

# 37 MOZAMBIQUE

## INTRODUCTION

MOZAMBIQUE IS A LOW-INCOME COUNTRY with a population of 20 million. In 2006, it had a gross national income (GNI) of USD 1 220 per capita in purchasing power parity terms, and of USD 340 in nominal terms. The economy grew by 8.5% in 2006, continuing a trend of strong growth since the late 1990s. The most recent poverty survey (2003) estimated that 36% of the population live below the one-dollar-per-day international poverty line; 54% live below the national poverty line. The country is on track to meet two of the eight Millennium Development Goals (MDGs) – Goal 4 on reducing child mortality and Goal 5 on improving maternal health. If further changes are made, it may also make significant progress towards Goal 1 on eradicating extreme poverty and hunger, and Goal 8 on developing a global partnership for development.

DIMENSIONS	2007	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Government leadership and intra-ministerial co-ordination weak	Government to take stronger leadership, streamline co-ordination
Alignment	Moderate	Large volume of aid not captured by national budget systems	Encourage greater use of country systems for aid outside budget support and sector-wide approaches
Harmonisation	Low	Number of joint missions and analyses decreasing, while overall number increasing	Donors to improve efforts to co-ordinate aid provided outside common arrangements
Managing for results	High	Monitoring and evaluation at sectoral level not fully integrated into national system	Strengthen sectoral monitoring and evaluation systems; improve integration with national poverty plan and assessment tools
Mutual accountability	Moderate	Mutual accountability arrangements apply only to aid from donors providing budget support	Expand mutual accountability arrangements to cover donors not providing budget support

## OVERVIEW

Box 37.1:

Challenges and priority actions

In 2006, total net official development assistance (ODA) to Mozambique amounted to USD 1 611 million. According to the database of the Organisation for Economic Co-operation and Development's Development Assistance Committee (OECD-DAC), the top four donors to Mozambique include the World Bank, European Commission, the African Development Bank and the United States. Aid accounts for approximately 23% of Mozambique's GNI, making the country highly aid dependent. Twenty-six donors responded to the 2008 Survey, with their aid constituting 87% of total ODA.

## OWNERSHIP

**OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS** and is central to the Paris Declaration on Aid Effectiveness. Aid is most effective when it supports a country-owned approach to development; aid is less effective when countries feel that aid policies and approaches are driven by donors that provide assistance. In the context of the Paris Declaration, ownership specifically concerns a country's ability to carry out two, inter-linked activities: exercise effective leadership over its development policies and strategies; and co-ordinate the efforts of various development actors working in the country.

### INDICATOR 1

Do countries have operational development strategies?

Ownership has many dimensions. Indicator 1 – assessed as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead* – provides an entry point to the issue. The World Bank assesses the operational value of a country's development strategy and policy against three criteria, all of which are essential features of any serious effort to harness domestic and external resources for development purposes: the existence of an authoritative, country-wide development policy which clearly identifies priorities and is well costed.

The World Bank rates the operational value of a country's development strategy against a five-point scale running from A (highest score) to E (lowest score). The Paris Declaration 2010 target is to raise, to at least 75%, the proportion of partner countries having operational development strategies – *i.e.* meriting a rating of A or B.

In the first round of monitoring, Mozambique received a rating of C on Indicator 1, along with 62% of participating countries. The rating indicates that the country made some progress toward a strong development strategy, but more was required. The 2006 Baseline Survey found that Mozambique's long-term strategy was largely in place, but that more progress was needed in establishing medium-term strategies for all levels of government and across sectors. The World Bank's most recent AER again gave Mozambique a rating of C.

The country's development goals for 2006-09 are set out in the second Action Plan for the Reduction of Absolute Poverty (PARPA II), Mozambique's second-generation poverty reduction strategy paper. This medium-term plan is set within the long-term objectives laid out in Agenda 2025, a strategy developed in 2003 through an extensive consultative process to serve as an umbrella policy document for development. Several updated sector strategies for 2005-09 are linked to PARPA II, including strategies for HIV/AIDS, transport and roads, and the education sector. Several more sector strategies are in preparation.

The government continued to decentralise strategic planning; 67 of 128 districts have now developed their own investment and development plans. The government is planning a programme to integrate these district plans into national priorities. Fiscal decentralisation also continued, with the government increasing budget and administrative responsibilities of local governments, and also allocating investment funds to the districts.

Integration of PARPA II into the budget cycle has improved since the 2006 Baseline Survey through the annual Economic and Social Plan (PES). The PES guides short-term implementation of PARPA II; the PES progress report serves as an annual summary on the performance and outcomes of PARPA II. The integration of a results matrix, called the Performance Assessment Framework, has strengthened the effectiveness of the PES progress report.

The government is making some progress in regard to taking leadership over development co-operation. To this end, it is developing an external aid co-operation policy. The Ministry of Foreign Affairs and International Co-ordination is formally responsible for development co-operation. However, day-to-day co-ordination falls under the Ministry of Planning and Development because of its mandate to formulate and implement the PES and PARPA II.

With continued commitment, Mozambique may be able to meet the Paris Declaration 2010 target of a B rating for having an operational development strategy. The government will need to take more leadership and ownership over development co-operation, and to complete and communicate its strategy for foreign aid in the near future and move quickly to implementation. Policy co-ordination within the government could also be improved. In 2005, the split of two ministries, the Ministry of Planning and Development and the Ministry of Finance, effectively separated the tasks development planning and budgeting between two different entities. Co-ordination poses a continuous challenge in that short- and medium-term planning and annual budgeting are overseen by different ministries. This split also increased the challenges of co-ordination among central economic management ministries and line ministries. Overall, co-ordination of aid is weak among the ministries in charge of finance, planning and foreign aid. Improving co-ordination among these ministries is one of the biggest challenges to improving government ownership of aid in Mozambique. ■

## ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies, institutions and procedures. The Paris Declaration envisions donors basing their support fully on country partner aims and objectives. Indicators 2 through 8 examine several dimensions of aid to assess the degree to which partner countries and donors achieve alignment.

