

Evaluation of the Irish Aid Mozambique Country Strategy 2007-2010

Final Report

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Acronyms and Abbreviations

AAA	Accra Agenda for Action
ACA	Joint Annual Health Review
AfDB	African Development Bank
ANFP	Civil Service National Authority
APEs	Community Health Workers
APRM	African Peer Review Mechanism
ART	Anti-Retroviral Treatment
ARV	Anti-Retroviral
CDS	Comissão Diocesana de Saúde (Catholic diocesan agency)
CF	Clinton Foundation
CIDA	Canadian International Development Agency
CNCS	National AIDS Council
COI	Conflict of Interest
CPIA	Country Policy and Institutional Assessment
CS	Civil Society
CSF	Civil Society Fund
CSO	Civil Society Organisation
CSP	Country Strategy Paper
CSSM	Civil Society Support Mechanism
CTA	Confederation of Business Associations of Mozambique
CUT	Single Treasury Account
DCI	Development Cooperation Ireland
DFID	UK Department for International Development
DNEAP	National Directorate for Studies and Policy Analysis
DPA	Provincial Department of Agriculture
DPEC	Provincial Directorate of Education and Culture
DPOPH	Provincial Directorate of Public Works and Housing
DPPF	Provincial delegation of Ministry of Finance
DPS	Provincial Department of Health
EC	European Commission
EFA	Education for All
EITI	Extractive Industries Transparency Initiative
EIU	Economist Intelligence Unit
EMRS	Expenditure Management Reform Strategy
EQ	Evaluation question
FASE	Education sector common fund
FDI	Foreign Direct Investment
FOPROI	Provincial NGO Forum of Inhambane
FRELIMO	Liberation Front of Mozambique
FTI	Fast Track Initiative
G19	the group of 19 Programme Aid Partners
GBS	General Budget Support
GDP	Gross Domestic Product
GFATM	The Global Fund to Fight AIDS, Tuberculosis and Malaria
GoM	Government of Mozambique
GTAF	General Technical Assistance Facility (EC)
HBC	Home-Based Care
HIV/AIDS	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
HLF	High Level Forum
HRDP	Human Resources Development Plan
IA	Irish Aid

IBIS	Danish international NGO
IDA	International Development Association of the World Bank
IESE	Institute for Social and Economic Studies
IFAPA	National Institute for Public Administration
IGF	Inspectorate General of Finance
IMF	International Monetary Fund
INGO	International Non-Governmental Organisation
IR	Interim Report
IRD	International Relief and Development
ISAPA	Provincial Institute for Public Administration
IUCN	International Union for Conservation of Nature
LOLE	Law for Local State Bodies
M&E	Monitoring and Evaluation
MAPS	Multi-Annual Programme Scheme
MCH	Maternal and Child Health Programme
MDG	Millennium Development Goal
MIC	Ministry of Industry and Commerce
MINAG	Ministry of Agriculture
MOE	Ministry of Education
MOF	Ministry of Finance
MOU	Memorandum of Understanding
MOH	Ministry of Health
MPD	Ministry of Planning and Development
MPF	Ministry of the Public Service
MTEF	Medium-Term Expenditure Framework
MTR	Mid-Term Review
NGO	Non-Governmental Organisation
ODA	official development assistance
OECD	Organisation for Economic Cooperation and Development
OECD DAC	OECD Development Assistance Committee
PAEG	Project Appraisal and Evaluation Group
PAF	Performance Assessment Framework
PAP	Programme Aid Partner
PARPA	Programme of Action for the Reduction of Absolute Poverty
PARP	Action Plan for the Reduction of Poverty
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability
PES	Economic and Social Plan
PESS	Health Sector Strategic Plan
PFM	Public Finance Management
PPFD	Planning and Finance Decentralisation Programme
PROSAÚDE	Health sector common fund
PSD	Private Sector Development
PSR	Public Sector Reform
SBS	Sector Budget Support
SDC	Swiss Agency for Development and Cooperation
SECO	State Secretariat for Economic Affairs, Switzerland
SEED	Sustainable and Effective Economic Development (project)
SISTAFE	State Financial Administration System
SO	Strategic Objective
SP	Permanent Secretary
SPA	Strategic Partnership with Africa
SWAp	Sector Wide Approach
SWG	Sector Working Group

TOR	Terms of Reference
WG	Working Group
UNDP	United Nations Development Programme
UNCDF	United Nations Capital Development Fund
UTRESP	Technical Unit for Public Sector Reform

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The findings and opinions in this report are those of the evaluation team and should not be ascribed to anyone else.

Executive Summary

Evaluation Objectives

1. This report presents the findings of an independent evaluation of the Irish Aid (IA) country programme for Mozambique covering the period 2007–2010. The evaluation is intended both for accountability and to provide lessons that can feed into the next country strategy paper.

The Irish Aid Programme in Mozambique

2. The Country Strategy Paper (CSP) 2007–2010 was the fourth in a series of country planning documents for Ireland's programme in Mozambique. Since 1998 the programme had grown from a set of projects into a very much bigger programme that was closely aligned with the government's poverty reduction strategy and largely delivered through sector support, pooled funding and general budget support (GBS). Its goal was: *To contribute to poverty reduction by supporting the development, implementation and monitoring of pro-poor policies within Mozambique*, and the programme was described in terms of four strategic objectives: pro-poor targeting of public services, increased accountability, capacity strengthening and improved aid effectiveness. The programme was organised to support the three main pillars of Mozambique's poverty reduction strategy – governance, human capital and economic development.

