



REPUBLIC OF MOZAMBIQUE

MINISTRY OF PLANNING AND DEVELOPMENT

**AID COORDINATION AND EFFECTIVENESS IN
MOZAMBIQUE**

Mozambique, 2013

TITLE

Brochure on Effectiveness of Aid Coordination

Supervisory Team

Momad Piaraly (MPD)

Technical Team

Cristina Matusse
Hanifa Ibrahimo
Fernando Ngoca
Sérgio Hele
Alfredo Mutombene
Els Berghmans
Orlando Penicela
Victor Monteiro

Publisher

Ministry of Planning and Development (MPD), 3rd edition
www.mpd.gov.mz

Cover and Photograph**Printing and Finishing****Print run**

1000 Copies

Statistical Data:

Government of Mozambique, National Statistics Institute and ODAmoz Database

ACRONYMS

AAA	Accra Agenda for Action
AR	Annual Review
BGP	Busan Global Partnership
CFs	Common Funds
CUT	Conta Única de Tesouro (Single Treasury Account)
DAC	Development Assistance Committee
DBS	Direct Budget Support
DPs	Development Partners
DFI	Direct Foreign Investment
DPG	Development Partners Group
GNP	Gross National Product
GBS	General Budget Support
GoM	Government of Mozambique
IMF	International Monetary Fund
M&E	Monitoring and Evaluation
MoU	Memorandum of Understanding
MoF	Ministry of Finance
MINEC	Ministério de Negócios Estrangeiros e Cooperação (Ministry of Foreign Affairs and Cooperation)
MPD	Ministério da Planificação e Desenvolvimento (Ministry of Planning and Development)
MTFF	Medium Term Fiscal Framework
NGOs	Non-Governmental Organizations
ODA	Official Development Aid
OECD	Organization for Economic Cooperation and Development
PA	Program Aid
PAPs	Program Aid Partners
PARPA II	Plano de Acção para a Redução da Pobreza Absoluta II (PRSP II)
PARP	Plano de Acção para a Redução da Pobreza (PRSP III)
PQG	Plano Quinquenal do Governo (Government Five-Year Plan)
PAF	Performance Assessment Framework
PM	Planning Meeting
PD	Paris Declaration
SBS	Sector Budget Support
USA	United States of America
UN	United Nations
WTO	World Trade Organization
WB	World Bank

Preface

Through Direct Budget Support, foreign aid has been one of the key alternatives for financing the public deficit in Mozambique. This implies that planning, implementing and managing aid effectively is a fundamental concern of the Government.

Henceforth, Mozambique is internationally recognized as one of the countries where outstanding breakthrough has been achieved in the development and application of “good practices” in Aid Coordination and Effectiveness issues. The country is also well-known for pioneering the implementation of mechanisms aimed at assuring the observance of the internationally-agreed principles of Mutual Responsibility, Alignment and Harmonization, within the Programme Aid Partnership framework between the Government and 19 Donors.

Apart from promoting the sharing information and exchange of ideas and strategies with development partners, the aid architecture in Mozambique ensures a high level of ownership of the development process. Through the Government’s Five Year Programme, and the third generation of the PRSPs, the Government has set objectives, strategies and targets, aimed at attaining economic and social welfare for the Mozambican people as defined in 2025 the Agenda.

Despite the remarkable experience that Mozambique has already acquired in the area of aid effectiveness, the Government recognises challenges prevail and still hinder aid flows from having a greater impact on sustainable development.

It is important to stress that the effectiveness of development cooperation requires joint efforts by all stakeholders – the Government, Parliament, Development Partners, Civil Society and the Private Sector as highlighted by the Busan Declaration. To improve aid effectiveness, it is fundamental that all those involved should have a good knowledge and understanding of the various concepts and contexts of the foreign aid flows in Mozambique.

For this reason, the Mozambican government has decided to elaborate this brochure on the effectiveness of development cooperation. It intends, in a simple and concise manner, to explain key concepts, the national and international context, policies, main tools available, and data on development cooperation.

This brochure follows-up on the second edition of “Aid Coordination and Effectiveness in Mozambique”, edited by the Ministry of Planning and Development in 2011. This edition reflects the evolution of Aid from 2005 to 2012. In the final chapter, the brochure highlights a number of perspectives that Government intends, together with other actors, to undertake to continue improving development cooperation and consequently attaining positive and sustainable development impact.

CONTENTS

ACRONYMS	2
Preface.....	3
1. Key Definitions	5
2. Historical Context of Aid in Mozambique	7
3. International Aid Context	8
3.1. General Context.....	8
3.2. Monterrey Conference: “Financing for Development” - 2002	8
3.3. 1 st High Level Forum in Rome on Aid Effectiveness - 2003	9
3.4. 2 nd High Level Forum in Paris on Aid Effectiveness - 2005.....	9
3.5. 3 rd High Level Forum in Accra on Aid Effectiveness - 2008	11
3.6. Doha Conference on “Financing for Development” - 2008.....	11
3.7. 4 th High Level Forum at Busan on Aid Effectiveness - 2011	12
3.8. Monitoring and Evaluation of the International Declarations	14
4. The National Context: Mozambique’s Efforts for greater Effectiveness of Foreign Aid.....	15
4.1. Legal framework – Existing structure	15
4.2. Development Partners	16
Table 1: Structure of the Working Groups (in the framework of the PRSP 2011-2014) Source: MPD ...	19
5. Data and tools on ODA in Mozambique	20
5.1. General data	20
5.2. Aid by Recipients	1
5.3. Budget Dependence in relation to Foreign Aid.....	1
5.4. Data by aid Modality.....	2
5.5. Coordination Tools of the Programme Aid Partnership	4
6. Progress in the implementation of the International Declarations in Mozambique	6
7. Prospects for the architecture of Foreign Aid	9

1. Key Definitions

Official Development Assistance (ODA) or Public Development Assistance (PDA):

Official aid flow characterised by: (a) being undertaken by public sector institutions; (b) having as main objective the promotion of economic development and welfare; (c) in financial terms, being concessional funds [if loan, with a concessionality of at least 35 per cent Mozambique according to the Budget Law]. By convention, OECD establishes that ODA flows include contributions of Government entities of donor countries or multilateral institutions at all levels to developing countries (bilateral ODA).

Projects: Interventions comprising a planned set of interrelated activities aimed at a defined purpose, with a specific budget and a limited timeframe. Projects are subject to their own plan and budget, and to own administrative, accounting and reporting procedures. In some cases, projects include the provision of “technical assistance” in the form of technical and administrative personnel (national and/or foreign) (MoU 2009).

Programme Support (PS): PS consists of coordinated support for a local development programme, such as a national development strategy, a sector programme or a thematic programme. PS has the following four characteristics: (1) Leadership by the host country, (2) A single comprehensive programme and budget framework, (3) A formalized process for donor coordination and harmonization of donor procedures (procurement, financial management and reporting), (4) Efforts to increase the use of local systems for programme design, implementation, monitoring and evaluation”. (MoU 2009).

Direct Budget Support (DBS): A method of financing a partner country’s budget through a transfer of resources from a donor to the recipient Government’s Treasury (in Mozambique the funds are deposited in the Single Treasury Account - “Conta Única do Tesouro = ON-CUT”). The funds thus transferred are managed in accordance with the budgetary rules and procedures defined by the Government.

DBS includes Sector Budget Support provided and General Budget Support (OCED, 2006).

➔ **General Budget Support (GBS):** is a sub-category of DBS whereby the dialogue between the Government and the Partners concentrates on overall (GENERAL) policies and on budgetary priorities (OCED, 2006). In Mozambique, GBS is made operational through the G19, who are the Programme Aid Partners (PAPs).

➔ **Sector Budget Support (SBS):** SBS is a sub-category of DBS in which dialogue between the Government and its partners focuses on sector-specific plans and strategies rather than on overall policy and budget priorities. (OCED, 2006). In Mozambique there is no SBS in the strict sense of the definition, but “Common Funds” are implemented, that approximate in different degrees the SBS approach.

PROJECTS = own Plan, Budget and Administrative Procedures



Program Support (PS) = efforts to use local systems for program implementation, monitoring and evaluation

Direct Budget Support (DBS) = transfer to partner government's treasury = ON-CUT – Conta Único do Tesouro

General Budget Support (GBS) =
dialogue about General Policies
and Budget



Sector Budget Support (SBS) =
dialogue about Sector Policies and
Budget

2. Historical Context of Aid in Mozambique

Mozambique is one of the major Foreign Aid recipients in the world. Foreign Aid contributes in a significant manner to the national budget, complementing internal resources. This implies that effectively, managing and coordinating aid is a fundamental issue for the Mozambican Government. It is therefore important to understand the evolution of Foreign Aid in the historical context of the country.

National policies and international events have greatly influenced the patterns of Foreign Aid flow, in which following main developments can be highlighted:

- 1) **(1975-1982) Post Independence Period:** Aid mainly came from the Eastern block and Nordic countries in the form of Technical Assistance and imports support to finance development projects. There was an important inflow of foreign technicians from all over the world.
- 2) **(1983-1992) Armed conflict and transition to a “market economy”:** In this phase Food Aid was applied for emergency situations. Structural Adjustment Programmes (SAP’s) were introduced followed by the doubling of Food Aid between 1985 and 1987. Support to the Balance of Payments and imports also became important aid modalities, contributing to about 26% of all Aid Flows in 1990. There was a growing presence of donors, both of International NGO’s (increasing from 7 in 1980 to 180 in 1990), and of bi-lateral and multilateral agencies. Another important milestone was the start of “Tied Budget Support” by Switzerland.
- 3) **(1992-1996) Peace Agreement and first multi-party elections:** Emergency and Food Aid declined significantly between 1993 and 1994, but support to the Balance of Payments and imports was maintained. Rehabilitation projects to rebuild basic infrastructures destroyed during the war ensured major investment flows. Multilateral partners and the United Nations played a crucial role in coordinating donor support, with much of the aid being channelled via International NGO’s.
- 4) **(1996-2002) Reconstruction of Infrastructure:** During this period there was a gradual reduction in the role of Multilateral Agencies and NGO’s. While the bilateral contribution to ODA more than doubled between 1996 and 2002, the multilateral contribution remained at the same level. This period was also marked by an increased contribution of donors in financing current expenditures, and greater attention went to the provinces, initiating geographical preferences. An important evolution was the shift from project aid to sector aid, creating Common Funds to support sectors as a whole.
- 5) **(2002-2012) Strengthening of Government processes:** General Budget Support (GBS) was introduced in 2000 with a formal agreement signed between the Government and six donors in the Framework of “Joint Donor Programme for Macro-Economic Support”. The group of donors that adhered to this new form of aid grew rapidly to 10 in 2002 and 15 in 2004 with the signature of the First “Memorandum of Understanding” (MoU), and 19 development partners signed the second MoU with the government in March 2009. In August 2010 the International Cooperation Policy and its implementation strategy were published. The number of International NGO’s rose to approximately 330 in 2010, but their contribution to the flows of ODA is rather limited.

