



**External Evaluation of the Portugal-Mozambique Indicative Cooperation Programme (PIC) 2004-2006**  
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## **EXECUTIVE SUMMARY**

The scope of this evaluation is the Portugal-Mozambique Indicative Cooperation Programme (PIC) and its implementation in the period 2004-2006, through Annual Cooperation Plans (PAC 2004, 2005 and 2006), in order to analyse the relevance, efficiency, effectiveness and sustainability of this cooperation.

### **Context**

Since the signature of the General Peace Agreement in 1992, when it was considered one of the poorest countries in the world, the Mozambican economy and society have changed dramatically, currently being considered one example of positive and sustainable economic growth in Sub-Saharan Africa. Although the human development index is still very low, poverty has declined from 69.4 percent in 1996-7 to 54.1 percent in 2002-3, which represents a reduction of more than 15 percentage points in 6 years. However, HIV-AIDS can be a serious threat to the achievement of the Development Millennium Goals in several areas. The economic growth also masks significant regional variations and the increase of income inequality between social levels.

The Action Plan for the Reduction of Absolute Poverty (PARPA) is the strategic document that sets out development priorities and guidelines in Mozambique, currently for the period 2006-2010 (PARPA II). PARPA is a flexible instrument, adjusted and updated at an annual basis through the Medium-Term Expenditure Framework (MTEF), the Economic and Social Plan and the State Budget, which operationalise the Five-Year Governmental Plan. The second PARPA describes the reduction of absolute poverty to 45% in 2009 as its main priority, through a gradual progress that is measured by specific indicators and annual targets. It is organised in three pillars: Governance, Human Capital and Economic Development – besides several cross-cutting issues. The document also reflects the trend to consider the district as the basis for development and to gradually implement a budget decentralisation.

For its political and economic developments, the country continues to benefit from donors' engagement and these are strongly present in the field. Mozambique is highly dependent of external assistance to finance its development process and it has also remarkable absorption rates. A wide range of aid instruments are being implemented: from the traditional project aid, to sector support (SWAP and sectoral funds) and general budget support (GBS). The global amount disbursed by foreign partners has increased 13.3% from 2004 to 2005, in all aid modalities. Regarding donors' coordination and harmonisation, the EC has selected several pilot countries for coordination initiatives – being Mozambique the only country in Sub-Saharan Africa – through a road map with several components: information sharing between donors, delegated cooperation (on behalf of other donors), joint analytic studies and external missions with other donors.

The Paris Declaration on Aid Effectiveness is the main international framework for donors' actions and it sets out concrete objectives until 2010. In this context, the national cooperation strategy, which is currently being elaborated by the Government, will suggest a strong alignment of donors' programmes with local priorities, procedures and ways of functioning.

The General Budget Support (GBS) – implemented through the Programme Aid Partnership (PAP) that is based on the Memorandum of Understanding (MoU) signed by the Government and external partners in 2004 – is currently one of the largest joint aid programmes in Africa, both in volume and in number of partners involved. Mozambican authorities consider it an example of good practices in improving aid quality and ownership. The disbursements in GBS and Balance of Payments Support increased from US\$243.3 million in 2004 to US\$284.8 million in 2005 and to an estimated amount of US\$310.2 in 2006. The main contributors are the United Kingdom, the World Bank and the EC. The sector support has also increased and the sectoral funds are currently being included in the State Budget

To support the PAP and the PARPA's implementation, there is a coordination structure that involves more than twenty working groups, distributed by four thematic pillars and cross-cutting issues, in which several actors – donors, government representatives and some civil society organisations – participate, in order to monitor a range of jointly agreed indicators (the Performance Assessment Framework – PAF). These working groups are specialized forums, not



only for the debate of technical issues, but also to discuss and influence sectoral policies. Despite significant progress in monitoring aid efficiency and implementing donors' complementarity, the dialogue is still unequal, since the process continues to be mostly donor driven.