3. The CSP 2007–2010 envisaged a total expenditure of €207m over four years, with approximately 25% for GBS and governance, 55% for human capital (health, HIV/AIDS and education), 6.5% for economic development, and about 13% for two provincial programmes, in Niassa and Inhambane. Ireland's fiscal crisis necessitated reductions in planned spending after 2008, so that eventual expenditure over 2007–2010 was €176m; the biggest reductions were in the provincial programmes, governance and education.

Approach to the Evaluation

4. The evaluation process, which began in November 2010, was designed to make maximum use of documentary sources and to minimise demands on the time of IA's partners. An Interim Report preceded the country visit between 4–20 February 2011, and the present report takes account of comments on an earlier draft.

5. Most of Irish Aid's activities have involved joint efforts with the government of Mozambique (GoM) and other donors, and IA was usually concerned both with financing certain programmes and with influencing how those programmes were carried out. The evaluation therefore followed the principles of contribution analysis: this involves first identifying the results achieved through collective efforts, and then assessing the extent to which IA made a contribution to those results. The structure of the report, and each main chapter within it, follows the pattern of first assessing overall performance (at general or sector level) and then focusing on the Irish contribution. In line with the TOR, the evaluation also focused in more depth on (a) GBS and governance programmes, (b) health and HIV/AIDS, and (c) the provincial programme in Niassa.

6. The Terms of Reference posed 14 Evaluation Questions, linked to criteria of relevance, effectiveness, efficiency, sustainability and impact/results. Summary answers to these questions are appended to this Executive Summary.

Assessment of the Programme's Main Components

Context: the effectiveness of aid

7. Aid has played a major part in supporting Mozambique's political stability, economic growth and social development since the early 1990s. It is still equivalent to about 20% of GDP, and underpins public expenditure programmes which have emphasised pro-poor expenditures, especially on basic health and education.

General Budget Support and Governance

8. GBS is the centrepiece of a sophisticated system of aid coordination and dialogue. For three years of the evaluation period, IA was a member of the donor partners' management group, and was its president during a crucial year when the Memorandum of Understanding (MOU) on GBS was renegotiated. During the period, donors became increasingly concerned about aspects of political governance, an issue which came to a head over the conduct of the 2009 elections.

9. The evaluation draws the following conclusions about the results of GBS in the period from 2007–2010:

- (a) GBS continued to be an effective platform for the coordination of aid and for dialogue between government and donors; the revised MOU was important in maintaining continued broad engagement with GBS and strengthening its procedures.
- (b) GBS continued to support the strengthening of national public finance management (PFM); this is an important example of an area where technical progress has continued and which helps to open up and address sensitive issues related to corruption.
- (c) The political governance concerns of many donors were increasingly recognised within the dialogue, and in the framework of the revised MOU; moreover, the GBS donors had a demonstrable influence in persuading GoM to make specific commitments on the implementation of governance reforms.
- (d) GBS continued to be an efficient means of supporting public expenditures; priority "poverty reducing" expenditures continued to grow in real terms, and expanded by more than the GBS contribution; there is no obvious evidence of perverse substitution for domestic revenue effort, since both the level of domestic revenues and their share of GDP were rising rapidly during the period; however, donors may not have paid enough attention to public expenditure trends and the recent decline in support for priority expenditures.
- (e) GBS also supported a dialogue on GoM's overall poverty reduction strategy. Household survey data indicate that the strategy has not succeeded as hoped in reducing national levels of consumption poverty. It does not follow from this that GBS is an inappropriate modality of support; it does follow that GoM and its partners need to review and strengthen the poverty strategy. The new poverty reduction strategy for 2011–2014 appears to be a step in this direction.

10. The evaluation concludes that, as well as sharing in these general results of GBS, IA also made additional contributions, especially through its leading role in the GBS management group. IA brought exceptional diplomacy, dedication and country knowledge to this role and can claim significant credit for:

- holding the donor group together and securing a renewed commitment to GBS;
- helping to strengthen the GBS framework by:
 - bringing issues of political governance into the dialogue, backed by better analysis and coordination among the donors;
 - improving performance monitoring under GBS;
- helping to consolidate PFM reforms linked to GBS.

11. IA also raised important policy concerns to the political level (including land and the Extractive Industries Transparency Initiative), and provided useful support to demand-side accountability through the Civil Society Support Mechanism and the Institute for Social and Economic Studies (IESE).

Health and HIV/AIDS

12. Ireland's support to health and HIV/AIDS programmes accounted for almost 40% of the programme's expenditures. An innovative collaboration with the Clinton Foundation bridges support to basic health and HIV/AIDS responses, and supplements the core country programme funding. IA strategy followed the approach of working jointly with other donors to support the strengthening of national health systems and services. This meant that the bulk of its funding went into the health common pool (PROSAÚDE), with smaller complementary expenditures on the HIV/AIDS programme, technical support and health elements of the provincial programmes.

13. The evaluation has reviewed the combined health and HIV/AIDS activities of GoM and its donors. It notes that coverage and quality of available data are very patchy: its further improvement should be a priority for all concerned. The health challenges for Mozambique are still huge, but there is significant progress, led by GoM, in providing better and more equitable care. A very rough assessment of Ireland's "share" of joint results over the period 2005–2009¹ suggests that Ireland could reasonably claim credit, amongst other things, for: 118,000 children fully immunised; 117,000 institutionalised births; 19,700 HIV and AIDS sufferers receiving anti-retroviral treatment; and 50 health centres refurbished or reconstructed.

