



Joint Venture on Managing for Development Results

**Mutual Accountability at the Country Level
Mozambique Country Case Study
– Draft –**

Mutual Accountability at the Country Level

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DRAFT

The views presented in this paper are those of the authors and do not necessarily represent the views of the funding donors or the Joint Venture on MfDR

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Acknowledgements

This study has been commissioned by Germany on behalf of the Task Team on Mutual Accountability of the OECD-DAC Joint Venture on Managing for Development Results with funding from UK and Germany.¹ The work has been coordinated with the complementary review on mutual accountability at the international level being commissioned by the UK. This case study was only possible because of support provided by present and former officials from government, civil society and donor agencies in Mozambique in the form of interviews, supporting documentation and comments on early drafts. Special thanks go to the German Embassy and Ute Heinbuch in particular for helping to coordinate the visit. Errors and omissions are of course the author's responsibility.

¹ The Task Team was co-chaired by Germany and the United Kingdom. Further members of the Task Team were: Austria, the DAC Secretariat, Ireland, the Netherlands, Spain, Sweden and the United States.

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List of Acronyms

AfDB	African Development Bank
ADE	Apoio Directo às Escolas (Direct Support to Schools)
AFRODAD	African Network on Debt and Development
AN	<i>Assembleia Nacional</i> (National Assembly [Mozambican parliament])
ANFP	<i>Autoridade Nacional da Função Pública</i> (National Authority for Public Functions)
APR	Annual Progress Report [on PRS implementation progress]
BdM	<i>Banco de Moçambique</i> (Central Bank of Mozambique)
BdPES	<i>Balanço do Plano Económico e Social</i> (Review of the Economic and Social Plan)
CdM	<i>Conselho de Ministros</i> (Council of Ministers)
CFMP	<i>Cenário Fiscal de Médio Prazo</i> (Medium-Term Fiscal Framework)
CGE	<i>Conta Geral do Estado</i> (General State Account [GdM annual accounts])
CRESCER	<i>Cursos de Reforço Escolar: Sistemáticos, Contínuos, Experimentais e Reflexivos</i> (National System for Continuous Professional Development)
CUT	<i>Conta Única do Tesouro</i> (Single Treasury Account)
DELMOZ	Delegation of the European Commission in Mozambique
DfID	Department for International Development
DNCP	<i>Direcção Nacional da Contabilidade Pública</i> (National Directorate of Public Accounts within the Ministry of Finance)
DNP	<i>Direcção Nacional da Planificação</i>
DPG	Development Partners Group
EC	European Commission
EFA	Education for All
E-PAF	Education Sector Performance Assessment Framework
EP1	<i>Ensino Primário 1</i> (Primary Teaching 1 [officially for children aged 6 to 10 years])
e-SISTAFE	e-Sistema de Administração Financeira do Estado (Online/electronic State Financial Administration System)
EU	European Union
EURODAD	European Network on Debt and Development
FASE	Fundo de Apoio Sectorial à Educação (Education Sector Support Fund)
FRELIMO	Frente de Libertação de Moçambique (Mozambique Liberation Front)
FTI	Fast Track Initiative
G-19	Group of 19 (group of General Budget Support donors)
GBS	General Budget Support
GdM	<i>Governo de Moçambique</i> (Government of Mozambique)
GER	Gross Enrollment Ratio
GFATM	Global Fund to Fight Aids, Tuberculosis and Malaria
HDI	Human Development Index
HIV	Human Immunodeficiency Virus
HoC	Head of Cooperation
HoM	Head of Mission
IAF	<i>Inquérito aos Agregados Familiares</i> (Household Income and Expenditure Survey)
IFPRI	International Food Policy Research Institute
IFTRAB	<i>Inquérito Integrado à Força de Trabalho</i> (Labour Force Survey)
IMF	International Monetary Fund
INE	<i>Instituto Nacional de Estatísticas</i> (National Institute of Statistics)
INGO	International Non-Governmental Organisation
M&E	Monitoring and Evaluation
MA	Mutual Accountability
MdF	<i>Ministério das Finanças</i> (Ministry of Finance)
MEC	<i>Ministério da Educação e Cultura</i> (Ministry of Education and Culture)
MfDR	Management for Development Results

MINEC	<i>Ministério de Negocios Estrangeiros e Cooperação</i> (Ministry of Foreign Affairs and Cooperation)
MISAU	<i>Ministério da Saude</i> (Ministry of Health)
MoU	Memorandum of Understanding (<i>Memorando de Entendimento</i>)
MPD	<i>Ministério da Planificação e Desenvolvimento</i> (Ministry of Planning and Development)
MPF	<i>Ministério de Plano e Finanças</i> (Ministry of Planning and Finance, until 2005)
MTHF	Medium-Term Fiscal Framework
NAO	National Audit Office (United Kingdom)
NER	Net Enrollment Ratio
NGO	Non-Governmental Organisation
ODA	Overseas Development Assistance
ODAMOZ	Overseas Development Assistance (Database) for Mozambique
ODI	Overseas Development Institute
OE	<i>Orçamento do Estado</i> (State Budget)
PAF	Performance Assessment Framework
PAP	Programme Aid Partners (group of General Budget Support donors)
PAPs' PAF	Programme Aid Partners' Performance Assessment Framework
PARPA	Plano de Acção para a Redução da Pobreza Absoluta (Action Plan for the Reduction of Absolute Poverty)
PBA	Programme Based Approach
PEEC	<i>Plano Estratégico de Educação E Cultura</i> (Strategic Plan for Education and Culture)
PES	<i>Plano Económico e Social</i> (Economic and Social Plan)
PQG	<i>Programa Quinquenal do Governo</i> (Government Five-Year Programme)
PROSAUDE	<i>Fundo Comum de Apoio ao Sector da Saúde</i> (Common Fund in Support of the Health Sector))
QAD	<i>Quadro de Avaliação do Desempenho</i> (Performance Assessment Framework)
QUIBB	<i>Questionário de Indicadores Básicos de Bem-Estar</i> (Core Welfare Indicators Questionnaire)
RAI	Relatório de Avaliação de Impacto
RENAMO	Resistencia Nacional Moçambicana (Mozambican National Resistance)
REOE	<i>Relatório de Execução do Orçamento do Estado</i> (State Budget Execution Report)
RT3	3 rd Round Table [on Management for Development Results]
SBS	Sector Budget Support
SISTAFE	<i>Sistema de Administração Financeira do Estado</i> (State Financial Administration System)
SNAO	Swedish National Audit Office (<i>Riksrevisionen</i>)
SWAp	Sector Wide Approach
TA	<i>Tribunal Administrativo</i> (Administrative Tribunal [judicial body responsible for external audit of GdM])
UN	United Nations
UNDP	United Nations Development Programme
US	United States
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

1. The Paris Declaration (PD) commits both donors and partners to hold one another accountable for development results and jointly assess progress in achieving commitments on aid effectiveness. It also articulates pre-requisite conditions for MA – partner countries strengthening the involvement of parliament and other stakeholders, and donors providing information on aid flows to enable accurate budget reporting to parliament and citizens.

2. This case study examines how the mutual accountability process operates in Mozambique. In particular, it looks at MA as a dynamic process which evolves over time. This repeated interaction between the parties has important implications for the sorts of processes that can be sustained within the confines of voluntary agreements. The MA process comprises multiple parties and commitments, which means there are also lines of accountability which run in differing directions. Thus, the MA process as a whole is unlikely to be found in any single mechanism. Rather, it is the sum of a number of constituent parts. The discussion therefore covers a number of different MA mechanisms, focusing on those that are most inclusive.

3. The MA mechanisms that function best are based around high quality dialogue, i.e. serious action-oriented discussion in a context of mutual trust. This is best developed in areas where donors and GdM have more congruent agendas such as in education or in PFM reform: disagreements here tend to be over the required pace of change rather than the policies themselves and dialogue often becomes a joint problem solving exercise. In these contexts, monitoring and review uses indicators to inform a broader perspective about the overall trajectory of change rather than becoming too narrowly focused on the assessment of particular indicators or disbursement triggers at particular times or on questions of process such as audits.

4. The mutual accountability process should not detract from domestic accountability processes and can at its best reinforce them. Where donors unify their external accountability requirements and align them with lines of domestic accountability (in particular to parliament), the domestic accountability agenda can be strengthened. Where there are separate lines of accountability, this combines with the limited capacity within GdM, increase in reporting requirements and limited scope for parliamentary scrutiny of GdM to undermine domestic accountability relationships. This alignment is also important for generating a common set of agreed targets in order to improve the results focus of public policy. The increasing use of government systems by donors (i.e. the aid on-budget agenda) and the concurrent strengthening of the GdM PFM system are also fundamental to this alignment of accountabilities.

5. The number of parties potentially involved in the MA process is enormous with limited sanctions for non-compliance, creating a severe collective action problem. While the Paris Declaration portrays mutual accountability as a process between two main parties – the donors and the partner country government – in Mozambique there are multiple parties. On the partner country side, GdM is not a single actor, with aid coordination spread across multiple organisations and sectoral ministries, as well as multiple levels (political/technical, central/provincial/district). On the donor side, there are numerous multilateral, regional and bilateral (national and sub-national) donors, vertical funds, foundations, INGOs and NGOs delivering aid in Mozambique also operating on the same multiple levels. In the absence of strong GdM leadership, it was only through forming a club of like-minded donors that the PAPs were able to establish practices such as individual donor monitoring. The key challenge now is to broaden involvement both within GdM and amongst non-GBS donors.

6. While aid effectiveness can progress substantially at a technical level, strong and concerted political support is crucial to sustaining robust aid effectiveness practices. Without strong political leadership this progress remains fragile. For example, probably the most successful sector in terms of both results and donor coordination around a common set of priorities and funding

arrangements (including observance of the national procurement law) in recent years has been the education sector. Yet despite this tight alignment and strong track record, without strong political protection it has not been possible to prevent backward steps in the Common Fund donors' use of country systems as a result of pressure to harmonise with FTI vertical funding. This example – and recent experience of high unpredictability with the GFATM in the health sector – also suggests that the costs of harmonising some aid channels with sector level MA mechanisms such as Common Funds are simply too high in terms of the damage done to collective arrangements.

7. Any reforms will need to take into account the limited political appetite and scarce personnel at technical level for government leadership of the aid effectiveness agenda. It is also important to recognise the constraints faced by donors, both in the form of intra-agency policy and operational rigidities and a huge inter-agency collective action problem. Third, organisations representing civil society are also subject to many of the constraints that affect government, both in terms of capacity and politics. However, the present stock-taking exercise underway prompted by the redrafting of the GBS MoU and the signs of stronger interest in aid management from GdM – most notably in the drafting of a Cooperation Policy – provides an opportunity to address some of the weaknesses in the present arrangements with regard to mutual accountability, wherever possible building upon practices that have already been shown to work well.

8. Donors should seek to consolidate their external accountability requirements, to align them with domestic accountability processes and to make them less onerous. The present situation, whereby GdM has separate plans for separate accountability audiences seems almost designed to weaken both domestic accountability and the coherence of government's results focus. An obvious gain here would be for GdM to follow through on its pledge to merge the next PARPA into the PQG and develop it through a considerably less onerous process. A streamlining of annual instruments (in particular the Joint and Mid-Year Reviews) would also be welcome.

9. Setting aside political incentives, the sheer number of aid agencies operating in Mozambique makes holding them to account with GdM's limited capacity very difficult. GdM capacity remains very limited and donors continue to place strong demands on the same few staff within the central agencies and sector ministries to account for aid and to demonstrate results (particularly at sectoral level). This leaves little room for a considered effort from GdM to hold donors to account, and less time to dedicate to domestic accountability through the National Assembly.

10. The aid effectiveness agenda should be sufficiently flexible to include any willing donor and to actively to co-opt those at the margins. The domestic aid effectiveness agenda could incorporate more of the non-GBS donors, for example by expanding the coverage of some of the annually assessed PAPs PAF indicators to cover all willing donors. This might also involve the drafting of a Code of Conduct which any organisation seeking to provide external assistance in Mozambique could sign up to.

11. There is also an opportunity to build in a stronger role for government leadership. The GdM should be empowered to lead any new joint GdM – donor forum and to lead the development and roll-out of a Code of Conduct should it be developed. However, donors should also be careful to take into account the fact that GdM comprises multiple organisations with aid management functions, many of whose de facto mandates will probably continue to overlap despite the recent exercise to clarify roles. The implications of strengthening one part of the executive vis-à-vis another should therefore be carefully considered

12. The PAPs PAF should be more specifically tailored to individual agencies. While overall targets remain important, they are not able to capture progress made by individual agencies that remain consistently below these thresholds. With a view to encouraging progress at the margins, the PAPs might consider introducing agreed trajectories of change accompanied by specific time-bound actions for individual agencies.

13. The aid on budget exercise should continue both within and without the PAPs group to deepen donors' use of national systems. There should also be a careful consideration of what aid to government should *not* be on budget. Not all aid to government is under GdM's management control (e.g. certain forms of technical assistance) and this should either be excluded or at least a distinction between aid to government that is managed by GdM and that which is not should be introduced. There should also be clearer guidelines regarding when to submit externally funded projects for inclusion in the budget to avoid a repeat of the low execution rates seen in 2007 which were in part caused by the inclusion of externally funded projects without signed agreements.

14. The ODAMOZ database can play an increasingly important role in supporting government planning and budgeting. Proposed measures such as the introduction of consistency checks and a stronger link to the GdM's budget classification and budget execution are particularly welcome. Perhaps more importantly, if it becomes increasingly adopted as an official tool for communicating donor commitments to GdM it would both reduce transactions costs and increase the seriousness with which donor agencies take timely and high quality data entry. One gap ODAMOZ should not fill is the reporting of execution of externally financed projects. ODAMOZ does not substitute for domestic lines of financial accountability for external funds (i.e. through budget holders).