3. International Aid Context

3.1. General Context

The international community (including developing countries) observed that the large foreign aid flows to developing countries do not always achieve the planned results. For this reason, the United Nations (UN) and the Organisation for Economic Cooperation and Development (OECD) initiated a process of discussing and agreeing on instruments and take on commitments aiming at an increased effectiveness of foreign aid.

In these Fora, a growing group of stakeholders - including the donor community, the developing countries and Civil Society organisations – met to reach agreements on the most effective forms of managing aid flows.

In order to better understand the implications of the new international approach for Mozambique, a brief presentation is provided of the international commitments undertaken by Mozambique.

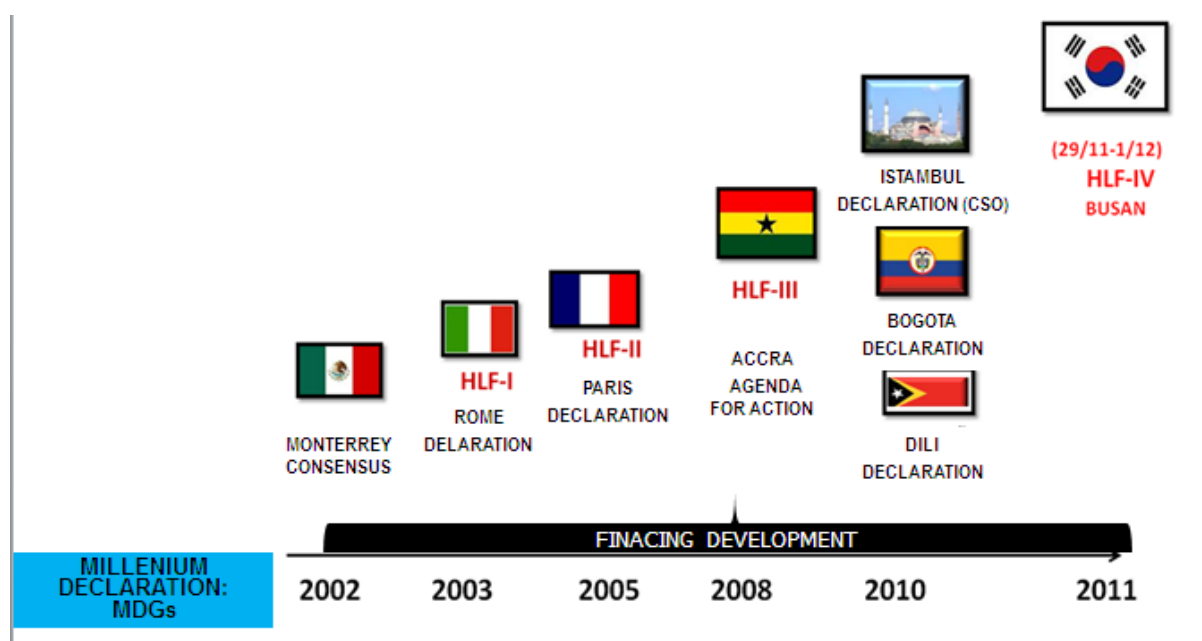


Fig. 1: Schematic representation of different forums related to the Financing for Development (Source: MPD)

3.2. Monterrey Conference: “Financing for Development” - 2002

World leaders agreed in 2000 the so-called Millennium Declaration, pledging to achieve the targets of the Millennium Development Goals (MDGs) by 2015. However, achieving these objectives in developing countries would depend mainly of funding from developed nations. In order to undertake such a commitment to mobilize resources, the United Nations organized in the Monterrey Conference with main topic “Financing for Development”, in which more than 50 Heads of State, 200 Ministers representing donor and recipient countries, multilateral agencies (the International Monetary Fund - IMF, the World Bank - WB, the World Trade Organisation - WTO) and representatives of civil society participated.

In the end, the conference adopted the *Monterrey Consensus*, covering six areas, namely:

1. Mobilisation of internal financial resources for development;
2. Mobilisation of international resources for development: Direct Foreign Investment (DFI) and other private capital flows;
3. International trade as motor for development;
4. Strengthening financial and technical cooperation for development;
5. Financing and Sustainability of foreign debt;
6. Raising systemic questions: strengthening coherence and consistency of the monetary, financial and trade systems to support the development system.

The document also encourages donor countries to increase efforts to achieve the target, set by the United Nations General Assembly in 1970, of allocating 0.7% of their Gross National Product (GNP) as ODA for developing countries. The *Monterrey Consensus* document is available on web page:

<http://www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf>

3.3. 1st High Level Forum in Rome on Aid Effectiveness - 2003

In February 2003, the main donor countries, multilateral organisations and aid recipient countries met in Rome for the first High Level Forum on Aid Effectiveness, which also became known as the “High Level Forum on Harmonisation” , organised by OECD. The participants reached an important milestone in history, by agreeing on basic principles to improve aid management and effectiveness through greater harmonization of interventions, practices and procedures of the Partners and the consequent reduction of transaction costs incurred by the recipient countries. Therefore, the Rome Declaration contains commitments only on the donor side.. The Rome Declaration document is available on web page;

http://www1.worldbank.org/harmonization/romehlf/Documents/languages/PTRome_Declaration.pdf

3.4. 2nd High Level Forum in Paris on Aid Effectiveness - 2005

The 2nd High Level Forum in Paris on Aid Effectiveness, organised by OECD and with same high level of participation as the Rome Forum, culminated with the adoption of the **Paris Declaration** in March 2005. The Paris Declaration (PD) on Aid Effectiveness was approved by 52 donors/agencies and partner countries, as well as by 30 other stakeholders in the cooperation and development area (United Nations and other multilateral and non-governmental organisations). By adopting the declaration, countries and organisations took up the challenge to put into practice five principles to improve aid effectiveness, together with a number of specific objectives and targets for 2010.

The PD is the main reference regarding international standards and practices in the field of aid effectiveness, incorporating commitments for both donors and recipients, in order to strive to improve the results of cooperation.

The five Principles of the Paris Declaration:

1° Ownership: *The recipient countries exercise effective leadership over their development policies and strategies and ensure coordination of its implementation.*

This principle implies that in the countries which receive aid, the Governments together with Civil Society, establish the development priorities and policies of their Country. The donors undertake to respect the leadership of the recipient countries and to help them strengthen their capacity.

2° Alignment: *The donors base all their support on the national development strategies, institutions and procedures of the partner countries.*

This principle has two aspects: it establishes the need for donors i) to respect and align their activities with the national priorities and plans (of the Government receiving the aid) and ii) to use and strengthen national systems (public financial management, procurement and auditing), to avoid parallel systems, since the strengthening of the national systems improves the effectiveness not only of external funds, but also of internal funds.

3° Harmonisation: *The donors' actions are more harmonised, transparent and collectively effective.*

This principle seeks to reduce the complexity and administrative burden of coordinating the donors on the part of the Government. It is intended to change from a system where all the donors have their projects and programmes with different assessment, accountability and management systems, to a situation with common procedures and greater coordination among donors, thus alleviating the administrative burden of the Government in managing Aid.

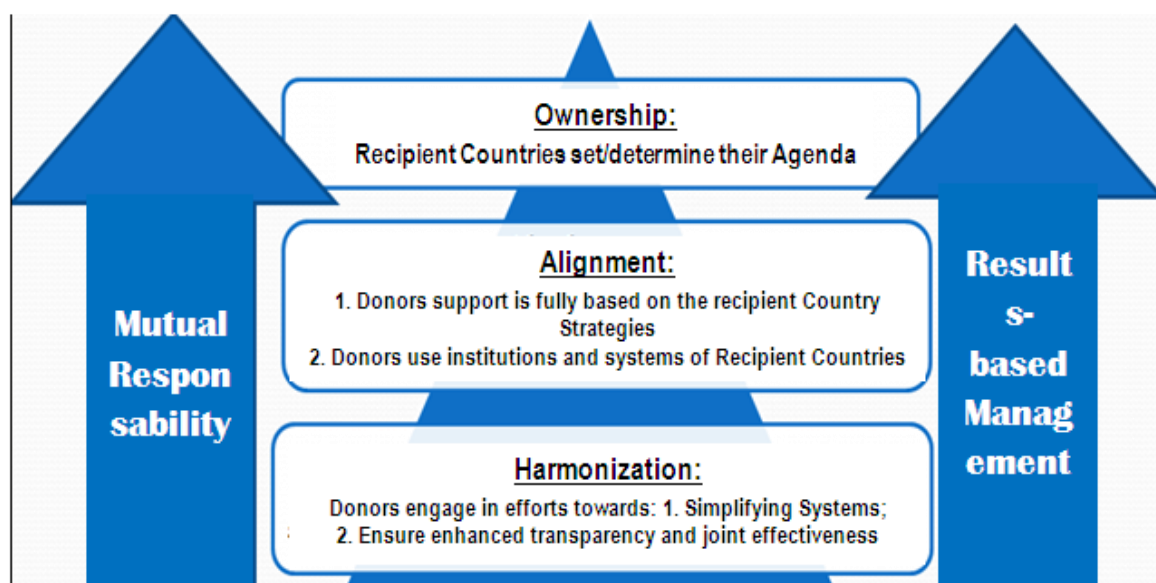
4° Results Based Management: *Managing resources and improving decision making for results.*

This principle focuses on the need to concentrate on the results of activities or programmes, instead of on processes, and of linking monitoring and evaluation (M&E) systems to results. Thus M&E systems should be developed that include result indicators (e.g: "100 pupils educated", instead of "building 5 schools"). The donors should use the national M&E systems and avoid the inclusion of indicators that are not contained in the national development programme.