14. IA's engagement in health and HIV/AIDS responses has been highly *relevant* in terms of Mozambican needs and priorities as well as IA's global objectives, and in terms of its approach to working with the national bodies that are responsible for the bulk of health services. IA has supported sector approaches which the evaluation judges to be appropriate, on the grounds of *coherence*, *efficiency* and *sustainability*, though the *effectiveness* of the sector policies and programmes needs to be carefully monitored. The evaluation concludes that IA finance made a positive contribution to sector performance, and that this was enhanced by IA's technical work and policy influence, including its positive influence on other donors' approaches.

15. In order to enhance the effectiveness of the programmes themselves, and to sustain donor support, it is important to improve GoM's ability to track expenditures programmatically and to link them more clearly to outputs and outcomes. With a robust SWAp framework now in place, donors and GoM also need to ensure that more of future

¹ See Box 15 in the main text.

dialogue is related to substantive issues of sector performance, and less to the processes of fund management.

Education

16. IA has been engaged in education from the beginning of its support to Mozambique, and has been a key supporter of the sector approach and pooled fund (FASE). It has recently been the focal point for the education sector donors. Its financial support was channelled through FASE, and it sought to use its influence to promote pro-poor expansion of basic education, with attention to quality as well as equity. IA's planned contribution to FASE was significantly reduced when the country programme was scaled back.

17. The evaluation considers that IA's support to education was highly *relevant*. It was pro-poor in its orientation towards the equitable expansion of basic education. The sector has secured important and tangible results, in terms of increased enrolment and completion rates, better supplies of inputs, more infrastructure and more, better-qualified teachers. IA has contributed to these both through its direct funding of FASE and also through its GBS contribution which helped to finance the GoM portion of sector expenditures, so the sector support must be judged *effective*, although challenges remain in key areas of quality. The strategy of working in direct support of the GoM is *efficient*. IA's positive influences are felt across the sector, and it is unlikely that the same benefits could be achieved as economically through separate projectised support. This approach also enhances *sustainability*, since improvements are built into the services managed by GoM. In terms of *coherence*, IA made good use of links from its provincial programmes, both in relation to the protection of girls, and in feeding its understanding of decentralised PFM systems into national-level review of systems and financial standards. IA's contribution to planning, monitoring, dialogue and sector coordination was highly appreciated by the government and by fellow-donors, and IA's failure to deliver as much financial support as the CSP had envisaged was partly offset by its efforts in mobilising funds from the Fast Track Initiative. However, the weakening of external funding for basic education is a serious concern for the next CSP period.

Agriculture and Private Sector Development

18. Agriculture is of key importance to the poverty reduction strategy in Mozambique given the large number of poor people involved in smallholder farming. However, there have been growing doubts about the effectiveness of the national strategy for agriculture, and these doubts were influential in the strategic decisions IA took during the period. Much of the development effort for agriculture was focused on a sector approach in support of agricultural extension and research, known as ProAgri. However, there was increasing dissatisfaction with ProAgri, and a growing feeling that the support to institutional development of the agriculture ministry was not feeding through adequately into improved services for farmers or agriculture sector outcomes. IA was one of ProAgri's main proponents but shared the growing concerns about its effectiveness. Towards the end of the evaluation period, IA decided to announce its withdrawal from ProAgri, as part of a focus on fewer sectors.

19. The evaluation considers that IA's support to ProAgri was *relevant*, and working through the joint sector programme was, in principle, *efficient*; in practice, however, ProAgri funds were mainly absorbed in upstream activities and did not feed through adequately into better service delivery for small farmers. Ultimately, therefore, this support was not sufficiently *efficient* or *effective* to justify continuation. IA was left with a choice of withdrawing from the sector or finding a more effective way to pursue its objectives.

20. In contrast to its planned exit from the agriculture sector per se, IA elaborated its private sector development strategy during the CSP period. There were three components:

support to agriculture and agri-business in Inhambane province through an entrepreneurial NGO, Technoserve; support to smallholder crop production and marketing in the same province through another NGO, CARE International; and support to one component – streamlined business registration – of a World Bank project working with the Ministry of Industry and Commerce to improve the national business environment.

21. Private sector development is clearly important for Mozambique's growth and poverty reduction. Donors may be able to play a useful role in supporting improvements in the business environment and innovative practical projects; the latter will be more justified if there is a likelihood of replication on a wider scale. To that extent IA's private sector programme is considered *relevant*. However, the evaluation has doubts about its *effectiveness, efficiency and sustainability*. The interventions are on a very small scale, and even at that scale results are mixed. Only the support to business environment improvement has a national scope. As regards *efficiency*, the growth of Irish Aid's private sector development support activities has led to a substantial increase in the amount of time spent by its Maputo staff on project management issues, exacerbated by difficulties experienced by some of these projects. This raises issues about aid modalities and about IA's comparative advantage which are reflected in the evaluation's recommendations.

Provincial Development Programmes

22. Irish Aid continued its long-running programmes in Niassa and Inhambane provinces. It acknowledged that the rationale for such programmes was changing as the central government became more effective at channelling resources to the periphery, and sought to focus on fewer sectors in each province and to take advantage of possibilities for linking provincial activities to national policy development, while strengthening the capacity of provincial authorities to support district development, and of local CSOs to hold local governments to account. The provincial programmes were seen as an important barometer of local realities which would inform IA engagements at national and sector level. IA sought to use GoM systems as far as possible, but earmarked its funds to specific budget lines, and experienced significant fiduciary problems, especially in Niassa.

