy is benefiting the poorest and most vulnerable is to see what is happening with respect to chronic malnutrition. This is relevant from a food security perspective and from a farmers’ income perspective. Furthermore, malnutrition is by nature inherently associated with the health of the poorest and most vulnerable sections of the population. Chronic malnutrition showed a reduction from 48% in 2003 to 44% in 2008 (see graph 4 below) . While an improvement, these are still shockingly high values.

Graph 4 – Nutritional Status of Children under Five



Source: National Institute for Statistics (INE), Multiple Indicator Cluster Survey (2008)

The inclusion of the excluded via the Paris Declaration has been limited at best. It is a national, macro instrument and not really designed to focus on particular groups. The most that can be said is that to the extent that government conceived and implemented policies which benefited vulnerable and excluded groups, then it is conceivable that the PD could have contributed, through making these policies more effective.

There has certainly been a very high level of investment in social sectors, and this has fed through to positive results in health and education, at least in terms of access. However, it is likely that this would have happened without the PD, and regional variations suggest there are stronger drivers of development results in these areas.

It is possible that Mozambique’s international reputation as a “donor darling”, and as at the forefront of aid effectiveness, and making positive strides in PFM reform, may have contributed marginally to extra funding, with donors keen to support functioning examples of sector coordination, with perhaps some extra interest post PD. There is reason to believe that the Declaration has legitimated the GOM apparatus in ways that make donors more comfortable about giving.⁴⁸ This is largely a quantitative argument supportive of the leveraging power of the

⁴⁷ PARPA II Evaluation, Agriculture Study

⁴⁸ Stern et. al p. 27

Paris Declaration rather than a qualitative one supporting the Declaration's ability to generate more effective aid *per se*, or to deliver results for vulnerable populations.

3.3.4 Has PD implementation led to sustainable increases in institutional capacities and social capital at all levels to respond to development challenges? Why, how and where, and what are the effects? (3c)

The contribution of the Paris Declaration to institutional capacities, defined as the ability of people, organizations and society to manage their affairs successfully and social capital, defined as the problem-solving networks in society⁴⁹ is best understood in light of the understanding of sectoral dynamics presented in section 3.3.1. There have been both *direct* efforts to strengthen institutional capacities and social capital via explicit technical assistance and capacity-building initiatives and *indirect* effects resulting from initiatives undertaken in the name and spirit of the Paris Declaration.

Direct institutional capacity effects

Most obvious have been the direct efforts to enhance institutional capacity in the agriculture sectors. Large investments in institutional capacity have improved the Ministry of Agriculture's competencies in areas such as policy and law making however this does not seem to have had an impact on the ground so far. Efforts to simplify the procedures for land allocation have also been successful.⁵⁰ Furthermore, strides were made in the financial management system governing the sector. Nevertheless, since the shift in policy in 2005 there have been noticeably reduced investments in capacity building with a view to focusing directly on development results.

Indirect institutional capacity effects

According to one analysis, there has been a gradual erosion of accountability to citizen-beneficiaries which has weakened institution building for democratic development in Mozambique.⁵¹ Donors and the GOM dominate political spaces in such a way that prevents indirect institutional capacity-building among civil society and Parliament. Conversely, the collective voice of the PAFs concerning the 2010 'donor strike' indirectly promoted political pluralism in the party system.⁵² The PAF encourages greater attention to and accountability for GOM and donor institutions that may also indirectly generate consequences for the capacity for both. The Ministry of Planning has also created an aid coordination team, staffed largely by Mozambicans with one TA. This team now has 5 dedicated staff, as opposed to one permanent staff member and one TA in 2005, however this is still below other countries with similarly complex aid environments such as for example Rwanda and Tanzania⁵³.

⁴⁹ Definitions as taken from the Phase 2 Evaluation Matrix.

⁵⁰ Cabral et al. (2007)

⁵¹ de Renzio, P., & Hanlon, J. 2007. *Contested Sovereignty in Mozambique: The Dilemmas of Aid Dependence*. Oxford: Global Economic Governance Programme. p. 9

⁵² Astil-Brown, J., & Weimer, M. 2010. *Mozambique Balancing Development, Politics and Security*. London: Chatham House. p. 21

⁵³ Ennis (2008), "Improving Aid Effectiveness in Mozambique – Assessing the Need for Greater Capacity in the Ministry of Planning and Development, and for Improvements in the "Macro Framework" of Aid Coordination"

Sectorally speaking, the alignment of a large part of the development partners with national systems and procedures also led to a substantial improvement of the Ministry of Health's capabilities in dealing with large sums of funds in a more transparent way. In agriculture, the lack of a sector strategy (one is soon to be approved) and the shift in emphasis between PROAGRI I and PROAGRI II has left the Ministry of Agriculture with less direct or indirect support for capacity building.

Direct social capital effects

Direct attempts to strengthen problem-solving networks are in evidence both among donors, across the GOM and across the aid system. There is mixed evidence that the PAF has contributed to fostering trust within the aid system. While both donors and government have subjected themselves to assessment, critics argue government performance is put under far more scrutiny than donor performance in ways that reduce social capital. And despite unevenness in the robustness of GOM-led sector working groups, on average these fora are seen to be useful networks. One notable limitation has been the limited progress in fostering a pan-Government problem-solving network for aid policy issues generally. Responsibilities for aid remain multiple and crosscut the Ministry of Planning, the Ministry of Foreign Affairs and the Ministry of Finance as well as sectors for projects and sector-specific dialogue. There has been limited effort to directly strengthen the social capital of civil society, Parliament and local government within aid processes. The health sector has managed to foster a strong network within the Common Fund, with regular assessments of progress a basis for discussion.