5° Mutual accountability: *Donors and recipient countries are both accountable for development results.*

This principle is linked to the philosophy of partnership, that is, that the recipient countries and the donors should work together, to attain the development objectives of the country. Thus not only should the recipient countries account to the donors for the use of the funds, but the donors should also account to the recipients about their funds, so as to ensure that they are working to increase the effectiveness of the funds made available.

Figure 2: The five Paris declaration principles



The Paris Declaration is available on the following Web page:
<http://www.oecd.org/dataoecd/56/41/38604403.pdf>

3.5. 3rd High Level Forum in Accra on Aid Effectiveness - 2008

The Third Forum on Aid Effectiveness, organised by OECD, took place in September 2008 in Accra (Ghana) and was the first meeting of its kind to take place in Africa. The meeting culminated with the adoption of the Accra Agenda for Action (AAA), containing a series of commitments to strengthen and accelerate the implementation of the Paris Declaration.. The AAA does not replace the Paris Declaration and does not cover any provisions for additional control. One aspect to retain from the AAA, is that she make explicit mention of the role of South-South cooperation, defining it and emphasizing its complementarity with the North-South cooperation.

The Accra Agenda for Action document is available on the web page:

<http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217425866038/FINAL-AAA-in-Portuguese.pdf>

3.6. Doha Conference on “Financing for Development” - 2008

In December 2008, the United Nations organised another International Conference on Financing for Development, which took place in Doha, Qatar, with the aim of assessing the implementation of the Monterrey Consensus. 49 Heads of State, 67 Ministers, representatives and officials from more than 170 countries participated in this conference.

The conference culminated with the adoption of the **Doha Declaration**. The two key messages of the document are the existence of a strong commitment from donor countries to maintain their ODA targets despite the world economic and financial crisis, and to organise another United Nations conference to analyse the impact of the world economic crisis on development. Following points summarise main aspects covered in the Declaration:

1. *Mobilisation of Domestic Resources (in the developing countries)*: in the context of the importance of national ownership of development strategies and of an inclusive financial sector.
2. *Mobilisation of International Resources*: the need to improve business environments and to expand the scope of private funds in more developing countries.
3. *International trade as a motor for development*: the importance of concluding the multilateral trade negotiations.
4. *Foreign debt*: the need to consider new debt restructuring practices and mechanisms.
5. *Systemic problems*: the need to review the existing global agreements on economic governance with reforms of the system and the international financial institutions.

The Doha Declaration is available on Web page:

http://www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf

3.7.4th High Level Forum at Busan on Aid Effectiveness - 2011

The Fourth High Level Forum organised by the OECD took place in Busan in South Korea in December 2011 and had as objective to draw up a balance of the targets of the Paris Declaration for 2010, and determine the way forward especially to matters relating to the Effectiveness of Development Aid. At the forum, which final document was entitled "Busan Global Partnership for Effective Development Cooperation" more than 15 countries and 45 international organizations were represented.

The Busan Partnership undoubtedly represents a new development in the framework of international cooperation, by joining and linking their commitments to a wide variety of actors, both globally and within countries (Governments, Parliaments, Civil Society, Partners and Private Sector). In addition to incorporating a wider range of actors, the declaration of Busan gives prominence to forms of cooperation as alternatives to traditional North-South cooperation, especially Triangular and South-South Cooperation, highlighting them as an indispensable source not only of financing but especially of knowledge and experience that can be decisive for the recipient countries. Moreover, in Busan, **the need was emphasized to look beyond the mere financial aid flows in order to identify a more holistic and effective strategy to promote national development.**

Therefore, it can be summarily affirmed that the Busan Partnership, offers itself as more comprehensive instrument to consolidate progress and coordinate the various actors around a set of five common principles agreed and validated at previous forums.

Thus, the Busan Declaration represents an important step beyond Paris and Accra in the following aspects:

- It is supported by all partner countries and providers of South-South cooperation (i.e. includes the Emerging Countries such as the BRICS¹), as well as by a large number of international civil society organizations.
- Recognizes that aid is only one of several sources of financing for development, which should play a "catalytic role" and complement a broader cooperation framework.

¹ Brazil, Russia, India, China and South Africa

- Considers aspects “beyond aid” to facilitate broader partnerships such as, for example , South-South partners , the private sector and civil society organizations - that collaborate with the Government for the "development effectiveness ".
- Recognizes and accommodates this diversity and multiplicity of partners allowing the cooperation partners of the South to join the global commitments on a "voluntary basis".
- It addresses the need to continue the commitments made in Paris and Accra and to develop new mechanisms for global and national monitoring (under a new global partnership).

The Busan Global Partnership will help to promote communication, commitment and knowledge sharing among multiple development actors and to maintain political support for the commitments reached in Busan.

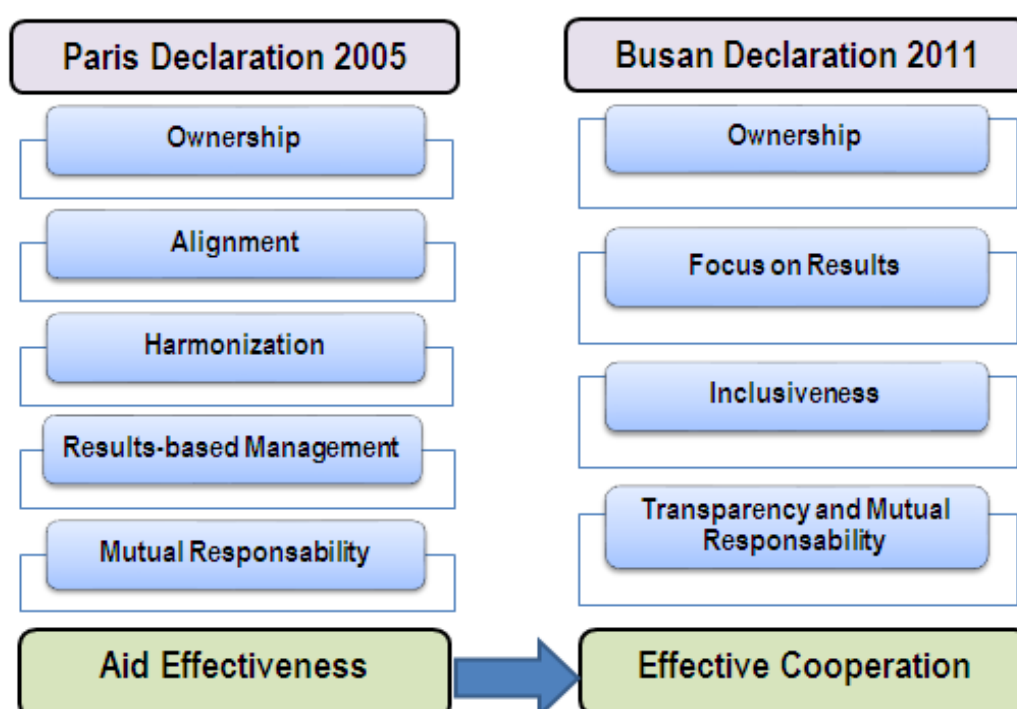


Fig 3: The Principles of the Paris Declaration and the Global Busan Partnership (Source: MPD)

3.8. Monitoring and Evaluation of the International Declarations

Regarding the Paris Declaration, there was a process of Monitoring and Evaluation (M&A), coordinated by the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD).

Monitoring of the PD was done through surveys in the recipient countries. Mozambique has taken part in 3 surveys, the first one being in 2006, which established the baseline and the 2010 targets for the PD indicators in Mozambique, the second in 2008, consisting of the mid-term evaluation, and the third and last survey which took place in 2011, and supplied the data for the final evaluation of the implementation of the PD in Mozambique.

The evaluation of the PD is done through the *High Level Forums*. These forums are used to bring all the actors together (recipient and donor Countries – Government and Civil Society), in order to assess progress in implementing the PD and to set out the next steps.

In 2011, the OECD also organized an evaluation of the Paris Declaration which consisted of an overall assessment of the indicators and some evaluations at country level. Twenty-one recipient countries, including Mozambique, and four donors undertook an evaluation at national level to feed the discussions at the Fourth High Level Forum².

To ensure accountability in relation to the **commitments made in Busan**, it was agreed to identify 10 indicators of the Global Partnership on the basis of which countries have the responsibility to devise indicators for the respective Action Plans at national level, adjusted to the realities of each of the signatory countries. The countries should establish its own mechanisms for monitoring of the respective Action Plans and publication of annual reports that should fuel the processes of regional and global monitoring.

It was agreed that every 18-24 months, there will be a meeting of the political level of Ministers and high level representatives, to assess progress in implementing the commitments of Busan and resolve essential issues. To make the Partnership more operational, a Steering Committee was created which has a representative of the Donor Countries, one of the recipient Countries and one of the Emerging Countries in its TROIKA.

As for coordination of the M&E processes at the international level, a joint secretariat was established, composed by the OECD and the UN (UNDP), responsible for the coordination of the global monitoring and evaluation procedures.

As for Mozambique, it should be noted that the drafting of the National Post-Busan Action Plan has already been completed, waiting for approval. Regarding the monitoring of global-level indicators, Mozambique is currently finalizing the consolidation of the data that should be shared with the International Joint OECD/UNDP Secretariat.

² Note that the reports of the 2011 Survey and the evaluation of Mozambique are available on the MPD Webpage (www.mpd.gov.mz).

4. The National Context: Mozambique's Efforts for greater Effectiveness of Foreign Aid

4.1. Legal framework – Existing structure

Policies and strategies in force

In July 2010 the Mozambican Government adopted an **International Cooperation Policy and Strategy for its Implementation** (in the official gazette, the “*Boletim da República*” no. 34, published on 30/08/2010), which seeks to establish the principles that govern international cooperation, including the coordination of foreign aid, and which are aligned with the 5 principles of the PD. The fundamental objective of the International Cooperation Policy is to guarantee the attainment of the priorities of the Government, expressed in reducing the levels of poverty through the promotion of rapid, sustainable and wide-ranging social and economic development. It is important to note that one of the specific objectives of the Policy is “to strive for a gradual reduction of foreign dependence”.