23. The evaluation considers that working at provincial and district level continued to be relevant in the context of broader aims to support pro-poor development. The "sector-deep" approach emphasised vertical coherence within sectors, and made practical links between provincial prototypes and national policy in the health and education sectors. There was coherence too between the provincial programmes and support to the national decentralisation programme.

24. It was clear to the evaluation team that IA has a deeper understanding of decentralisation and of front-line service delivery issues on account of its provincial engagements, and that this fed very practical considerations into IA's engagements in the GBS dialogue, including its perspective on PFM development, and into its contributions to sector debates on health and education.

25. A natural consequence of the "sector-deep" approach was that each provincial programme became less comprehensive and coherent across sectors within the province. IA's future value at the provincial level will increasingly depend on its ability to respond to the capacity development needs of provincial and district administrations as the national decentralisation programme proceeds.

Assessment of the Programme as a Whole

26. The evaluation judges that the Irish aid programme to Mozambique was generally relevant and well aligned with Mozambique's needs and priorities. It was efficient both in design and in implementation, and it has made effective contributions to improvements in

policies and systems, as well as to Mozambique's overall progress towards the MDGs. The approach of working predominantly with and through government systems has been effective in maximising the impact of Irish aid, although it means that "Irish" achievements at the outcome and impact level are not usually separately identifiable. (It is nevertheless important not to overlook the shared results to which Irish aid has contributed.) This approach makes sustainability more likely.

27. IA has not pursued the aid effectiveness agenda in a doctrinaire way: it has shown awareness of the risks attached to its chosen ways of working, and has acted to monitor, mitigate and spread those risks, both in its choice of modalities and in its continuing efforts to refine them. The IA programme demonstrates the benefits of showing stamina within particular country and sector engagements, so as to build up relevant expertise and understanding and to persist with interventions, including developments in policy and capacity, that inevitably take time to implement and to bear fruit.

28. The evaluation agrees that a more precise formulation of objectives and intended results would be helpful in future CSPs. Nevertheless it concludes that the programme has been generally effective in implementing the CSP, and can claim substantial achievements against each of its original strategic objectives.

29. Its attention to coherence was one of the strengths of the country programme. This has several dimensions: (a) the strategic objectives were mutually reinforcing (thus, for example, the approach to aid effectiveness supported capacity strengthening of government systems); (b) it selected sectors and areas of focus that complemented what other donors were doing, as well as reflecting IA's strengths; (c) it actively sought synergies between its own activities at different levels of government, and greater coordination and complementarity among development partners.

Broader Lessons Learned

30. The evaluation highlights a number of lessons which are relevant not only to the next CSP's design process but also to IA overall, to its partner countries, and to other stakeholders in Mozambique and beyond.

Mood swings and perspective

31. Changes in external perceptions of Mozambique (modifying its "donor darling" status) have been exaggerated, and owe as much to the shifts in donors' perspectives as to changes in Mozambican realities. It is important to retain a sense of balance and to recognise that Mozambique was never a "perfect partner", while it remains a deserving and viable partner, though not always an easy one. For example, it is far too simplistic to regard disappointing poverty trends as a failure of GBS, or as a demonstration that other modalities would address these issues more effectively. Poverty results do call into question the effectiveness in practice of parts of the poverty strategy that GBS has supported, and this requires analysis and reconsideration both by government and by donors. It implies not that dialogue should be abandoned but that it should be used more effectively.

The pressure for "results"

32. Irish Aid is one among many donors that are increasingly seeking to demonstrate the effectiveness of their aid by linking it to tangible results. Aid should be able to demonstrate "results" and "managing for development results" is a key element of the Paris Declaration agenda. However, there is a risk that this will introduce a bias towards "results" that are quantifiable, short-term and discretely attributable to individual donors.

33. It is important to make the joint programmes of GoM and donors more result-oriented, recognising that monitoring of outputs and outcomes is crucial in ensuring

development effectiveness and learning from experience. At the same time donors should recognise the validity of shared results, and the relevance of influencing strategies that complement financial support.

The quality of dialogue

34. Dialogue in Mozambique is often shallow. A strong contributing factor is that donor participants lack the necessary depth of knowledge and/or the consistency in pursuing issues strategically. The multiplicity of donors and the turnover of their international staff contribute to this. Many donors make only a limited contribution to policy dialogue, because their staff are stretched across many sectors, their country knowledge is superficial, or their language skills are weak.

35. Irish Aid is not immune to the characteristic weaknesses of bilateral donors, but it does have particular strengths: these include its strong cadre of experienced Mozambican advisers, its commitment to working with government and through government systems, its stamina in particular sectors, its special attention to PFM issues, and its efforts to narrow the scope of its programme.

36. There is an inherent danger that dialogue becomes preoccupied with processes (not least the requirements of PFM at various levels) and that there is a consequent neglect of more substantive issues. The Programme Aid Partners (PAPs) as a whole need to renew their attention to public expenditure priorities and to the effectiveness of the national poverty reduction strategy in improving rural livelihoods. With robust pooled funding mechanisms established, monitoring and dialogue should turn more to the substantive issues of effective service delivery.

Unintended effects of the Division of Labour

37. Recent poorly coordinated sector exits on division of labour grounds risk undermining long-term funding levels and technical support in some sectors.