The PAP joint reviews and most of the reports on direct budget support in Mozambique highlight the positive results of this aid modality, although some risks are also stressed: excessive dependency of external flows and particularly from the main donors, the need to improve internal management and implementation capacities at central and local level, amongst others. In general, Mozambique is experiencing a better performance than other countries with similar development and aid dependency levels, and several indicators such as mutual accountability and the monitoring of aid effectiveness are further developed.

## **Portuguese Cooperation**

Portuguese development cooperation had important conceptual and institutional changes in the last few years. At international level, there are several commitments in incorporating new guidelines and principles from the organizations and agreements that Portugal has signed, as well as the quantitative targets of improving development aid (Monterrey). At national level, one can point out the creation of the Portuguese Institute for Development Support (IPAD) in 2003, and the approval of a new document – the “Strategic Vision for Portuguese Cooperation” – in 2005.

Portuguese development cooperation is mainly bilateral and concentrated in few countries (mainly Lusophone Africa and East Timor). Mozambique has been losing its relative position in Portuguese bilateral ODA and the amounts of aid to this country have also been decreasing since 1998.

At institutional level, Portuguese development cooperation is characterised by a considerable institutional dispersion and decentralisation in the definition, execution and financing of the activities. Furthermore, there is a lack of adequate technical human resources at IPAD, at the sectoral ministries and at field level.

Although IPAD has formally the function to concentrate and coordinate the institutional mechanisms amongst several actors of Portuguese cooperation, a diversity of other organisations intervene, directly or indirectly, in external actions in general. There is an evident absence of a well defined framework, with clear division of competencies between the coordinator organism and the ministries that play a specific role in cooperation programmes, and this is aggravated by the constant reshuffling of cabinets and organisational changes in the ministries and in IPAD. The multiplicity of dispersed actions and bilateral contacts between homologous institutions and sectoral ministries, without an effective capacity of leadership or previous coordination by IPAD, transfers to the beneficiary country an image of poor coordination. There are also examples in which the definition of functions and competencies between public institutions is not clear, creating a confusion of roles and grey areas of action, just as the case of Education and Culture.

Despite the current adjustments in some services with cooperation functions, it is foreseeable that several ministries – such as the Ministry of Labour and Solidarity (MTSS), the Ministry of Internal Administration (MAI) or the Ministry of Defence (MDN) – will continue, by its specificity, to play an important role as promoters of various cooperation' actions. In this framework, most of the effectiveness and efficiency in using aid funds depends in a strong investment in coordination mechanisms, namely through the Inter-Ministerial Commission for Cooperation (CIC), whose role is not yet fully utilised.

The analysis of several organisational and institutional issues that are common to the Portuguese development cooperation structure has resulted in conclusions and recommendations – presented in the final chapter of this report - that have a general interest and can be applied to cooperation with other partner countries.

The articulation and coordination amongst the various actors of Portuguese cooperation is insufficient or inexistent, namely between public agents and others (NGO, Universities, private sector). At field level, there is no platform or institutionalised mechanism that can establish a common framework for action and allow for the participation of several actors, in order to identify complementarities, avoid duplications, analyse partnership opportunities and take advantage of possible synergies. Complementarity is achieved only in an ad-hoc manner, in many cases due to informal contacts between organisations or as a result of personal knowledge. This is also verifiable at the headquarters. The process of elaborating the cooperation programmes and plans of action (PIC and PACs) is not inclusive of the various sensibilities, opinions and experiences of the cooperation agents. This is particularly evident in relation to Portuguese NGOs that are developing projects in Mozambique and that implement their activities without any articulation with the Portuguese authorities or sense of belonging to a wider cooperation framework (when their projects are included in the PAC through the IPAD co-financing line to NGOs).

Besides the development cooperation programme, the relationship between Portugal and Mozambique has been affected by two fundamental issues that currently undermine Portuguese image and credibility: the Cahora Bassa issue and the implementation of the bilateral agreement relating to Mozambican external debt.