15. Civil society groups could take better advantage of the space afforded by the Development Observatory. This should include continuing the recent practice of focusing analysis and actionable recommendations more directly on government planning and monitoring instruments. However, changes to the DO mechanism will not alter the more fundamental issue of underlying power relations. This effort should therefore include development of a representative structure that better reflects the composition of civil society, a concerted effort to strengthen the watchdog and advocacy capacity of domestic NGOs, and the consideration of how best to ensure the continued political independence of the DO.

16. GdM should continue to strengthen the links between its various medium-term and annual planning, budgeting and monitoring instruments (in particular, the PES and Strategic Matrix, State Budget, and CFMP). A particularly promising reform effort underway is the introduction of a programmatic classification into the budget. This could potentially help to improve the informational content of the budget (which is low at present) and to strengthen the link between policy, resource allocation and results over the medium-term. This need not be a very expensive, onerous and technocratic exercise. At its heart this would be a fundamentally political reform and would therefore require buy-in by ministers as much as expert technical advice.

1 INTRODUCTION

This country case study forms part of a broader work stream on mutual accountability (MA) at the country level led by the Overseas Development Institute (ODI) between February and May 2008. The work was commissioned by the Task Team on Mutual Accountability of the OECD-DAC Joint Venture on Managing for Development Results as part of the preparatory process for the Accra High Level Forum on Aid Effectiveness. Two work-streams are being carried out to address this under the Joint Venture Managing for Development Results (MfDR) of the DAC Working Party on Aid Effectiveness. The first work-stream focuses on MA at the international level and is reported on separately². This report is a product of the second work-stream on MA at country level.

17. The work stream aims to address the following research questions:

- How is MA most usefully understood in aid relationships at the country level, and what are its key political and technical dimensions?
- What are the main mechanisms of MA currently in use at the country level, their key characteristics and modus operandi?
- How do these mechanisms contribute to the achievement of better development results?
- What enabling conditions and critical success factors are necessary to maximise the contribution of MA to development results?

18. Background research during the inception phase highlighted three important contextual factors, which formed the basis of a common approach by the country case study authors:

- The **Paris Declaration** (PD) commits both donors and partners to hold one another accountable for development results and jointly assess progress in achieving commitments on aid effectiveness. It also articulates pre-requisite conditions for MA – partner countries strengthening the involvement of parliament and other stakeholders, and donors providing information on aid flows to enable accurate budget reporting to parliament and citizens.
- Accountability is commonly understood to require both **information** to hold power-holders answerable, and **incentives** (some form of rewards and sanctions) to encourage compliance. Unlike representative and principal-agent models, the PD is a **collaborative** model of accountability that binds both parties to shared commitments on a voluntary basis.
- MA at country level can be usefully thought of as an **iterative process** in which different and heterogeneous actors agree to collaborate around (a) generating a shared agenda of common interests (b) monitoring and reviewing progress, and (c) engaging in debate, dialogue and negotiation aimed at securing the behaviour change necessary for delivering results. Of course, while this provides a useful analytical framework through which to examine the MA process, in practice these stages are often interwoven in a way that makes creating a clear cut distinction between the three very difficult.

19. This case study examines how the mutual accountability process is understood and operates in Mozambique. In particular, it looks at MA as a dynamic process which evolves (for better or worse) over time. This repeated interaction between the parties has important implications for the sorts of processes that can be sustained within the confines of voluntary agreements. The MA process comprises multiple parties and commitments, which means there are also lines of accountability which run in differing directions. Thus, the MA process as a whole is unlikely to be found in any single mechanism. Rather, it is the sum of a number of constituent parts. The discussion therefore covers a number of different MA mechanisms.

² Droop, J. and Eisenmann, P. (2008) 'MA at the International Level – Review of Existing Mechanisms.' Joint Venture on Managing for Development Results

20. Mozambique is often singled out as an example of 'good practice' in progress towards developing a mutual accountability process. It was identified in one recent study as having progressed furthest in implementing a mutual accountability system of the seven surveyed countries (EURODAD, 2008).³ Mozambique's MA arrangements are also frequently cited in international fora, such as the recent Third International Roundtable on Managing for Development Results, which focused on mutual accountability and identified Mozambique's donor performance assessment mechanism as successful in generating pressure for improvements in donor alignment, predictability and conditionality (RT3 MfDR, 2007). A recent High-Level Symposium of the United Nations Development Cooperation Forum also cited the Mozambican case (see Castel-Branco, 2007).

21. A number of factors mean that this is a particularly apposite moment to be studying MA in Mozambique. First, it is now four years since the GdM and donors providing GBS in Mozambique, known as the Programme Aid Partners (PAPs), both signed the Memorandum of Understanding (MoU) governing the provision of GBS, there have now been four consecutive reviews of GBS donor performance in the form of the PAPs' Performance Assessment Framework (PAPs' PAF). The MoU is set to expire in 2009 and the consultation process for the drafting of a successor document is well underway. Second, the GdM is taking a more active role in the aid relationship and is presently finalising a draft Cooperation Policy. It is also in the process of deciding whether to produce a third PRSP (known by its Portuguese acronym as PARPA), or to merge the exercise with the constitutionally mandated Five-Year Programme (PQG). Third, this is an important year for domestic accountability processes, with the 3rd national elections will be held in December 2008.

22. The case study field work was conducted from Monday 5th to Friday 16th of May and involved interviews with government officials, donor agency representatives, members of civil society groups, consultants and researchers. The interviews were complemented by the collation of key secondary literature. The report is structured as follows: Section 2 briefly sets out the country context, covering some key political and development trends and reviewing the national-level aid architecture; Section 3 examines the different mutual accountability mechanisms in Mozambique, asking how GdM, donors and other stakeholders are able to generate shared agendas, monitor and review performance and undertake dialogue, negotiation and debate on the results; Section 5 summarises some of the results these mechanisms have realised and; Section 6 draws conclusions and policy implications.

³ The other six case study countries were Cambodia, Honduras, Mali, Nicaragua, Niger and Sierra Leone.

2 COUNTRY CONTEXT

23. A number of documents set out the key political and socio-economic developments in Mozambique since the end of the civil war and the signing of the peace accords in 1992. See for example Dupraz et al. (2006: Ch. 2). There are however a number of key points that emerge from a review of country context that should be borne in mind when analysing existing systems and processes in Mozambique.

24. Mozambique is emerging from very high levels of poverty (ranked as the poorest country in the world on the HDI in 1992) and near total economic and state collapse following the end of 16 years of armed conflict in 1992 (see Newitt (2002) for an overview of this period). Since the signing of the peace accords that year, many indicators indicate a rapid and sustained trajectory of improvement, particularly those that relate to the health of the economy and the extent of the provision of public services, most notably education (see Figure 2 below). Thus, while many areas look from a static, comparative perspective to be poor and underperforming, it is important to take into account the initial levels and subsequent trends in assessing performance. In this light there have been sustained and impressive improvements, although important variations remain between income groups, regions, and urban and rural areas (World Bank, 2008; Dupraz et al., 2006). Three successive rounds of general and presidential elections have now been held (in 1994, 1999 and 2004), with FRELIMO having won both presidential and parliamentary majorities and RENAMO leading an electoral union of opposition parties.

25. While household surveys of consumption levels in Mozambique (upon which assessments of poverty levels are based) are regarded as being of a relatively high quality by international standards, only two such nationwide surveys have been completed to date (GdM et al., 1998; GdM and IFPRI, 2004). A third survey was conducted in end 2007 for which the data is currently being validated. These household surveys were complemented by two “light touch” Core Welfare Indicator Questionnaire (CWIQ, known as QUIBB in Portuguese), which produce relatively accurate predicted national poverty levels. The information that has been provided by these surveys indicates that the percentage of the population below the poverty line (the poverty headcount ratio) has declined significantly since the mid-1990s (see Table 1).

Table 1: Official Poverty Headcount Data

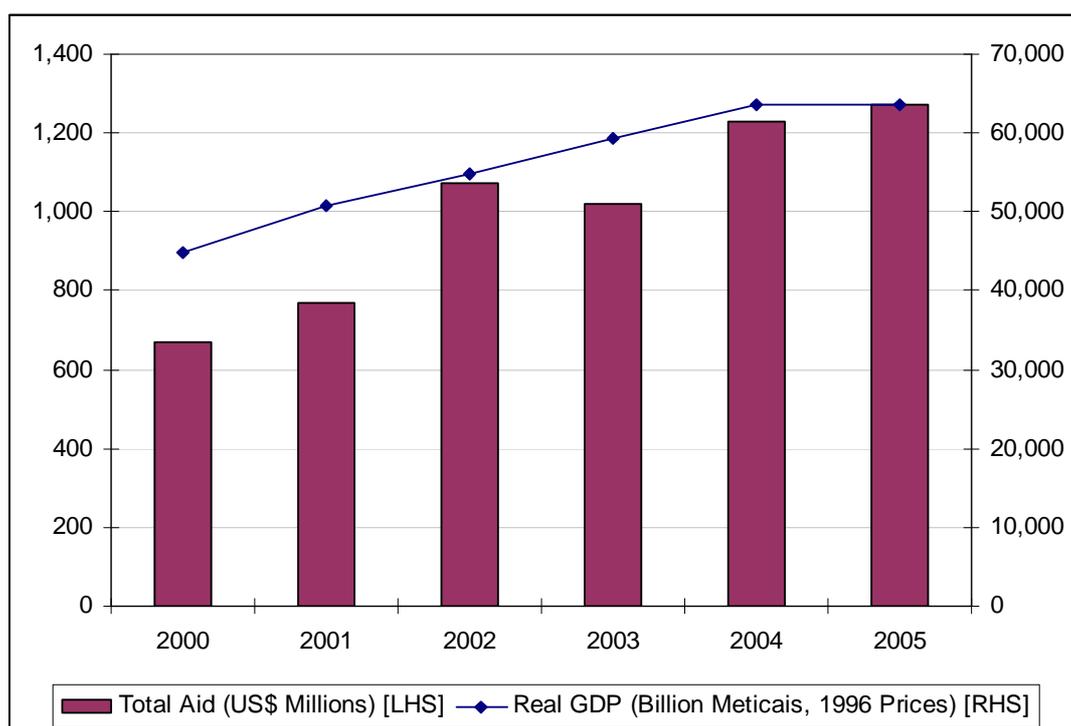
	IAF 1996/97	QUIBB 2000/01	IAF 2002/03	IFTRAB QUIBB 2004/05
Predicted Headcount (%)	65.5	60.7	55.0	50.5
Observed Headcount (%)	69.4	n/a	54.1	n/a

Sources: GdM et al. 1998 & 2004; Simler et al. 2004; Mathiassen & Øvensen 2006. Cited in Dupraz et al. (2006).

26. The transition to peace and the development of a nascent democracy has been accompanied by the progressive adoption of a liberal free market economic model, replacing the socialist planning approach that had been introduced by FRELIMO after independence. These changes have also led to the entry of substantial inflows of external assistance as donors have sought to support the new national development model.

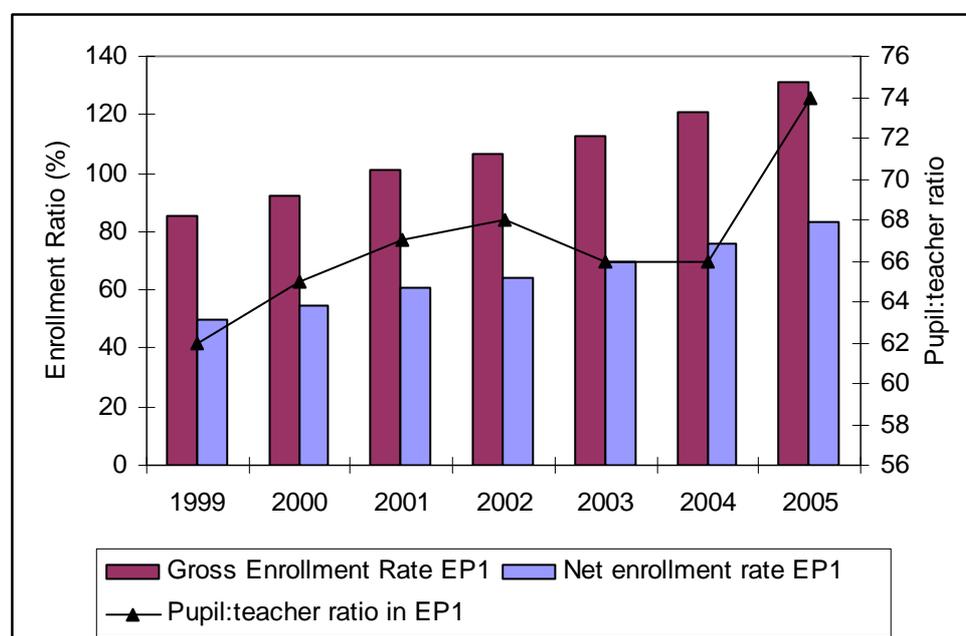
Figure 1 below illustrates the rise in both total aid flows and in real GDP over the period 2000 – 2005 while Figure 2 illustrates some of the results realised in the expansion of access to early primary education (EP1) in recent years, albeit with declining educational quality as proxied by the pupil:teacher ratio (see Dupraz et al. (2006) and World Bank (2008) for a more detailed analysis of education sector results).

Figure 1: Aid Volumes and Real GDP, 2000 - 2005



Source: OECD – DAC Online database and INE.