Indirect social capital effects

While originally a forum for coordination, the G-19 has become a robust network for dealing with aid-related concerns, notwithstanding the cleavages that distinguish like-minded donors from those simply seeking a seat at the table.⁵⁴ Policy learning and influence are now some of the key attributes of this forum. Nevertheless, as the G-19 has gained political influence in directions that antagonize the GOM, so too is it the case that social capital has deteriorated across government-donor relations.

3.3.5 How and why has the mix of aid modalities (including general or sector-specific budget support) evolved and what have been the development results? (3d)

As seen in Chapter 3, there has been a general increase since the late 1990s in "PD-type" aid, although projects still account for a majority of aid to the country.

Development outcomes over the same period have been mixed, but in general progress has been made in all areas. A higher proportion of funding, and better results have been seen in social sectors, where there is a clear and broadly consensual view on how to achieve development results, than in economic areas, in particular agriculture, where government and donors have somewhat different perceptions of the role of government and donors, and the development strategy for the sector.

Investments in health by both external and internal resources have been far greater than in agriculture, and support for the common fund in health seems to have been greater than for the

⁵⁴ Ibid.

common fund in agriculture. This implies that donors otherwise committed to the Paris principles will not champion government ‘ownership’ of unpopular policies like state-led agricultural development.

The link to development results is largely through the quantitative sums that such GBS/common approaches may have been able to attract. There may be marginal effects of donors preferring to invest in sectors and in countries where PD-type structures and modalities are in place, especially as these tend to encourage the development of more transparent PFM and M&E systems.

The mix of modalities has been heavily weighted to budget support and common funds (via the G-19) in both sectors, and results have generally been positive. Harmonization of donor procedures via the GBS package and PROSAUDE in particular has helped GOM better foresee donor behaviour, donor conditionality and disbursement. Nevertheless, there are growing calls for utilizing a wider range of modalities including projects to spread risk, enhance choice and reduce dependency. For example, a project-based approach is viewed as a better way for supporting private sector engagement in agriculture.⁵⁵ Nonetheless, there are some concerns that changing aid modalities away from general budget support may undermine peace and stability in Mozambique to the extent that the provision of public services may be jeopardized in the event of shifts in funding.⁵⁶

3.3.6 Overall conclusions

Overall, little can truly be said with any degree of certainty about the link between the PD and development results – there is too large a gap between the high level agreement of a document in Paris, and the messy reality of implementing development on the ground.

As seen in the preceding chapter, the PD and PD-type initiatives that pre-dated the PD have had a large impact on how aid is provided in Mozambique. But without any credible measure for the “effectiveness” of such aid, there is no benchmark with which to measure the situation today.

GBS is provided in support of the national PRSP, PARPA II. The ultimate aim of the PARP II is to reduce poverty in the country. However, the household results that emerged at the very end of this study, after all interviews were concluded, suggest a very worrying trend, in that consumption poverty does not seem to have been reduced, despite 5 years of concerted poverty reduction policies and the implementation of the PARPAII. This is true for consumption poverty, although improvements had been made in social sectors, no doubt reflecting donor initiatives as well as government policies.

Results in the Health sector in comparison with the agriculture sector do seem to suggest that there may be a link between a functioning government-donor dialogue and development results. Outcomes have been better in health, which is generally considered to have a well functioning SWAp and government leadership, whereas the results have been poorer overall in agriculture,

⁵⁵ Nevertheless, the EC tried to earmark funds for farmers associations via the PROAGRI common fund and failed.

⁵⁶ Astill-Brown and Weimar p. 18

which has a less positive interaction among donors and government, and less agreement over the objectives and strategy of the sector.

Based on the experience in Health, it seems that where a sector has a clear vision and a strong ownership, and where the vision coincides with that of donors, or where dialogue is sufficiently strong to allow for debate and a mutual definition of strategy, funds flow more to “PD-type” mechanisms. On the other hand, based on the experience of agriculture, where a sector does not have such a clear vision, or where this does not coincide with that of donors, there seems to have been more fragmentation and less support for “PD-type” mechanisms (e.g. the reduction in support for the common fund in agriculture).

The actual impact of the PD, or of “PD-type aid” on development results could potentially be seen through two main channels – firstly, it could create incentives for increased resources, through donors wishing to provide funds to countries and sectors where coordination mechanisms are functioning, and secondly it can improve the effectiveness of the aid actually received.

However, a key caveat is that it may be that even without the PD, a sector with the characteristics of strong ownership and strategy would have attracted more funds, and used them more effectively.

It seems logical to suggest that PD-type aid can have a positive effect on development results when the context is conducive, and when there is already government ownership and leadership, most especially in establishing a vision and leading the development process. Perhaps ownership is a *pre-requisite* for successful implementation of the PD, rather than something that can be created by it. Ownership is a political concept, and dependent on many factors, from aid dependence to the personality of the person exercising it. One repeated criticism of the PD (which coincides with similar findings from the Phase I Evaluation) is the fact that it ignores aspects of political economy in its implicit analysis, giving the impression that effective aid is simply about getting the structures and mechanisms right.

3.4 Framework for Conclusions

3.4.1 What has been the relevance of the Paris Declaration and the ways it has been implemented to the challenges of aid effectiveness? (4i)

The Paris Declaration reflected many of the challenges of aid effectiveness that had already been acknowledged by 2005 in Mozambique and were starting to be tackled. Paris was therefore relevant in increasing momentum for addressing issues such as harmonisation of approaches, use of country systems, and tracking of results, further legitimising them and bringing additional donors and additional resources on board as their headquarters had committed to the overarching principles. It has helped keep aid effectiveness near the top of the agenda for both Government and donors since then.

Aid information and transparency are key to its effectiveness, flagging gaps and overlaps, tracking progress against promises, encouraging more predictability and accountability, and facilitating learning about what works and what needs working on. Paris has proved relevant to

this issue in Mozambique in encouraging the further development of the Performance Assessment Framework and the ODAMoz online aid database, both of which have helped to improve information and transparency. However work remains to be done to fully utilise the information generated in policy making and resource allocation decisions.