The document distinguishes between 4 areas of International Cooperation, namely economic, technical, scientific and cultural cooperation, humanitarian and emergency assistance, as well as Public Development Aid.

In the area of Public Development Aid, the Strategy explains that the Government:

- Encourages the flow of grants via the State Budget and the inclusion, by the partners, of the sums relating to fiscal charges;
- Attempts to maintain the sustainability of its debt through contracting public concessional loans, **but may resort to other forms of credit that are not concessional to finance projects with a rapid return and under extraordinary circumstances**;
- Makes efforts to attract the greatest number of partners and largest volumes of resources to Direct Support for the State Budget and to Programmatic Support to the sectors;
- Mobilises funding for projects with an impact on poverty reduction and on the **sustainable** development of the country.

In this context, the strategy encourages the Development Partners to:

- Include in the agreements the use of national public financial management systems;
- Prioritise financing the State Budget through the Single Treasury Account (CUT);
- Design annual disbursement plans so as to ensure predictability in the foreign resources flows ;
- Supply rolling information on forecasts of the foreign resources flows , in alignment with the Government's medium term planning system; and
- Prioritise the signing of multi-year, and preferably rolling, agreements with the Government, in order to allow better programming.

To ensure its implementation and its respective M&E, the Strategy sets up an **International Cooperation Policy Coordination Forum**, chaired by the Minister of Foreign Affairs and Cooperation (MINEC), and including the Ministers of Planning and Development (MPD) and of Finance (MF).

Furthermore, the Government and the 19 Development Partners known as the Programme Aid Partners (PAP) in March 2009 signed a new **Memorandum of Understanding (MoU)** which lays down the guiding framework for providing General Budget Support. The MoU establishes the cooperation mechanisms between the 19 Partners and the Government in the context of granting General Budget Support (GBS).

4.2. Development Partners

There exists the “**Development Partners Group**” – (DPG), which is a forum where all the Development Partners (bilateral and multilateral) meet at Ambassador level for purposes of coordination. The DPG meets every month and is chaired by the World Bank and the United Nations (Office of the Resident Coordinator). The DPG does not interact directly with the Government, and is simply a forum for harmonisation among the donors. It is important to note that all heads of cooperation are invited to this forum, including the emerging partners such as China, Brazil, Russia, South Africa, etc.

The **Programme Aid Partnership (PAP)** is a partnership between the Mozambican Government and 19 Partners, being 19 international agencies that provide Programme Aid to Mozambique, in the form of General Budget Support (GBS) and General Sector Support (GSS). This group is also called the “Group of 19” or “G19”.

The 19 Programme Aid Partners (PAPs) are: Austria, Belgium, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, Holland, Norway, Portugal, Sweden, Switzerland, Great Britain, Spain, Canada, the World Bank and the African Development Bank. The United Nations (UN) and the United States of America (USA) are associate members, since they do not provide budget support, but they take part in planning, monitoring and evaluation processes.

How does the Programme Aid Partnership (PAP) work?

The partnership is governed by its **second Memorandum of Understanding - MoU³**, signed in March 2009 and valid for a five year period, which sets down the principles and processes under which General Budget Support (GBS) is provided.

The MoU indicates the “**basic principles**” which should exist in Mozambique for the continuation of the GBS disbursements, including safeguarding peace, democratic political processes, the independence of the judiciary, the rule of law, human rights, good governance, priority to the fight against poverty, solid macro-economic policies, and effective public finance management systems.

Regarding the operationalization of the Memorandum of Understanding, yearly two joint processes are foreseen, namely, that of **Planning of the Performance Assessment Framework** and the process of **Monitoring and Evaluation**, both aligned with the Government Planning and Budgeting cycle.

³ The first Memorandum of Understanding dates from 2004

It should be noted that the **first process** is on the **Planning Meeting** which takes place in September, at which time based on sectoral proposals indicators and targets of the Performance Assessment Framework of the Government and the Partners are established for the year (n +1), as well as indicative targets for the next two years (n +2 and n +3).

It is to be highlighted that the indicators for the Performance Assessment Framework are extracted from the Strategic Matrix of the PRSP. This practice aims to ensure that not often new conditionalities are imposed on the Government.

The **second process** concerns the **Annual Review (AR)** which takes place in March/April and where the joint assessment of the Performance of the Government and the Partners of the previous year (n-1) is done. Based on the results of the assessment of the performance of the Government, the Partners communicate the Budgetary Commitments to be granted to the Government for the following year (n +1), a very important step to feed the development of the Med-Term Fiscal Framework and proceed to the allocation of sector budget ceilings. The results of both procedures are documented in the "**Aide Memoire**", summarizing the findings and recommendations.

It should be mentioned that, in the course of these processes, **various Joint Dialogue forums** work between the Government and the Partners both at technical and political level, with the participation of Civil Society. The technical level focuses on sectoral and thematic issues.

It is to be noted that the dialogue starts in the Sectoral and Thematic Groups, which are organized according to the structure of the PRSP (Objective 1: Increased Agricultural and Fisheries Production and Productivity; Objective 2: Promotion of Employment; Objective 3: Human and Social Development. Pillars of Support: Governance and Macroeconomics and Public Finance Management), joining different sectors that compete for the same purpose. The groups are composed of representatives of the Government, Partners and Civil Society, meet monthly and constitute vehicles for communication and coordination on development between the Government, Cooperation Partners and Civil Society.

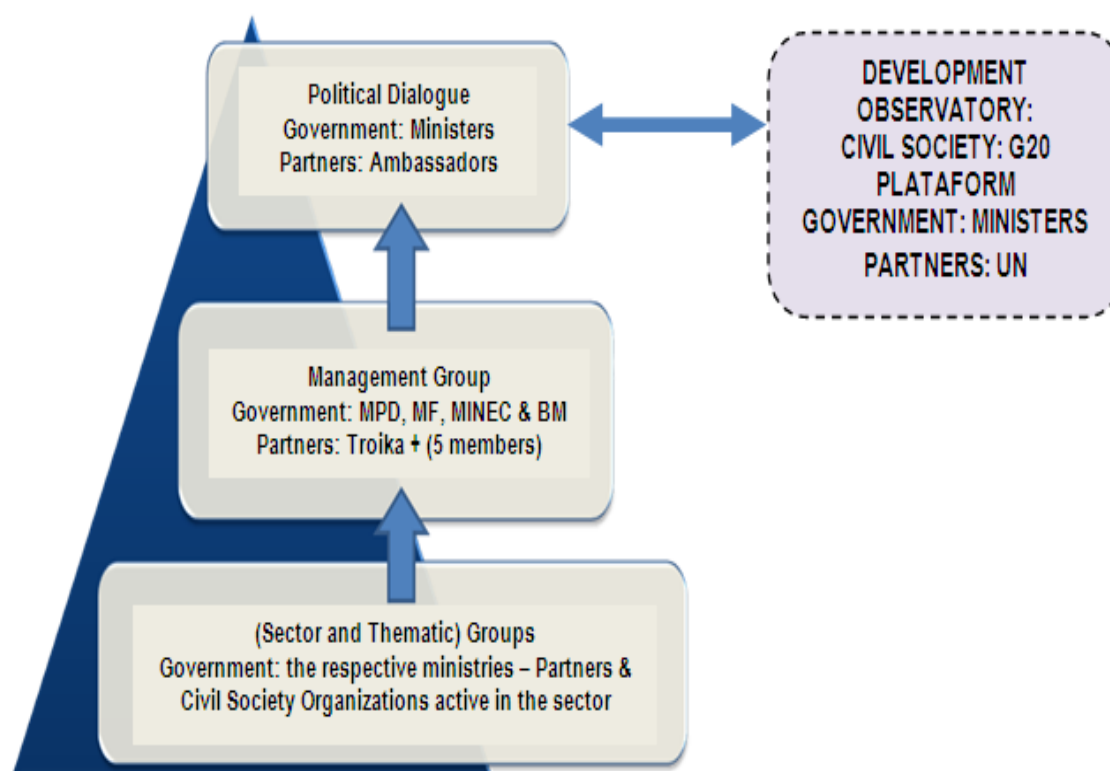
The **Joint Steering Committee** also meets monthly and is chaired by the Ministry of Planning and Development and composed by the Ministry of Finance, Foreign Affairs and Cooperation, and the Bank of Mozambique, which among other points appreciates the progress of the processes, the proposal of the Aide Memoire, and prepares the meetings of the Political Dialogue.

The forum immediately following in the framework of the Partnership is the **Political Dialogue**, where important points are appreciated by both parties, thus enabling the understanding and clarification on any matters which by their nature should not be discussed at the technical level and ultimately influence possible reforms. The meetings of the Political Dialogue are held 4 times a year, between the Ministers and Ambassadors.

Additionally, as integral part of the two processes, sessions of the **Development Observatories** take place, where the Government interacts with civil Society on the performance of the Government as well as its proposed Plan and Budget.

The MoU provides groups of **Coordination between partners** at different levels including the Ambassadors (HoM's), the Heads of Cooperation (HoC) and economists. The G19 annually elects one TROIKA composed of three bilateral agencies and two permanent members, being the multilateral members (World Bank and the European Union) that represents and coordinates them. Each bilateral agency is part of the TROIKA for three years, taking the chair in the second year.

Figure 4: Structure of the mechanism for coordination with the PAPs:



It should be mentioned that all the documents of coordination with the PAP's and the respective MoU are available on the following Web page: <http://www.pap.org.mz/>.

