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2 MOZAMBIQUE

Theme: Joint assessments – emerging lessons

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Introduction

Mozambique has been a recipient of foreign aid (humanitarian aid in the early stages of its independence and then development assistance) for more than two decades with a multitude of donors, bilateral and multilateral, operating in the country. Currently, foreign aid is estimated at around 15% of the GDP, i.e. twice the sub-Saharan Africa average. In the past five years, modalities of development assistance in Mozambique have gone through two major shifts: one, the introduction of direct budget support with probably the highest number of donors aligning behind that aid modality; ongoing donor efforts to harmonise policies, procedures, and approaches to increase effectiveness of aid and reduce the burden of transaction costs on the Government of Mozambique (GoM), and efforts by government to improve ownership and overall coordination.

For the purpose of this case study, we looked at eight such governance assessments (GAs): USAID's 2005 Corruption Assessment Report, DfID's Strategic Conflict Assessment (2006) and Country Governance Analysis (2008), the EC's Methodology for the allocation of the incentive tranche (short: the 'EC Methodology'), the Joint Review of the direct budget support Performance Assessment Framework (PAF), the WB's Country Policy and Institutional Assessment, the Public Expenditure and Financial Accountability assessments (PEFA), and Millennium Challenge Corporation's (MCC) Scorecard.

The main issues covered in this case study are:

1. What have been the purposes and the effects/impacts of these governance assessments?
2. Why such a fragmented approach to assessing governance? Is there room for more harmonisation?
3. What's the role of the recipient government? Is there a case for increased government ownership?
4. Are these assessments tools an opportunity for enhancing domestic public debate and for increased government accountability to citizens?
5. Are there concerns with methodology and process? Can/should they be improved?

1. What have been the purposes and the effects/impacts of these governance assessments?

Most of the GAs looked at in this case study have no direct impact on levels of assistance, except for the WB's CPIA and the EC's Methodology. Indirectly, however, they influence donor decisions in terms of the budget support process and areas of programmatic intervention. They are also used to inform the bilateral and multilateral political and development dialogue between donors and the government of Mozambique. In the case of the EC Methodology, there are various components, including an assessment (the Governance Profile) analysing and identifying governance weaknesses and a response by Government (the Governance Action Plan) indicating how it will address the weaknesses identified.

DfID's Strategic Conflict Assessment and Country Governance Analysis aim at providing a diagnostic of the potential for conflict and of the governance situation in the country, respectively, and offer policy and programmatic directions. The findings of both reports, especially around issues of political exclusion and lack of transparency and accountability, are well reflected in the governance priorities of the new DfID Country Assistance Plan.

USAID's Corruption Assessment intended to make a diagnostic of the situation of corruption in Mozambique and offer programmatic choices for the USG. As a result of the assessment, some new programmatic avenues were considered by USAID Mozambique, but shortage of funding for democracy and governance programmes, resulting from Mozambique being

classified as a good governance performer in light of becoming eligible for Millennium Challenge Account funding, prevented these avenues from being followed.

The EC Methodology for the allocation of the incentive tranche combines an assessment process (the Governance Profile), with policy dialogue and a mechanism to determine whether a country is eligible for an incentive tranche and the level of the incentive. Mozambique received an incentive tranche as a result of this methodology, although the final score as determined by the EC's headquarters in Brussels (a 25% top up) was probably higher than the one recommended by the EC office in Mozambique.

The WB's CPIA is an assessment that goes beyond governance issues and is used to determine the IDA allocation for individual countries. It does contain a governance component, which receives extra weight in the overall score provided by the CPIA. As a result of a low governance rating in the last CPIA, Mozambique's IDA allocation decreased by 10% in 2007. In order to address the weaknesses that led to the low governance rating and increase the overall score in the next CPIA, government initiated a bilateral dialogue with the WB, setting up a special task force.