Paris has also been relevant for the reverse pressure that it has allowed donor country offices to exert. In contrast to other countries where donor headquarters have usually pushed their country offices to implement the Declaration, several cases are evident in Mozambique of country offices instead using the Declaration to push their headquarters to facilitate their work in implementing aid effectiveness measures on the ground.

However Paris may also have exacerbated rather than addressed some of the challenges of aid effectiveness in the way that it has been implemented in the country. It has increased the pressure for joint working which has manifested itself as an increasingly bureaucratic and bloated coordination structure that has levied very substantial transaction costs on both donors and Government while at the same time becoming consumed in internal process as opposed to focusing on external outputs. This has discouraged at least one donor from participating in coordination mechanisms.

Paris is often cited as the driver for increasing budget support in Mozambique over the past five years. However, the extent to which this is the case is debatable, as there seems to have been a clear convergence towards this aid modality prior to Paris. While this modality was originally seen as representing aid effectiveness in its purest form, recent experiences of its downsides have brought this into question. Increasing scepticism about budget support has led to donors considering moving back towards projects, and the Government looking increasingly towards non-traditional donors for funding. Government explicitly states that the modality *per se* is less important than the adherence to the basic Paris principles.

Implementation of the Paris Declaration in the country has also seen a strong bias towards coordination around budget support and programme-based approaches at the expense of bilateral initiatives (which constitute the majority of aid) where coordination has remained very weak. Much of the achievement of PD indicators has been achieved by modality shift, which suggests that further improvements, in a context where it seems that there will not be such large increases in GBS and sector programme support in future, will have to come from improving effectiveness of projects.

Paris may have in fact become too relevant to the challenges of aid effectiveness in that it has come to be seen as synonymous with the subject. Criticism of the Declaration and fatigue with its implementation have therefore been felt as fatigue with aid effectiveness in general and served to diminish support for the subject as a whole.

3.4.2 To what extent has each of the five principles of the Paris Declaration been observed and implemented, and the Accra Agenda priorities reflected? Why? Have there been conflicts or trade-offs between them? (4ii)

Much of this has been answered in preceding sections, so here we just touch upon some relevant aspects.

Ownership: while donors follow the national development strategy in theory, its broad nature and the fact that Government may be tempted to shape it towards what they know donors will fund, bring into question the amount of real ownership that has been achieved in practice. Donors tend to have quite strict definitions of what the right policies are and to be quite vocal about their views. Budget support has therefore been a double-edged sword, providing the Government with additional resources to implement its policies but at the same time being used by donors to request increasing influence over these policies. Government has not directed donors where to work but this is to some extent a conscious and rational decision in order to minimise risk and maximise resources, as is reflected in the relatively weak Aid Policy, and therefore could be characterised as ownership by another route. In terms of the wider definition of ownership embodied in the AAA, donors' emphasis on good governance and supporting Parliament and civil society could be seen to be enhancing it, but there is still a long way to go before a situation of true country ownership could be established.

Harmonisation: an extensive coordination structure has aimed to harmonise donors and has led to a series of sector wide approaches, joint programmes, silent partnerships and of course increasing levels of budget support. Government reports that donors are much more harmonised than ten years ago. Nevertheless the heavy administration of the coordination structure has diluted some of the gains that have been made in this area and, in any case, the majority of aid is still delivered bilaterally. Division of labour initiatives have yet to bear fruit. In addition Government support for harmonisation is limited, as it prefers a diversity of approaches in order to decrease risk and avoid having to deal with a unified donor group. This suggests that ownership can be at odds with harmonisation.

Alignment: use of Government systems has increased and donors have provided substantial support to strengthen them. Use of public financial management systems has risen consistently. However several major donors continue to be unable or reluctant to use Government systems, citing either concerns over their quality or their own procedural restrictions. Sector approaches have seen donors aligning with Government policy in a range of areas and most donors state they use national plans to guide country programmes. The use of budget support has increased over the past five years, though while aligned with Government systems, the ownership implication of this should be treated with caution as mentioned above.

Management for Results: a results-based national strategy is regularly measured and performance assessed on both the Government and donor side. However, insufficient use is currently made of the results to inform decision making and policy, as is evidenced by the design of the latest development strategy largely prior to the release of the latest household survey which could have served to shape it.

Mutual Accountability: the Performance Assessment Framework provides a detailed framework for mutual accountability. While regular assessments of progress on both sides are made, the relationship is asymmetrical with donors called to account far less for not meeting commitments than Government is, in addition to not being subject to any kind of sanctions when they are found to have fallen short. This reflects the neglect in the Paris Declaration of the political aspects of aid and the issue of donor headquarters' rhetoric about equal partnerships not being reflected in the reality of their country offices' actions on the ground. It also reflects, however, the lack of willingness and capacity of government to use the instruments which have been developed, and concerns over the appropriateness of holding donors to account.

In terms of the additional priorities committed to in the Accra Agenda for Action, progress has been mixed. On division of labour, a process has begun, but is yet to deliver practical change and the lack of Government leadership remains an issue. The importance attached to aid management information systems by Accra is reflected in Mozambique with the ODA Moz online database, which has so far not delivered all the expected benefits, but which is subject to ongoing refinement. The need to get non-traditional donors and global initiatives integrated into aid effectiveness structures is recognised but has not yet been sufficiently addressed and will necessitate reform of the current aid architecture which is focused on traditional donors providing budget support and programme aid, and this might meet with resistance from the idea of involving Parliament and civil society to achieve true ownership is gaining traction, though movement is starting from a low base and is likely to depend on particular individuals taking the agenda forward. The commitment to demand-driven capacity building needs attention as the Government is yet to provide a clear programme for donors to align behind.