OBJECTIVES/PILLAR	THEMATIC GROUPS	Sector Groups
Increase of agricultural and fisheries production and productivity	Improve and increase access to inputs and Facilitate Access to Markets	Agriculture, Fisheries, MOPH (Roads)
	Improve the sustainable management of natural resources (land, water, fisheries and forestry)	Environment
Promotion of Employment	Stimulate the creation of jobs (demand)	Private Sector
	Improve the employability of citizens and Facilitate the link between demand and supply	
Human and Social Development	Availability and quality of access to social services & Basic Social Security and Social Infrastructure	Education, Health, Water & Sanitation Social Action, Energy
Macro-economics	Macroeconomic Stability and Growth	
	Coordination and Management of Public Finance	
	PMAS (Poverty Monitoring and Analysis Systems)	
Good Governance	Decentralization and Service delivery	Provision of public services & Combating Corruption Decentralization and local governance
	Consolidation of the Rule of Democratic Law	Justice
Crosscutting Issues	ENVIRONMENT, HIV/AIDS, DEMINING, NATURAL DISASTERS, GENDER, SCIENCE AND TECHNOLOGY, FOOD SECURITY AND NUTRITION SETSAN, RURAL DEVELOPMENT	

Table 1: Structure of the Working Groups (in the framework of the PRSP 2011-2014) Source: MPD

5. Data and tools on ODA in Mozambique

5.1. General data

As mentioned earlier, Mozambique belongs to the group of countries that receives the greatest part of donor funds. Taking into account the average of the last 3 years, the OECD puts Mozambique as the 4th biggest recipient of foreign aid in Africa, having received an annual average of around 2 billion USD. Among the Developing Countries, during the same period (2009-2011), Mozambique was the 10th biggest recipient of foreign aid, in a list headed by Afghanistan, Congo and Ethiopia.

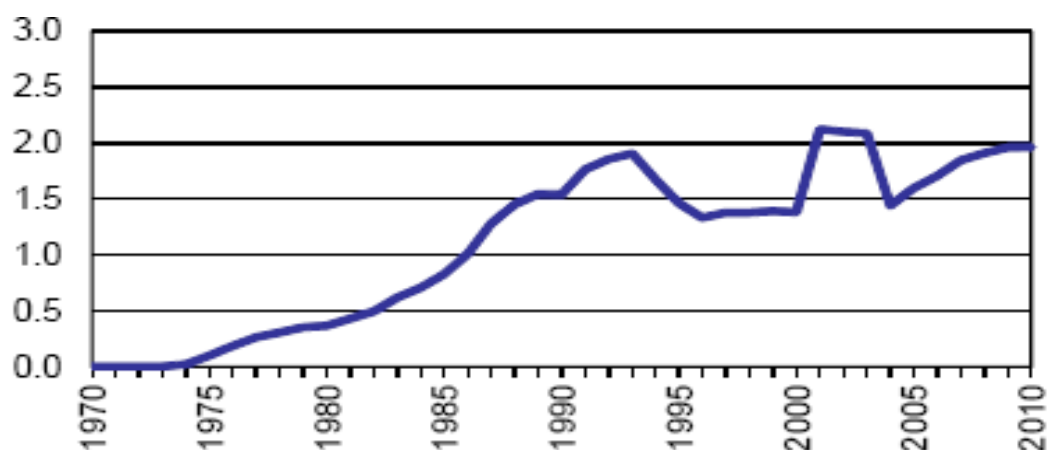
Table 2: 10 largest ODA recipients in Africa (USD millions – Disbursements)

	Countries	2009	2010	2011	3 year average	%
1	D.R. Congo	2.357	3.543	5.522	3.807	8%
2	Ethiopia	3.819	3.525	3.563	3.636	7%
3	Tanzania	2.933	2.958	2.445	2.779	6%
4	<u>Mozambique</u>	2.012	1.952	2.047	2.003	4%
5	<u>Kenya</u>	1.776	1.629	2.474	1.960	4%
6	Sudan	2.351	2.076	1.138	1.855	4%
7	Nigeria	1.657	2.062	1.813	1.844	4%
8	<i>Ghana</i>	1.582	1.693	1.815	1.697	3%
9	<i>Uganda</i>	1.785	1.723	1.580	1.696	3%
10	Ivory Coast	2.402	845	1.437	1.561	3%
	Other recipients	25.134	25.971	27.426	26.177	53%
	Total	43,502	47.808	47.976	51.261	49.015

Source: Development aid at a glance, statistics by region, OECD DAC 2013

The following Graphic shows the evolution of Foreign Aid to Mozambique from 1970 to 2010 from which one can conclude that the volume of ODA that flew to Mozambique in general had an increasing tendency over the analysed period.

Graph 1: Evolution of the ODA received by Mozambique 1970-2010 (USD billions)



Source: development aid at a glance, statistics by region - Africa, OECD DAC 2013

Looking at Table 3, which shows the individual contributions of the 19 donors members of the Program Aid Partnership plus the 2 Associated Members, we can note that the World Bank, the United States of America, and the European Commission, were the three largest ODA providers to Mozambique between 2005 and 2012.

Donor Agencies	2005	2006	2007	2008	2009	2010	2011	2012	Total	%
World Bank	253,270,000	249,950,000	266,441,701	257,785,231	254,612,123	194,730,255	101,379,300	231,740,253	1,809,908,863	16%
United States of America					263,331,583	237,779,048	445,524,859	406,549,211	1,353,184,701	12%
European Comission	137,626,561	137,638,847	150,146,471	144,724,548	106,171,318	186,107,409	124,252,812	181,238,522	1,167,906,487	11%
DFID	71,597,418	87,614,023	105,804,944	112,870,370	146,914,322	96,186,427	200,126,579	131,834,915	952,948,998	9%
African Development Bank	118,710,690	107,165,594	74,695,000	73,027,319	101,679,981	76,121,086	57,987,668	89,399,171	698,786,508	6%
Sweden	50,021,451	69,290,358	78,597,410	102,931,720	81,540,210	81,983,471	104,767,859	102,662,006	671,794,485	6%
Germany	37,209,417	65,493,602	50,129,309	64,235,398	36,496,678	75,117,976	84,938,721	74,450,193	488,071,295	4%
Holland	42,979,265	44,098,565	61,346,168	83,553,180	47,606,826	74,238,411	60,616,666	45,416,657	459,855,738	4%
Denmark	48,063,268	43,384,841	63,500,000	52,841,517	53,072,139	76,363,846	37,525,405	61,125,293	435,876,309	4%
Norway	51,572,826	49,103,894	59,157,276	63,074,950	11,382,929	67,261,636	64,890,710	61,576,767	428,020,988	4%
Canada	34,293,569	38,596,799	36,001,338	50,770,917	4,468,297	72,215,396	96,152,363	91,094,404	423,593,082	4%
United Nations					96,903,605	85,052,838	126,532,847	58,680,573	367,169,864	3%
Ireland	39,421,332	41,215,284	55,400,328	61,140,713	21,677,321	46,701,210	50,133,300	47,115,306	362,804,793	3%
Finland	22,099,788	24,464,297	26,527,843	33,336,981	62,356,507	45,600,198	40,144,411	31,515,154	286,045,178	3%
Portugal	20,575,502	11,371,896	13,180,037	12,601,935	57,389,896	111,830,692	16,658,356	7,659,691	251,268,004	2%
Italy	24,735,037	32,117,271	27,862,887	16,617,156	79,814,284	25,611,935	18,423,865	20,111,201	245,293,634	2%
Spain	20,356,206	22,973,685	11,021,492	17,919,118	55,651,161	32,579,236	24,765,832	8,643,083	193,909,812	2%
France	16,014,853	17,107,780	18,034,070	21,403,680	22,885,714	46,157,719	17,510,091	26,280,641	185,394,547	2%
Belgium	6,411,082	6,209,950	8,463,726	7,209,027	77,771,069	15,131,520	17,683,081	13,761,985	152,641,440	1%
Switzerland	15,030,013	11,179,358	13,883,531	13,904,294	14,076,204	24,544,772	23,044,945	33,855,602	149,518,718	1%
Austria	0	0	0	5,327,880	9,212,884	5,593,843	5,528,157	5,334,146	30,996,911	0.3%
TOTAL	1,009,988,275	1,058,976,041	1,120,193,531	1,195,275,933	1,605,015,051	1,676,908,924	1,718,587,826	1,730,044,774	11,114,990,356	100%

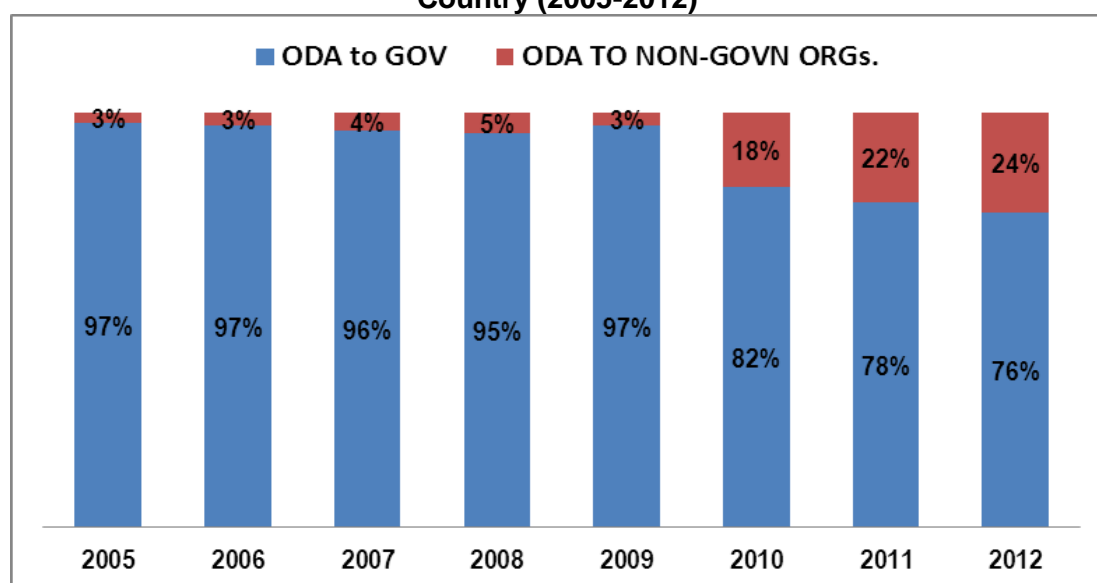
Table 3: ODA disbursement flow to Mozambique (Disbursements) 2005-2012 (USD)

Source: *Annual PAPs Performance Assessments, MPD*

5.2. Aid by Recipients

Graphic 2 shows the recipients of funds in Mozambique (from the PAPs data only) and shows that the great majority of ODA (an average of 90% of ODA disbursed over the last 8 years⁴) is channelled to the Government; the remaining 10% was disbursed to Civil Society, the Private Sector and other non-governmental organisations. This shows that the partners have a great level of confidence in the Mozambican government.