Figure 2: Results Case Study: Quantity and Quality of Early Primary Education (EP1), 1999 - 2005⁴

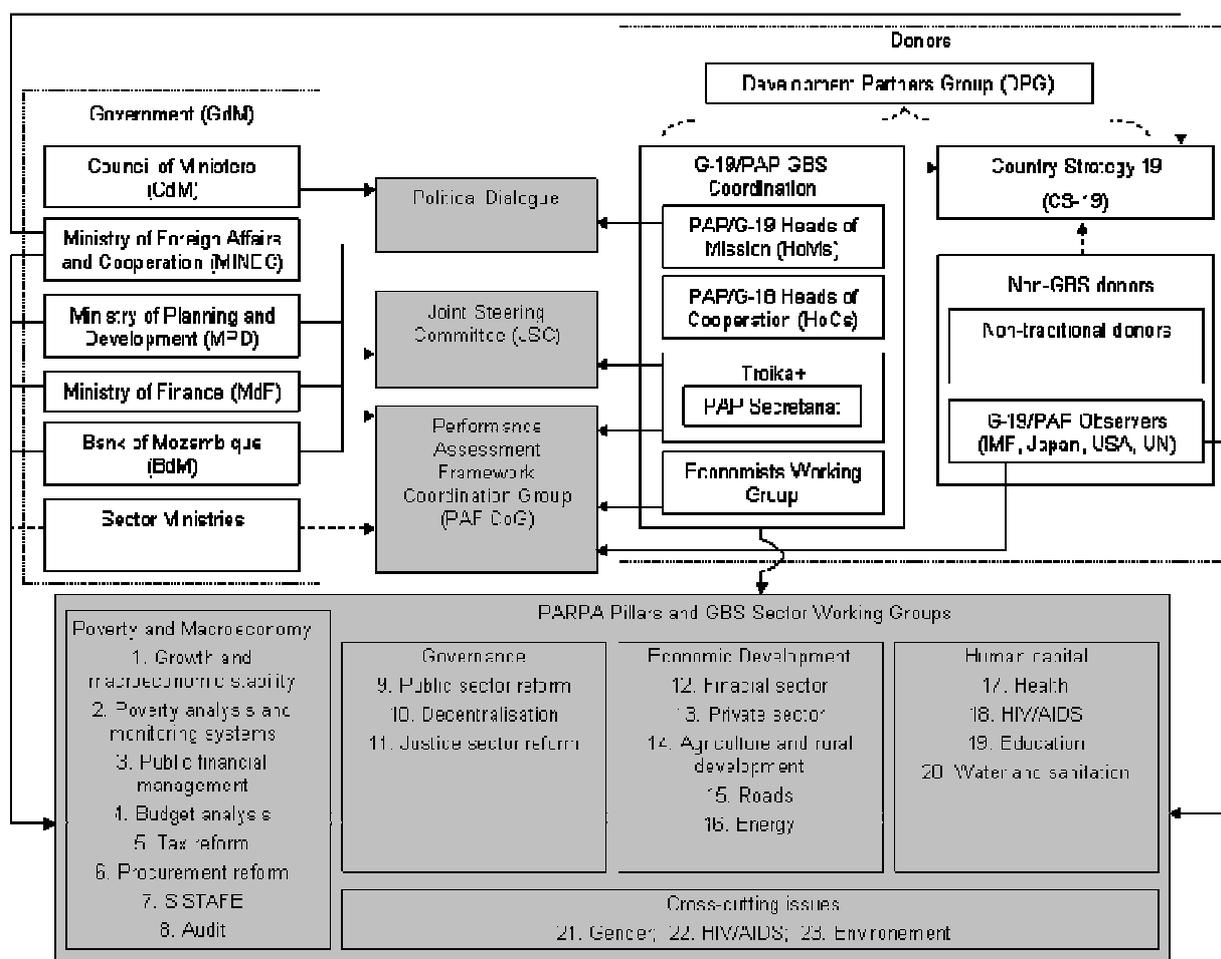


Source: MEC database (cited in Dupraz et al., 2006).

⁴ In Mozambique's General Education System, EP1 (*Ensino Primário 1*) is officially for children aged 6 to 10 years. The Gross Enrolment Ratio (GER) is calculated as the ratio of all children enrolled in a given education level (without age restrictions) compared with all children in the age range formally corresponding to that education level and the Net Enrolment Ratio (NER) is calculated as the ratio of all children in a given education level who are of the right age for that level compared with all children in the age range formally corresponding to that education level.

27. As indicated, the national mutual accountability process has many different elements and it is important to review the overall aid architecture at the national level in order to better understand these. At present there is no all-encompassing group or agreement that brings GdM together with all donors operating in Mozambique: Figure 3 provides an overview of current aid coordination arrangements. See also Batley et al. (2006) for a review of the development of aid coordination efforts since the end of the civil war.

Figure 3: Overview of GdM – Donor Aid Coordination



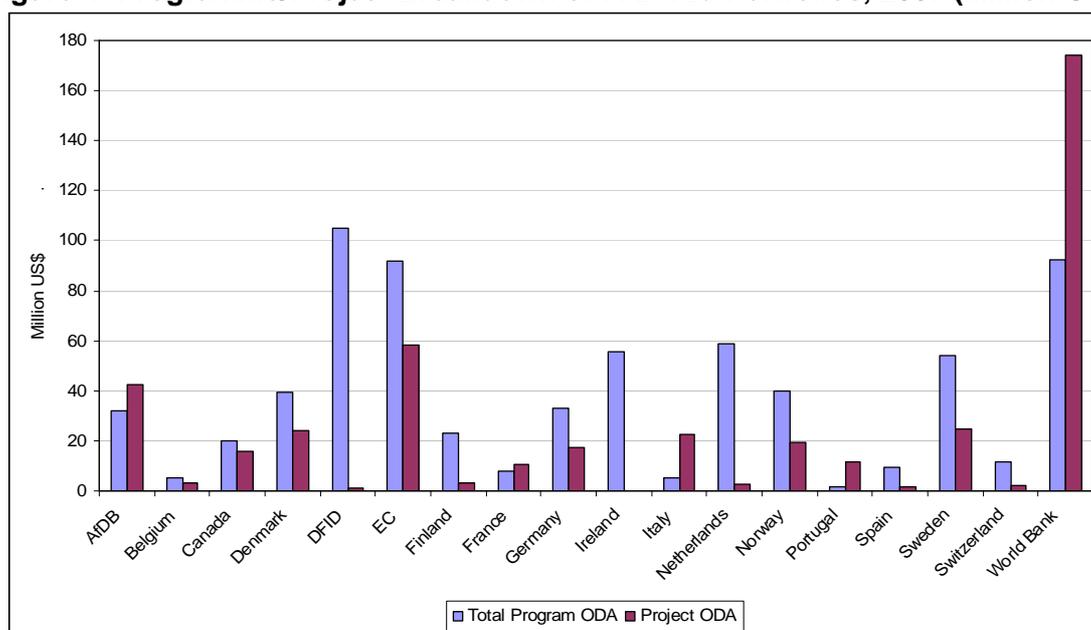
Note: Joint GdM and donor groups are shaded in grey. Dotted lines indicate partial participation.
 Source: Developed by author from slides originally provided by Heather Cameron of CIDA.

28. Within GdM, aid management is spread across a number of different ministries. The key central agencies for government-wide coordination are the Ministry of Planning and Development (MPD), the Ministry of Finance (MdF) – these two were joined as the Ministry of Planning and Finance (MPF) until their separation 2005 – the Ministry of Foreign Affairs and Cooperation (MINEC) and the Bank of Mozambique (BdM), while the larger sector line ministries and many of their departments have also developed very strong bilateral relationships with donors. The different ministries have different approaches to the aid relationship: MINEC officials tend to regard it as primarily diplomatic, while MPD and MdF officials are more likely to emphasise the implications for planning and budgeting. Aid coordination officials from the central agencies come together on a monthly basis to meet with GBS donors in the Joint Steering Committee (JSC), discussed below. More recently, the JSC has started to hold internal preparatory meetings to coordinate GdM’s position before engaging with donors.

29. Amongst the donors, there is an all donor forum, the Development Partners Group (DPG), which meets on a monthly basis and is jointly chaired by the UN Resident Representative and World Bank. The DPG does not however have formal terms of reference, nor does it deal with substantive policy issues: it is primarily a forum for information sharing at present, although some key issues have been included for the discussion in the past year (the upcoming elections, food crisis, etc). The limited role of the DPG is explained in part by the emergence of the institutions that have grown up around the General Budget Support (GBS) process and come to dominate aid coordination in Mozambique (see Killick et al., 2005: pp. 53 – 54). It has proved far easier to build consensus amongst this smaller more like-minded group: the very different interests of the countries represented in the DPG and their differing commitments to harmonising and aligning their aid.

30. The GBS donors are known as the Group of 19 (G-19) or Programme Aid Partners (PAPs). The content of GBS process itself is largely codified in a Memorandum of Understanding (MoU) for the provision of Direct Budget and Balance of Payments Support signed by GdM and the PAPs in April 2004 to cover the period through until April 2009.⁵ The process is coordinated amongst the PAPs by a Troika+ of three elected donors, the chairing of which rotates on an annual basis, together with permanent representation from the European Commission (EC) and the World Bank (the “plus” in Troika+).⁶ GdM meets on a monthly basis with the Troika+ in the Joint Steering Committee (JSC).

Figure 4: Programme/Project Breakdown of PAP Aid Portfolios, 2007 (Million US\$)



Source: Castel-Branco et al. (2008).

31. In terms of the overall composition of PAP aid portfolios, GBS has not yet overtaken project financing as the dominant modality. The PAPs disbursed US\$1,120 million in ODA to GdM in 2007, of which 36.0% was provided in the form of GBS. Programme ODA (which includes programme-based sector support and pooled technical assistance together with GBS) accounted for 61% of total ODA, while project ODA accounted for the remaining 39% of PAP aid to GdM in 2007. A

⁵ The nineteen PAPs are: the African Development Bank (AfDB), Austria, Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom (UK) and the World Bank. The World Bank provides Balance of Payments Support rather than Budget Support. Although in principle Direct Budget Support could be provided in the form of General Budget Support or Sector Budget Support, the MoU only covers the former.

⁶ In any given year, the two other members of the Troika are provided by the previous year's chair and the forthcoming year's chair.

further US\$192 million was provided to non-state actors such as the private sector and NGOs. Figure 4 provides an overview of the breakdown of individual PAP disbursements between programme ODA and project ODA. It is noteworthy that the AfDB, EC and World Bank portfolios provide relatively large volumes of project financing (mainly in support of large infrastructure projects).

32. There are also four organisations which presently have ‘observer status’ in the GBS process – the International Monetary Fund (IMF), Japan, the United States (USA), and the United Nations Development Programme (UNDP). Observer status is granted either because an organisation is soon to become a full GBS donor (Canada and Austria recently made this transition via observer status for example) or because the agency is, by the nature and/or volume of its interaction with the GdM, of strategic importance in aid policy and aid delivery in Mozambique (USA and Japan). In practice this status means different things for different donors. The IMF is strongly integrated into the overall process, while Japan and the US have expressed some frustration at the nature of their involvement.

33. There are two joint GdM – PAP annual reviews in the GBS cycle: the Joint Review following the publication of the GdM’s Review of the Economic and Social Plan and the Mid-Year Review, which precedes the submission of the Economic and Social Plan (PES) and State Budget (OE) to the National Assembly (AN). The preparatory work for the reviews is conducted through twenty nine GdM-chaired joint sector working groups (in which civil society groups are also invited to participate) and four pillars drawn from PARPA II (see Figure 3 above). The reviews also involve a series of plenary sessions known as the PAF Coordination Group (PAF-CoG).

3 PRIMARY MUTUAL ACCOUNTABILITY INITIATIVES

34. This Section provides an overview of the main mutual accountability mechanisms in Mozambique. While there is potentially a vast range of mechanisms with MA characteristics within the hugely complex set of government – donor arrangements, both bilateral and multi-lateral and with different tiers of government, the focus here is on those with as inclusive a scope as possible. Bilateral arrangements are therefore not considered, and nor are arrangements that are exclusive to certain types of donor such as UN organisations or EU member states. Each mechanism is discussed with reference to the stages of the analytical framework of the MA process identified in the introduction: the generation of shared goals and reciprocal commitments, monitoring and review of progress and, crucially, dialogue negotiation and debate regarding how to act on the monitoring information.

35. As regards monitoring of GdM commitments, increasing emphasis is being placed upon the use of frameworks that emphasise the linkage of policy to expenditures to results (outcomes and impacts). On the side of donor monitoring, supplementing the traditional focus on partner country commitments and performance against them with increased attention to equivalent responsibilities on the donor side is a key driver of behaviour change within mutual accountability processes (Driscoll with Wathne, 2008). In discussing dialogue, negotiation and debate between participants in the mutual accountability process, the question of what happens when commitments made by participants in the mutual accountability process are not kept is central to measuring the effectiveness of MA mechanism.

3.1 National planning instruments

36. The principal Government planning document is the Government Five-Year Programme (PQG), which under the Constitution must be produced by each new Government upon entering office (GdM, 2004).⁷ It establishes the Government's priorities and operational agenda until the next General Election. In 2000 and 2005, the Government also produced Mozambique's first and second Poverty Reduction Strategy Papers (PARPA I for 2001 – 05 and PARPA II for 2006 - 09). The PARPA is officially regarded by GdM as an operationalisation of the Government Five-Year Programme, focusing only on key sectors for economic growth and poverty reduction and going into far greater depth than the Plan.

37. PARPA II represents the main shared agenda for poverty reduction and growth between GdM and donors. The elaboration process for PARPA II was considerably more broad-based and consultative than for PARPA I. It was developed within the overall structure of the national vision document "Agenda 2025" (Conselheiros, 2003) comprising four pillars: Macro Economy and Poverty, Governance, Economic Development and Human Capital. "Cross-cutting" issues such as gender, HIV/AIDS, environment, food and nutritional security and disasters were mainstreamed throughout the document. The drafting process, lead by the MPD, was highly inclusive (albeit quite onerous as a result), with GdM and donor officials as well as civil society representatives participating in a series of sector working groups to draft the policy content and Strategic Matrix indicators and targets. PARPA II was developed in 2005 and approved by the Council of Ministers in May 2006, but was not submitted to the National Assembly (AN) for discussion.