3.4.3 What has the Paris Declaration achieved for aid effectiveness and development results? How significant are these contributions? How sustainable? Is there evidence of better ways to make aid more effective and contribute more to development results? (4iii)

In terms of aid effectiveness, there are certainly examples of positive results in Mozambique, however direct attribution to the Paris Declaration is not possible given that the Declaration's role was to increase momentum that was already present. Achievements include increasing levels of budget support and use of programme based approaches, improved Government systems and donor use of them, better coordination between donors through sector working groups and other fora, and improvements in predictability and transparency. These are all significant. However, while the general culture of coordination and alignment seems sustainable, it appears unlikely that the pursuit of aid effectiveness can continue in its present form. The transaction costs of the present Performance Assessment Framework and the G19 and the exclusive nature of both, coupled with donor and Government disillusionment regarding budget support and the increasing amounts of aid received from non-traditional sources, demonstrate that major changes are needed in how aid effectiveness is pursued in the country.

In terms of development results, attribution to the Paris Declaration is very problematic. Aid that is more effective (using the Paris definition of owned and aligned) cannot on its own deliver development results, rather it may be defined as having the potential to support the delivery of such results by an effective Government that translates good policies into effective service delivery. In addition, even when it does do this, it will take a significant amount of time to do so. Therefore there is not seen to be a causal link between the Paris Declaration's implementation in Mozambique and development results. Where progress is evident and donors have supported the Government policies which helped to achieve it in an owned, harmonised and aligned manner, then some credit may be taken for aid effectiveness in achieving development effectiveness. Nevertheless, even where donors are providing budget support to a budget that is used to finance successful development initiatives, the question of whether this has displaced national resources and/or reduced pressure on Government to address domestic resource mobilisation issues will remain open.

Initial data from the National household survey that has been circulated suggests that poverty has not fallen over the last five years, with some provinces faring far better than others. As PD implementation is generally a national activity, there are obviously far greater drivers of poverty

at work. The household survey does suggest gains in many areas in health and education, which ties in with the great focus on social sectors by both donors and government in recent years.

There is certainly evidence of alternative or better ways to make aid more effective and therefore to give it the potential to better contribute to development results. These include:

- More focus on developing a clear national development strategy (as opposed to a collection of sector strategies) and good evidence based policies, and ensuring government capacity and desire to develop these, as no amount of ownership, alignment or harmonisation will deliver development results without good policies.
- Prioritisation of assisting the Government in domestic resource mobilisation.
- Understanding that aid effectiveness debates and the principles of the PD are implemented in a political context, and have political implications. The choice of aid modality, the exercise of ownership, the choice of whether to use government systems, the application of mutual accountability are all highly sensitive issues subject to the political economy of the context in which they are implemented.
- Prioritisation of capacity building of Government institutions to develop good quality policies with credible M&E strategies and data sources for verification.
- Less all-out focus on budget support as a panacea in recognition of the fact that there is no one correct approach and what is needed is rather a mix of modalities to spread risk for both sides.
- More focus on systematically bringing projects, non-GBS donors, vertical funds and UN agencies into the aid effectiveness debate.
- Fewer conditions on aid in order to promote real ownership, in particular avoiding the creeping increase in additional conditions beyond the PAF.
- More focus on what went wrong when commitments and targets are not met as opposed to simply making new commitments.
- More real mutual accountability with consequences for donors for not meeting their commitments.
- More coherence between donors' policies and their procedures and between their headquarters and their country offices.
- Reform of donor administration to cut down on bureaucracy and reduce the time taken from planning to implementation.
- Less donor staff turnover at the country office level in order to make donors more accountable for their results and to cut down on the repetition of mistakes and the failure to capitalise on lessons learned. In particular, funding of some form of permanent technical capacity to manage reviews to reduce the burden of coordination on government

staff, and to provide quality technical basis for dialogue with government on specific issues.

A number of more strategic suggestions are also given in response to the final question of this section which looks at the implications of this evaluation's findings for aid effectiveness in the future.

3.4.4 What effects has the implementation of the Declaration had on the respective burdens of aid management falling on the partner country and its respective donors, relative to the changing volumes and quality of aid and of the aid partnership itself? Are these effects likely to be transitional or long term? (4 iv)

The ways in which the Paris Declaration and aid effectiveness work have been implemented in Mozambique appear to have caused overall aid management transaction costs to rise. This has especially been the case for donors, many of whom report that the heavy burden of coordination meetings, reports and administration far exceeds the cost of managing bilateral projects.

On the Government side, while there are reports of diminishing transaction costs from no longer having to deal with each donor individually, the excessive weight of the Performance Assessment Framework is nevertheless acknowledged. In addition, the level of Government at which transaction costs are borne has shifted, from the sector to the centre and from the technical level to the political level, as the increase in budget support and sector wide approaches has led to a rising demand for policy-level interaction by donors. Senior Government officials are therefore called on to spend an increasing amount of their time in meetings with donors.

Reform of the coordination structure is needed to address these issues in addition to the establishment of a permanent secretariat to take care of administration and remove this burden from Government officials and donor staff. This will also free up resources for more analysis of results and their integration into decision-making. The need for this reform is urgent as donors are already talking of moving away from harmonised approaches due to the heavy transaction costs involved, and one donor declined to participate in the G19 due to the perceived high transaction costs of doing so.

The rise of global initiatives has increased costs at the sector level with parallel administration requirements and heavy reporting obligations. In contrast, the support provided by non-traditional donors and through South-South cooperation is reported by Government and the donors themselves as having much lower management costs than more traditional methods.

3.4.5 What has been the added value of Paris Declaration-style development cooperation compared with the pre-PD situation, and seen alongside other drivers of development in the country, other sources of development finance and development cooperation partners beyond those so far endorsing the Declaration? (4v)

In Mozambique, a country where aid effectiveness initiatives ongoing in 2005 actually influenced the content of the Paris Declaration, the added value of Paris has primarily been to lend further legitimacy and momentum to existing work. As mentioned above, Paris Declaration-style development cooperation has involved raising levels of budget support and the use of programme based approaches, improving Government systems and donor use of them, increasing donor coordination and improving predictability and transparency.