Overall, Mozambique made progress in the area of alignment, albeit somewhat unevenly. The 2008 Survey shows some improvement in the quality of country systems and an increase in their use for delivery of foreign aid, as well as progress in increased levels of untied aid and aid predictability. However, progress stalled or even slipped on other indicators such as aid being aligned with the budget and co-ordinated technical assistance. In general, alignment of aid provided for budget support and sector-wide approaches was much stronger than aid for projects.

## BUILDING RELIABLE COUNTRY SYSTEMS

Indicator 2 covers two aspects of country systems: public financial management (PFM) and procurement. In each case, the focus is on the degree to which these systems adhere to broadly accepted good practices – or to which there is in place a reform programme to promote improved practices. If countries have reliable systems, donors will be encouraged to use such systems for the delivery and management of aid. This helps to align aid more closely with national development strategies and enhances aid effectiveness.

**INDICATOR 2a**

How reliable are country public financial management systems?

Indicator 2a of the Paris Declaration assesses the degree to which partner countries either have public financial management (PFM) systems that are in line with broadly accepted good practices or have credible reform programmes in place to establish reliable PFM systems. The assessment is based on the World Bank's Country Policy and Institutional Analysis (CPIA) score for the quality of PFM systems, which uses a scale running from 1 (very weak) to 6 (very strong) with half-point increments. To score highly, a country needs to meet all three of the following criteria: a comprehensive and credible budget linked to policy priorities; effective financial management systems to ensure that the budget is implemented as intended in a controlled and predictable way; and, timely and accurate accounting and fiscal reporting, including timely and audited public accounts. The 2010 target is that each country will move up at least one measure (*i.e.* 0.5 points) on the CPIA scale for measuring the quality of PFM systems.

In the 2006 Baseline Survey, Mozambique received a rating of 3.5 for its PFM systems. This was slightly above the average score of 3.2 for all International Development Association (IDA) countries. Mozambique's 2010 target is to increase by half a point to 4.0. In the 2008 Survey, Mozambique again received a 3.5, indicating that insufficient progress was made to reach its 2010 target, but also suggesting that the target is still within reach. Mozambique was again close to the average score of 3.3 for IDA countries.

The government has made further progress in strengthening its PFM system backed by a group of external partners providing budget support. The roll out of an electronic integrated financial management system (SISTAFE - *Sistema Electrónico Integrado das Finanças do Estado*) to all ministries has improved reliability of budget transactions. However, not all transactions are processed through the system, including substantial volumes of project aid. The government and donors are currently considering how to bring projects, especially new ones, through the Single Treasury Account (CUT) as this will greatly increase the level of aid processed through the SISTAFE. Plans are also in place to continue the roll out of e-SISTAFE to 27 districts in 2008. Mozambique made further improvements in revenue collection, budget formulation and execution, and external auditing capacity. However, internal auditing capacity remains weak.

**INDICATOR 2b**

How reliable are country procurement systems?

At the time of the 2006 Baseline Survey, no mechanism was in place to systematically assess and quantify the quality of procurement systems in partner countries. Thus, it was impossible to set country-level targets on progress towards Indicator 2b.

Mozambique approved a new Procurement Code in 2005, which is in its final year of implementation. The code includes the creation of an independent regulator, the implementation of a procurement complaint mechanism, and the establishment of judiciary mechanisms. The code has improved procurement practices. However, the extent of the improvements will become clearer when Mozambique undertakes a planned performance review in 2008.

## ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Comprehensive and transparent reporting on aid, and how it is used, is an important means of ensuring that donors align aid flows with national development priorities. The degree to which development assistance to the government sector is fully and accurately reflected in the budget provides a useful indication of the degree to which serious effort is made to connect aid programmes with country policies and processes. It also allows partner country authorities to present accurate and comprehensive budget reports to their parliaments and citizens.

Indicator 3 is a proxy for alignment. It measures the percentage of aid disbursed by donors to the government sector that is included in the annual budgets for the same fiscal year. The indicator is a joint measure of two components: the degree to which donors report aid flows comprehensively to partner countries; and the degree to which partner countries accurately record aid.

## INDICATOR 3

	Government budget estimates of aid flows for 2007 (USD m) a	Aid disbursed by donors for government sector in 2007 (USD m) b	2005	2007*
			(for reference)	c = a / b    c = b / a
African Dev. Bank	0	74	0%	0%
Austria	0	0	--	0%
Belgium	0	8	0%	0%
Canada	0	36	0%	0%
Denmark	0	64	0%	0%
European Commission	0	150	0%	0%
Finland	0	27	0%	0%
France	0	5	0%	0%
GAVI Alliance	0	0	0%	--
Germany	0	50	0%	0%
Global Fund	0	42	0%	0%
IFAD	0	7	--	0%
IMF	0	--	0%	--
Ireland	0	53	0%	0%
Italy	0	28	0%	0%
Japan	0	24	0%	0%
Netherlands	0	61	0%	0%
Norway	0	59	0%	0%
Portugal	0	13	0%	0%
Spain	0	11	0%	0%
Sweden	0	79	0%	0%
Switzerland	0	14	0%	0%
United Kingdom	0	106	0%	0%
United Nations	0	107	0%	0%
United States	0	23	0%	0%
World Bank	0	266	0%	0%
[Unallocated donors]	0	--	--	--
Average donor ratio	--	--	0%	0%
<b>Total</b>	<b>1 584</b>	<b>1 307</b>	<b>83%</b>	<b>83%</b>

\* Ratio is c=a/b except where government budget estimates are greater than disbursements (c=b/a).