38. The need to monitor PARPA implementation necessitated the development of an associated Government-wide M&E framework setting out indicators and associated time-bound targets in the form of a Strategic Matrix. The PARPA II Strategic Matrix is a logical framework matrix of 140 indicators, with a clear division between objectives, outcome indicators (e.g. poverty indices based on household survey data) and output/process indicators (drawing on administrative data and qualitative indicators), together with clearly defined organisational responsibilities for delivery within GdM. The outcome indicators are due to be measured in 2009, while the process/output indicators

⁷ Note that the Government of Mozambique's financial year runs from January 1st until December 31st.

are measured on an annual basis. This represents a marked improvement in the GdM's capacity to demonstrate development results. A sub-set of 40 of the indicators within the Strategic Matrix have been selected for inclusion in the Performance Assessment Framework (PAF) which acts as the annual agenda-setting and M&E instrument between the GdM and PAPs. The PAF was first annexed to the GdM's principal annual planning instrument, the Economic and Social Plan (PES) for 2005. Starting in 2007, the full Strategic Matrix rather than the smaller PAF has been annexed to the PES.

39. There are ongoing efforts to strengthen the links between PARPA II and the medium-term fiscal framework (MTFF), known by its Portuguese acronym as the CFMP, which provides forecasts for revenues and sets indicative ceilings for expenditures over a three-year time horizon. It does not yet constitute a full Medium-Term *Expenditure* Framework (MTEF) because the programmatic output-based budgeting of expenditures is at present a distant prospect. The CFMP had also been limited until recently in the sense that it was a purely technical document for internal planning within the Ministry of Finance and the Ministry of Planning and Development and was further undermined by the fact that many donor funds remained off-budget. Importantly however, it was submitted to and approved by the Council of Ministers for the first time in 2006 and there has also been a concerted effort amongst donors to bring more funds on-budget. The CFMP is in turn linked to the budget in that its ceilings are used in setting the budgetary envelope, although in reality fluctuations in revenue forecasts, aid inflows and expenditure priorities mean that there can be significant variation here.

40. Government-wide, the principal mechanisms for joint monitoring and review of performance centre on the General Budget Support process. In particular, the Performance Assessment Framework (PAF) acts as the central M&E instrument between GdM and the Group of 19 (G-19) GBS donors or Programme Aid Partners (PAPs). The GBS MoU describes the PAF as a "*multi-annual matrix of priority targets and indicators based on the PARPA, updated on an annual basis through the PES process and agreed through cross-governmental dialogue*" (GdM and PAPs, 2004). However, it initially proved difficult to establish a clear link between the PAF and PARPA I and the PAF developed without clear linkages to GdM's M&E systems, which themselves were strongly sector driven. Indicator selection and updating was strongly donor driven rather than based on cross-governmental dialogue and the overall number of indicators was not subject to a limit so that the overall number became quite onerous: the PAF for the 2005 Joint Review of GdM performance comprised 62 indicators.

41. The PAF as originally developed did however provide a template for a regularly updated government wide M&E framework, which did not previously exist. It was also agreed that it would be annexed to the GdM's principal annual planning and monitoring instruments, the Economic and Social Plan (PES) and the Review of the Economic and Social Plan (BdPES), with ongoing efforts to harmonise the PAF matrix of indicators and associated targets with the textual content of these documents. Both the PES and BdPES are submitted to the National Assembly (AN) for debate and approval each year, and hence this assured some degree of alignment between the agendas government is accountable for to parliament and the donors.

42. The preparation and publication of PARPA II provided both GdM and donors with an opportunity to review the PAF and its linkages to the PARPA and government M&E systems and attempt to strengthen these. To this end, during 2006 a sub-group of forty indicators was selected from the PARPA II Strategic Matrix to form the revised Performance Assessment Framework (PAF). Three important general principles were agreed for the revised PAF: first, that the total number of PAF indicators would be capped at 40; second, that these would be strictly drawn from the larger Strategic Matrix (and that this consistency would be maintained throughout the life of PARPA II), and; third, that detailed Technical Notes would be developed for each of the 40 PAF indicators in order to establish definitional clarity around what the indicator was measuring. This consistency has so far been respected and participants have resisted the temptation to introduce

indicators additional to or different from those within the Strategic Matrix.⁸ The revised PAF does not however retain the division between outcome indicators and process/output indicators established in the Strategic Matrix, instead selecting a mixture of the two, since donors insisted certain outcome indicators should be monitored on an annual basis. In addition, the Strategic Matrix (rather than the smaller PAF) is now annexed to the PES and BdPES. This means that, while alignment of agendas continues, GdM's domestic accountability M&E instrument is more comprehensive than the primary GBS accountability instrument.

Box 1: Dual Lines of Accountability in National Planning

As discussed in Arndt et al. (2006) and Dupraz et al. (2006), the existence of two parallel GdM medium-term planning instruments, the PARPA and the Government Five-Year Programme (PQG), creates bifurcated lines of external and domestic accountability. Article 198 of the Constitution mandates that parliament should discuss the PQG at the initiation of the legislature (GdM, 2004). In contrast, PARPA is discussed with donors and civil society organisations but is not submitted to parliament at present. The official position is that the PARPA allows a more in-depth planning process to complement and build upon the PQG (which must be produced within a strict time limit). In reality the two documents are produced at different times and for very different audiences, with some structural differences in content (the PG covers all GdM ministries while PARPA only covers a sub-set of sectors) and vastly differing degrees of detail. To resolve this tension, the Government committed in PARPA II to merge, starting 2009, the PARPA with the Five-Year Plan. However, subsequent statements by the MPD have raised doubts as to whether this will be carried through and at the time of writing there was some ambiguity as to what GdM proposed to do. This was a cause for concern amongst donors, and understandably so given the large amounts of external finance that have been made contingent on the production of a national poverty reduction plan (whether merged with the PQG or stand-alone).

This dual system is replicated on an annual basis, with the BdPES produced by GdM in February as a review of its own annual performance (and submitted to the AN) and the annual Joint Review produced in April as a means of jointly reviewing GdM performance. The Joint Review Aide Mémoire is not submitted to the AN. Although the two processes integrate the Strategic Matrix (and formerly the PAF), the monitoring information provided to parliament in the BdPES and annexed PAF/Strategic Matrix in February is much less comprehensive than that available to donors in the Joint Review, which takes place later and therefore can count on more of the previous years monitoring data having been produced. The Joint Review is also much more comprehensive: the BdPES is only one input to the Joint Review and is accompanied by an extensive analysis of the performance of each PAF indicator. The Minister for Planning and Development used his closing speech in the 2008 Joint Review to criticise the onerous nature of the Joint Review process. Most other participants concurred with his assessment, although due to the importance of the annual Joint Review for the provision of GBS and the insufficient information provided in the BdPES, it will most probably be needed to continue this extensive analysis for the time being. It could, however, be substantially streamlined and condensed into a shorter period.

43. The reduced number of PAF indicators also means that the potentially perverse incentive effects associated with the simultaneous use of indicators for internal management and external conditionality discussed by Adam and Gunning (2002) only operates on a sub-set of the PARPA Strategic Matrix (see Dupraz et al. (2006: p. 64) for a case study of this effect in the provision of prophylaxis to prevent the mother-to-child transmission of HIV in Mozambique). It also limits the extent to which the monitoring and review of government performance at the Joint Review and target setting at the Mid-Year Review are exercises in micro-management of government policy, as opposed to meaningful dialogue about substantive issues.

3.2 Government aid management

44. At technical level, developing a shared agenda on aid management policy within GdM has proved very challenging because of the large number of GdM ministries and agencies involved in

⁸ Although the total number of PAF indicators had already crept up to 41 by the time of the 2008 Joint Review.

aid management, poorly defined organisational mandates and weak intergovernmental coordination. In particular, the separation of the then Ministry of Planning and Finance (MPF) into the Ministries of Finance (MdF) and Planning and Development (MPD) in 2005 was a retrograde step for GdM aid management. There was also initially limited knowledge of the key aid management documents (the Paris Declaration, the GBS MoU and the PAPs PAF) amongst government officials (KPMG, 2006), although this has improved substantially very recently.

45. A further obstacle to the development of a shared agenda on aid management is that, at a political level, there are limited incentives for strong engagement with the aid effectiveness agenda. The primary concern with respect to aid management is to sustain and if possible continue to increase total aid volumes. It is feared that attempting to impose aid effectiveness criteria on donors other than those that have already voluntarily submitted to them might either deter some donors or result in the reduction of the quality of existing voluntary aid effectiveness accords (such as GBS and sector MoUs) through a “lowest common denominator” effect. Finally, while aid volumes and GDP are consistently increasing, why should politicians incur the costs associated with a very proactive all encompassing approach to aid effectiveness and risk having to deal with a ‘ganging up’ of donors (Gerster, 2005)? Many of the high transactions costs associated with ineffective and fragmented aid are borne at a technical level. As a result of these constraints, there is at present no formal national aid policy beyond a brief statement of general principles in PARPA II (GdM, 2006; p. 147).

46. However, GdM has made moves to strengthen its aid coordination and management in recent years. A draft Cooperation Policy is currently under discussion, which together with a report from the National Authority for Public Functions (ANFP) on organisational responsibilities for aid delivery (ANFP, Forthcoming) will clarify organisational mandates amongst GdM ministries and, with respect to aid delivery, establish some general principles that donors are expected to observe such as placing aid on budget and on account (i.e. captured on the Single Treasury Account or CUT).

47. The Cooperation Policy is being drafted by a small group of officials from the key GdM aid management organisations: the Ministry of Foreign Affairs and Cooperation (MINEC), the Ministry of Finance (MdF), the Ministry of Planning and Development (MPD) – both the Directorate of Planning (DNP) and the Directorate of Investment and Cooperation (DIC) – and the Central Bank of Mozambique (BdM). There have also been preliminary discussions within the Council of Ministers (CdM). Partly due to the difficulties involved in reaching agreement within government on how cooperation and aid should be coordinated, it has to date been a relatively restricted process, with only very informal consultation undertaken with donors. In addition, since MINEC is leading the drafting process, its scope has been defined quite broadly as covering ‘cooperation’ (joint actions between two or more parties) with a more specific sub-section reserved to address aid policy. Interviewees indicated that the final Cooperation Policy is not likely to go beyond the level of a general delineation of mandates and principles. More concrete and results-focused actions can be expected to follow from subsequent operational documents such as a proposed strategy and action plan.

48. A major gap in the national aid architecture at present is the lack of an all-encompassing and effective GdM – donor forum, as the current DPG joint dialogue with the GdM is quite limited at the moment and there are no clear guidelines for harmonisation and alignment of all donors in Mozambique. The G-19 represents only a sub-set of the aid delivered in Mozambique. The UN, the United States and Japan have ‘observer’ status in the GBS process and other donors such as Brazil and China remain entirely outside the process. The USA in particular is the single largest donor to Mozambique yet is not formally engaged in the PAPs PAF exercise.

49. There are also signs of a more savvy and assertive position from some within government on donor accountability. The PD has undoubtedly helped to underscore what GdM can hope to expect from donors, particularly as understanding of its content has improved (albeit still amongst a very small group of officials). Thus, the political dialogue meeting held during the 2008 Joint Review

involved, for the first time, not only Heads of Mission (HoMs) challenging Ministers over GdM performance, but also a number of points raised by Ministers regarding donor performance (in particular on their limited use of national procurement systems). GdM participation in the Joint Review process is also more pronounced than it has been in previous years.

50. GdM has used the space created by consultations over the GBS MoU to suggest that there should be a more all encompassing aid coordination mechanism that involves non-GBS donors. While the PAPs are very unlikely to accept such a “super MoU”, it has led to serious consideration of a separate Code of Conduct or similar mechanism. GdM has held consultations with non-GBS donors (primarily the UN, the United States and Japan) and there is some enthusiasm amongst these organisations for a more inclusive set of arrangements.

3.3 GBS MoU

51. Just as GdM has had difficulties in formulating a shared aid management agenda between ministries, so the PAPs have also found it challenging to agree to a common set of working arrangements across nineteen donor agencies.

52. The GBS MoU has been a primary tool setting out a shared agenda between government and PAPs. Although the nineteen bilateral budget support agreements between each of the PAPs and GdM have precedence, the MoU seeks to streamline these agreements, stating that *‘to the extent possible, given existing contractual and statutory provisions, PAPs will not include in their bilateral agreements any additional conditions or administrative and reporting requirements than those agreed upon in this MoU.’* (GdM and PAPs, 2004).

53. The MoU governing the GBS process includes three sets of ‘underlying principles’ which, in addition to the matrix of 50 or so PAF indicators, must be respected by the government for GBS disbursements to be made. These are: i) a commitment to sound macroeconomic policies; ii) a commitment to poverty reduction; and iii) ‘commitments to peace and to promoting free, credible and democratic political processes, independence of the judiciary, rule of law, human rights, good governance and probity in public life, including the fight against corruption, (with reference to commitments in the constitution, NEPAD and international agreements) to be underlying principles of governance for the provision of budget support’ (GdM and PAPs, 2004). It is the third of these – essentially, a commitment to ‘good governance’ – and how to monitor and discuss it, that has proved most difficult for donor agencies to deal with.

A consultative process is already underway to develop a revised GBS MoU. The current agreement, signed in April 2005, is set to expire in 2009. The discussions have led to a more explicit consideration of the overall aid architecture in Mozambique. Many government and donor officials argue that this opportunity should be used to both increase Government’s buy-in and to expand the exercise to include non-GBS donors for some of the indicators.