Transaction costs and administrative requirements

38. Working at G19 level, as well as with the sector programmes, makes intensive demands on staff for their informed inputs into monitoring, dialogue and programme development. However, these inputs are comparatively efficient against the scale of financial disbursement (as well as reducing administrative transaction costs for the government and enabling a focus on capacity development of core systems). Conversely, the management of large numbers of small projects requires intensive administrative inputs. A general lesson is the need to see a donor's professional staff time as its scarcest resource, and to make this a prime consideration in the choice of sectors and modalities to work with.

Recommendations

39. The evaluation offers a number of recommendations for IA's consideration as it prepares the next CSP for Mozambique.

Engagement with Mozambique

40. **Mozambique should remain an important long-term partner for Irish Aid.** The needs of poverty reduction in one of the world's poorest countries remain great, and Mozambique remains a good partner, where aid can make a difference.

41. Irish Aid has a record in Mozambique of which it can be proud, and has built up substantial expertise and important working relationships. Because of other agencies' withdrawals, IA is likely to find itself carrying greater responsibilities and should **maintain long-term commitments to its sectors of focus.**

Programme logic and expenditure priorities

42. The next CSP should **spell out clearly how IA expects its interventions to influence wider outcomes**, and over what time-scale (and hence how they will be monitored). GoM also needs to strengthen its reporting of links between budgets, outcomes and results.

43. IA should seek to **keep GoM's public expenditure planning at the centre of dialogue** around GBS and the sectors in which it engages.

Choice and design of modalities

44. **General Budget Support** remains at the core of the relationship between GoM and its development partners. It complements other modalities by allowing dialogue at a general level, and has demonstrated its ability to address sensitive governance issues, and support stronger public finance management.

45. In order for IA to remain one of Mozambique's core partners, **GBS funding should remain as a substantial part of the IA programme**, not just a token "ticket to the dialogue".

46. The **GBS dialogue should focus more on strategies for inclusive pro-poor growth** and should not lose sight of **pro-poor public expenditure priorities**.

47. At the same time, IA should **continue a mixed modality strategy**. Among other considerations, spreading its financial contributions across GBS and sector programmes reduces risk. One way it does this is by making clearer the precise focus (and beneficiaries) of aid, and thereby making it less tempting to "turn off" aid when financial constraints occur or there are political difficulties between the cooperating governments.

48. In design of individual aid instruments, IA should continue to **focus on using country systems** when working with government, but with **careful attention to fiduciary issues** in PFM. However, it should be careful that PFM safeguards do not undermine the effectiveness of the instruments.

49. IA should **recognise the danger that pressure for more visible "Irish" results will lead the programme in the direction of projectisation**, with more staff time absorbed in the details of project management. IA should **continue to influence broader sector work, while ensuring that sectors can demonstrate results attributable to aid and other public expenditure**. IA should **take care not to take on too many management-intensive project interventions** that make sub-optimal use of its staff resources.

50. Other donors face a similar dilemma, and all have an interest in strengthening the ability of GoM programmes to monitor and demonstrate results. **IA should continue to work with other donors and GoM to identify and document joint results** – this is necessary not only to "justify" aid, but more importantly to enable better analysis and adjustment of the GoM programmes that donors support

Choice of sectors

51. The **decision to remain engaged in health, education, governance makes sense** in terms of the importance of these sectors and the comparative advantage IA has built up.

52. **IA should continue to use GBS dialogue for issues (including inclusive growth and the overall pattern of public expenditures) that extend beyond the sectors of direct IA involvement**. The pro-poor growth agenda will be of particular importance.

Engagement through GBS is an additional way of seeking appropriate levels and patterns of public expenditure for the health and education sectors.

53. Concerning **private sector development, IA needs to give careful consideration to the balance between small project interventions and efforts to influence the national policy framework for inclusive growth**: the latter is more likely to be served through the GBS dialogue and by collaborating with agencies able to operate on a national scale.

Decentralisation and provincial engagement

54. **IA should continue its engagements at provincial level. It should continue to link its provincial engagement to the national programme for decentralisation. It should recognise that its main potential value added is from capacity development at provincial level, and from synergies between provincial, sectoral and national engagements.** Increasingly, public funds for the provinces will flow through regular national channels, but there is room for advocacy towards greater equity and efficiency in such flows, as well as support for increased decentralisation of responsibilities as district and provincial capacities increase.

Health and HIV/AIDS

55. IA's share of donor responsibilities in health is likely to increase and **IA should continue to take a strategic approach to the sector, with PROSAÚDE as the main funding channel.** The approach should include support to efforts to strengthen the links between health budgets and results, and the coordination amongst development partners, drawing on the Clinton partnership to strengthen coordination amongst international NGOs.

Education

56. In education too, IA's role is likely to be increased by the withdrawal of other experienced donors. Basic education remains of fundamental importance for poverty reduction, with implications for economic growth potential, gender equality and health. **The common fund, FASE, should continue to be the main focus of involvement, with attention to adequate aggregate financing for basic education, as well as issues in quality and equity.**

Governance

57. **IA should continue to pursue governance issues both through the G19 dialogue, and through selective support to demand-side accountability** (at regional as well as national levels). Its existing support to the CSSM and IESE should continue, recognising that development of civil society capacity is a long-term process.