The MCC Scorecard looks at a number of performance fields, including governance, where corruption is a key component, to determine a country's eligibility for funding under the Millennium Challenge Account, either under a full-fledged "compact" or as a "threshold" country. Mozambique became MCA-eligible in 2005, despite under-performing in the "Corruption" and "Investing in People" indicators in the FY04 and FY05 scorecards, and a "compact" of \$500 million was signed for a period of 5 years in 2007. The content of the programme approved under the compact has no direct relationship to the areas of weakness identified in the scorecards, but rather reflect the result of a negotiation between government and private sector priorities and MCC's own feasibility assessment of those proposals.

The PEFA is a tool to assess the situation of a country's public expenditure and financial accountability vis-à-vis international standards and present a picture that would assist the government in designing a reform plan, although there is no direct plan of action attached to the PEFA. In Mozambique, the PEFA has the additional aim of bringing together/replacing other multilateral and bilateral diagnostic tools over time. Three PEFAs have been conducted in Mozambique with increasing government involvement and ownership. However, their impact in terms of inducing further reforms or reducing transaction costs for the government has been very limited.

The Joint Review of the PAF is a process through which GoM and nineteen budget support donors assess primarily government performance. To a lesser extent, it also allows for the assessment of donor performance against a set of objectives and principles that govern the direct budget support programme of the Programme Aid Partnership. Governance is one component of this partnership and is assessed through a set of nine indicators. The Joint Review determines whether government is on track and influences decisions for future budget support decisions. One interesting aspect of the Joint Review process is donor-to-government accountability in areas such as predictability of disbursements, on-budget commitments, and, importantly, a reduced number of assessments and studies (as these are ought to be undertaken jointly).

2. Why such a fragmented approach to assessing governance? Is there room for more harmonisation?

The GAs covered in this case study are primarily undertaken by a single donor as part of a strategic planning or programmatic requirement: a new country strategy, funds allocation, etc. Therefore they are an integral part of the donor's internal process of strategic decision-making and even foreign policy decision-making. They mostly follow individual prescriptive

methodologies and timelines. All this makes it difficult to harmonise the assessment process or cooperate in it. Most examples of cooperation or harmonisation are post-assessment, be it in the sharing of results, or in the policy dialogue with government as a result of the assessment findings. Below, there are some examples of these types of cooperation, or attempts at cooperation. It is interesting to note that some of them also have some negative impact on harmonisation.

Examples of cooperation or harmonisation efforts:

- *The PEFA (Norway, DFID, Switzerland, EC, World Bank + GoM):* The PEFA has been pointed out as an example of donor cooperation and harmonisation in Mozambique. Indeed, the PEFA is exceptional in three ways: it is jointly funded by a group of donors; has increasing government ownership; and intends to eventually replace a number of individual assessments in the same field, such as the IMF's Report on Standards and Codes (ROSC), the Country Procurement Assessment, the Public Expenditure Review, the Public Expenditure Tracking System, the Fiduciary Risk Assessment, and even the WB's CPIA, among others. In fact, over the past 7 years the only real advance has been the greater role of government. However, a debate among donors has emerged in Mozambique as a result of the IMF's desire to conduct a ROSC soon after the PEFA, and there is now a demand by bilateral donors and government that the IMF use the PEFA instead.
- *The Joint Review dialogue:* The Joint Review between the 19 direct budget support donors and the government is a good example of donors and government joining forces behind a single assessment framework (PAF) and coming to a common conclusion on the level of government performance. There are weaknesses in this process, however. The negotiated nature of the assessment waters down its quality; and the limited number of technical indicators on governance is seen as insufficient to make a solid diagnostic of the governance situation in the country.
- *The Dutch Embassy decision not to undertake a governance assessment:* The Dutch Embassy in Maputo has recently decided not to make use of a new assessment framework developed by the Dutch Government (SGACA) based on the fact that there are enough governance assessments in Mozambique of good quality that can be used for the Embassy's analysis and decision-making process.
- *The UK decision not to set up separate policy dialogue:* in the wake of the CGA, DFID refrained from undertaking a separate dialogue with GoM since it utilises the existing Joint Review Mechanism and the EU Heads of Mission dialogue.
- *The multi-step EC Methodology* is also an example of a collaborative effort in which the Commission invites the EU member states to provide inputs in various phases of its implementation. Despite this collaboration, the Methodology with its Governance Profile is very much an EC tool and does not prevent member states from undertaking their individual assessments. One EU member state felt that member states are not given enough time to comment on the draft Governance Profile. The assessment feeds into the EU dialogue with the government, which is a good example of harmonisation of analysis, position and message. However, some donors feel that the collective EU dialogue process forces those more critical of the government's performance to tone down their positions. The fact that the EU conducts a dialogue process in parallel with the direct budget support dialogue is also questioned.
- *The Governance Platform attempt at a single Governance Assessment:* The Governance Platform is a donor dialogue forum at technical level on governance issues. In 2006 it suggested that all donors developing new country strategies at that time join forces and conduct a single governance assessment. This suggestion was, however, overruled by the HoMs of some countries who felt uncomfortable in subscribing to a potential negative picture of such joint assessment of the state of governance in Mozambique.