3.4 Programme Aid Partners’ PAF

54. As noted, the overall Mutual Accountability process is composed of many different mechanisms. However, discussions of mutual accountability in Mozambique often emphasise one of these: the Programme Aid Partners’ Performance Assessment Framework (PAPs’ PAF). This is the only annual multi-donor mechanism that explicitly scores donors against their progress towards the Paris Declaration. The weighted scores are used to produce a ranking of donor performance.

55. The PAPs’ PAF was first agreed at the September 2004 Mid-Year Review as the result of a period of consultation with the GdM and among the PAPs, based on the results of the 2004 Baseline Survey of PAP performance in 2003 which provided a basis for assessing future performance (Gerster and Harding, 2004). Initially, the baseline monitoring system was developed with a series of aggregate indicators which measured the performance of the PAPs as a whole. The subsequent monitoring exercise then introduced (despite opposition from some of the PAPs)

disaggregated monitoring of individual donor performance against a commonly agreed set of overall targets and indicators, using a series of weightings to aggregate these into an overall score for each donor together with an associated ranking (Killick et al., 2005).

56. The overall analytical framework for the assessments is determined in negotiation between the PAPs, with GdM invited to comment. Consultants are then contracted by the PAPs to undertake the assessment of performance of each donor in relation to the framework. There have now been four consecutive PAPs PAF assessments following the initial baseline survey (Killick et al., 2005; Ernst & Young 2006; Castel-Branco, 2007; Castel-Branco et al., 2008). The full set of indicators against which the PAPs were assessed in 2007 together with the aggregate scores is featured in Annex 1.

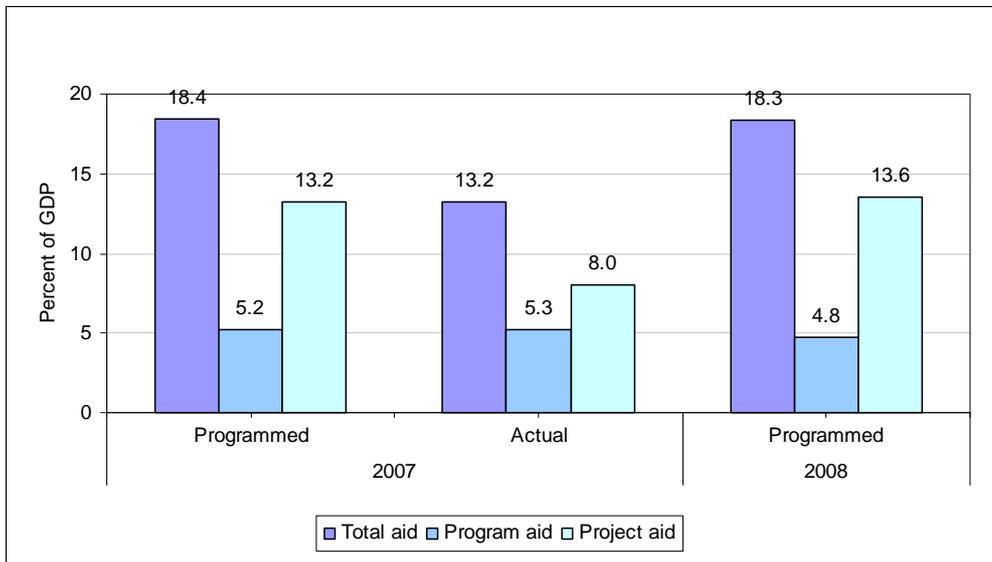
57. The PAPs PAF was developed by a group of 'like-minded' GBS donors to measure progress in implementing the PD at country level, and government involvement has so far been somewhat limited. This is partly because it is produced at a time when the government's limited aid management capacity is dedicated to preparing to report on its own performance for the Joint Review, but also because it is used mainly as a self-imposed peer review mechanism, developed through negotiation amongst the GBS donors. Donor country offices in Mozambique cite one of its main uses being as an internal tool to negotiate with their headquarters to limit the number of missions and maintain the composition of their portfolios (aiming to provide 40% of ODA to the government through general budget support). Some also use it as an internal management tool to frame discussions about the balance and coherence of their country portfolio. There is very little evidence that it has been used as a top-down tool by headquarters to hold country offices to account against commonly agreed objectives, although operational procedures imposed by head offices obviously have an impact on their ability to meet the targets: where country offices do not have delegated autonomy over some or all elements of their country programmes, their ability to meet the PAPs PAF indicators is constrained.

58. External incentives are limited to the 'naming and shaming' of donors that perform less well on aid effectiveness. Although this has exerted some limited influence in encouraging donors to take action to improve, many of them consistently rank poorly. Some are unable to change because key decisions are determined at headquarters rather than country level. Others question the fairness of the scoring system. One of the limitations of the current PAF is that while it does disaggregate individual donor scores, it imposes a one-size-fits-all set of targets, making it difficult to pinpoint specific areas for improvement and individual trajectories of change for each donor agency together with agreed actions.

59. The results are published during the Joint Review, a time when GdM's staff are primarily concerned with assessing and explaining GdM performance and therefore have limited time and incentives to be assertive with regard to donor behaviour. Although scoring is disaggregated in the PAPs' PAF, targets are not, so it is often not possible to capture changes in individual donors' behaviour.

60. More significantly, it excludes some major non-GBS donors such as the US and Japan and the vertical funds. This is of particular concern because, while there has been marked improvement in the predictability of PAP programme aid, there remain serious concerns about the predictability of project and vertical finance in Mozambique. These concerns lead a recent IMF mission to call a meeting with donors to raise concerns regarding the predictability of project finance. While budget support and, more generally, programme-based approaches (PBAs) have improved their predictability markedly in recent years, there remains a big problem with regard to the predictability of projects (be they administered by PAPs or other non-GBS donors). Figure 5 below illustrates that actual execution of project aid for 2007 fell short of projected levels by around 5% of GDP. There was a similarly large shortfall in 2005 too.

Figure 5: Project Aid Shortfall in 2007



Source: IMF (2008; p.8).

61. In particular the IMF singled out problems created by large shortfalls in disbursement of projects and special programmes financed by the Common Fund for the health sector (in particular, the Global Fund to fight AIDS, Tuberculosis and Malaria or GFATM) in 2007 which had been included in the State Budget, which led to a comparatively low overall budget execution for GdM in 2007. In order to improve the situation, a joint task force has been set up to improve the consistency and the reporting of donor funded projects. Again, this underlines the need for an accountability system that goes beyond a narrow focus on the portfolio composition of GBS donors.

3.5 Common country strategy development

62. In late 2005, 14 donors who were due to develop their country strategies during 2006 came together in a joint grouping known as the CS-19. The grouping was initiated by a World Bank proposal for the development of a joint country strategy, but soon gathered a momentum of its own. The CS-19's objective was to *'increase coordination among donors and the Government and to explore the way forward for a possible joint programming exercise'* (DELMOZ, 2007). The group planned to proceed through a two-stage process: (i) information sharing and common needs analysis for Mozambique, and; (ii) joint identification of common elements of the response strategy. The process ultimately achieved more on the first objective (information-sharing activities) than it did on the second (joint responses).

63. Following on from this, in June 2006, a two-day retreat was organised with financing from the EC and DFID. It aimed to 'put GdM in the driving seat' (the event was coordinated by MINEC) and to build consensus regarding what more effective aid delivery might require, produce a mapping of the respective donors' country strategies, and agree on next steps. After the retreat, a government-donor committee was created and it was agreed to hold a series of individual review hearings of draft donor strategies, with consultants contracted to bolster government capacity to scrutinise donor presentations and administer a donor questionnaire that would feed into the process. The hearings took place over a two-week period in September 2006 and 19 donors presented to the committee. The proceedings were recorded in a report together with a series of recommendations for the improvement of GdM – donor aid coordination (KPMG, 2006).

64. Overall, the experience of the CS-19 process, the retreat and the country strategy hearings were regarded by many respondents as important steps in and of themselves (Handley, 2007). In particular, consulting the government set an important precedent, and the exercise helped to raise the profile of the PD among donors and government actors alike, thereby helping to stimulate debate and action within government. However, the substantive results of the process were more limited, mainly comprising information sharing, and the process could have benefited from a much clearer orientation from government (e.g. on preferred mix of aid modalities and division of labour among sectors and provinces). In all, four government institutions were represented in the discussions, illustrating the diffusion of aid management responsibilities within the government: MINEC (the lead institution), MdF, MPD and BdM (the central bank of Mozambique).

65. The CS-19 process has been continued with the establishment of a Task Force, which meets on a regular basis with MINEC, although it does not have formal terms of reference or a MoU. The Task Force seeks to pursue the implementation of the recommendations arising from the CS-19 hearings and the associated report. On the part of GdM this involves the development of a Cooperation Policy and a review of the structure for aid management. For the donors (lead by a committee involving Denmark, Germany, Sweden and the UK) the key issues surround the division of labour exercise associated with the EU Code of Conduct, preparation for the Accra High-Level Forum and consultation on the forthcoming Cooperation Policy.

3.6 Sector approaches

66. There is a long history of sector level aid coordination Mozambique. This is particularly important because the sectors have traditionally retained a relatively strong role vis-à-vis the central agencies, through a combination of the division of responsibility for planning, budgeting and cooperation amongst a number of central agencies, decentralised financial management and access to alternate sources of external funding for sectors (Fozzard, 2002: p. 29). The relative strength of the main service delivery sectors vis-à-vis the central agencies (MdF and MPD) and the long history of specific donor coordination efforts at sector level has seen a number of sectoral GdM – donor accountability relationships emerge that provide important components of the overall MA process. For example, the process in the agriculture sector by which the Ministry of Agriculture (MINAG) negotiated with donors to develop the PROAGRI Common Fund MoU preceded and to some extent informed the drafting of the GBS MoU. Moreover, aid flows channelled through these sector level mechanisms are very large. Total donor commitments for GBS to be disbursed in FY2008 amounted to USD435 million from 19 donors (GdM & PAPs, 2007), while total confirmed aid commitments to the health sector for the same year amounted to USD374 million from twenty five different donors, vertical funds and foundations (Health Partners Group, 2007). A key element within these arrangements is the role played by government – donor dialogue, the experience of which across sectors is highly variable (see Box 2).

67. Recent experience in the education sector provides a particularly interesting case study from a mutual accountability perspective, with both a good model of collaborative working between GdM and donors at sector level and a demonstrated track record of results. Unlike in many other sectors, there is fairly strong consensus regarding key education policy priorities between GdM and donors which has allowed the sector to establish a clear strategic plan with buy-in from participating donors. The first Education Sector Strategic Plan covered the period 1999-2005 and the second Strategic Plan for Education and Culture (PEEC) for the period 2006 – 2010/11 was approved by the CdM in June 2006 and endorsed by donors as a sound plan for meeting the MDGs. There is good integration between the sector and national plans, with all the PARPA Strategic Matrix indicators (including the GBS PAF indicators) integrated into the education sector PAF (E-PAF). The education sector was also amongst the first to schedule its annual sector review (RAR) so as to precede the Joint Review, thereby allowing RARs results to feed into the government-wide exercise and reducing the time spent by officials reviewing the previous year's performance.

68. Donors in the education sector in Mozambique have, since the development of the first sector strategic plan in 1998, been organised in a Sector Wide Approach (SWAp), including all bilateral and multilateral donors operating in the sector. With the aim of better coordination of donor financial support, a sector common fund – known as the Education Sector Support Fund (FASE) – was created in 2002 and has gone from channelling around 5% of direct external funds to the sector to around 60% at present. It is the main source of financing non-salary recurrent costs as well as financing the Direct Support to Schools programme (ADE), low-cost school construction, book distribution and in-service teacher training (CRESCER). FASE initially made slow progress on implementation, partly as a result of an MoU which established parallel procedures. For example, in 2005, while the targeted 80% disbursement was achieved, the quality of what could effectively be done with these contributions was seriously affected by bad timing as most donors only disbursed at the end of the year (Chapman et al, 2006). Although the FASE remains a work in progress, things have subsequently improved. GdM and sector donors agreed a new MoU in May 2006 which considerably improved predictability and alignment. At present, eight of the ten bilaterals in Mozambique (plus UNICEF) are signatories to the FASE MoU. The World Bank was a signatory to the original MoU (though it never channelled funds through FASE), but did not initially sign the revised 2006 MoU. The 2008 Joint Review Aide Memoire concluded that '*FASE execution almost doubled [in 2007] as a result of the improvements introduced in the financial management system*' (GdM and PAPs, 2008).

Box 2: Quality of Sector Level Dialogue

A crucial determinant of the success of mutual accountability arrangements is the quality of government – donor dialogue. This can be illustrated through some examples of experience in sector level dialogue:

- In PFM reform, the application of the Public Expenditure and Financial Accountability (PEFA) assessment framework has helped to align the multiple actors involved around a common diagnostic tool and a common set of priorities. The information provided by the two PEFA assessments to date has stimulated a substantive and action-oriented discussion of policy. The fact that the assessments are undertaken independently has undoubtedly helped, and GdM officials have bought into the approach to the extent that they have requested the assessors to make policy recommendations, despite the fact that the PEFA assessments are not intended to do so. PEFA training for donor officials has also improved understanding of PFM issues (particularly at sector level) and thereby contributed to improved quality of dialogue.
- As this Section illustrates, in education there has been a marked improvement in trust on all sides and the quality of dialogue has also improved. There are a number of joint sector working groups that match the Departmental structure within MEC and closely involve donors in policy dialogue. One result of this arrangement has been that donors are much more aware of the constraints under which MEC officials are operating and are therefore less likely to respond with financial sanctions when reforms are delayed.
- In the justice sector, donor and government agendas have little overlap. Dialogue is particularly difficult because of the highly autonomous nature of many judicial bodies, and the relatively short track record of joint working in the sector. Overall assessments of the trajectory of change are often at odds with the assessment provided by a narrow reading of the sector's PAF indicators, upon which discussion often focuses. It was unclear whether the 2008 Joint Review would be concluded on time up until the evening before the final PAF – CoG meeting because of the late provision of information regarding justice sector PAF indicators.
- In health, the predictability of funding suffered in 2006 as a result of the use of in-year disbursement triggers by donors to the PROSAUDE Common Fund. While the use of such in-year triggers has been phased out, there were further unpredictability problems in 2007, with late and unpredictable disbursements from the GFATM within the PROSAUDE Common Fund. Vertical funds provide an important portion of sector funding and yet play a limited role in sector dialogue both on harmonisation amongst donors and on alignment with the government budget cycle and systems. The Minister of Health has requested that GFATM funds should not be channelled through the new consolidated common fund that is under development.