Graph 2: % of ODA channeled to the government of the Total disbursements to the Country (2005-2012)



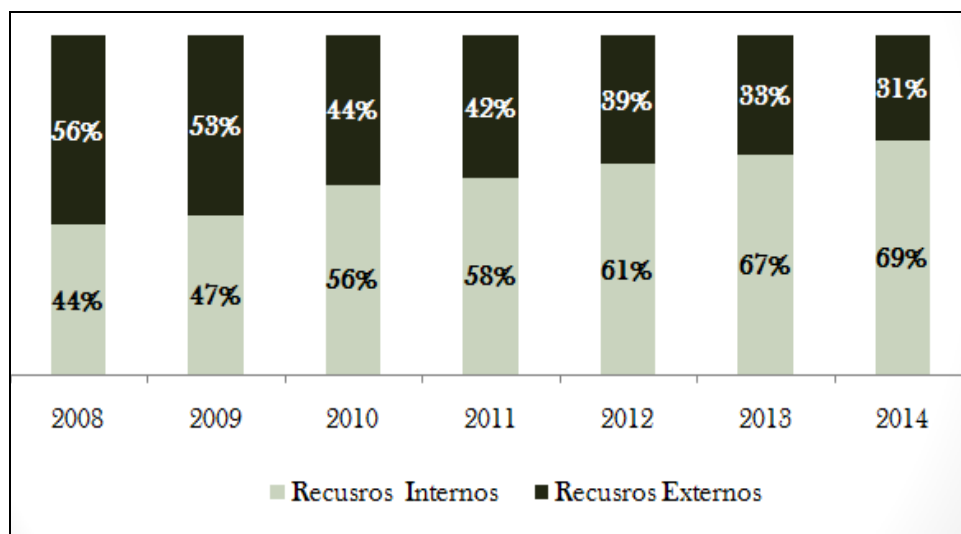
Source: *Annual Assessment of the Performance, PAPs MPD*

5.3. Budget Dependence in relation to Foreign Aid

The fact that Mozambique still is one of the largest recipients of ODA in Africa partly reflects the need to finance the recurrent budget deficits through aid. In fact, in 2004, at the time of signing the first Memorandum of Understanding for the provision of Budget Support, the fiscal ratio in the country was only 12.4% and the domestic budgetary resources could cover only approximately 30% of the Public Expenditure. Aware of the challenge of strengthening the budgetary autonomy of the country, the Government, in its International Cooperation Policy called for the gradual reduction of these levels of dependency. Indeed, there has been remarkable progress in this area, as can be seen from the chart below. The State Budget in 2008 was largely financed by foreign funding (56%). However, from 2010, the scenario began to gradually reverse, with the budget dependence reduced to below 50%.

⁴ These data do not include non-traditional donors such as Japan, China, Brazil, etc...

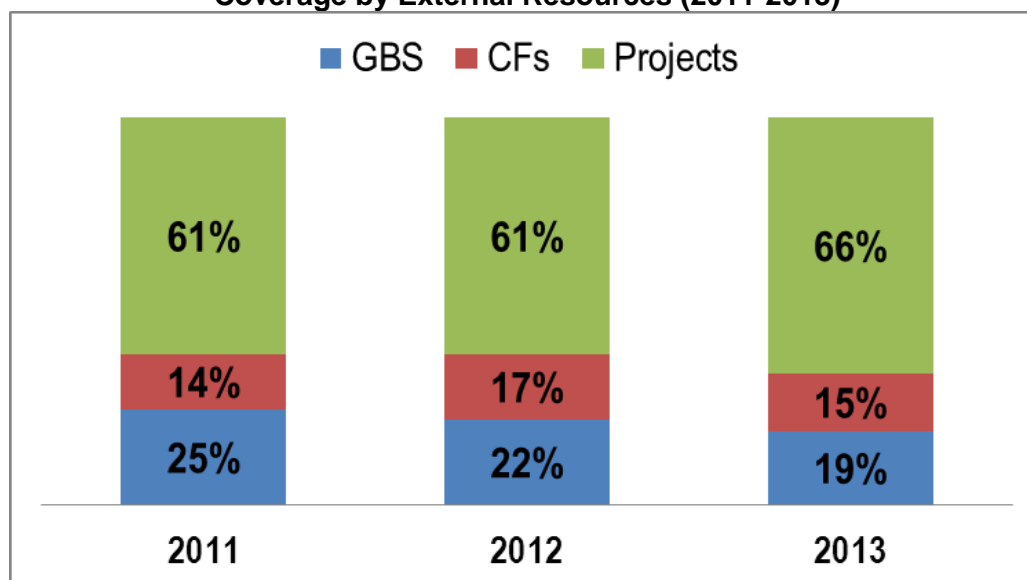
Figure 3: Evolution of the Structure of the State Budget (2008-2014)



Source: MPD

As illustrated in Figure 3, the initial 2013 State Budget projected a weight of External Resources of about 33% covered in the following structure in terms of modality: 66% in Projects, 15% in Common Funds and 19% DBS. Available data tend to point to a gradual reduction in support to both programme modalities, coupled with an increasing proportion of the project modality.

Figure 4: Share of aid modalities to the Government in the structure of the SB Coverage by External Resources (2011-2013)



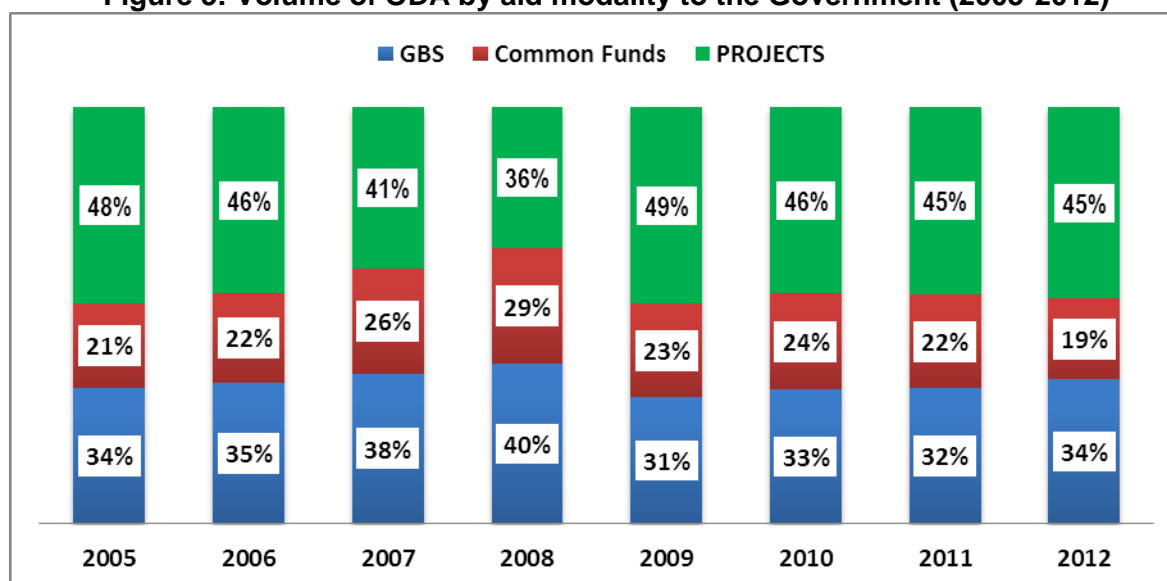
Source: PAPs Annual Performance Assessments, MPD.

5.4. Data by aid Modality

Figure 5 shows the composition of ODA flows to the Government (PAPs + Associate Members). On average, partners disburse 35% of its aid as GBS and 23% as SBS (Common Funds). The majority of aid continues to be disbursed in the form of projects (45%). It is noted that the behaviour of disbursements tends to change considerably when the analysis includes only the ODA flows of the

PAPs (excluding the Associate Members), whereby the structure of the portfolio comes to be dominated by Programme Aid (GBS and SBS) which is an annual average of 64% of the total aid by the PAPs to the Government. The projects represent only 36% of the aid by the PAPs to the Government.

Figure 5: Volume of ODA by aid modality to the Government (2005-2012)



Source: *PAPs Annual Performance Assessments, MPD.*

The graphical analysis illustrated above, betrays a gradual decreasing tendency of the volume of ODA directed to sectors (SBS), which also reflects the abandonment of this modality by some donors. It should be noted in Table 4 that, with the extinction of the Common Fund of the Public Sector Reform programme (UTRESP) the number of Common Funds decreased from 15 in 2010 to 14 in 2014 (on the basis of commitments). However, the aspect that most emerges from Table 4 is the precipitous reduction of the number of donors who finance the Common Funds. If each CF in 2010 was on average funded by 5.5 Partners, in 2014 this average drops to just 2.8. In all CFs, the number of partners decreased.

Table 4: Programme Support to Sectors 2007-2014 (commitments, USD million)

PROGRAMMES	2007	2008	2009	2010	2011	2012	2013	2014	Total	Nr. Donors (in 2010)	Nr. Donors (in 2014)
Education FASE	55,7	71,6	142,6	111,1	85	115,9	101,0	138,2	821,1	11	7
Health PROSAUDE	89	70	94,7	85,6	75,3	111,9	88,0	84,2	698,6	13	8
Agriculture PROAGRI	37,7	38,5	43,2	42,6	26,1	10,0	13,9	7,7	219,8	9	2
Roads PRISE	35,8	24	30,6	36,2	10	15,9	12,3	12,3	177,1	5	2
HIV/AIDS (CNCS)		21,6	19,2	4,2	4,3	3,0	0,0	0,0	52,3	5	0
Water ASAS	5,2	6,3	9,9	11	1,4	-	5,8	3,9	43,4		1
UTRAFE		9,2	7	9,6	8,5	8,3	5,1	5,6	53,2	4	3
Water and Sanitation PRONASAR					13,4	7,4	10,5	7,2	38,5	5	4
UTRESP			4,3	12,3	4				20,6	3	0
Administrative Tribunal ATA			4	5,3	2,8	3,2	3,8	5,4	24,4	4	5
Tax Authority TAA			5,9	3,7	2	1,3	2,0	7,1	22,0	4	4
INE				6,6	6,3	17,9	4,2	1,9	36,8	3	2
Social Action INAS				6,6	5	3,2	5,2	5,2	25,2	2	2
Decentralization PNPFDF					11,6	1,2	1,4	1,4	15,6	4	2
Fisheries					7,9	5,3	5,3	6,3	24,8		1
IGF						4,1	3,5	3,0	10,6		2
Total:	223	241,2	361,4	334,8	263,6	308,6	261,8	289,4	2.284		

Source: PAPs Annual Performance Assessments, MPD.