### **PIC and PACs Evaluation**

Portuguese development assistance comprises realities that are strongly diverse: from fragile countries (such as Guinea-Bissau), to countries that have recently experienced conflict situations (Angola), or countries that are commonly considered as positive examples of aid management and with consolidated democratic structures (Cape Verde and Mozambique). Nevertheless, the programming system is similar to these countries, including Indicative Cooperation Programmes (PIC) and Annual Cooperation Plans (PAC), with common structures and timings. The Paris Declaration establishes that donors should align their cooperation programmes with the partners' development priorities and timeframe (which is also stressed by the Mozambican government), whilst the Portuguese programme does not correspond to the Mozambican programming cycle – which is based in the poverty reduction document (PARPA) for five years.

The PIC (2004-2006) established an indicative financial envelope of €42 million and defines eight priority intervention areas, to which are added two complementary programmes. In practical terms, the biggest projects and programmes that appear in the annual programming (PAC) are common to the three years: the Education sector, Communitarian Development, as well as the Military Cooperation Programme and the technical project of Police Support, and the support to NGO (that appears for the first time in 2006)

In general, the execution rates are low. This is aggravated by projects that are being poorly implemented since 2001/2002, mainly in two intervention areas: Water and Natural Resources, and Education. These projects are viewed at field level as practical examples of the lack of capacity and weak performance of Portuguese development cooperation. The execution rates are also very different according to the various areas; the higher implementation is verified in the socio-communitarian projects financed by the Ministry of Labour and Solidarity, in the cooperation project of Police Support, the military cooperation project, and the Xai-Xai health project. However, these projects tend to have a lower level of visibility and recognition in the scope of the bilateral cooperation programme.

Although there is some effort to match Mozambican development priorities, the PIC is essentially a political agreement of general principles, without a concrete implementation plan with defined objectives, no justification for the selection of the priority sectors, lacking monitoring indicators or mechanisms for the evaluation of results, and without rigorous financing planning. There are important discrepancies and inconsistencies between the PIC and the PACs. The annual PACs are lists of dispersed projects, in some cases with no relation with the priority intervention sectors and having important omissions or flaws: absence of concrete definitions of each intervention area, of concepts and objectives; lack of methods and rules to group the projects; no common understanding of the nature and characteristics of each intervention sector; blurred definition of the institutions that finance, promote and implement the projects; insufficient financial details. This dispersion is inconsistent with the financial dimension (amounts allocated to each cooperation programme) and technical capacities (monitoring and implementing projects) of the Portuguese cooperation.

Furthermore, the need to negotiate PACs on an annual basis has been an obstacle to the efficiency and effectiveness of Portuguese cooperation; because it delays the programme's implementation and requires additional efforts in terms of time and human resources. It also contradicts the fact that most of the projects involve multi-year activities. Although multi-year programming is theoretically possible in the Portuguese budget execution through the PO-05, this is still not an effective instrument to implement multi-year projects for several reasons: flaws in filling out the forms, lack of harmonisation between the various ministries that creates gaps in the forms' interpretation, decisions from the Finance Ministry that contradict the principle of multi-year financial execution.

The lack of clear criteria for selecting and approving cooperation projects – with the exception of the co-financing line to NGOs – results in the inclusion of some projects in an ad-hoc manner. There is no deadline or timeframe for IPAD to evaluate the quality and feasibility of projects' proposals and to its approval or rejection. On the other hand, the absence of concrete rules of procedure has resulted in diverse interpretations and decisions – such as a change in the disbursement modality or a reorientation of activities – without adequate technical justification.

In project monitoring, the evaluation concludes for the existence of important insufficiencies: there are no organised and harmonised practices in monitoring the planned activities and the objectives to achieve; there are no measurable indicators to evaluate the projects' implementation and results; the financial execution is monitored by IPAD in an annual

and fragmented basis; there are no evaluations to analyse the results and impacts of development projects; at field level there is no cooperation structure that can be the focal point to follow closely the projects.