69. The PEEC, SWAp and FASE have combined to empower the Directorate of Planning and Cooperation (DIPLAC) within MEC: where in the past donors had established strong bilateral relationships with individual Departments within the ministry, the ministry is now able to adopt a more strategic approach to resource allocation. They have therefore helped to strengthen and build lines of accountability within MEC. The alignment of the sector review process and sector planning instruments with the global level instruments also helps to reinforce lines of accountability between the sector and the central agencies and to strengthen the collective focus on results in comparison to the prior arrangements.

70. As well as providing an example of a relatively mature sector level GdM – donor working, recent experience in the education sector offers a case study of what happens when donor-side mutual accountability commitments responsibilities are not met. Following the elections in 2004 which brought about changes in key MEC personnel, trust has improved dramatically in the sector and working relations are good. However, recent experience with the Education for All Fast Track Initiative (EFA - FTI) has subjected these developing arrangements to some stress. Mozambique's engagement with the FTI began in 2002/03 with the preparation and endorsement of an FTI proposal for Mozambique which sought to put in place a credible and affordable strategy for meeting the MDGs by 2015. The FT proposal was endorsed by the local education donor group in March 2003, with the clear proviso that it should be carefully integrated into the PEEC (and therefore approved by the CdM), which was then under development.

71. Subsequently, in 2007/08, Mozambique's donors, in close collaboration with MEC, applied for funding from the recently established FTI Catalytic Fund in order to address a financing gap within the PEEC for 2008 (US\$34mn.) and 2009 (US\$45mn.). This was granted in May 2007 and Mozambique was awarded US\$79million in support of the PEEC, with MEC and country donors' preferred means of delivery being via FASE, in order to ensure close alignment of the funds with the PEEC, which it sought to finance.

72. EFA FTI funds are provided by many of the same donors that are presently channelling funds via FASE in Mozambique. However, the FTI funds are administered by the World Bank under the terms of its Project Lending (as opposed to Policy Lending by which provides Balance of Payments support), so that channelling the funds through FASE would require the Bank to sign the MoU. This in turn required a Financial Management and Procurement assessment, which despite concluding that overall FASE financial management is of a reasonable standard, the Bank could not sign up to the MoU as it used Mozambique's national procurement law regarding 'domestic preference' provisions relating to Non-Competitive Bidding (NCB) and ICB in general.⁹ This is despite the recent adoption of a new national procurement law which contributed to an improved PEFA assessment of performance in 2006, including improved performance on PEFA Performance Indicator 19, 'Competition, value for money and controls in procurement' (Lawson et al., 2008). In combination with political pressure to accept the funding, the situation was resolved through a revision of the FASE MoU such that it is compliant with World Bank policy lending criteria. This now means that none of the fund in FASE are 'on-procurement' and has required MEC to revise its procurement practices nationwide for both new and ongoing projects funded through FASE.

3.7 The Development Observatory

73. The belief that the involvement of civil society groups in the policy process improves effectiveness has gained considerable support from studies and evaluations of project and programme management over several decades. In Mozambique, the main vehicle for implementing this approach has been the Poverty Observatory (known in Portuguese as Observatório da Pobreza, or 'OP'), a consultative and participatory forum for monitoring the implementation of Mozambique's PRS, the Action Plan for the Reduction of Absolute Poverty

⁹ New legislation on public procurement was approved in December 2005, through the Decreto 54/2005 – *Regulamento de Contratação de Empreitada de Obras Públicas, Fornecimento de Bens e Prestação de Serviços ao Estado*, which came into force from the beginning of July 2006 (Lawson et al. 2008).

(PARPA). It aims to make suggestions regarding how to maximise the impact of PARPA implementation and ensure transparent interaction and information exchange between the Government of Mozambique (GdM) and its partners in the fight against poverty (Francisco and Matter, 2007).

74. First held in 2003, the OP is coordinated by a GdM Technical Secretariat, which is staffed by civil servants and based in the Ministry of Planning and Development with strategic direction provided by the Opinion Council, an advisory group. The PO brings together high-level delegations of Government, civil society and donors, comprising around 20 delegates each. The OP began as a national level forum, but has subsequently been complemented by annual Provincial Poverty Observatories (although the roll-out of these 'OPPs' has been patchy). In 2005, the national OP met twice to discuss and contribute to the PARPA II elaboration process, and Provincial Poverty Observatories were also held in all but one of the provinces to provide consultation for PARPA II.

75. Civil Society involvement in the PO process has been coordinated through the "G20" group of NGOs which was formed in 2003 in order to organise more effectively the civil society input into the second national Poverty Observatory. The group – now comprising over 20 organisations – represents religious groups, trade unions, private and financial sector groups and other NGOs. The principal contribution of the G20 has been the production of an annual participatory review of progress in poverty reduction, the Annual Poverty Report (known in Portuguese as the *Relatório Anual da Pobreza*, or 'RAP'), to serve as the core civil society input into the OP process and represent the voices of the poor. The national RAP is also complemented by provincial versions, developed by autonomous provincial bodies of the G20 and presented at the OPPs.

76. The 2008 national OP saw the forum's name altered to Development Observatory (Observatório de Desenvolvimento, or 'OD') as well as a change of emphasis, with the RAP approach replaced by much more policy relevant commentaries that were specifically targeted on the Government Review of the Economic and Social Plan (BdPES) and how it might be improved as a tool for PARPA implementation monitoring.

77. The OP faces many challenges if it is to genuinely contribute to strengthened poverty reduction. One such challenge has been the fact that it maintains a specific focus on the implementation of the PARPA, yet there are weak links in many areas between the PARPA and the key annual GdM planning and monitoring tools – the Economic and Social Plan (PES), the State Budget (OE) and their respective monitoring and review documents – and hence the poverty reduction activities that GdM actually undertakes (de Renzio and Sulemane, 2006).

78. Recent developments have gone some way to addressing this. Still, the role of the OPs could certainly be further strengthened by a more systematic feedback mechanism between the government and the OPs (they have no legal status and there is no formal process for GdM follow-up on their recommendations at present) and further steps by government and donors to strengthen the integration of planning, budgeting and monitoring instruments.

79. The OP is also only one of many lines of accountability for GdM. In particular, it is overshadowed by the annual GdM – GBS donor Joint Review of performance, a much more detailed exercise that involves thorough scrutiny of GdM's performance. Although civil society groups are invited to participate in the Joint Review sector working groups and to attend Joint Review plenary sessions as observers, CSOs lack the capacity necessary to fully take advantage of this opportunity and are anyway marginal to the main GdM – donor relationship. It is important to note that the space afforded for civil society in the OP and the Joint Review process would not exist were it not for donors driving forward the participatory agenda (the IMF considers civil society participation a crucial precondition of an acceptable PRS for example). However, it is undoubtedly the case that GdM officials dedicate substantially more time to fulfilling lines of accountability to donors than to domestic stakeholders such as those represented at the OPs.

80. Finally, as a recent evaluation of citizens' voice and accountability in Mozambique makes clear, interventions that focus on strengthening the mechanism of the OD do not address the underlying informal power structures and mechanisms that determine the way these bodies actually function (DfID, 2008). Progress therefore also needs to be made on the composition and capacity of civil society representation. The membership and structure of the G20 is somewhat *ad hoc*, with many societal groups (in particular those working in the informal private sector) lacking in representation and quite autonomous provincial branches (Tamele, 2007). The G20 has recognised that it needs to alter its organisation, and is at present undergoing a restructuring exercise with a view to address some of these issues. Many observers have also highlighted the need to build analytical capacity amongst the diverse array of civil society groups (GdM and PAP, 2006; World Bank, 2008), particularly the few Mozambican CSOs that exclusively assume advocacy and watchdog roles rather than service delivery roles, and to guard against the formation of close ties to the ruling party within relatively small urban elites that would undermine their independence (IPAM, 2008).¹⁰

81. Overall, the OPs have made a particularly positive step towards promoting civil society engagement in monitoring and evaluating the PARPA. Mozambique is one of only a handful of countries – including Armenia, Tanzania and Uganda – that have developed a well functioning institutional framework for participatory poverty monitoring with a permanent forum for key stakeholders. They have also legitimised the role of civil society in poverty monitoring and helped to ensure that different perspectives on poverty are adopted in national policy (World Bank, 2008). As one report has noted: *The Poverty Observatory stimulates policy dialogue, civil society consultation and alignment of donors and the Government of Mozambique (GdM) around monitoring and evaluation (M&E)... The key lesson is that a country-level participatory M&E system can emerge successfully* (Saide and Nhate, 2007) However, while GdM and donors have opened opportunities for civil society engagement, building capacity in CSOs is essential if citizens are to take advantage of these opportunities, and steps should also be taken to clarify and formalise the role of the Observatory in the monitoring and review cycle.

3.8 ODAMOZ database

82. A key donor commitment on MA in the Paris Declaration is to provide timely, transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to their legislatures and citizens. Mozambique's external assistance database, ODAMOZ, is one of the principal mechanisms for delivering on this commitment. It was initially developed in response to requests from government for more consistent and timely information on aid flows and with a view to reducing the burden of multiple data requests on donor staff time. Initially lead by the EC Delegation in Mozambique (DELMOZ), it began as a single database for reporting aid from the EC and EU member states called European Union Database Information System (EU+ DbIS). By the end of 2005 it had expanded to include all PAPs as well as USAID, Japan and UN agencies in 2006 became officially known as the ODAMOZ database. ODAMOZ now contains a wealth of publicly available data which is available via a website (www.odamoz.org.mz) and through the Mozambique Donor Atlas (Bohr, 2006) – and has proved to be an important basis for donor harmonisation and coordination, for example by facilitating common country analysis.

83. Data compilation is conducted through nominated focal points in each participating donor country office, and relies on their goodwill and diligence for its quality and timeliness. The system is relatively easy to use and accessible and most donor agencies have made concerted efforts to enter project budget and expenditure data, although some agencies are better than others, and sanctions for poor or late submissions are limited to naming and shaming. As a result, while much of the data for individual projects is reliable, the aggregate figures in ODAMOZ are not particularly accurate at present.

¹⁰ One indication of how this independence might be maintained is provided by CSOs in the province of Nampula, where a new platform for coordination of CSO interaction with provincial government has been created in which the presidency rotates on a bi-annual basis to avoid Government manipulation (DfID, 2008).

84. As regards ownership and management of the database, ODAMOZ has now been handed over to MPD management and, at the end of 2006, an ODAMOZ management committee was formed, composed of donors and ministries, meeting on a quarterly basis. The committee has sought to improve and ensure the quality of the database, its evolution according to newly identified needs, and link data collected more closely to the state budget. For example, the format in which data is presented does not follow the Government's budget classification system. The committee sought to address this by integrating the Mozambican budget number in the 2007 data collection round, thereby helping to identify which aid is on- and off-budget. At the time of writing the database was undergoing a review to attempt to address some of these issues in a second phase (ODAMOZ 2.0), which will aim, among other things, at recording whether aid was executed through the single treasury account (on-CUT), facilitating data export directly into the format needed for the external finance component of the budget execution report (REO) and e-SISTAFE and introducing data consistency checks. A further innovation under consideration amongst GBS and health sector SWAp donors – although yet to be adopted as a formal procedure – is to use the ODAMOZ figures (downloaded at a particular date in the financial year) as the official donor commitments to be inscribed into the State Budget. This would increase the focus on the timeliness and accuracy of the information in ODAMOZ and reduce transactions costs. At the time of writing the database was undergoing a review to attempt to address some of these issues, which are well understood at country level.

85. There is evidence that ODAMOZ has strengthened key domestic accountability documents too. The most recent PEFA assessment undertaken in Mozambique (Lawson et al., 2008) noted that the Ministry of Finance has started to use ODAMOZ as a means of cross checking data on project budgets and expenditures submitted by ministries, departments and agencies (MDAs), thereby improving the accuracy of data on externally financed projects in the State Budget (OE) and the annual General State Accounts (CGE). This cross-checking could even be made more systematic than it is at present. The additional information provided by ODAMOZ is particularly useful to the Ministry of Finance during budget negotiation. Prior to ODAMOZ it was at a tremendous informational disadvantage as regards externally financed projects in budget deliberations with MDAs. There is also evidence that the media is starting to use ODAMOZ to some extent.¹¹

86. There are some functions that ODAMOZ neither can nor should perform however. In particular, it does not provide timely data on project execution as it relies on regular, voluntary updates by donor focal points rather than on the sort of systematic approach that e-SISTAFE provides. As a result, the Ministry of Finance cannot use ODAMOZ as a basis for the compilation of quarterly Budget Execution Reports (REOs). Moreover, even if ODAMOZ were to be updated on a more regular basis, it should not substitute for a financial reporting system that respects official lines of financial accountability within government – i.e. one that feeds from individual projects up through their respective MDAs to the Ministry of Finance. Once inscribed in the State Budget, the legal reporting responsibilities for projects lie with budget holders, who should be provided with the necessary information on a project by project basis. As the PEFA report concluded, *'for both practical reasons and issues of principle, the ODAMOZ is a poor substitute to bringing external projects 'on-CUT' and this must continue to be the main thrust of government's work in this area'* (Lawson et al., 2008; p. 74). This will require the National Directorate of Public Accounts (DNCP) within the MdF to develop and implement a coherent and comprehensive set of procedures for reporting of execution of externally financed projects. It would be dangerous to think that ODAMOZ could substitute for such a procedure. As Warren-Rodriguez (2007) has observed, putting aid on budget requires complementary efforts including a strong dialogue between donors and government, the production and dissemination of timely and accurate information and a long-term commitment from all parties.