The final figure highlights any discrepancy between the government's budget estimates and actual disbursements by donors. The discrepancy (or gap) can be in either direction: budget estimates can be higher or lower than disbursements by donors. In order to have a single measure of discrepancy under 100%, the ratio is inverted when budget estimates are higher than donor disbursements. The 2010 target is to halve the proportion of aid flows to the government sector that is not currently reported on government budget(s), ultimately arriving at a point where at least 85% of aid is reported on the budget.

**TABLE 37.1:**  
Are government budget  
estimates comprehensive  
and realistic?

In the 2006 Baseline Survey, an encouraging 83% of aid disbursed in Mozambique was reported as being recorded on budget. Thus, the Paris Declaration 2010 target was set at 92%, a halving of the proportion of aid flows to the government sector not reported on the government budget. The 2008 Survey shows no further improvement; again, 83% of disbursed aid is recorded in the budget. Although performance on this indicator remains strong overall, the lack of progress suggests that renewed commitment will be necessary to meet the 2010 target.

More than two-thirds of ODA to Mozambique was to the government sector, and most donors have aligned their priorities with PARPA II. However, despite progress in reforming the PFM systems, large volumes of aid are still not captured by the mechanisms for budget preparation, execution and reporting. Currently, only commitments to budget support and sectoral common funds registered on budget are captured in the budget preparation stage.

Budget reporting, particularly of investment programmes that account for a large portion of external funding, is not accurate because of lack of capture of project aid that are not executed through the Single Treasury Account. Disbursements also depend on the level of implementation, which is difficult to predict. By contrast, information disclosure by external partners has improved with assessments carried out under a Performance Assessment Framework (a results matrix aligned with PARPA II) and increased use of a new aid database (ODAMOZ). The impact of the database will continue to grow as usage becomes more comprehensive and as government departments apply more effectively the information for planning and monitoring aid.

#### CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

#### INDICATOR 4

Capacity constraints significantly undermine the ability of partner countries to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors committed to providing technical co-operation in a manner that is co-ordinated with partner country strategies and programmes. This approach aims to strengthen capacities while also responding to the needs of partner countries. Likewise, there is greater recognition that successful capacity building is endogenous – *i.e.* is led by the partner country. To this end, the partner country defines clear objectives to ensure that existing capacities are used effectively and that external support is harmonised within this framework.

Indicator 4 focuses on the extent to which donor technical co-operation – an important input into capacity development – is moving towards this country-led model. It measures the degree of alignment between donor technical co-operation and the partner country's capacity development needs and strategies. The Paris Declaration 2010 target is that 50% of technical co-operation flows are implemented through co-ordinated programmes that are consistent with national development strategies.

Mozambique's performance on Indicator 4 slipped slightly between 2005 and 2007. In 2005, 38% of support was co-ordinated, with technical assistance integrated into sector-wide approaches (SWAPs) constituting the bulk of this co-ordinated support. In 2007, only 27% of support was co-ordinated. This slippage may be attributed partially to a tightening of the guidance about what constitutes co-ordinated technical co-operation in the 2008 Survey. Lack of a clearly defined national strategy that sets out capacity building needs and priorities is a major obstacle to increasing co-ordination in this area.

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	2005 (for reference) c = a / b	2007
African Development Bank	1	6	0%	12%
Austria	0	2	--	0%
Belgium	1	2	95%	85%
Canada	1	4	68%	26%
Denmark	7	10	29%	75%
European Commission	5	10	78%	55%
Finland	1	1	36%	63%
France	0	3	0%	11%
GAVI Alliance	0	0	--	--
Germany	11	17	31%	65%
Global Fund	0	0	--	--
IFAD	0	0	--	--
IMF	--	--	100%	--
Ireland	2	2	67%	100%
Italy	1	2	0%	56%
Japan	3	7	16%	38%
Netherlands	2	4	43%	47%
Norway	3	4	75%	79%
Portugal	0	11	0%	0%
Spain	0	1	47%	0%
Sweden	0	5	84%	7%
Switzerland	0	1	75%	85%
United Kingdom	7	8	54%	93%
United Nations	13	35	30%	36%
United States	0	71	9%	0%
World Bank	5	34	56%	14%
[Unallocated donors]	--	--	--	--
<b>Total</b>	<b>64</b>	<b>237</b>	<b>38%</b>	<b>27%</b>

TABLE 37.2:  
How much technical  
co-operation is co-ordinated  
with country programmes?

Since 2000, the government and external partners have improved co-ordination of capacity building efforts by aligning support with SWAs, particularly in sectors such as agriculture, public sector reform, health and education. These SWAs need to be better integrated to improve overall coherence of capacity building in Mozambique.

To meet the 2010 target of 50% of support being co-ordinated, the government should develop a coherent national strategy and work with external partners to integrate technical assistance for capacity building (provided through both stand-alone projects and SWAs). The Public Sector Reform Programme, under way since 2003, should help donors align technical assistance funding with the human resource challenges of each sector. It should also lessen the need for ad-hoc and unaligned assistance.

## USING COUNTRY SYSTEMS

Donor use of a partner country's established institutions and systems increases aid effectiveness by strengthening the partner's long-term capacity to develop, implement and account for its policies – to both its citizens and its parliament. The Paris Declaration encourages donors to increase their use of country systems that are of sufficient quality, and to work with partner countries to strengthen systems that are currently weak. In this respect, Indicator 5 is directly linked to Indicator 2 on the quality of PFM and procurement systems, and measures the use of both.