Government policy and resource mobilisation is the main determinant of development in the country and its quality in turn determines how “development effective” aid delivered in the way described by Paris - i.e. in line with Government policy and using Government systems - will be. Aid remains fundamental to the economy, providing nearly a quarter of national income and half the state budget. Foreign investment has also been an important influence over the past five years with substantial resource inflows in areas such as hydropower and mineral extraction that are likely to increase substantially in the near future. Concerns remain however about the limited job creation prospects that these investments bring.

Alternative sources of development finance and non-traditional development partners are becoming increasingly prominent in Mozambique. Non-traditional donors such as China are showing a growing interest in the hydropower and mineral extraction sectors in addition to the aid that they provide. Government is increasingly turning to such sources of finance (which are often less concessional) in light of the lack of explicit economic and governance conditions applied by these donors (in contrast to their traditional counterparts), and the lower transaction costs they bring in terms of administration and reporting.

While global funds have undoubtedly added value in terms of the amount of funding they have brought to the country, and rapid response to specific issues, both donors and Government criticise their lack of harmonisation and alignment and the heavy transaction costs that they entail. However, the experience of the GFATM participating in the common fund in health was not positive, and so more innovative ways need to be found to harness some of the benefits of this type of cooperation while ensuring greater focus on PD principles.

Pressure is now mounting from traditional donors at the headquarters level for both non-traditional donors and global funds to operate in a more transparent and accountable way and to take on board the principles of the Paris Declaration.

3.4.6 What are the key messages for a) national stakeholders, and b) donor countries and agencies? (4 vi)

A number of key messages can be distilled from this evaluation for each of these groups.

For Government:

- Be more proactive in leading donors and specifying who should do what.
- Be more forward in calling donors to account for meeting their commitments.
- Actively seek to re-define the aid architecture to focus on *all* aid and use the tools available to strategically manage the donors.
- Invest in aid coordination capacity.
- Develop a government –wide capacity needs assessment, such that donors can respond with demand-led TA.

For Parliament and CSOs:

- Become better informed and more proactive in order to better oversee aid effectiveness and call Government and donors to account.
- Make use of the existing sources of information and existing structures for debate.

For donor countries and agencies:

- Match behaviour to commitments on ownership to allow the Government to really take the lead.
- Align internal procedures and staff incentives and performance assessment more closely with the policies and agreements on aid effectiveness made at headquarters level.
- Be prepared to undertake more trial and error on the ground and less top down planning and prescription to find out what really makes aid effective and then replicate it.
- Acknowledge that becoming more aid effective and turning the rhetoric into reality will need substantial changes in behaviour by all agencies.
- Recognise that government is not a unified structure, and that many of the choices related to aid effectiveness have highly political impacts.
- Examine the role of the various donor forums and where debate around aid effectiveness issues is most appropriate.

For all:

- Widen the scope of aid effectiveness beyond the Paris Declaration, and beyond OECD-DAC.
- Spend more time on using the vast amounts of data available in the form of indicators, studies etc to actually inform action and change behaviour.

- Dramatically simplify and streamline the current aid coordination structure and strive to make it more inclusive.
- Drive forward division of labour in a coordinated manner to allay fears of resource drops in particular sectors.
- Prioritise support to Government capacity building and domestic resource mobilisation.
- Tackle coordination of bilateral initiatives: projects can and should be owned, aligned and harmonised.
- Remove process issues as much as possible from the Joint Steering Committee and other forums where senior government officials participate – use these for technical policy discussion.
- Recognise that aid effectiveness is not purely a technical matter, but that the choice involved are highly political and sensitive.

3.4.7 What are the key implications for aid effectiveness in the future taking account of new challenges and opportunities (e.g. climate change) and new actors and relationships? (4 vii)

With a degree of frustration currently evident among both Government and donors regarding the costs of joint working, the future could see a move away from some of the current mechanisms of coordination. Several donors mentioned a desire for more balanced portfolios and highlighted the value of projects and indeed funding for projects is currently increasing more rapidly than funding for budget support which is also facing a backlash from some donors at the headquarters level. Government has also not been as vocal in supporting GBS as five years ago. A more inclusive aid architecture and a more prescriptive Aid Policy (or a detailed programme of implementation of aid effectiveness initiatives by government) would help to ensure that the current problems are addressed by more effective coordination and rationalisation and a reduction in transaction costs as opposed to by more bilateral working. It is hoped that the PARP will contain a detailed section on aid effectiveness. The work of the Task Force on Working Groups and Division of Labour to streamline donors' sectoral involvement and to reform and rationalise the G19 working groups could add significant value in this regard.

Further, more strategic, implications and recommendations are set out below, taking into account the challenges and opportunities that have been identified in this evaluation:

- Aid effectiveness needs to be far more results-focused and far less process-obsessed.
- The definition of aid effectiveness needs to be widened to what makes aid work as opposed to being straight-jacketed by a narrow set of prescriptions and indicators.
- Aid effectiveness should not be equated with development effectiveness as the latter depends on far more than aid.