Summary Answers to Evaluation Questions

Evaluation question	Main findings/conclusions
<i>Relevance</i>	
<p>1. To what extent does the CSP address the developmental challenges and priorities of Mozambique and the needs of poor people?</p>	<p>The CSP was well aligned with Mozambique's priorities and strategies, as set out in PARPA II and GoM sector strategies, and virtually all of its components had a clear pro-poor orientation, both in financing pro-poor expenditures and in seeking to use Irish influence to promote pro-poor approaches and interests.</p> <p>It could be argued that the programme was (financially) heavily weighted towards the human capital and governance pillars of PARPA II, rather than the economic development pillar. However, the economic importance of basic education, health and HIV/AIDS interventions should not be underestimated, and IA chose to focus on areas where it has a clear comparative advantage. The GBS component meant that IA was directly engaged with Mozambique's poverty reduction strategy as a whole.</p> <p>Also, in practice, Mozambique's growth pattern has not been as pro-poor as it needs to be, and it is a challenge for both GoM and its aid partners to ensure that future iterations of the national poverty reduction strategy are more effective in addressing the economic interests of the poor.</p>
<p>2. Has the programme been designed in a collaborative manner with national and local authorities and in alignment with Government of Mozambique and Irish Aid policies, as well as in a harmonised way with other development partners?</p>	<p>IA generally developed its programmes in close consultation with the government and other stakeholders. It used the national and sector dialogue mechanisms to coordinate with GoM and other donors, and aligned its programme with national and sector strategies which were themselves very consultative. GoM has provided only weak leadership on its preferences for donor engagements, apparently not wishing to discourage any available forms of support. Thus for example, GoM has not really engaged with the division of labour exercise. IA, however, has in its own strategic decisions explicitly tried to take account of other agencies, and its collaborative working with GoM and other donors has been exemplary.</p>
<p>3. Do the Provincial Programmes in Inhambane and Niassa continue to have relevance? Are they consistent with Irish Aid's local development policy and with Mozambique's decentralisation programme?</p>	<p>Maintaining an engagement at provincial level remained relevant, more especially because of IA's concern to support government systems and effective service delivery at local level. It gave IA a direct understanding of operational issues at provincial and district level which complemented its support to the decentralisation process and the strengthening of PFM systems. This usefully informed IA's engagement with GBS, and the "sector-deep" approach was used effectively to link pilot provincial programmes (community services and home-based care in health, protection of girls in education) to national policy debate and development. However, there is still scope for more systematic learning from the provincial programmes.</p>

Evaluation of IA Mozambique CSP 2007–2010

Evaluation question	Main findings/conclusions
<i>Effectiveness</i>	
<p>4. How effective has the country programme been in implementing its stated strategic objectives?</p>	<p>As the mid-term review noted, the CSP's strategic objectives were very broadly stated. In most cases they indicated directions in which IA would seek to influence the combined efforts of GoM and its donor partners. This meant that IA did not have direct control over the outcomes, but it also meant that its potential influence was much broader than if it had been confined to distinct IA initiatives.</p> <p>There is evidence that the basic services to which the bulk of IA funding has been directed (particularly in health and education) are key to addressing important dimensions of poverty; IA can claim a share in significant results achieved with this funding, and it is important not to overlook the effects of Ireland's financial contributions. IA advocacy and technical support have consistently reinforced pro-poor approaches (including gender and HIV/AIDS dimensions).</p> <p>Moreover, many elements of IA's programme and approach simultaneously serve several of the strategic objectives: thus IA's focus on following aid effectiveness principles in order to strengthen government systems and services has simultaneously supported improvements in government capacity and higher standards of government accountability.</p> <p>The evaluation found that IA influence was notably effective in the two areas of collaboration that it reviewed in depth – in the health sector and in IA's inputs to dialogue and the development of aid management systems and policy related to budget support. Long-term commitment to these engagements and accumulated country/sector experience are key to effectiveness.</p> <p>Involvement in the agriculture sector programme was less effective, mainly because of inherent weaknesses in ProAgri.</p>
<p>5. What is the state of government donor relations? Are they sufficiently good to facilitate effective dialogue?</p>	<p>There have been episodes of discord both in the overall GoM/PAP relationship and in some of the sectors in which IA is prominently engaged. To some extent these reflect the effectiveness of dialogue mechanisms in enabling difficult issues to be raised and addressed: the emergence of political governance issues in the GoM/PAP dialogue is a case in point.</p> <p>Such episodes should not obscure the fact that the working relationships between government and donors in Mozambique are generally effective. There is an onus on donors to enter dialogue in an informed manner that is based on an understanding of the government perspective and the pressures that it faces: in this respect, IA has earned a high reputation from GoM and fellow donors alike.</p> <p>In the fields the evaluation examined in depth (GBS and health) IA made a notable contribution to strengthening dialogue mechanisms and making GoM/donor collaboration more effective.</p>