Indicator 5a measures the extent to which donors use partner country PFM systems when providing funding to the government sector. It measures the volume of aid that uses partner country PFM systems (budget execution, financial reporting, and auditing) as a percent of total aid disbursed to the government sector. The 2010 target is relative to Indicator 2a on the quality of PFM systems.

## INDICATOR 5

Indicator 5b measures the volume of aid, as a percent of total aid disbursed to the government sector, that uses partner country procurement systems. The 2010 target is relative to Indicator 2b; thus, targets are indicated only for those countries that established scores for Indicator 2b in the context of the 2006 Baseline Survey.

Mozambique achieved moderate progress in use of country systems between 2005 and 2007. In 2005, 36% of aid to the government sector used PFM systems, with budget execution systems used more frequently than financial reporting and auditing. This placed Mozambique slightly below the average of 40% for countries surveyed. In 2007, the percentage rose to 44%, with use of financial reporting systems increasing most noticeably. Donors remained reluctant to use national auditing systems, and continue to include additional independent audit requirements in almost all aid agreements. As in the 2006 Baseline Survey, use of country systems is largely confined to support for general and sectoral budgets, which accounts for roughly 30% of total development assistance.

**TABLE 37.3:**  
How much aid for  
the government sector  
uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management (PFM)					Procurement		
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	2005	2007	Procurement systems (USD m) e	2005	2007
					(for reference)	avg (b,c,d) / a		(for reference)	e / a
African Development Bank	74	30	30	30	38%	41%	32	38%	44%
Austria	0	0	0	0	--	0%	0	--	0%
Belgium	8	8	8	7	53%	92%	8	39%	97%
Canada	36	34	34	5	24%	66%	34	8%	93%
Denmark	64	29	35	19	34%	44%	52	54%	82%
European Commission	150	87	87	61	44%	52%	80	47%	53%
Finland	27	23	23	0	31%	58%	23	34%	88%
France	5	2	2	2	11%	38%	2	100%	38%
GAVI Alliance	0	0	0	0	33%	--	0	0%	--
Germany	50	14	14	14	40%	27%	22	12%	44%
Global Fund	42	42	42	0	67%	67%	42	100%	100%
IFAD	7	7	0	7	--	67%	7	--	100%
IMF	--	--	--	--	0%	--	--	77%	--
Ireland	53	27	23	12	82%	39%	37	100%	69%
Italy	28	22	22	5	53%	58%	22	100%	78%
Japan	24	3	0	3	11%	9%	3	17%	13%
Netherlands	61	45	58	25	54%	69%	59	54%	96%
Norway	59	26	24	26	34%	42%	37	37%	63%
Portugal	13	2	2	2	9%	11%	2	9%	16%
Spain	11	10	10	4	49%	70%	10	40%	87%
Sweden	79	56	43	43	30%	60%	56	29%	72%
Switzerland	14	11	7	7	69%	59%	12	89%	84%
United Kingdom	106	106	95	78	78%	88%	94	78%	89%
United Nations	107	0	0	0	6%	0%	0	1%	0%
United States	23	0	0	0	0%	0%	0	0%	0%
World Bank	266	79	70	70	27%	27%	70	28%	26%
[Unallocated donors]	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>1 307</b>	<b>663</b>	<b>627</b>	<b>417</b>	<b>36%</b>	<b>44%</b>	<b>704</b>	<b>38%</b>	<b>54%</b>

Project aid is often executed outside the government's Single Treasury Account and, indeed, is often not included in budget estimates. However, awareness of the importance of using national treasury systems to improve the predictability and transparency of aid to government is improving. For example, donors providing programme aid have committed to channel 60% of their ODA through the CUT by 2009.

With a baseline rating for Indicator 2a of 3.5, the 2010 target for Mozambique on Indicator 5a is 57%, representing a one-third reduction in the baseline level of aid not using country systems. Mozambique seems on track to meet the target, as long as it can maintain the current trend towards increased use of country PFM systems.

The amount of aid using country procurement systems rose substantially – from 38% in 2005 and to 54% in 2007 – the result of a shared commitment on the part of government and donors to increase accountability in the use of funds. Nonetheless, some large donors remain constrained to join common funds for some sectors that use national procurement systems, mainly due to their own institutional and fiduciary requirements. The Mozambican country report for the 2008 Survey also noted that some donors indicated difficulties in reporting on aid executed through national procurement systems versus international procurement procedures. A weak but still improving procurement system is an obstacle to broader use of national procurement systems. An assessment planned for 2008 should help to identify areas that need to be addressed, and to lay the foundation for a capacity building plan. Without a score for Indicator 2b, no 2010 target has been set for the amount of aid using national procurement systems.

### AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

When providing development assistance, some donors establish specific project implementation units (PIUs), *i.e.* dedicated management units designed to support development projects or programmes. A PIU is said to be “parallel” when it is created at the behest of the donor and operates outside existing country institutional and administrative structures.

In the short term, parallel PIUs can play a useful role in establishing good practice and promoting effective project management. However, in the long run, parallel PIUs often tend to undermine national capacity building efforts, distort salaries and weaken accountability for development.

To make aid more effective, the Paris Declaration encourages donors to “avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes.” Indicator 6 is a count of the number of parallel PIUs being used in partner countries. The 2010 target is to reduce by two-thirds the stock of parallel PIUs in each partner country.

In the 2006 Baseline Survey, donors reported 40 parallel PIUs in Mozambique, including units classified as “semi-integrated” into government agencies. In the 2008 Survey, the number of parallel PIUs dropped to 26, about half-way to the 2010 target of 13. Mozambique seems well-placed to meet its target if this trend in reducing parallel PIUs continues, yet individual performance on this indicator is uneven across donors. It should also be noted, that even greater progress may be masked by a tightening of the definition of “parallel PIU” between the two survey rounds. This caused some donors to reclassify as “parallel” a number of PIUs that were not counted as such in the 2006 Baseline Survey.