- Donors need to balance the drive for ownership with addressing concerns about state patronage and corruption which could serve to undermine development gains in future.
- Challenges such as climate change and the international financial crisis highlight the need for more coherence between foreign, economic and development policy. A more joined-up approach is needed by donors to bring “policy coherence for development”.
- Ownership, alignment and harmonisation should depart from the point of a donor agreement to fund the national development plan. Decisions should then be made about how to divide that funding between them.
- Mutual accountability needs to be made truly mutual with consequences for donors when they do not meet commitments.
- The costs of coordination need to be acknowledged. It consumes significant amounts of staff time and donors need to resource their country offices accordingly and/or provide support for dedicated coordination secretariats.
- Priority should be given to improving aid information. It has the potential to improve transparency and accountability, expose gaps and overlaps, promote learning, track progress on promises, and provide a powerful incentive for the meeting of commitments.
- Non-traditional donors need to be brought into coordination structures and donor-Government agreements with these adapted as necessary to facilitate this. Otherwise traditional donors risk becoming sidelined as Government increasingly turns to non-traditional sources of finance.
- Global initiatives need to adhere to the principles of the Paris Declaration in order to ensure that they complement existing work and do not bring large transaction costs along with their large funding.
- In a fast-changing environment, increased flexibility is needed on the part of donors. There needs to be less emphasis on long-term detailed plans and more on building in flexibility to adjust approaches dramatically in the light of implementation experience. In parallel, the lengthy periods between planning and implementing initiatives need to be dramatically shortened.
- Donors need to address the missing market contract in aid. The “consumers” of aid have a very weak voice if the service delivered does not fit their needs or perform as promised, as they did not pay for it and do not have an alternative that they can easily switch to. The provider, i.e. the donor, therefore does not go out of business when they provide a bad or inappropriate service. Thus there is no private-sector like natural selection towards what works and what people want. The separation of the person paying for the service from the person using it has removed the market contract that would otherwise act to ensure relevant, efficient service delivery.
- Donors also need to address the missing social contract in aid. Taxpayers pay taxes and elect Governments to represent them. This makes Governments accountable for the services that they provide. But no-one elects donors and local people have no way to call

them to account. They may often therefore be undermining the very democracy that they claim to promote. Meanwhile the Government, receiving substantial funding from donors, risks becoming more accountable to them than to its own citizens.

- Finally, we need to recognize that the ideas of the PD were not new, but that implementation is not simply a technocratic solution. The “Partners in Development⁵⁷” report reads very much like the Paris Declaration and Accra Agenda for Action in calling for more ownership, greater coherence in donors work, more programmes instead of projects, untying of aid, better use of technical assistance, and more effective capacity building. It was published in 1968. The commitments are therefore already in place and have been for decades - what is needed is not more policy or promises but rather a stronger emphasis on concrete action to implement what has already been agreed and on real accountability for doing so.

⁵⁷ “Partners in Development” (1969), Commission on International Development, World Bank.

4 Key Lessons and Recommendations

4.1 Refine our Understanding of “Ownership”

One lesson that can be taken from the Mozambican experience in implementing the PD is that there is a need to further develop our understanding of the concept of ownership, and to understand the realistic possibilities for ownership in a donor-recipient relationship. While the PD refers to donors and recipients as “partners”, and this has become common language, government and civil society expressed skepticism about this, as there is a widely held belief that while the relationship is so unequal, such language is mere window dressing.

Ownership is not something that can be manufactured by donors, – they need to give the government the space and tools, but then government needs to step up and *take* ownership. This requires a change in mentality, and will not happen in the short term, especially where there is justified concern that donors “allow” ownership only so far as they agree with what is done with it. So perhaps we need to be more honest about the limits of ownership in an aid dependent situation.

Ownership is fundamental for ensuring that all the other PD principles are implemented in a way that enhances the effectiveness of aid. Mutual accountability structures and processes can be set up, but become bogged down in process issues unless government uses the results to actively shape how aid works. Increasing transparency of the budget by incorporating funds is positive in itself, but can only contribute to more effective aid if the information is used. Alignment with government plans and systems are beneficial to aid effectiveness (and development outcomes) to the extent that government develops coherent development strategies that have a strong vision and results frameworks.

4.2 Aid Effectiveness is about more than Modality Choice

The interpretation of the PD in Mozambique has been driven by increasing use of GBS and programme aid. While this is commendable, a large proportion of aid remains in projects, which can undoubtedly be made to work more effectively. Many of the improvements vis a vis the PD indicators have been driven by modality short, and while these gains are real and worthwhile, it does imply that incremental improvements from now on will have to be made by addressing the issue of project aid. Therefore there is a need to widen the definition of effectiveness and to study in greater detail how projects can be made more predictable, transparent, aligned etc. There is no intrinsic reason why GBS or sector programme aid must be more effective than a project, although certainly there are greater challenges in making projects follow PD principles. Government has stated consistently in recent years that it is happy with a mix of modalities, and that what is more important than the choice of modality is that all aid follow PD principles.

4.3 The Aid Architecture Should be More Inclusive

Related to the previous point, while aid effectiveness activities have been largely driven by the GBS donors, this has led to a strong donor group which nonetheless leaves out some important players. The government has sent clear messages to the donor community (e.g. through the political dialogue and during work on the Code of Conduct process) that it would like to deal with all donors, rather than a strong sub-group organized around GBS. Therefore, the aid

architecture should be refined, led by government, such that large project donors, “non-traditional” donors and vertical funds are included in discussions. There have already been attempts to do this, but they ran into resistance from the PAPs around access to political level dialogue, lack of buy in from non traditional, and the absence of the long-promised cooperation policy. Government cannot expect the various donor groupings to reform an aid architecture alone, without a clear steer from Government. A short term compromise was found in incorporating the US and UN as associate members of the G19, but there is a danger that this short term approach becomes embedded and an obstacle to further progress.

4.4 The Aid Architecture Needs to be Less Complex

While this may seem to be in contradiction with the previous point, there needs to be a reduction in transaction costs associated with harmonization among PAPs, review processes and technical discussions. There are 29 joint working groups, and myriad donor-only groups. The PAP structure is cumbersome, and leads to excessive focus on process rather than results. There are extremely high transaction costs associated with reaching a consensus view among 19 donors (plus 2 associates) with different perspectives and procedures. This leads to incredibly long delays for the group to respond to government at times, which discourages government from making proposals. Perhaps a wider but less binding architecture is required, with an overall representative body but then different groupings moving ahead on specific issues with government.