Executive Summary

Evaluation question	Main findings/conclusions
6. To what extent has Irish Aid contributed to enhanced aid effectiveness especially during Ireland's term as President of the G19?	<p>IA has made a very strong contribution to enhanced aid effectiveness. This is reflected in its scores in the annual PAPs/PAF assessments of the IA programme itself, but extends to its wider influence on aid management and coordination mechanisms.</p> <p>IA deserves particular credit for its commitment to alignment with government systems, where it has demonstrated the scope for use and strengthening of government systems at sector level, and contributed directly to the evolution of more aligned sector funding mechanisms, based on its own direct familiarity with the government systems concerned.</p> <p>During its Troika+ term, IA managed some potentially difficult issues very adroitly; it successfully brokered a new MOU which has kept GBS viable for a broad range of donors, and it helped develop processes for addressing governance issues that threatened to undermine the GoM/PAP relationship.</p> <p>It also contributed directly to strengthening of aid management in the health sector.</p>
7. What have been the intermediate effects of Budget Support on the overall volume of public expenditure, budget allocations and revenues? Have there been unexpected or perverse effects arising from Budget Support?	<p>Over a long period, GBS has helped to underwrite the expansion of public expenditure on pro-poor services, among which basic health and education services are the most prominent. Evolving forms of sector budget support (including PROSAÚDE and FASE) have also been important in this respect. The GBS dialogue has included understandings on the share of public expenditures to be allocated to priority sectors (initially an indicative 65% target).</p> <p>The evaluation's analysis of recent public expenditure data suggests that the share of priority expenditures has recently been eroded (markedly so in 2010), and that the composition of public expenditures may therefore require more attention as part of the GBS (and sector) dialogues. On the other hand, the same analysis shows a very strong GoM revenue performance, so there is no prima facie evidence that GBS (or other aid) has undermined GoM's revenue effort.</p>
8. How well has the country programme addressed the Irish Aid key policy priorities - HIV and AIDS, Governance, Gender and Environment?	<p>Gender concerns are consistently reflected in all IA's programmes, and IA's contribution to the HIV/AIDS response in Mozambique (reinforced by the Clinton Foundation partnership) has been exceptional, and has included emphasising the importance of working on HIV & AIDS issues through other sectors, such as education.</p> <p>Governance concerns are well built into the IA approach on strengthening government systems, and, through its Troika+ involvement, IA made a key contribution to dialogue on political governance issues. Strengthening governance on the demand side is a long-term endeavour, but IA support for the Civil Society Support Mechanism and an independent social and economic research institute appears well targeted.</p> <p>Environmental issues have not been very prominent, though this may change in future as the climate change agenda gains momentum.</p>

Evaluation of IA Mozambique CSP 2007–2010

Evaluation question	Main findings/conclusions
<i>Efficiency</i>	
<p>9. How efficiently did the Irish Aid team in Mozambique apply its human, financial and other resources in furthering development results and the strategic objectives contained in the country strategy?</p>	<p>The CSP design was structurally efficient in its systematic application of aid effectiveness principles. Thus, supporting the joint funding mechanisms of GBS and key sector programmes limits the transaction costs associated with the management of separate projects, enables IA staff to focus on systemic and policy issues and extends the potential impact of IA efforts beyond the funds IA provides directly.</p> <p>The extensive use of locally recruited staff in responsible roles has been a major contribution to efficiency as well as effectiveness. IA itself has recognised that the programme was overstretched from the outset: the demands of playing a leading role in GoM/donor forums are onerous. Staff inputs are the binding constraint, and IA should explicitly plan its next CSP around the optimal use of staff.</p>
<p>10. To what extent is there sufficient coherence, complementarity and synergy [a] across the country programme and between its component parts, [b] between country programme and HQ-based funding for programmes such as MAPS, CSF, Hunger Task Force and Research and [c] between the political and development functions of the Embassy?</p>	<p>(a) Coherence, complementarity and synergy have been particularly high across the GBS/governance and human capital pillars of the programme. Issues that relate to the efficiency and accountability of government systems and the effectiveness of service delivery are relevant both at the GBS level and in the dialogue linked to the social sectors, and IA country-level experience and expertise have been consistently and effectively brought to bear in the different forums.</p> <p>Provincial involvements have been valuable in informing the national-level engagements.</p> <p>There has been less synergy across the economic development pillar, although IA was able to use its role in high-level dialogue to give more prominence to economic issues such as land rights and the EITI.</p> <p>(b) The evaluation found little evidence of purposive coordination between the CSP-funded activities and the activities of international NGOs and CSOs funded from HQ, and did not review the latter activities per se.</p> <p>(c) Perhaps reinforced by the exigencies of the Troika+ role during this CSP period, the political and development functions of the embassy appeared to be highly integrated.</p>

Executive Summary

Evaluation question	Main findings/conclusions
<p>11. Has policy engagement with Government been sufficiently strategic and was engagement at the appropriate levels?</p>	<p>Policy engagement in Mozambique takes place through the mechanisms of the PAPs/GBS dialogue and the sector programmes in which IA is involved.</p> <p>IA showed awareness of the need to approach different issues at different levels in the dialogue. It made a significant contribution, during its Troika+ role, to consolidating and refining the mechanisms for high-level dialogue, and addressing strategic governance issues there. Nevertheless, there is still room for donor engagement to be better informed, and for improved links with other levels of the dialogue.</p> <p>Although IA's engagement has been well calibrated to the different levels of government, IA and other donors have not always focused enough on the most important strategic <i>policy</i> issues. There is an inherent danger that dialogue becomes preoccupied with processes (not least the requirements of PFM at various levels) and that there is a consequent neglect of more substantive issues, including the effectiveness of service delivery and results achieved.</p> <p>IA has engaged constructively in substantive issues (human resource requirements in health is one example), and has helped to strengthen M&E approaches. But there are also signs that the PAPs as a whole need to pay more attention to public expenditure priorities, to the effectiveness of the national poverty reduction strategy in improving rural livelihoods, and, at sector level, to practical issues of quality service delivery.</p>
Sustainability	
<p>12. How sustainable, in terms of continuing benefit, are the CSP programme interventions in Mozambique undertaken in partnership with government, NGOs or civil society more broadly?</p>	<p>By channelling most of its aid to support the expansion of mainstream government services, IA largely avoids the risk associated with free-standing projects – that their benefits will wither upon cessation of direct donor funding. Moreover, by remaining engaged in the same sectors over long periods, IA is able to pursue issues associated with sustainability of benefits. A key emerging issue at general and sector level is to ensure that GoM's long-term expenditure plans are consistent with maintaining the level of services currently being funded with donor support. Where IA is supporting the development of non-government organisations, it is important to recognise that capacity development is a slow process that requires long-term engagement if sustainable results are to be achieved. Moreover, donors may have a continuing role in helping to protect the political space for their operations.</p> <p>At the same time, there are concerns about the sustainability and reliability of donors' collective long-term commitments to Mozambique. Recent decisions on "division of labour" grounds seem to have led to uncoordinated exits from certain sectors, with the risk of unintended effects through reduced levels of support.</p>