### INDICATOR 6

TABLE 37.4:  
How many PIUs are parallel  
to country structures?

	2005 (for reference)	2007 (units)
African Dev. Bank	13	11
Austria	--	2
Belgium	0	0
Canada	0	0
Denmark	4	3
European Commission	0	0
Finland	0	0
France	1	0
GAVI Alliance	0	0
Germany	0	0
Global Fund	0	0
IFAD	--	0
IMF	0	--
Ireland	0	0
Italy	0	5
Japan	0	0
Netherlands	0	0
Norway	0	0
Portugal	0	0
Spain	2	2
Sweden	0	0
Switzerland	0	0
United Kingdom	0	0
United Nations	3	0
United States	5	3
World Bank	12	0
[Unallocated donors]	--	--
<b>Total</b>	<b>40</b>	<b>26</b>

## PROVIDING MORE PREDICTABLE AID

## INDICATOR 7

For many countries, development assistance constitutes a vital source of revenue and resources. Being able to predict aid disbursements – in terms of both how much aid will be delivered and when – is as an important factor in the ability of countries to manage public finances and undertake realistic planning for development. It is particularly crucial to enabling partner countries to implement medium- to long-term development plans and to optimise the allocation of resources within and across sectors. In this regard, the Paris Declaration calls on donors to provide reliable, indicative commitments of aid over a multi-year framework, and to disburse aid in a timely and predictable fashion according to agreed schedules.

Indicator 7 examines in-year predictability of aid to the government sector, measuring the proportion of planned disbursements (as reported by donors) that are recorded by governments in the national accounting system as actually disbursed. Indicator 7 assesses predictability from two angles. The first angle is the combined ability of donors and government to disburse aid on schedule. The second is the ability of donors and government to record comprehensively disbursements made by donors to the government sector.

TABLE 37.5:  
Are disbursements  
on schedule and recorded  
by government?

	Disbursements recorded by government in 2007 (USD m) a	Aid scheduled by donors for disbursement in 2007 (USD m) b	Aid disbursed by donors for government sector in 2007 (USD m) for reference only	2005	2007*	
				(for reference)	c = a / b	c = b / a
African Development Bank	71	162	74	0%	43%	
Austria	0	0	0	--	--	
Belgium	8	8	8	0%	93%	
Canada	29	36	36	0%	79%	
Denmark	25	59	64	0%	43%	
European Commission	100	202	150	0%	50%	
Finland	7	28	27	0%	25%	
France	10	3	5	0%		28%
GAVI Alliance	0	4	0		0%	
Germany	23	50	50	0%	46%	
Global Fund	0	47	42	0%	0%	
IFAD	5	12	7	--	37%	
IMF	0	--	--	0%	--	
Ireland	20	53	53	0%	38%	
Italy	19	20	28	0%	97%	
Japan	22	24	24	0%	93%	
Netherlands	30	61	61	0%	50%	
Norway	34	59	59	0%	58%	
Portugal	2	2	13	0%		70%
Spain	5	12	11	0%	40%	
Sweden	73	89	79	0%	82%	
Switzerland	7	14	14	0%	52%	
United Kingdom	73	106	106	0%	69%	
United Nations	14	107	107	0%	13%	
United States	6	27	23	0%	22%	
World Bank	195	222	266	0%	88%	
[Unallocated donors]	259	--	--	--	--	
Average donor ratio	--	--	--	0%	51%	
<b>Total</b>	<b>1 037</b>	<b>1 407</b>	<b>1 307</b>	<b>70%</b>	<b>74%</b>	

\* Ratio is c=a/b except where disbursements recorded by government are greater than aid scheduled for disbursement (c=b/a).

Indicator 7 is designed to encourage progress in relation to both angles, with the aim of gradually closing the predictability gap – by one-half – by 2010. The ultimate goal is to improve not only the predictability of actual disbursements, but also the accuracy of how disbursements are recorded in government systems – an important feature of ownership, accountability and transparency.

The 2006 Baseline Survey recorded in-year predictability of aid to Mozambique at a level of 70%, with predictability of budget support much higher than that for other forms of aid. With a global 2010 target of closing the predictability gap by one-half, the target for Mozambique was set at 85%.

Modest progress is reported in the 2008 Survey, with in-year predictability rising to 74%. Reviews of the PARPA II, the PES, budget support, and support to SWAp are all well-sequenced and aligned with the budget cycle, thereby allowing the government and donors to make well-informed commitments in time for the annual budget preparation. However, most project financing remains off budget, which impedes greater progress on this indicator. This will hopefully improve as a joint government-donor task force is currently examining how to bring off-budget funds on budget. Other factors contribute to the predictability gap, including reallocation of donor funds between and within sectors, poor disbursement forecasts by donors, and the fact that some donors still resort to in-year conditionality. Other factors include delays or withholding of disbursements because of the government's failure to meet certain grant and loan conditions.

To meet the 2010 target, donors and the government will have to work together to increase the amount of ODA commitments and disbursements reflected in the budget. Increased use of ODAMoz (a database of ODA) could make it a more effective tool for planning and tracking ODA. At the same time, full implementation of SISTAFE should improve timely execution of projects and increase the amount of information recorded in accounting systems. Bringing vertical funds into more predictable aid modalities could lead to substantial improvements in overall predictability, given the increasingly important roles these funds play in channelling resources to some sectors (such as health and HIV/AIDS).

## UNTYING AID

Aid is said to be “tied” when it is provided on the condition that the recipient country will use it to purchase goods and services from suppliers based in the donor country. Experience shows that aid with such conditions attached increases the costs of goods and services provided to partner countries; it also increases the administrative burdens on both donors and partners. By contrast, untied aid helps build a country's capacity to provide goods and services.

