

Evaluation of the Implementation of the Paris Declaration

Country Evaluation

MOZAMBIQUE

Executive Summary

Introduction

The **Paris Declaration (PD) on Aid Effectiveness (AE)** was endorsed in March 2005 by more than 100 countries and international organisations and aims at improving the quality of aid and its impact on development. **Monitoring and Evaluation (M&E)** of the PD was built into the declaration, with a commitment to “periodically assess, qualitatively and quantitatively, progress at country level”. There have been two monitoring surveys focusing on the indicators, and the first phase of the evaluation in 2007-2008.

This report constitutes the **Second Phase of The Evaluation report** which aims to document, analyse and assess the relevance and effectiveness of the PD and its contribution to aid effectiveness and development results in Mozambique.

The **methodology** was based on a standard Evaluation Matrix developed by the International Reference Group. The matrix was organised into three questions, related to A) the PD context; B) Aid Effectiveness Results and C) Development Results. A desk review, data analysis and interviews were carried out covering senior government officials (central and sectors), donor and UN representatives, civil society, academics and parliament.

There are certain **limitations to the report** in terms of linking development results, and often even intermediate aid effectiveness results, to the PD. Firstly, many of the aid effectiveness initiatives in Mozambique pre-date the PD, and there is evidence that the Mozambican experience actually influenced

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 evaluation focused on “plausible linkages” and “possible contributions” of the PD rather than attempting any form of attribution.

Main Findings and Conclusions

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, the implementation of numerous reforms, a stable, democratically elected government, good progress on a number of social indicators have resulted in large aid flows. However, there are increasing concerns driven partly by the results of the household survey (2008/9), which suggests household income on average may not have risen during last five years. Results for social indicators were however 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 Mozambique** the main key finding is that by 2004 (i.e. prior to Paris) a number of initiatives were being carried out that already embodied the principles enshrined in PD. 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. This resulted in a 2004 memorandum of understanding (MoU) between government and budget support donors, which reads very much like a “PD-type” document.

By the **2005 baseline**, there were already 18 donors providing GBS and well-established Sector Common Funds in five sectors, some operating since the late 1990s. The proportion of programme aid (GBS plus sector programme aid) in 2005 was 46% according to the baseline survey. There was a nationally owned development strategy in place, and a system of working groups to harmonise donor actions and promote government-donor dialogue. A joint government-donor Budget Analysis Group was working on the issue of off-budget. There was a mutual accountability framework, with a donor performance assessment framework (PAF) with PD indicators.

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 GBS, 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. This 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 conflicting approaches. Given this skepticism by government, which does seem 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 government’s poverty reduction plans. However, PARPA II was fairly broad in scope, and donors participated 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 through national systems. Predictability is good for GBS and common fund contributions, but remains a challenge for projects.

There has been from early on a strong degree of **harmonisation** 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 main-

taining 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, 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.

There is a well-established **results oriented framework** attached to the PARPA II and the forthcoming PARP, which is used as basis for a Performance Assessment Framework with PAPs. Programme budgeting has been introduced, although there remain severe capacity constraints especially at sector level in formulating indicators and 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, are more used by donors (in dialogue with HQ, or in terms of peer pressure by more “progressive” donors) 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. There are examples where both government and donors have used the commitments made under PD as arguments for a particular courses of action, so 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, even though GBS itself is not mentioned in the PD. This has led to a narrowing of the debate to GBS and sector common funds, and only now are there signs of greater interest in making projects more on-budget. As projects remain the largest aid modality in the country, this is crucial.

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 household income increase on aggregate, albeit with significant regional variations. This is worrying both for government and for donors who have poured aid into supporting 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 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 10, 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 high, but in general good progress seems to have been made in implementing PD. In contrast, **Agriculture** is where 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”. This enables us to conclude that 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.

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. Based on the evidence at sector level, it can be concluded that if pre-existing strong vision and leadership from government exists, and donors agree with the strategic direction, 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, but more analysis needs to be carried out. 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 specific commitments from government on the latter.

A number of **key lessons** are i) Mozambique put in place a mechanism of coordination and dialogue, 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. iii) It is important to ensure that *all* aid is covered by aid effectiveness initiatives (including projects and non-traditional donors). iv). 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 (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 known by a small number of officials at central level, and to a lesser degree by some in the sectors working directly with donors. vii) 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, when the ability to “punish” is so one-sided. Government officials often raised their frustration that when push comes to shove, donors are able to force government by threatening to reduce or withdraw aid.

Recommendations

For **government**, one key message is that tools are available to facilitate strategic management of donors, such as the MoU with PAFs, PAFs PAF, ODAMOZ (the national aid database) and the PD itself. There is perhaps greater “space for manoeuvre” than government realises, and needs to be more strategic use of these, which 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. Ultimately, development results depend on good policies and effective implementation, and 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. 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 (PAFs) should also consider improving institutional memory and providing some permanent technical capacity for the group.

For **government and donors jointly**, there is clearly a need to improve 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 for 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 make all aid more effective. ODAMOZ needs to become more accurate, organised by government budget classifiers, and government needs greater capacity to use it. There should be more open and honest discussions around the 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 accessible. There is also openness from 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, it is necessary to look in greater detail at the implicit assumptions behind Paris, and in particular for a more realistic understanding of the highly political context. There is a clear need to widen the awareness of key stakeholders regarding aid effectiveness, and the scope of aid effectiveness initiatives to other donors and other modalities. 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 been achieved by a shift towards more “PD-type” modalities, but as projects continue to be a large proportion of aid, more efforts need to address their effectiveness. There is also a need to discuss the concept of ownership as it is to some extent a pre-requisite for other PD principles – 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 required for the PD to having an impact on development results.