4.5 Invest More in Capacity to Handle the “New” types of Aid

Even though programmatic forms of aid, including GBS, are not new to Mozambique, there has not been sufficient investment on either government or donor sides in the skills required to engage in programmatic types of aid. Government needs to sort out the division of labour amongst the various ministries, and donors need to invest in skills related to engagement in policy dialogue on governance and complex technical issues. More emphasis should also be put on understanding how best to engage with government at various levels. Related to this is the need for a much stronger “Pap secretariat” with long term technical skills to provide policy analysis and inputs for political and policy dialogue and build up a long term working relationship with government aid coordination staff, rather than depending on the economist or sector specialist of whichever agency is chairing the Troika. Staff turnover is also a huge problem, and some permanent staff who understand the issues that arise every year regarding reviews and planning for the partnership would significantly reduce transaction costs for government.

4.6 Improve the Political Dialogue, and the Policy Dialogue

There seems to have been a reduction in space for genuine policy debate between government and donors in recent years, and this seems to have coincided with the formalization of the political dialogue between PAP ambassadors and the government, chaired by the Minister of Planning. The political dialogue is generally fairly dry, with prepared statements by ambassadors, and coordinated responses by government. There is little debate, no supporting documents, and the atmosphere is increasingly confrontational. This needs to be addressed, as it leads to the accumulation of concerns or misunderstandings on the part of donors, and increasing frustration on the part of government, which can boil over into situations such as the

temporary suspension of GBS earlier this year. Often there may be good reasons for certain situations, but due to a lack of genuine open debate, donors assume government is being deliberately obtuse, and government feels it is being unfairly victimized.

At technical level, the main central forum for policy dialogue between PAPs and government (the Joint Steering Committee) has become increasingly bogged down by process, to the point where there are often 5 or 6 top civil servants in a room with a similar number of Heads of Cooperation discussing procedural issues which could often be resolved at a lower level and simply presented for approval. This reduces the time for genuine, non-confrontational discussion about policy issues and options. This seems to be a trend, as in 2005/6 there was more discussion of policy options than currently.

Ultimately, what will have the most impact on development results is getting the policies “right”. One hypothesis for how the PD could influence development outcomes could be if it enabled better dialogue around policy options. However, this does not seem to have been the case so far, at least for GBS, which donors have found to be a fairly blunt tool.

Donors have great access to information about what works in other countries, about new techniques, and they have vastly greater numbers of technical staff than many ministries. It is necessary to find a way to debate policy without donors imposing solutions, and in a way which enables government to obtain information and advice without obligation.

4.7 Much More than Aid Effectiveness Affects Development Results

As we have seen, there is no verifiable, quantifiable link between aid effectiveness and development results, let alone between the PD and development results. This does not mean that aid effectiveness does not matter, or that it does not lead to development results – simply that we need to be constantly re-assessing what works and what doesn’t and what our implicit assumptions are.

5 Possible Key Implications beyond the Planned Term of the Paris Declaration

This evaluation uncovered a number of key issues for the aid effectiveness agenda in Mozambique beyond the planned term of the Paris Declaration. All of these will need to be grappled with in the post-Paris period and considered in light of shifting dynamics in Mozambique.

5.1 Mixed Record in Terms of Poverty Alleviation

The Paris Declaration is premised on an explanatory model that assumes aid effectiveness is a vehicle for achieving development effectiveness. The scientific basis for this relationship has already been described as ‘tentative’ in Phase I of the Evaluation.⁵⁸ Nevertheless, there have been high expectations in Mozambique that when donors abide by the tenets of the Paris Declaration, including the provision of General Budget Support, the likelihood of reducing poverty is increased.

An immediate challenge to the logic of this model emerges from the 2008-9 family expenditure survey, which was submitted to the Council of Ministers in July 2010 although only made public in October 2010. It offers a mixed assessment about the progress in eradicating poverty since the last survey in 2002/2003. Poverty rates have increased from 54% in 2002-3 to 55% in 2008-9 although this is not statistically significant. This is in contrast to the dramatic fall in poverty from 68% in 1996-7 to 54% in 2002-3. Urban poverty has fallen from 52% to 50% while rural poverty increased from 55% to 57%. The failure to reduce poverty since the previous survey and the urban-rural differential is blamed on “lack of increase in agricultural productivity, particularly in the family sector.” This data seems to concur with civil unrest in peri-urban areas of Maputo in 2008 and September 2010 over rising food and fuel prices. Suggestions that the underlying economic model of growth in Mozambique may need to be revisited given limited development impacts appear valid.⁵⁹

Nevertheless, it would be unfortunate if disappointment with measurable progress on poverty outcomes is the reason cited for ignoring concerns about aid effectiveness. The Paris Declaration has promoted aid modalities like budget support that have tangibly reduced administrative burdens on Government, improved public financial management capacity and allowed the G-19 partners to engage Government with a singular, influential voice. Failure to unequivocally reduce poverty over the term of the Paris Declaration should be seen as an opportunity to further reflect and investigate the relationship between aid management and development results and tweak agendas accordingly. Based on this country evaluation, the dynamics in the Mozambican context outlined below offer some potential new directions for aid effectiveness. Mozambique merits continued donor investment notwithstanding seemingly limited progress in reducing poverty, if only to ensure peace and stability both nationally and regionally.⁶⁰

⁵⁸ See Stern et. al p. 12

⁵⁹ EUODAD. 2008. Mozambique: An independent analysis of ownership and accountability in the development aid system. Maputo: IPAM.