Country figures for untying aid are based on voluntary self-reporting by donors that are members of the OECD Development Assistance Committee (OECD-DAC). The 2010 target is to continue progress towards untying aid over time.

Most aid to Mozambique, including all multi-lateral aid, is untied. The 2006 Baseline Survey reported that 89% of aid provided by members of the OECD-DAC was untied, according to OECD data covering 84% of aid to Mozambique. This figure rose to 93% in the 2008 Survey, based on data covering 84% of aid. This is in line with the 2010 target for continued progress over time. ■

## INDICATOR 8

How much aid is untied?

## HARMONISATION

DECADES OF DEVELOPMENT EXPERIENCE show that poor co-ordination of aid increases the cost for both donors and partner countries, and significantly reduces the value-added of aid. Harmonisation of aid delivery procedures and adoption of common arrangements help reduce duplication of effort and lower the steep transaction costs of managing aid. The Paris Declaration focuses on two dimensions of aid as a proxy for assessing overall harmonisation: the use of common arrangements within programme-based approaches (PBAs) and the extent to which donors and partner countries conduct joint missions and share analysis.

Mozambique did not progress on measures of harmonisation in the 2008 Survey. Use of common arrangements remained steady, whereas co-ordination of missions and country analysis decreased substantially. Donors need to make a concerted effort to make progress on this dimension of aid effectiveness.

### USING COMMON ARRANGEMENTS

Aid effectiveness is enhanced when donors use common arrangements to manage and deliver aid in support of partner country priorities. A sound mechanism for aid co-ordination can be described as one that builds on shared objectives and that reconciles, in a constructive manner, the various interests of stakeholders.

#### INDICATOR 9

TABLE 37.6:

How much aid is programme based?

	Programme based approaches (PBAs)			Total aid disbursed (USD m) d	2005 (for reference)	2007
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c = a + b			
African Development Bank	30	1	31	82	37%	38%
Austria	0	0	0	2	--	0%
Belgium	4	1	5	11	46%	48%
Canada	5	15	20	43	46%	47%
Denmark	19	20	39	69	91%	57%
European Commission	80	12	92	166	58%	55%
Finland	7	16	23	29	51%	81%
France	0	0	0	23	0%	1%
GAVI Alliance	--	--	--	0	0%	--
Germany	14	19	33	53	11%	62%
Global Fund	0	42	42	42	100%	100%
IFAD	0	0	0	7	--	0%
IMF	--	--	--	--	100%	--
Ireland	12	41	53	53	89%	100%
Italy	5	0	5	34	53%	15%
Japan	0	0	0	24	0%	0%
Netherlands	59	0	59	71	82%	83%
Norway	24	16	40	69	56%	58%
Portugal	2	0	2	14	10%	10%
Spain	10	0	10	31	26%	31%
Sweden	43	11	54	98	62%	55%
Switzerland	7	5	12	21	49%	56%
United Kingdom	72	28	100	114	88%	88%
United Nations	0	21	21	125	27%	17%
United States	0	5	5	148	2%	3%
World Bank	70	23	92	266	28%	35%
[Unallocated donors]	--	--	--	--	--	--
<b>Total</b>	<b>461</b>	<b>278</b>	<b>740</b>	<b>1 595</b>	<b>46%</b>	<b>46%</b>

Indicator 9 assesses the degree to which donors work together by measuring the proportion of total ODA disbursed within PBAs. In practice, there are many different modalities for implementing PBAs, which operate at various levels. At one level, the partner country is responsible for defining clear, country-owned programmes (*e.g.* sector policy) and establishing a single budget framework that captures all resources (both domestic and external). At the second level, donors are responsible for taking steps to use local systems for programme design and implementation, financial management, monitoring and evaluation. Finally, partner countries and donors are jointly responsible for donor co-ordination and harmonisation of donor procedures. The 2010 target is that 66% of aid flows are provided in the context of PBAs.

Mozambique maintained a level of 46% of total aid channelled through PBAs between the 2006 Baseline Survey and the 2008 Survey, despite a slight rise in the proportion of total aid provided as budget support. Progress has been pending as some large donors prepare to adhere to PBAs. Use of other forms of PBAs declined slightly, although this may partially be due to a more stringent definition of PBA introduced in the 2008 Survey. Other forms of PBA included SWAps in health, education, agriculture and forestry, fisheries, HIV/AIDS, roads and sub-national government. Donors also provided common funds to support a programme for strengthening PFM systems. Mozambique's 2010 target for using common arrangements was set at 66%. It seems unlikely that the country will meet this target unless rapid progress is made by increasing the proportion of aid provided through budget support, SWAps or other common arrangements.

## CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

One of the most frequent complaints of partner countries is that donors make too many demands in relation to their limited resources: country authorities spend too much time meeting with donor officials and responding to their many requests. The Paris Declaration recognises that donors have a responsibility to ensure that, to the greatest extent possible, the missions and analytical work they commission are undertaken jointly – *i.e.* that the burden of such work is shared.

Indicator 10 measures the extent to which donors are merging their missions (Indicator 10a) and analytical work (Indicator 10b) at the country level – either with country partner authorities or amongst the donor community (or both). It calculates the proportion of missions to the country undertaken jointly (*i.e.* by more than one donor) and the share of country-analysis exercises undertaken on a joint or co-ordinated basis. The 2010 target is that 40% of donor missions to the field are conducted jointly and that 66% of country analytical work is carried out jointly.