One of the main problems identified by the present evaluation is the insufficient human resources and the restricted competencies and decision-making capacities of the Portuguese Embassy in Maputo. Unlike the Portuguese case, most donors have local project accounts or financial envelopes that allow - through the Ambassador's signature - to disburse funds in advance while the amounts are not released at the headquarters. The lack of a cooperation structure at field level also restrains an active and technical Portuguese participation in the various working groups that monitor budget support and the PARPA's implementation. Several donors contract technical assistance to ensure a stronger and wider participation in the working groups that match their sectoral priorities, whilst the Portuguese cooperation doesn't have a field representative in development cooperation.

### **Aid Modalities and Instruments**

To the present, Portuguese development cooperation in Mozambique has had a strong focus in project aid. This is due to several factors: the traditional instruments that are utilised by the Portuguese approach (usually against the dilution of the bilateral contributions into global funds or broader instruments), the history of cooperation between the two countries, the multiplicity of contacts amongst various Portuguese and Mozambican institutions, the numerous requests that end up being transformed in small projects. The quality and utility of some Portuguese cooperation projects are highlighted and recognised by the Mozambican authorities, and most of the criticism relates to their implementation process: bureaucracy, delays in funds' disbursements, blurred procedures. Some projects function in a very isolated manner, as an "enclave", being detached from their sectoral or geographic framework (for instance, at district planning level).

The local perception of Portuguese comparative advantages are still in human resources training and technical assistance in various areas, provided that these are integrated in Mozambican needs and priorities. This area has a renewed importance, at a time when it is emphasised the need to reinforce Mozambican capacities to better implement budget aid in several sectors. Other areas that are less appealing to donors or tend to be neglected in budget execution have also an added value to Portuguese cooperation – such as technical assistance in statistics, geology and mines, etc – as well as sectors in which Portuguese actions have positive aspects that are not covered by other donors (such as public institutions' capacity building, justice, security and defence)

Portugal has a marginal role in other aid modalities, either in the financial amounts or in the participation at the several ongoing coordination forums. It is the smallest contributor to GBS and doesn't allocate any funds to sectoral aid (SWAP or common funds in the education sector, health sector, agriculture, water and roads). However, the impact and visibility of Portuguese development cooperation depends on the capacity to influence and participate in a pro-active way in the platform between government and donors (G-18).

The forthcoming indicators to evaluate donors' performance in Mozambique are strongly focused in the percentage of aid that is allocated to budget support and in the existence of coordination actions, such as joint studies, joint external missions and delegated representation amongst donors. This will certainly entail several difficulties to the Portuguese current approach.

The articulation of bilateral interventions with projects/programmes that are multilateral or financed by other donors, in a complementary or subsidiary way, is also rare in Portuguese development cooperation programmes, namely in Mozambique. There are some positive examples in which bilateral actions are included in broader programmes – such as the Support to the Justice Sector in Mozambique (coordinated by the EC) or the Support to the Police (managed by UNDP), but there are also several examples of bilateral projects whose visibility and implementation are undermined by the fact that they are not integrated in broader multilateral programmes. A specific opportunity for the "bi-multi" approach is the intervention in the Mozambique Island, in which must be emphasised the need for integrated plans, in articulation with other donors and under the overall coordination of the Mozambican authorities.

### **Main Recommendations**

All conclusions and recommendations are presented in the last chapter of this report; however, we can stress some main recommendations:

- Align the Portuguese cooperation programme with Mozambican priorities and programming timeframe.