¹¹ 'Parceiros confirmam financiamento ao OE para 2009' *O País*, 9th May 2009.

87. Overall, it is important to recognise the hard work put into developing the ODAMOZ database, which has rightly been identified as a model of good practice which other countries could learn from (see Warren-Rodriguez (2007) and CABRI (2008)) and is indeed being developed in other countries (Nicaragua is presently developing its own ODAnic database for example). However, it is also important to recognise that there are a number of functions that ODAMOZ does not provide, either because it is an evolving ‘work in progress’ or because it was never intended to perform such functions. It should therefore be seen as one of a suite of complementary measures (such as the broader effort to put aid on budget) to support and reinforce donor information commitments within the mutual accountability process rather than a technical fix that is in itself sufficient to meet donor information provision requirements.

3.9 Donor use of country systems

88. In Mozambique, the omission of large amounts of external assistance from the budget has in previous years severely hampered the government’s planning and budgeting and directly undermined the domestic accountability process, particularly the accountability of the executive to parliament. The GdM and the PAPs have made concerted efforts in 2006 and 2007 to redress this in recent years through the aid on budget initiative. As a result there have been substantial improvements in bringing external assistance to Government on-budget (see Table 2).

89. Although the share of aid on–budget for non-PAPs is likely to be substantially lower, the PAPs have also lead outreach activities to non-GBS donors to encourage the inclusion of their funds in the budget. A number of good practices have supported this initiative, including strong GdM donor dialogue at global and sectoral level, the concurrent strengthening of GdM PFM systems (as evidenced by the findings of two successive PEFA assessments), the development by the Ministry of Finance of clear guidelines (and timetable) for the inclusion of external funds on budget, the alignment of aid commitments with the budget cycle and the development of the ODAMOZ external assistance database. It has also illustrated the benefits of the PAPs group peer review and country-level good practice sharing functions.

Table 2: Donor Use of National PFM Systems

	2005	% of ODA to GdM 2006	2007
PAPs Group			
Reported in the budget	59.3	66.0	98.0
Included in the treasury payment system	41.0	44.2	60.9
Using public procurement systems	41.9	52.4	51.8
Using GdM auditing systems only	n/a	n/a	36.3
Paris Signatories			
Included in the treasury payment system	39.6	n/a	50.7
Included in GdM financial reports	35.0	n/a	48.0
Using public procurement systems	38.0	n/a	53.8
Using GdM auditing systems	32.9	n/a	31.9

Sources: Castel-Branco et al. 2007, Castel-Branco et al. 2008 and OECD (2007 and 2008).

90. It should be noted however that in some cases the aid on budget exercise has gone too far: many donor funds are presently included in the budget for which GdM does not actually have explicit management control. It therefore makes little sense to hold GdM to account against the use of those funds. Technical assistance is particularly problematic in this regard. The exercise may also have led to an overstatement by donors of aid commitments in some cases, with projects inscribed in the budget without having signed agreements in place, reducing budget execution. Additional problems arose due to the lack of clear agreement between GdM and donors regarding the reporting of execution of on-budget donor funded projects, which resulted in an even lower figure for the budget execution for externally funded projects. Due to these constraints, there is currently a revision of all these related processes ongoing to avoid similar constraints in the budget execution of 2008.

4 RESULTS OF MA MECHANISMS: EXAMPLES OF GOOD PRACTICE

91. The Programme Aid Partners' Performance Assessment Framework (PAPs PAF) process has provided the country offices of the General Budget Support donors with a useful tool in lobbying with their respective HQs to preserve or improve the compliance of their activities with the principles of the Paris Declaration. In particular, it has helped them to lobby for improved predictability and portfolio composition and to limit the number of missions. Some country offices also report using the process as a management tool to gauge overall portfolio compliance with the Paris Declaration. The process has also provided some extrinsic incentives for behaviour change through 'naming and shaming' pressures, albeit very weak ones, and contributed to a greater acceptance of the principle that donors can and should be held accountable against commonly agreed aid effectiveness commitments. Overall, the exercise has undoubtedly helped to partially redress the huge imbalance in the government – donor dialogue and offered a platform which may allow the government to adopt a more engaged and assertive role in future. By providing quite detailed information on a disaggregated basis it has also promoted much greater transparency amongst the PAPs, highlighting for example the extent to which individual agencies use national PFM systems.

92. The efforts of GdM and the PAPs to bring increasing proportions of aid on budget (i.e. on plan, on budget document, on parliament, on treasury, on procurement, on account, on audit, on report) has made substantial progress in bringing external assistance to Government on-budget. Amongst the PAPs, the percentage of their aid captured in the government budget has increased from 59% in 2005 to 67% in 2006 and 98% in 2007 and the percentage disbursed using GdM budget execution procedures increased from 41% to 61% over the same period. Data from the OECD's Paris Declaration monitoring surveys suggests that these figures have also improved for the OECD as a whole, although it has hard to tell what proportion of this is accounted for by the PAPs themselves.

93. The development and roll-out of the ODAMOZ external assistance database has reinforced the aid on budget initiative, helping in particular expand information on donor practices beyond the PAPs group to cover other agencies such as USAID, Japan and the UN. It has helped the Ministry of Finance to keep better track of the staggering number of externally financed projects and to capture them on-budget and on-account, providing a particularly valuable informational resource during budget negotiations with sectors.

94. The roll out of e-SISTAFE has, with some delays, now expanded to cover all ministries and provinces. It as an important tool in providing more accurate and up-to-date information for GdM managers. It will also be expanded to allow for a programmatic budget classification for the 2009 budget, which will help to strengthen the linkage between budgets and results that the ongoing medium term fiscal framework has sought to develop.

95. The PARPA II Strategic Matrix has delivered an improved linkage between policies, outcomes and impacts by distinguishing clearly between process/output and outcome indicators and clearly allocating institutional responsibilities for delivery. It also provides a comprehensive mix of qualitative, administrative and (high quality) survey-based data sources to provide a broad overview of the dimensions of GdM performance. In addition, together with the PAF, it has helped to align the focus of the PAPs and other donors on a common set of results that GdM also identifies as a priority. The integration of the Strategic Matrix into GdM annual planning and monitoring instruments also ensures that external and domestic lines of accountability are aligned to a greater extent (albeit still in tension with one another). The proposed merger of the two medium-term planning documents, the PARPA and the Government Five-Year Programme (PQG) following the next round of national elections will further align external and domestic lines of accountability, assuming that the GdM maintains its commitment to do so set out in the PARPA II

document. An important recent development here has been the agreement that PAF indicators should be strictly limited in number and maintain consistency with those in the Strategic Matrix over the PARPA II period. This allows for a more consistent and sustained focus on results and offers potential for a more balanced dialogue that addresses broad trends rather than becoming too focused on scores for specific indicators at specific times.

96. In some respects, the mutual accountability process is more mature at sector level than the government-wide process. In the education sector for example, a clear alignment between national plans and sector plans and donor alignment around a common set of performance targets and increasing shares of funding channelled through the FASE common fund (having gone from only 5% of direct external funds to the sector in 2002 to around 60% at present) has undoubtedly led to a clearer focus on results and a more substantive dialogue on both policy and institutional strengthening. The education sector led the way in aligning its annual review process with the Joint Review and in ensuring commonality between sector level results measures (the EPAF) and those in GdM-wide documents (the PAF and Strategic Matrix). This success is also partly due to the factors not present in the education sector that undermine delivery in other sectors. In particular, the alignment of donors around a common results framework has been facilitated by the absence of specific large donors and (until the recent arrival of the Fast Track Initiative) vertical funds that have tended to fragment M&E processes (and hence dilute the shared results focus) and undermine national PFM systems in the sectors in which they operate.

97. The production of a draft Cooperation Policy and a parallel exercise towards a clearer definition of roles and responsibilities within GdM in the management of external aid suggests the emergence of a more engaged approach to aid management from GdM. This is also evidenced by greater internal dialogue and coordination between GdM ministries and a more assertive line from government in reprimanding donor behaviour at political level meetings. For example, the GdM used the recent 2008 Joint Review exercise political dialogue to voice concerns over donor use of national procurement systems, the Minister of Health strongly criticised the verticalisation of health sector funding and programming in a speech to the Sector Coordination Committee in March and the Prime Minister has recently criticised donor behaviour in the national response to the HIV/AIDS pandemic. Hopefully the GdM will become increasingly engaged and assertive in this regard: without much stronger political leadership the potential for genuine mutual accountability is severely circumscribed.

98. The publication of PARPA II was also followed by a common country strategy development exercise by a number of donors (known as the CS-19 process) whereby for the first time GdM was able, through a coordinated and publicly documented process, to discuss the content of donor country strategies. This exercise established an important precedent, although donors should be sensitive to the internal politics within the executive in structuring such exercises to avoid weakening existing aid management processes in future.

99. The Development Observatory process has established itself as a well functioning institutional framework for participatory poverty monitoring with a permanent forum for national NGOs. It has legitimised the role of these NGOs in poverty monitoring and helped ensure that different perspectives on poverty are adopted in national policy. Although the process faces many challenges, a recent change of approach to produce analysis and actionable recommendations more directly linked to GdM planning and monitoring documents is undoubtedly a positive step that should be built upon.

5 CONCLUSIONS AND POLICY IMPLICATIONS

100. Drawing on the foregoing analysis, this Section provides a discussion of key challenges and critical success factors as well as drawing some tentative policy implications. Although the mutual accountability process is still an emerging and fragile agenda, some tentative early conclusions can be drawn from the experience of the last few years.

5.1 What are the key challenges and critical success factors?

101. **The MA mechanisms that function best are based around high quality dialogue, i.e. serious action-oriented discussion in a context of mutual trust.** This is best developed in areas where donors and GdM have more congruent agendas such as in education or in PFM reform: disagreements here tend to be over the required pace of change rather than the policies themselves and dialogue often becomes a joint problem solving exercise. Monitoring and review uses indicators to inform a broader perspective about the overall trajectory of change. The process becomes much more challenging where donor and GdM agendas diverge markedly (e.g. in the justice sector) and mutual trust is hard to establish. Dialogue typically then becomes less policy-focused and more process oriented (e.g. disputing the timing and scope of an independent external audit). Monitoring and review can become mired in the assessment of performance against specific indicators or disbursement triggers at specific points in time. How these dynamics develop depends critically on the personnel on both sides of the table.

102. **The mutual accountability process should not detract from domestic accountability processes and can at its best reinforce them.** Where donors unify their external accountability requirements and align them with lines of domestic accountability (in particular to parliament), the domestic accountability agenda can be strengthened. Where there are separate lines of accountability, this combines with the limited capacity within GdM, increase in reporting requirements and limited scope for parliamentary scrutiny of GdM to undermine domestic accountability relationships. This alignment is also important for generating a common set of agreed targets in order to improve the results focus of public policy. The increasing use of government systems by donors (i.e. the aid on-budget agenda) and the concurrent strengthening of the GdM PFM system are also fundamental to this alignment of accountabilities. Although it will not address the more fundamental political issues (such as the factors which undermine the effectiveness of the AN as a check on the executive), this alignment is likely to improve the information available to parliament and the time GdM officials have to dedicate to responding to its concerns. Since this can result in a strengthening of both donors and parliament vis-à-vis the executive, this alignment is not always perceived by senior GdM officials as being in the executive's interests. However, there are also benefits such as reduced transactions costs which may make this more appealing.

103. **Developing effective mutual accountability processes can require, in the first instance, limiting the number of actors involved.** The number of parties potentially involved in the MA process is enormous with limited sanctions for non-compliance, creating a severe collective action problem. While the PD portrays mutual accountability as a process between two main parties – the donors and the partner country government – in Mozambique there are multiple parties. On the partner country side, GdM is not a single actor, with aid coordination spread across multiple organisations (BdM, MdF, MINEC, MPD) and sectoral ministries, as well as multiple levels (political/technical, central/provincial/district). On the donor side, there are numerous multilateral, regional and bilateral (national and sub-national) donors, vertical funds, foundations, INGOs and NGOs delivering aid in Mozambique also operating on the same multiple levels. In the absence of strong GdM leadership, it was only through forming a club of like-minded donors (and providing exclusive benefits in terms of access to GdM policy dialogue to that group) that the PAPs were able to establish practices such as individual donor monitoring. Within the PAP group of GBS donors significant advances have been made in alignment, harmonisation and progress towards the Paris Declaration. By primarily conducting dialogue with the MPD and MdF, the PAPs also

helped to circumvent GdM's own collective action problem to some extent. **The key challenge now is to broaden involvement both within GdM and amongst non-GBS donors.**

104. **While aid effectiveness can progress substantially at a technical level, strong and concerted political support is crucial to sustaining robust aid effectiveness practices.** Without strong political leadership this progress remains fragile. For example, probably the most successful sector in terms of both results and donor coordination around a common set of priorities and funding arrangements (including observance of the national procurement law) in recent years has been the education sector. Yet despite this tight alignment and strong track record, without strong political protection it has not been possible to prevent the Education for All Fast track Initiative (EFA - FTI) from rewriting the terms of the Common Fund MoU in order to comply with World Bank Policy Lending criteria. In turn, this has reduced all the Common Fund donors' use of country systems and made a transition to Sector Budget Support (SBS) a more distant prospect. This example – and recent experience of high unpredictability with the GFATM in the health sector – also suggests that the costs of harmonising some aid channels with sector level MA mechanisms such as Common Funds are simply too high in terms of the damage done to collective arrangements.