The 2006 Baseline Survey reported that 46% of 310 donor missions to Mozambique were conducted jointly. This was well above the average of 18% for participating countries, and already above the 2010 target of 40%. However, the 2008 Survey registers a steep decline in co-ordination, with only 17% of donor missions co-ordinated and an increase in the total number of missions to 337. This decline may be due to a better tracking of missions or tightening of the definition of a “joint mission”. However, the trend is clearly in the wrong direction and will have to be reversed for Mozambique to meet its 2010 target. Stronger aid co-ordination within the government, as discussed under Indicator 1, is required to ensure greater mission co-ordination among donors.

### INDICATOR 10a

**TABLE 37.7:**  
How many donor missions  
are co-ordinated?

	Co-ordinated donor missions* (missions) a	Total donor missions (missions) b	2005 (for reference)	2007 c = a / b
African Development Bank	5	19	21%	26%
Austria	0	2	--	0%
Belgium	0	1	100%	0%
Canada	2	8	80%	25%
Denmark	4	9	90%	44%
European Commission	5	8	50%	63%
Finland	1	5	23%	20%
France	3	11	31%	27%
GAVI Alliance	--	--	--	--
Germany	6	11	30%	55%
Global Fund	0	6	60%	0%
IFAD	3	5	--	60%
IMF	--	--	100%	--
Ireland	0	3	63%	0%
Italy	0	10	33%	0%
Japan	0	14	0%	0%
Netherlands	6	6	100%	100%
Norway	5	12	92%	42%
Portugal	0	4	100%	0%
Spain	0	1	60%	0%
Sweden	1	17	48%	6%
Switzerland	3	6	57%	50%
United Kingdom	0	1	63%	0%
United Nations	24	78	19%	31%
United States	0	7	0%	0%
World Bank	19	93	30%	20%
[Unallocated donors]	--	--	--	--
<b>Total</b>	<b>65</b>	<b>337</b>	<b>46%</b>	<b>19%</b>

\* The total of co-ordinated missions has been adjusted to avoid double-counting. A discount factor of 35% is applied.

#### INDICATOR 10b

Country analytical work encompasses the analysis and advice necessary to strengthen policy dialogue, and to develop and implement country strategies in support of sound development assistance. It typically includes country or sector studies and strategies, country evaluations, discussion papers, etc. The Paris Declaration recognises that donors have a responsibility in ensuring that the analytical work they commission is undertaken jointly, as much as possible. Doing country analytical work jointly has a number of benefits. It helps curb transaction costs for partner authorities, avoid unnecessary duplicative work and foster common understanding between donors. Donors need also to draw on partner countries' own analytical work and, where appropriate, work with government and other donors. Indicator 10b measures the proportion of country analytical work that is undertaken jointly.

A similar backwards trend is evident in the amount of joint country analysis recorded in the 2008 Survey. According to 2005 data, 63% of donor analytical work was co-ordinated; in 2007, this figure fell to only 32%. In addition, the total number of analytical studies undertaken nearly doubled between 2005 and 2007. Joint analysis occurs naturally in connection with aid provided as direct budget support, or through SWAps and other joint approaches. At present, the proportion of aid going through these PBAs is not increasing; thus, donors will have to make greater efforts to co-ordinate work connected to stand-alone project aid. Meeting the 2010 target of 66% co-ordinated analytical work will be very challenging – and even more so with the arrival of new, non-traditional, donors. This highlights the need for a clear policy on joint analytical work to define priority areas and ensure better donor co-ordination. ■

	Co-ordinated donor analytical work* (analyses) a	Total donor analytical work (analyses) b	2005 (for reference)	2007  c = a / b
African Development Bank	1	4	0%	25%
Austria	1	1	--	100%
Belgium	0	1	--	0%
Canada	0	0	0%	--
Denmark	3	4	56%	75%
European Commission	20	21	57%	95%
Finland	0	0	67%	--
France	1	1	0%	100%
GAVI Alliance	--	--	--	--
Germany	0	0	0%	--
Global Fund	0	1	0%	0%
IFAD	0	0	--	--
IMF	--	--	--	--
Ireland	3	6	0%	50%
Italy	0	0	--	--
Japan	0	2	100%	0%
Netherlands	1	5	--	20%
Norway	1	3	88%	33%
Portugal	0	0	--	--
Spain	0	0	--	--
Sweden	1	1	67%	100%
Switzerland	0	0	0%	--
United Kingdom	4	6	--	67%
United Nations	16	32	73%	50%
United States	10	58	68%	17%
World Bank	6	15	100%	40%
[Unallocated donors]	--	--	--	--
<b>Total</b>	<b>51</b>	<b>161</b>	<b>63%</b>	<b>32%</b>

\* The total of co-ordinated analytical work has been adjusted to avoid double-counting. A discount factor of 25% is applied.

**TABLE 37.8:**  
How much country analysis  
is co-ordinated?

## MANAGING FOR RESULTS

THE PARIS DECLARATION CALLS ON donors and partner countries to make a joint commitment to managing for development results – *i.e.* to manage resources according to desired results. This implies defining desired results and measuring progress toward them, as well as using information on results to improve decision making and performance. It also implies strengthening capacity to undertake such management and helping to increase the demand for a focus on results (*i.e.* adopt a results-based monitoring framework).

Indicator 11 utilises data collected as part of the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The review focuses on three particular aspects of a robust results-based monitoring framework: the quality of the information generated; stakeholder access to the information; and the extent to which such information is utilised within a country-level monitoring and evaluation system.

The assessments are expressed in scores running from A (high) to E (low), with B representing a “largely developed results-based monitoring framework.” The 2010 target is to reduce by one-third the proportion of countries lacking transparent results-based monitoring frameworks (*i.e.* reduce by one-third the number of countries not attaining at least a B rating).