It can be seen that the 3 largest Common Funds (by volume of funds allocated) are distributed by the Education, Health and Agriculture sectors.

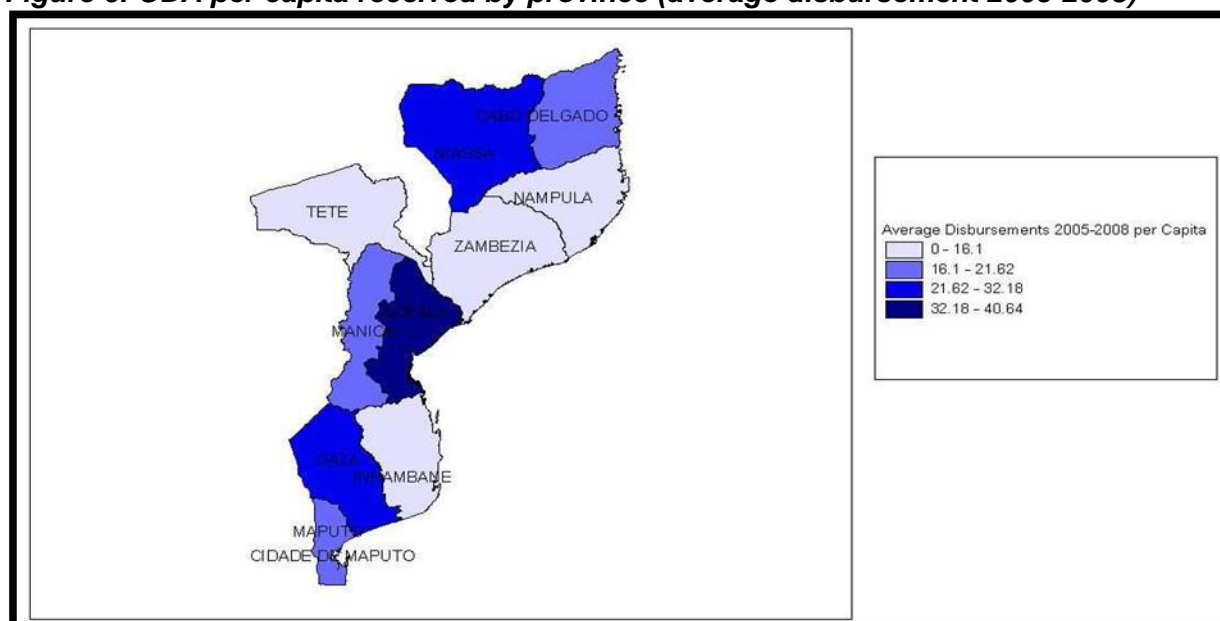
5.5. Coordination Tools of the Programme Aid Partnership

Apart from the MoU signed with the PAPs, the Government, with the support of the European Commission and the United Nations, has set up a database on the flows of Official Development Aid called ODAMOZ (Official Development Assistance to Mozambique), which is accessible via internet: www.odamoz.org.mz This Database was set up in 2005 and its management passed into the hands of the Mozambican government, in 2008 through the Ministry of Planning and Development. The purpose of ODAMOZ is to improve coordination and harmonisation of information about external funding; to serve as an instrument to analyse external funding; to make information available about forecasts and quarterly disbursements, as well as to support drawing up the state budget.

Among other functions, the option "Design Report" facilitates the search for specific information through pre-defined criteria: donor, sector, location, stage of project, province, funding in the context of the Millennium Development Goals, and supplies tables and geographical maps (ODAMap) for analysis.

The base data ODAMOZ, a document that although refers to 2005 -2011, may be considered as an important source of data on the recent historic profile of foreign aid in Mozambique - Donor Atlas⁵. Below are two examples of the many maps and graphs that can be found in this document.

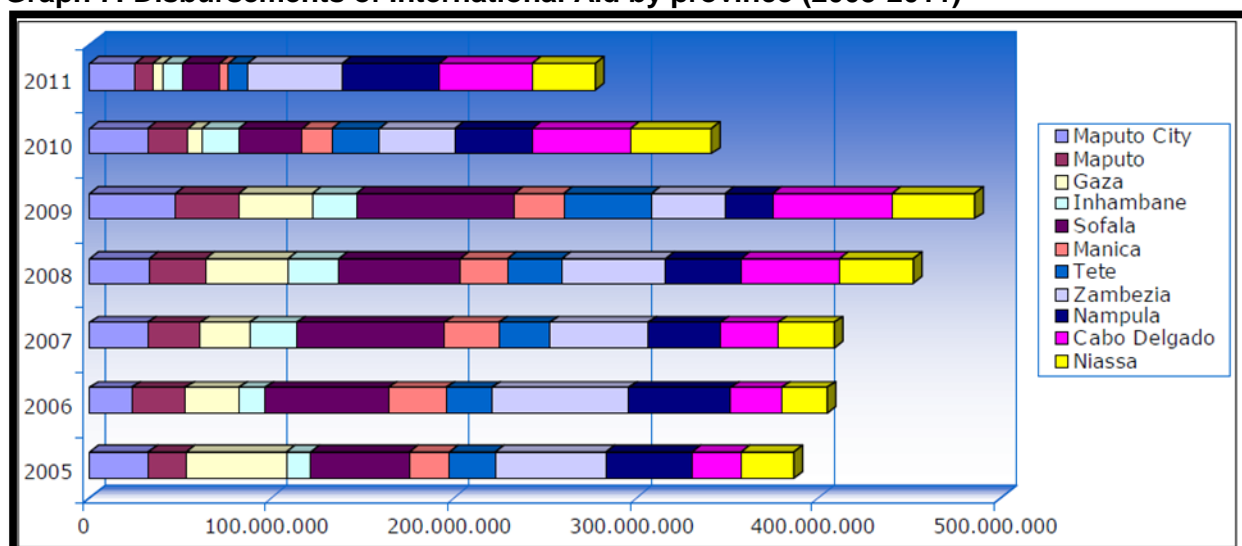
Figure 6: ODA per capita received by province (average disbursement 2005-2008)



Source: ODAMOZ, Donor Atlas 2008

The following graph shows a comparison of disbursements and projections of ODA by province.

Graph 7: Disbursements of International Aid by province (2005-2011)



Source: ODAMOZ, Donor Atlas 2008

⁵ <http://www.odamoz.org.mz/resources/Mozambique%20Donor%20Atlas%202008.pdf>

6. Progress in the implementation of the International Declarations in Mozambique

Mozambique, together with its Cooperation Partners, developed some years ago a working system which tries to increase aid effectiveness. The system has been improving over the years, culminating in a mechanism that tries to establish a more effective partnership between the Government and the PAP's.

The following is a summary based on the Paris Declaration indicators, with data from three OECD/DAC surveys (2006 - baseline, 2008 - mid-term evaluation and 2011 - final evaluation).

The data in the table show some inconsistency caused by the use of different definitions over the years.

Table 5: Progress of the Paris Declaration indicators in Mozambique (2010)

PD Indicator	2006	2008	TARGET 2010	Achieved 2010	Evaluation
Ownership					
1. Operational Development Strategies	C	C	B or A	*	Data not available
Alignment					
2.A Reliable Public finance management systems	3.5	3.5	4	4	Achieved
2.B Reliable Procurement Systems	N/A	N/A	N/A	N/A	N/A
3. Aid flows aligned with National Priorities	83%	83%	92%	91%	Not achieved but significant progress
4. Strengthening of Capacity through coordinated support	38%	27%	50%	24%	Not achieved with worsening performance
5.A Use of national public finance management systems	36%	44%	57%	48%	Not achieved but significant progress
5.B Use of national procurement systems	38%	54%	N/A	57%	Not evaluated but significant progress
6. Strengthening of capacity by reducing Parallel UIP	40	26	13	6	Achieved
7. Aid Predictability	70%	73%	85%	84%	Not achieved but significant progress
8. Non-conditional Aid	89%	91%	> 89%	**	Data not available
Harmonisation					
9. Use of common arrangements or procedures	46%	46%	66%	51%	Not achieved but some progress
10.A Joint missions	46%	13%	40%	18%	Not achieved with worsening performance
10.B Joint analytical work	63%	32%	66%	60%	Not achieved with worsening performance
Results based Management					
11. Transparent PAF's that can be monitored, which make it possible to assess (a) national development strategies and (b) the sector programmes.	C	B	B or A	*	Data not available
Mutual accountability					
12. Mutual accountability	Yes	Yes	Yes	Yes	Achieved

* The score for this indicator will be assigned by the World Bank, in accordance with the qualitative information presented in this report

** The score for indicator 8 will be sent by the OECD-DAC Secretariat to the National Coordinators by end May 2011

(1) The definition of joint missions was clarified from 2005 to 2007, explaining the high % in 2005.

Principle 1: Ownership:

The indicator related to the principle of "ownership" and "number of countries that have development strategies" and that are being monitored by the World Bank in its publication "Comprehensive Development Framework Assessment" (Comprehensive Assessment of the Development Frameworks). With regard to ownership, Mozambique has achieved the targets of the PD, having adopted a Medium Term Poverty Reduction Strategy. The PARPA II (2006-10) was designed through a consultative process and established key strategies for development, including a detailed Monitoring and Evaluation (M&E) framework. Its successor, the PARP 2011-2014, enjoyed similar levels of consultation and also provides a detailed M&E framework.