⁶⁰ Astil-Brown, J., & Weimer, M. p.18

5.2 Strengthen the Involvement and Awareness of Key Stakeholders

While the aid architecture in Mozambique is reaching a mature stage of development, there is a perceived lack of inclusivity of non-state stakeholders on aid effectiveness issues, most notably civil society and Parliament. The findings from Mozambique corroborate the findings of the Phase I report⁶¹ that suggested country ownership strengthens central government often at the expense of inclusion of other segments of society. The current aid system locks two principal actors into partnership, the Government of Mozambique and traditional donor partners. Donors dominate political spaces, notwithstanding their efforts to engage Parliament and civil society actors wherever possible. Meanwhile, the Government understandably chooses not to actively champion substantial and meaningful dialogue with actors who could potentially challenge their authority. This stems from Government's natural vulnerability given Mozambique is still in the process of transitioning from a single-party state. The overall consequence is GOM is willing to have its accountability to donors trump its accountability to its own citizens and their collective associations and representatives. Donors thus become implicit supporters of an aid system that is itself a challenge to the vibrancy of Mozambican democracy. Any future aid effectiveness agenda must consider how best to mitigate this unintended consequence by considering opportunities within aid policies and architecture for robust state-societal interaction and engagement.

5.3 Donors Should Openly Consider Political Impediments to Aid Effectiveness

The need to foster greater inclusivity and democratic pluralism within aid architectures relates more broadly to growing awareness that the Paris Declaration is not a techno-managerial solution to the problem of poverty reduction in Mozambique. Aid can only be effective if it faces up to the political impediments that keep it ineffective.⁶² There is thus greater role for the donor community to subtly but substantially engage with the political dimensions of aid effectiveness. In the past, donors have been too willing to turn a blind eye to sensitive political issues in order to safeguard Mozambique's reputation as a success story and ensure continued demand for their funds in the face of competition from non-traditional emerging donors like Brazil, China and India.⁶³ Yet, this seems to be changing as demonstrated by the relatively blunt attempt in the 2010 'donor strike' (which was actually a PAP-GBS strike) to challenge the Government on electoral and governance concerns. Opportunities for political engagement remain possible to the extent that the Government services its electoral base by providing public services financially supported by traditional donors (and not emerging ones).⁶⁴ Donors now need a strategy for addressing these political impediments subtly and constructively, and without sacrificing their credibility as partners of Government. This may involve donors increasingly looking at their own effectiveness in terms of the kinds of aid modalities best suited to political action; how to square the slow time horizons in achieving political change with

⁶¹ Stern et. al. p. 36

⁶² See Unsworth, S. 2009. What's Politics Got to Do With It?: Why donors find it so hard to come to terms with politics, and why this matters. *Journal of International Development*, 21: 883-894.

⁶³ de Renzio, P., & Hanlon, J. p. X

⁶⁴ Astil-Brown, J., & Weimer, M. p.viii

pressures to disburse funds from their headquarters; and how to reduce rapid staff turnover to ensure appropriate skill development and knowledge of country dynamics. Nevertheless, it also suggests that the partnership-model of the Paris Declaration may be too idealistic and that conflict and contestation may be necessary precursors to effective aid with sustainable development impact.

5.4 Mainstreaming Aid Effectiveness among Traditional and Emerging Donors

There is an urgent need to consider how aid effectiveness can be mainstreamed as a framework governing all external assistance to Mozambique. Currently, GOM welcomes all donors to Mozambique without imposing much by way of their own terms and conditions on this engagement. This strategy allows the GOM to spread its risks across a vast number of donors with their own sectoral foci, geographic interests and organizational constraints. A stronger definition by GOM of donor ‘rules of engagement’ can be one way of ensuring effective aid is mainstreamed across all donors. Establishing clear ministerial responsibilities for aid regulation, distribution and decision-making can also assist in ensuring the principles of effective aid are widely accepted among the large and growing donor community.

The emergence of “non-traditional” donors as a rival source of capital for African development in particular poses a tremendous challenge to the aid effectiveness policies that only currently circumscribe traditional donors. Mainstreaming aid effectiveness may be one way of preventing non-traditional donors investing in productive sectors on quasi-concessional terms do not re-indebt Mozambique to the highly unsustainably levels of a decade ago.⁶⁵ Even concessional forms of finance contribute to overall debt loads as only 25% per cent of such flows must be a grant element to qualify as ‘aid’. Not only should more thought be given to how to integrate non-traditional donors within an aid effectiveness agenda, the agenda itself may need to broaden its remit in the future to address concerns about the relationship between aid and indebtedness.

⁶⁵ While debt sustainability levels in Mozambique are within acceptable levels for the moment, a few suggested these should be vigilantly monitored, especially given the GOM has begun to reissue domestic debt.

A Country Terms of Reference for the Evaluation

B Country Matrix

C Interview Guides

- C.1 Central Ministries**
- C.2 Donors (Traditional)**
- C.3 Donors (Non-Traditional)**
- C.4 Academics, Civil Society and Parliament**
- C.5 Sectors (Health and Agriculture)**

D Aid Effectiveness in the Health and Agriculture Sectors in Mozambique



E Inception Report

F Paris Declaration on Aid Effectiveness

G The Accra Agenda for Action

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I Additional Sources of Information

The PAP website www.pap.org.mz holds a wealth of information about reviews, coordination structures, Public Financial Management Assessments (PEFA) and PAP financial commitments.

ODAMOZ www.odamoz.gov.mz is an online database of aid flows.

The Ministry of Planning and Development www.mpd.gov.mz and the Ministry of Finance www.mf.gov.mz both hold useful information on government documents.

The Centre for Public Integrity (CIP – www.cip.org.mz), Institute for Economic and Social Studies (IESE – www.iese.ac.mz), Foundation for Community Development (FDC – www.fdc.org.mz) and Mozambican Debt Group (GMD - www.divide.org) as well as UNICEF (www.unicef.org) in Mozambique all produce information about various aspects of aid effectiveness, governance, government PFM etc.

Joe Hanlon is an academic and journalist with a long history of work on Mozambique, and produces a regular bulletin of many aspects of governance and aid in the country. He has a webpage with many useful articles and documents (including on the recent “donor strike” and on annual reviews) at <http://www.open.ac.uk/technology/mozambique/>