**INDICATOR 11**  
Do countries have  
results-based monitoring  
frameworks?

Mozambique improved its rating on Indicator 11 – from a C in 2006 to a B in the 2008 Survey, thus meeting its 2010 target of improving at least one letter grade. The 2006 Baseline Survey noted improvements in the quality of development information, but insufficient dissemination of information on statistics, strategies, budgets and policies. It also recognised progress in monitoring and evaluation systems, which nonetheless needed to be further integrated across national and sectoral levels.

The latest AER, produced in late 2006, and the country report for the 2008 Survey record further progress on both information dissemination and on monitoring and evaluation. The government has publicised information on new legislation and public policies through the Public Information Bureau and through national press. It also published the medium-term expenditure framework (MTEF) for 2007-09, and improved development information available online by launching a number of websites (including those of the *Instituto Nacional de Estatística* and PARPA).

Monitoring and evaluation systems have been strengthened through a more comprehensive BdPES, which is the annual report on the PES. The BdPES is the main monitoring tool for government activities and acts as an annual progress report for PARPA and PARPA II. For example, the 2007 BdPES includes the PARPA II Strategic Matrix, along with information to assess the plan's implementation. The BdPES is also linked to a Performance Assessment Framework that allows donors and the government to track progress in implementing PARPA and in effective management of aid. However, monitoring and evaluation systems for sector ministries need to be better linked to the PES and strengthened to feed more effectively into the BdPES. If progress continues at this pace, Mozambique could receive an A rating in time for the 2010 survey. ■

## MUTUAL ACCOUNTABILITY

### INDICATOR 12

Do countries have reviews of mutual accountability?

THE PARIS DECLARATION RECOGNISES that for aid to be truly effective, stronger and more balanced accountability mechanisms are required at all levels. In particular, aid is more effective when both donors and partner country governments are accountable – to their respective publics and to each other – for the use of resources and management to achieve development results. The Paris Declaration calls for donors and partner countries to jointly assess (through existing country-level mechanisms) mutual progress in implementing agreed commitments on aid effectiveness, including commitments made under the Paris Declaration.

Indicator 12 is concerned with the specific question of whether there is a country-level mechanism for mutual assessment of progress on the partnership commitments arising from the Rome or Paris Declarations, or from local harmonisation and alignment plans. The 2010 target is for all partner countries to have in place such mechanisms.

At the time of the 2006 Baseline Survey, Mozambique had a well-developed system of mutual accountability; the system covered all aid flows from donors providing budget support. However, no accountability mechanism was in place for monitoring aid from non-budget support donors.

In 2007, the situation remained much the same. The Performance Assessment Framework (PAF), anchored on the PARPA, acts as the main tool for mutual assessment. This framework was established by the government and the Programme Aid Partners (PAPs), a group of 19 donors, as a condition of providing general budget support. As such, the formal processes connected with the Performance Assessment Framework (such as annual joint reviews and mid-year reviews) relate largely to PAPs. An annual PAP Performance Assessment Framework Scoring (conducted by independent consultants) known as the PAP PAF survey, rates PAP partners against a matrix of targets drawn primarily from the Paris Declaration. Donors not taking part in the PAP are also engaged in the PAF in various stages as it is a process that assesses the implementation of the PARPA. To advance toward the 2010 target, the government and donors should develop a more comprehensive mutual assessment framework that would engage all donors and cover all aid modalities. ■

## PROGRESS SINCE 2005 AND PRIORITIES FOR 2010

MOZAMBIQUE'S PROGRESS AGAINST THE TWELVE INDICATORS of aid effectiveness was mixed. On ownership, there has been little progress. On alignment, there was progress in five areas: improving the quality of country systems; increasing the extent of aid using these systems; improving aid predictability; reducing the number of PIUs; and untying aid. However, the amount of co-ordinated support decreased, and alignment of aid provided as budget support and through SWAPs remained much higher than for other forms of aid. On harmonisation, stronger government leadership and a clear aid policy is needed to ensure more co-ordinated missions and country analytical work. In terms of managing for results, the framework for monitoring results was strengthened and the country has in place a solid system of mutual assessment (this system still needs to be expanded to include aid that is not provided as budget support). Mozambique has already reached its 2010 target for three indicators and is on track to meet several more. However, it seems unlikely that the country will achieve all its targets unless it can reverse negative trends on some indicators. ■

**SUMMARY**  
TABLE 37.9

INDICATORS		2005 REFERENCE	2007	2010 TARGET
1	Operational development strategies	C	C	B or A
2a	Reliable public financial management (PFM) systems	3,5	3,5	4,0
2b	Reliable procurement systems	Not available	Not available	Not applicable
3	Aid flows are aligned on national priorities	83%	83%	92%
4	Strengthen capacity by co-ordinated support	38%	27%	50%
5a	Use of country PFM systems	36%	44%	57%
5b	Use of country procurement systems	38%	54%	Not applicable
6	Strengthen capacity by avoiding parallel PIUs	40	26	13
7	Aid is more predictable	70%	74%	85%
8	Aid is untied	89%	91%	More than 89%
9	Use of common arrangements or procedures	46%	46%	66%
10a	Joint missions	46%	19%	40%
10b	Joint country analytic work	63%	32%	66%
11	Results-based monitoring frameworks	C	B	B or A
12	Mutual accountability	Yes	Yes	yes

## CONTRIBUTORS

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## ACRONYMS

BdPES	Progress Report on the Economic and Social Plan
CPIA	Country Policy and Institutional Assessment
GNI	gross national income
IDA	International Development Association
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PAP	Programme Aid Partners
PARPA	Action Plan for the Reduction of Absolute Poverty (PARPA and PARPA II)
PBA	programme-based approach
PES	Economic and Social Plan
PFM	Public financial management
PIU	project implementation unit
SWAp	sector-wide approach