- The negotiation of PIC and the programming of aid must involve well-defined and normalized procedures, as well as an inclusive process of consultations and debate with all actors that finance and implement the cooperation actions (including the civil society).
- The PIC should be an integrated plan, with adjusted programming and practical guidelines for implementation. It has to establish, in a multi-year basis, the sectoral priorities and the projects that are already identified for that period, with detailed budget. It must include a justification of the choice of the priority intervention areas and of the main projects, a clear definition of concepts, a description of specific objectives and goals to achieve in each intervention area, clear rules for the classification of projects, definition of qualitative and quantitative indicators for the evaluation of results.
- The annual negotiation of PACs should be replaced by mid-term reviews, carried out by a joint commission at technical level, in order to evaluate and update the cooperation programme, accordingly to defined indicators and depending on the progress in projects' implementation. This change would allow including multi-year programming in the PIC, ensuring a greater predictability of funds and broadening the timeframe for project management.
- There should be a limitation of number of priority sectors and/or projects in the PIC, in order to avoid dispersion and duplication of efforts. This has to be done accordingly to the Mozambican priorities and to the role that Portugal can play in each sector. In any case, reducing the number of sectors has to be balanced with an essential condition: the existence (or not) of an added value by the Portuguese cooperation in that specific sector/project.
- Take the necessary measures to transform the "PO-05" (a Portuguese budget execution instrument) in an effective mechanism for multi-year programming, namely by: clarifying rules in order to reach a common understanding of the forms; harmonizing procedures and defining work methods between IPAD and the Ministries involved in development cooperation.
- To define parameters, requirements, terms of reference and framework of analysis to projects' proposals and to the approval process, as well as to their implementation, in order to improve the programming, monitoring and evaluation.
- Mainstream cross-cutting issues in the programming process and in the cooperation programmes, accordingly to Portuguese and Mozambican priorities, and having as basis an appropriate justification.
- IPAD should invest in identifying and disseminating through the institutions that promote and implement the cooperation projects (Portuguese and Mozambican), who are the contact points inside the organization. Being concentrated in a relatively small number of countries, Portuguese development cooperation should study the possibility of creating specialized country teams in IPAD, to ensure the management of the complete project cycle: programming, projects' approval and execution.
- An additional effort should be pursued in order to define a single integrated budget for Portuguese development cooperation and to give IPAD an administrative and financial autonomy that will allow for a more efficient management of the available funds, including the unspent amounts.
- If the decentralisation of Portuguese cooperation is perceived abroad as lack of coordination, this means that coordination must be ensured at previous levels, in the headquarters, namely by: defining clear work methods between financing and executing institutions and among sectors; elaborating guidelines and mechanisms for the relations between the various organisms and channels (for instance, which criteria must be pursued for the inclusion of a certain institution in a field mission?, what are the functions and competencies of each institution in monitoring the projects' implementation?); to transform the Inter-Ministerial Commission for Cooperation (CIC), in a dynamic forum for information sharing and debate.
- The number of channels in the projects' implementation must be reduced, namely by eliminating the ones that are merely "mail boxes". Portuguese development cooperation should take advantage of the existing structures in the field – such as the Portuguese Embassy or the Portuguese School – to this rationalisation effort.
- A more flexible human resources policy should be adopted, in order to correspond to the technical demands of development cooperation, both at headquarters and field level. At the headquarters, by investing in training the available staff (including specific programmes for updating and regular missions to the field) and in contracting additional technical development expertise in specific areas. At field level, to strengthen the Embassy with the necessary human resources, both in quantity and in technical skills.
- To delegate greater authority and competencies to the Portuguese Embassy in Maputo.
- To invest in promoting, highlighting and giving greater visibility to the cooperation programmes and projects that have good execution rates and positive results, in Portugal and in Mozambique.



- To adapt the aid instruments and modalities, as well as the human and financial resources, to the dynamics of international development cooperation in Mozambique. The shift to a more strategic approach involves participating in a more pro-active manner in the general framework for partners' coordination and to complement project approaches with a stronger focus on programme aid. Budget aid must increase to a level in which Portugal is no longer the smallest donor, and a contribution to a basket fund (particularly in Education) should be addressed.
- Whenever possible, to ensure a strong articulation between bilateral actions and projects/programmes that are multilateral or financed by other donors, and to reinforce Portuguese participation in those programmes.