Examples and consequences of non-cooperation

The case of the Dutch Embassy, above, is the only example of a donor giving up its “right” to conduct an assessment in order to use existing documents. So, almost all donors pursue their own GAs. There are some specific cases where non-cooperation can have a negative impact on dialogue, send mixed signals and increase transaction costs.

- As a result of the drop in the WB’s CPIA rating of Mozambique the government and the WB initiated a bilateral dialogue process to assist the government in addressing the governance weaknesses identified in the CPIA and to bring the rating up again. However, the WB is also part of the wider budget support dialogue process. Still it conducted this separate dialogue. Some bilateral donors feel that the ‘money factor’ is the only reason the government is so concerned to respond to the CPIA findings. They note that government is “dragging its feet” in other discussions forums and note that the issues highlighted in the CPIA are the same ones that are on the dialogue table of the joint budget support partnership (that also includes the WB).
- The EC’s Methodology requires from government to respond to the identified weaknesses on governance (as highlighted in the Governance Profile) with a Governance Action Plan to summarises the commitments of government to address these weaknesses. As with the CPIA, these weaknesses are bound to be similar to the ones already identified in other individual or collective assessments which are already being dealt with through other plans of action, such as the PSRP and the PAF. An additional action plan does not contribute to improved performance, but adds to the transaction costs for the government.
- The decision by the EC to allocate a third level incentive tranche (the fourth level is the highest incentive) to the Mozambican Government as a result of the relative high quality of its commitments on governance at the same time that the World Bank decreased Mozambique’s IDA allocation due to bad performance in governance sends mixed signals to the government and points clearly to the fact that there is a problem with this multitude of assessments and assessment methodologies.

3. What’s the role of the recipient government? Is there a case for increased government ownership?

There have been different degrees of government involvement in the assessments examined in this case study. They can be divided in five categories:

- No involvement: The MCC scorecard
- Receiving findings for comments before assessments are made public: USAID; DfID
- Providing information and feedback in the drafting process: EC; WB
- Conducting a joint assessment: the Joint Review
- Conducting an assessment with donor funding: PEFA

Regardless of whether individual assessments have an impact on assistance levels, the government is generally concerned with their findings, as any major negative assessment impacts the government’s and the country’s international and domestic reputation and image. The government is also concerned that negative governance assessments may lead to decreased levels of assistance, as was the case with the CPIA.

In the cases where government receives the assessment report in the final draft stage for comments before it is released, government usually refrains from offering substantive comments because it feels it was not consulted from the beginning. Government is more willing to provide comments and to respond to requests for information when dealing with assessments that will have a direct impact on assistance levels, such as the CPIA and the

EC's incentive tranche methodology. It thus seeks to influence positively the assessment findings and ratings.