PARP 2011-2014 ensures the link with other operational strategies and documents of the Government. First, it is based on the objectives of the PQG (Government Five Year Programme 2010-2014) that are of most relevance and have highest priority for poverty reduction, and includes the connection with the Mid-Term Fiscal Scenario (CFMP) through the programmatic approach. The PARP consequently provides an M&E framework.

Thus, as was highlighted in the summary report of the evaluation of the PD, the creation of a Poverty Reduction Strategy does not cover by itself the whole concept of ownership, so that the definition of the concept of ownership needs to be more reflected upon.

Principle 2: Alignment

The second principle on alignment encourages the partners to "align" with (1) the priorities and plans of the country and (2) the systems (public finances) of the Government.

Overall, all Development Partners claim that their strategies are aligned with the Government plans at policy level in the broadest sense. The use of Government systems has been increasing, and the Development Partners have provided substantial support to strengthen them. During the implementation of the PD, there was an increase in the funds allocated through GBS and contributions to the CFs, two aid modalities that have proven to be well suited for the use of Government systems although it is said that unfortunately the CFs do not apply all systems of the Country, as prescribed by the PD.

However, a limited number of projects use government systems and this is a major challenge for the future.

Principle 3: Harmonisation

Mozambique is one of the most advanced countries in terms of mechanisms for partner coordination and harmonization. In 2005, there was already a harmonization mechanism between partners who provided GBS, with annual reviews and a large number of working groups. In 2005, there were already several CFs at the sectorial level, with annual sector reviews and coordination mechanisms, and their number and the volume of aid has increased over the past five years. In 2009, a new MoU was signed for GBS between the Government and the 19 Development Partners that provide the GBS. In 2010, two associate members joined the group, USA and UN. This group covers the vast majority of aid to the country, although excluding Japan, the Vertical Funds and the emerging or "non-traditional" Development Partners. The Group 19 has a harmonisation system based on representation that

significantly reduces the administrative burden of the Government, which is now dealing with a restricted group of partners rather than with each one individually.

The indicators concerning Harmonisation show good performance – which means that, the donors have already reached a good level of harmonisation. Compliance with the **number of joint missions** seems to be the most problematic area.

Principle 4: Results Based Management

Mozambique has a mechanism for Monitoring and Evaluation of the national development strategy (PARPA II, and PARP 2011-2014) which includes objectives, outcome indicators, baseline, targets, accomplishments, responsible entity and product or execution indicator. The institutional responsibilities of the M&E framework are the responsibility of the Ministry of Planning and Development.

The Government introduced programme planning and budgeting in 2007, which means budgeting, planning, accountability and evaluation plans and expenses against specific results. This increases the focus on concrete outcomes of interventions, and improves monitoring and evaluation, contributing to a higher impact of activities. The score for this indicator is provided by the World Bank and OECD-DAC.

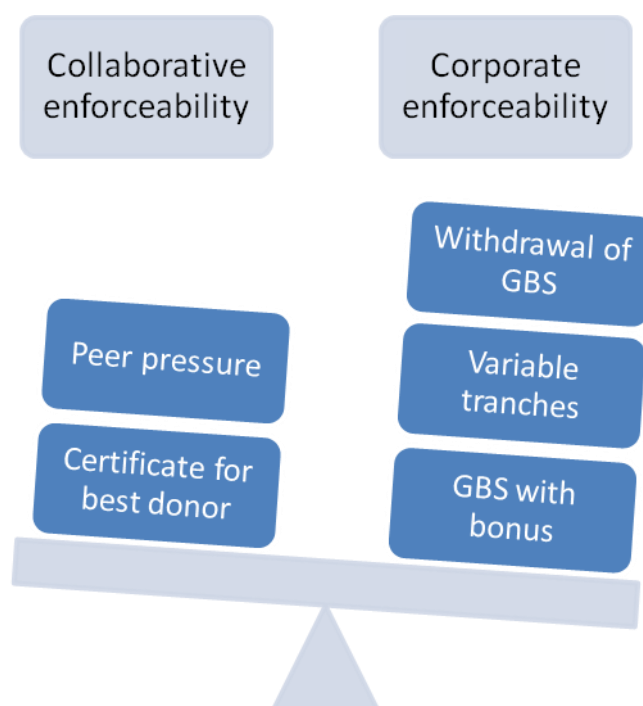
Principle 5: Mutual Accountability

Mozambique's system of mutual accountability is one of the most advanced in the world, and consists of two Performance Assessment Frameworks (PAF), one for the Government and the other for the PAPs. These include indicators and targets for the next two years, and performance in relation to the targets is assessed annually. The PAF for the Government contains the main commitments and indicators taken from the national planning system (PARPA II and PARP), and the PAF of the Development Partners is related to the effectiveness of foreign aid. In this context the Government has been strengthening its capacity, thus ensuring the leadership of the Government in conducting the assessment of the PAP's since 2011 (performance assessment 2010).

The evaluation of the PD raised the issue of the existing PAF only being related to the PAP (19 members). Although there has been some progress since 2009, with the inclusion of the associate members, USA and UN.

It should be noted that the relationship between the two partners (Government and donor countries) is asymmetric, and therefore it is not possible to have a real mutual accountability. Clearly, the "ability to penalize" is highly inequitable because there are only incentives for the performance of the Government. The Government in 2012 introduced a stimulus to partners, assigning a Diploma of Honour to the partner with the best score within the PAF assessment and to the Partner who took on the previous year's leadership of the TROIKA to recognize their efforts in the coordination of the group. The challenge now remains to develop mutual binding incentives.

Figure 5: Diagram illustrating the asymmetry of the Government - Partners relations



Source: **Mutual accountability in practice: The case of Mozambique (SADEV, 2012)**

7. Prospects for the architecture of Foreign Aid

In the second half of 2010 an assessment was made of the impact of the Paris Declaration on Mozambique and all the stakeholders (Government, Development Partners and Civil Society) were consulted and some challenges were identified. The Government thought it important to define future perspectives with a view to overcoming the constraints that had been identified:

1. Mozambique published in August 2011 the **International Cooperation Policy and its Implementation Strategy**. The Cooperation Policy will be put into operation through a Plan of Action to guide all the actors (MPD, MINEC and MF) in more effective implementation of the Policy. One of the fundamental and primordial objectives of the International Cooperation Policy is to strive for a gradual reduction in foreign dependence.
2. Ensure an **Inclusive Aid Architecture**: The non-traditional partners (these are countries emerging from underdevelopment, who were once recipients, and have recently become donor countries) offer an important potential for SOUTH-SOUTH cooperation, since they have faced similar challenges and have identical agro-ecological characteristics to Mozambique. The current aid architecture does not include these partners. To respond to this challenge, the Government began in 2008 to draw up a **Code of Conduct** with all the partners. The Code of Conduct will determine the aid architecture, including Monitoring and Evaluation mechanisms with all partners. The aim is to have the Code signed by 2011.

3. In terms of the **mutual accountability mechanism**, Mozambique has a good experience, but the assessment identified important weaknesses. There is a lack of a system of mutual incentives, whose applicability does not only penalize the Government.
4. The **ODAMOZ Database** has important potential in that it can gather together all the information about Foreign Aid to the country, and consequently ensure greater transparency and feed planning systems of the Government. The reliability of the data needs to be improved and the data from the non-traditional partners needs to be included.
5. **Inclusive Ownership**: The concept of ownership implies that the recipient Country (Government and Civil Society) takes the leadership in drawing up development policies and strategies. The greatest weakness identified in recipient countries through monitoring the PD is that “ownership” remains mostly limited to the central Government bodies. It should be mentioned that the Paris Declaration assessment report stressed “ownership” as a highly political concept, clarifying that the *donor-recipient* relationship, by its very nature, makes 100% “ownership” by the recipient countries difficult. In this context, Mozambique has institutionalised certain participatory Forums (at all levels, with particular emphasis on the Consultative Councils and the Development Observatories) in order to ensure that the opinion of Civil Society is included as part of its Participatory Governance approach. These processes, including consulting parliament, can be still further improved so that they can fully capture the concept of inclusive ownership.
6. **Aid Effectiveness Technical Secretariat**: the chair of the TROIKA and its members obey a system of rotation, expressed in an annual change in the people who represent the partners to the Government. This process has implications in terms of transaction costs, since each year the process begins with new people who are often inexperienced in the matter. The government is analysing with the partners the possibility of setting up a permanent secretariat.
7. **Implementation of commitments made in Busan**: The document of the Busan Global Partnership brings some innovations that must be contextualized in order to be implemented in Mozambique. Aware of this, the Government, in July 2012, constituted a Working Group with different actors (Parliament, Civil Society, Government, Private Sector and the Partners) to develop a post Busan National Action Plan (NAP). It should be noted that the Action Plan has been prepared and is awaiting approval in the Third Quarter of 2013.

Annex I:**Table 1: Evolution of Total aid to the Government by modality from 2005 until 2012 (including the percentage indicating its relative value)**

	2005	%	2006	%	2007	%	2008	%	2009	%	2010	%	2011	%	2012	%
GBS	329,906,147	34%	359,094,373	35%	403,513,586	38%	458,185,992	40%	487,524,435	31%	458,676,420	33%	437,942,904	32%	449,329,423	34%
Sector Programmes	205,221,902	21%	225,853,918	22%	282,987,868	26%	331,362,065	29%	360,697,035	23%	330,784,935	24%	302,778,090	22%	252,714,030	19%
PROJECTS	474,860,227	48%	473,607,380	46%	433,692,077	41%	405,727,876	36%	756,793,580	49%	638,152,012	46%	607,028,552	45%	596,113,057	45%
Total ODA for GoM	983,113,362	100%	1,023,431,291	100%	1,070,669,027	100%	1,134,677,037	100%	1,555,339,725	100%	1,375,989,585	100%	1,347,749,546	100%	1,310,999,596	100%
Evolution of total volume of Aid to GoM			De 2005 a 2006		De 2006 a 2007		De 2007 a 2008		De 2008 a 2009		De 2009 a 2010		De 2010 a 2011		De 2011 a 2012	
			4%		5%		6%		37%		-12%		-2%		-3%	
Evolution GBS			9%		12%		14%		6%		-6%		-5%		3%	