105. **Political support for mutual accountability will be undermined if the costs and benefits of the aid effectiveness agenda are not well distributed.** Many of the costs associated with aid delivered contrary to the PD (high transaction costs, fragmentation of planning and budgeting, multiple reporting requirements, multiple audits and multiple M&E systems) are borne at a technical rather than political level. By contrast, programmatic aid modalities and GBS in particular, are associated with lower costs at a technical level, but open up “political dialogue” on sensitive issues and accountability against “underlying principles” that are considered by many within GdM to be ‘internal’ issues of no concern to donors.

106. **Government should not be overburdened by the mutual accountability agenda.** Setting aside political incentives, the sheer number of aid agencies operating in Mozambique makes holding them to account with GdM's limited capacity very difficult. GdM capacity remains very limited and donors continue to place strong demands on the same few staff within the central agencies and sector ministries to account for aid and to demonstrate results (particularly at sectoral level). This leaves little room for a considered effort from GdM to hold donors to account, and less time to dedicate to domestic accountability through the National Assembly. There is a clear accountability trade-off: the more numerous and onerous the accountability requirements of GdM to donors are, the less time there is for: (i) concerted action to implement policy and deliver results; (ii) holding donors to account, and; (iii) executive attention to accountability processes.

107. **It has taken time for GdM managers to better understand and begin to use the Paris Declaration agenda to exert some (limited) leverage.** Until recently, there was also limited knowledge of the aid effectiveness agenda among GdM officials. As familiarity with the PD has grown it has encouraged officials to be more assertive with regard to donor non-compliance with their PD commitments. However, while senior managers do have some space within which to operate in pushing for increased donor compliance with aid effectiveness commitments, they are scarce in number and have little time to dedicate to doing so.

5.2 Policy implications

108. **Any reforms will need to take into account the limited political appetite and scarce personnel at technical level for government leadership of the aid effectiveness agenda.** It is also important to recognise the constraints faced by donors, both in the form of intra-agency policy and operational rigidities and a huge inter-agency collective action problem. Third, organisations representing civil society are also subject to many of the constraints that affect government, both in terms of capacity and politics. However, the present stock-taking exercise underway prompted by the redrafting of the GBS MoU and the signs of stronger interest in aid management from GdM – most notably in the drafting of a Cooperation Policy – provides an opportunity to address some of

the weaknesses in the present arrangements with regard to mutual accountability, wherever possible building upon practices that have already been shown to work well.

109. **Donors should seek to consolidate their external accountability requirements, to align them with domestic accountability processes and to make them less onerous.** The present situation, whereby GdM has separate plans for separate accountability audiences seems almost designed to weaken both domestic accountability and the coherence of government's results focus. An obvious gain here would be for GdM to follow through on its pledge to merge the next PARPA into the PQG and develop it through a considerably less onerous process. Ideally this change could be matched in terms of annual instruments, with a strengthened BdPES serving as the GdM's input into the Joint Review, though realistically it is highly unlikely that donors will be prepared to accept such a move. At the least, the revised GBS MoU could streamline some of the increasingly time-consuming procedures that have grown up around the GBS process, reducing the time period over which the Joint Review takes place and stripping down the Mid-Year Review.

110. **The aid effectiveness agenda should be sufficiently flexible to include any willing donor and to actively to co-opt those at the margins.** The domestic aid effectiveness agenda could incorporate more of the non-GBS donors, for example by expanding the coverage of some of the annually assessed PAPs PAF indicators to cover all willing donors (both the US and Japan may well be willing to consider this). This might also involve the drafting of a Code of Conduct which any organisation seeking to provide external assistance in Mozambique could sign up to. It could also continue to make use of outreach type activities from PAPs to non-GBS donors where they can be persuaded to do so (at times PAPs have deliberately excluded some donors). This would in turn require measures to address the lack of an all-encompassing and effective GdM – donor forum. The G-19 represents only a sub-set of the aid delivered in Mozambique. The UN, the United States and Japan have 'observer' status in the GBS process and other donors such as Brazil and China remain entirely outside the process. The USA in particular is the single largest donor to Mozambique yet is not formally engaged in the PAPs PAF exercise.

111. **There is also an opportunity to build in a stronger role for government leadership.** The GdM should be empowered to lead any new joint GdM – donor forum and to lead the development and roll-out of a Code of Conduct should it be developed. However, donors should also be careful to take into account the fact that GdM comprises multiple organisations with aid management functions, many of whose de facto mandates will probably continue to overlap despite the recent exercise to clarify roles. The implications of strengthening one part of the executive vis-à-vis another should therefore be carefully considered

112. **The PAPs PAF should be more specifically tailored to individual agencies.** While overall targets remain important, they are not able to capture progress made by individual agencies that remain consistently below these thresholds. With a view to encouraging progress at the margins, the PAPs might consider introducing agreed trajectories of change accompanied by specific time-bound actions for individual agencies.

113. **The aid on budget exercise should continue both within and without the PAPs group to deepen donors' use of national systems.** This should be sure to cross all the dimensions of the on-budget definition (i.e. on plan, on budget document, on parliament, on treasury, on procurement, on account, on audit, on report). As GdM officials' familiarity with the Paris Declaration grows, they should continue to use it to exert leverage over donors in this regard, for example by insisting that all modalities of aid to government should use country systems (rather than simply lobbying for increases in the proportion of budget support). There should also be a careful consideration of what aid to government should *not* be on budget. Not all aid to government is under GdM's management control (e.g. certain forms of technical assistance) and this should either be excluded or at least a distinction between aid to government that is managed by GdM and that which is not should be introduced. There should also be clearer guidelines regarding when to submit externally funded projects for inclusion in the budget to avoid a repeat of the low

execution rates seen in 2007 which were in part caused by the inclusion of externally funded projects without signed agreements.

114. **The ODAMOZ database can play an increasingly important role in supporting government planning and budgeting.** Proposed measures such as the introduction of consistency checks and a stronger link to the GdM's budget classification and budget execution are particularly welcome. Perhaps more importantly, if it becomes increasingly adopted as an official tool for communicating donor commitments to GdM it would both reduce transactions costs and increase the seriousness with which donor agencies take timely and high quality data entry. One gap ODAMOZ should not fill is the reporting of execution of externally financed projects. ODAMOZ does not substitute for domestic lines of financial accountability for external funds (i.e. through budget holders).

115. **Civil society groups could take better advantage of the space afforded by the Development Observatory.** This should include continuing the recent practice of focusing analysis and actionable recommendations more directly on government planning and monitoring instruments. However, changes to the DO mechanism will not alter the more fundamental issue of underlying power relations. This effort should therefore also be accompanied by the development of a representative structure that better reflects the composition of civil society, a concerted effort to strengthen the watchdog and advocacy capacity of domestic NGOs, and the consideration of how best to ensure the continued political independence of the DO (for example through the rotating presidency model being piloted in Nampula).

116. **GdM should continue to strengthen the links between its various medium-term and annual planning, budgeting and monitoring instruments (in particular, the PES and Strategic Matrix, State Budget, and CFMP).** A particularly promising reform effort underway is the introduction of a programmatic classification into the budget. This could potentially help to improve the informational content of the budget (which is low at present) and to strengthen the link between policy, resource allocation and results over the medium-term. This need not be a very expensive, onerous and technocratic exercise. At its heart this would be a fundamentally political reform and would therefore require buy-in by ministers as much as expert technical advice.

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Annex 1: PAPs PAF

Table 3: PAPs PAF: Aggregate Scores for 2007

Objectives	Activities	No.	Indicators	Target	Executed	Points
Portfolio Composition (22% of total points)	GBS	1b	% of GBS in PAPs total ODA	40% (4)	36%	0
	Program Aid	2	% Program-based aid in total PAPs ODA disbursed	72% (4)	61%	0
Predictability (33% of total points)	Commitment of funds	3	% PAPs with multi-year agreements of not less than 3 years.	100% (3)	83% (3 PAPs failed)	0
		4	Commitments of GBS for year n+1 made within 4 weeks of the JR in year n	100% (3)	100%	3
	Disbursement	5	Disbursement of confirmed GBS commitment in the fiscal year for which it was scheduled, according to quarterly disbursement schedule as agreed with GdM	100%(4)	Fiscal Year = 100% ; Schedule = 94% (One PAP failed).	0
Harmonization and Alignment (31% of total points)	ODA in the government budget	6	% of PAPs ODA that is recorded in the government budget	82% (2)	98%	2
		7	PAPs ODA disbursed as percentage of aid recorded in government budget	To be defined (2)	94%	
	Consolidation and harmonization of conditionality	8	PAPs adhere to GBS common conditionality.	100%	94% (One PAP failed)	0
		9	Number of PAPs with NO Annex 10 exceptions	14 (1)	12 have NO exceptions; 4 PAPs eliminated some exceptions in 2007; One did nothing; One is in consultations with HQ	0
		10	Strict harmonization between new bilateral agreements for GBS and MoU	100% (1)		-
	Utilization of government systems and reporting	11a	% PAPs ODA disbursed using national budget execution procedures	45% (2)	61%	2
		11b	% PAPs ODA disbursed audited using national auditing procedures only	40% (1)	37%	0
		11c	% PAPs ODA disbursed using national financial reporting procedures	45% (2)	49%	2
		12	% PAPs ODA disbursed using national procurement systems	45% (2)	51%	2
		14a	% of total missions that are joint	30%	18%	0
		Total number of missions	140	191	0	
	14b	% of analytical work that is coordinated	55% (1)	71%	1	
Capacity Strengthening (14% of Total points)	Project Implementation Units	17	Number of parallel PIUs	27 (2)	21	2
		18	% PAPs TC provided through co-ordinated programmes	50% (2)	38%	0
	Technical Cooperation	19	% sector-wide TC as percentage of total TC by PAP	13% (1)	21%	1
Total points						15

Source: Castel-Branco et al. (2008).

List of Interviewees

Table 4: List of Interviewees

#	Name	Position	Organisation
1	Paolo de Renzio	Researcher	ODI, University of Oxford and LSE
2	Tony Killick	Senior Research Associate	ODI
3	Ute Heinbuch	Head of Cooperation	German Embassy
4	Julie Reviere	Education Officer	German Embassy
5	Mariam Umarji	Manager	SAL & Caldeira Consultores Lda.
6	Irene Novotny	Head of Cooperation	ADC
7	Ingo Scholtz		Konrad Adenauer Foundation
8	Channing Arndt	Economist	MPD – DNEAP
9	Thorbjørn Gaustadsæther	Ambassador	Norwegian Embassy
10	Torun Reite	Conselheira	Norwegian Embassy
11	Antonio Laice	Director Nacional, Group Co-Leader GFP	Direcção Nacional de Tesouro, Ministério das Finanças
12	Aristotes Peho		Departamento de Cooperação, Ministério das Finanças
13	Wim Ulens	Economist, Group Focal Point SISTAFE	Belgian Technical Cooperation (BTC)
14	Abdul Ilal	Director	Instituto de Pesquisa e Assistência Técnica Municipal (IPAM)
15	Dieter Orłowski	Consultant	Ximungo Consultores Lda
16	Marta Cumbi	Programme Director	Fundação para o Desenvolvimento da Comunidade (FDC)
17	Eufrigina dos Reis Manoela		
18	Marcelo Mosse	Director Executivo	Centro de Integridade Pública (CIP)
19	Pedro Couto	Vice Ministro de Finanças	Ministério das Finanças
20	Todd Amani	Head of Cooperation	USAID
21	Felix Fischer	Resident Representative	IMF
22	Bridget Walker-Muiambo	Economist	Irish Aid
23	Hanifa Ibrahim	Técnica	Direcção Nacional de Planificação (DNP), Ministério de Plano e Desenvolvimento (MPD)
24	Cristina Matusse	Head of Department	Direcção Nacional de Planificação (DNP), Ministério de Plano e Desenvolvimento (MPD)
25	Fernando Ngoca	Técnico	Direcção Nacional de Planificação (DNP), Ministério de Plano e Desenvolvimento (MPD)
26	Viriato Tamele	Director	Economic Justice Coalition
27	Emma Bradley	Programme Officer Governance and Human Rights	Trócaire
28	Carlos Jessen	Director UTRAFE, Group Chair SISTAFE	Technical Unit for the Reform of State Financial Administration (UTRAFE), Ministry of Finance (Mdf)
29	Virginia Vidiera	Chairperson of the National Assembly's Planning and Budget Commission	National Assembly and Ministry of Finance
30	Rachel Turner	Head of Office	UK Department for International Development (DfID)
31	Jane Rintoul	Senior Governance Advisor	UK Department for International Development (DfID)
32	Andrew Clarke	Economist	UK Department for International Development (DfID)
33	Manuel Rego	Director	Direcção de Plano e Cooperação (DPLAC), Ministry of Education and Culture (MEC)
34	Jolke Oppewall	Economist	Royal Netherlands Embassy
35	Rie Sakamoto	Coordinator for Economic Cooperation	Embassy of Japan
36	Jeanette Vogelaar	First Secretary Education and Sector Working Group Focal Point, Education	Royal Netherlands Embassy
37	Esther Bouma	Health SWAp Coordinator	
38	Sandra Diesel		Embassy of Sweden
39	Carlos Nuno Castel-Branco	Director	IESE
40	Paolo Cuinica	Executive Secretary	G20
41	Heather Cameron	CIDA (former Head of Cooperation Mozambique, Research secondee)	IDS, Sussex and former Head of Cooperation, CIDA Mozambique