In the case of PEFA, the government has taken increased control over the process, induced by donors in that direction. However, it is only recently that government started to take more ownership of the produced information, and has developed ideas to undertake provincial and district-level PEFAs. Increased government ownership and involvement will lead to greater access to government processes and information, thus improving mutual trust and dialogue. The downside, however, is that it will create more opportunities for the government to try to influence the outcome of the assessments, somewhat compromising their objectivity and quality.

Besides the PEFA, another donor-funded and government-implemented governance assessment was the 2005 Governance and Corruption Survey. It has been undertaken as part of GoM commitment to public sector reform, and is also one of the PAF indicators. It was felt that Government played electoral politics with the survey report, delaying its release until after the general election of 2004, and tried to filter some of the most sensitive findings. The same government attitude manifests itself in the Joint Review process.

4. Are these assessments tools an opportunity for enhancing domestic public debate and increased government accountability to citizens?

Most assessments are used for government-to-donor accountability – more directly when they have action plans attached to them, and less directly when they are used for the political and development dialogue. But, so far, they have not been a tool of domestic accountability either between government and parliament, or between government and citizens through civil society and the media. There is strong criticism of the lack of GoM accountability to its citizens and disproportionate accountability efforts towards donors. Governance assessments can and should be used to foster increased public debate in Mozambique on key governance challenges and thus promote greater domestic accountability.

The first step towards making governance assessments tools of domestic accountability is to make them public and actively promote their use for public debate, involving parliament and civil society. Currently, the results of these assessments are public, but there has been no dissemination effort with the exception of the USAID Corruption Assessment. The WB, for instance, does not make the content of its CPIA publicly available – it only shares the final rating. The same applies to the MCC scorecard. The DfID CGA and the PEFA are public documents available on the internet, and there is a plan to have the latest PEFA debated in workshops with government and civil society. The EC is thinking of making its Governance Profile known to the larger public for the first time this year.

Some donors argue for a more active public use of these assessments, although they caution that such publicity may affect the bilateral and multilateral dialogue negatively, as Government may be less inclined to discuss the weaknesses raised in the assessments if they are aired publicly. For Government, sensitive reports should be disseminated after a discussion between donors and GoM and only in a “sanitised” form. For instance, the USAID corruption report caused a great deal of public debate, but did not contribute to a deeper dialogue with government on corruption matters – government decided to largely ignore the report's existence and its findings.

5. Are there concerns with methodology and process? Can/should they be improved?

Some donors expressed concerns with their methodologies and the process used to conduct their assessments. One major concern is the phenomenon of the “beast feeding itself”, i.e. the cross-quotation of reports, which, it is felt, may reduce the quality of the findings. Some of the officers in charge of the assessments would like to see more room for “triangulation” with other sources, to provide better checks-and-balances regarding the information available in the written sources.

Other officers would like to see guidelines and methodologies that ensure less subjectivity in the manner the information is collected and reports written, and also advocate greater public scrutiny of the contents of the reports before they are published.

Another concern, and a more sensitive one, expressed by one officer is related to the use of the findings, especially those more critical of the state of governance in Mozambique, such as high levels of corruption and lack of action against it, increasing exclusion of political opponents, reduced space for dissent and criticism in the political arena: “are donors prepared to play hard-ball on these issues and should they?”.

Annex 1 – List of Interviews

Jane Rintoul – Governance Advisor, DfID Mozambique

Pedro Oliveira – First Secretary, EC Delegation, Mozambique

Antonio Nucifora – Economist, World Bank Office, Mozambique

Telma Loforte – Economist, Swiss Development Cooperation, Mozambique

Marc de Tollenaere – Head of Governance, Swiss Development Cooperation, Mozambique, and Chair, Governance Platform

Arlete Matola Sando – Head, Studies Department, President’s Office, Mozambique

Loes Lammerts – Head of Governance Programmes, Dutch Embassy, Mozambique