Evaluation of IA Mozambique CSP 2007–2010

Evaluation question	Main findings/conclusions
<p>13. Has risk been adequately managed? Was the risk analysis valid and the mitigation measures appropriate?</p>	<p>The set of risks identified in the CSP reads well in hindsight (e.g. anticipating the risks associated with governance concerns and flawed elections). Risk threat varies – low capacity is a chronic risk to implementation and sustainability of programmes; governance and fiduciary risks can be an acute threat to the continuation of the programmes at all. The nature of mitigation and responses varies accordingly. Generally the programme has built in appropriate measures to address chronic weaknesses and to monitor fiduciary risks.</p> <p>An unanticipated threat to the programme is, in a climate of financial stringency, increased sensitivity to political and reputational risk along with demands for results clearly attributable to Irish Aid, which may lead to a programme that is more easily defensible in Ireland but less effective in Mozambique.</p>
<p><i>Impact</i></p>	
<p>14. Based on the hypothesis that through its funding of various modalities and policy dialogue, Irish Aid contributed to the results achieved by increased public expenditure and pro poor policies, what were those results over the past 4 years?</p>	<p>Mozambique has maintained political stability and rapid economic growth in difficult international circumstances, and international aid has played a substantial role in consolidating this stability and enabling GoM to implement its poverty reduction strategy.</p> <p>Although the rate of progress has slowed in recent years when compared to the rapid gains made in the post war 1990s, there continues to be substantial progress towards key MDGs, with increased access to basic services and improved health and educational outcomes, including, more recently, encouraging progress in addressing the HIV/AIDS pandemic.</p> <p>The poverty reduction strategy has been less obviously successful in addressing income poverty (though the pattern of poverty reduction across different parts of the country is very mixed, and external shocks have been significant). Ensuring that future growth is more pro-poor is a current challenge for the government and its aid partners.</p>

PART I – INTRODUCTION: STUDY OBJECTIVES AND METHODOLOGY

1. Evaluation Objectives and Approach

Objectives

1.1 This report presents the findings of an independent evaluation of the Irish Aid (IA) country programme for Mozambique covering the period 2007–2010. The evaluation is intended both for accountability and to provide lessons that can feed into the next country strategy paper (CSP).² For the full Terms of Reference (TOR) see Annex 1.

1.2 The TOR included 14 specific evaluation questions (EQs), grouped under the criteria of relevance, efficiency, effectiveness, sustainability and impact/results (see Box 1 below). The conclusions of the analytical chapters of this report are linked to the EQs, and Table 12 in the report's final chapter provides the evaluation's overall summary responses to each of the EQs. The study methodology is explained in Chapter 2.

Organisation of the Evaluation

1.3 The evaluation process was designed to make maximum use of documentary sources and to minimise demands on the time of IA's partners. The evaluation work commenced in November 2010, when two members of the team visited IA in Dublin and Limerick. Additional key interviews took place by telephone during the inception phase. An Interim Report (Lister et al 2011) was submitted in January 2011, ahead of the country visit which took place between 4–20 February 2011. At the beginning of the visit, the evaluators met with the IA Mozambique country team for initial discussions linked to the Interim Report, and the visit concluded with a workshop at which preliminary findings were discussed. The team undertook numerous interviews with stakeholders (see the list of interviewees at Annex 2) and visited both Niassa and Inhambane provinces. IA comments on the draft report have been taken into account in this final version.

Structure of the Report

1.4 The report is organised in four parts:

- Part I comprises the present introduction and, in Chapter 2, an explanation of the evaluation's methodology.
- Part II addresses the context and relevance of the country strategy. Chapter 3 reviews the patterns of aid and development in Mozambique prior to and during the CSP period; this includes findings about the overall effects of aid to which IA has contributed (EQ14). Chapter 4 describes the country strategy, including its planned and actual expenditures. Chapter 5 provides the evaluation's assessment of the CSP's preparation and design.
- Part III (Chapters 6–9) reviews the implementation of the strategy, with chapters devoted to each of its main sectoral and thematic components.
- Part IV provides the evaluation's assessment of the programme as a whole. Chapter 10 presents the evaluation's overall conclusions, lessons learned and recommendations.

1.5 The report's structure reflects the methodology explained in the next chapter.

² The 2007–2010 CSP was extended for a year, so the next CSP will now begin in 2012.

Box 1 The Main Evaluation Questions

EQ1	To what extent does the CSP address the developmental challenges and priorities of Mozambique and the needs of poor people?	Relevance
EQ2	Has the programme been designed in a collaborative manner with national and local authorities and in alignment with Government of Mozambique and Irish Aid policies, as well as in a harmonised way with other development partners?	
EQ3	Do the Provincial Programmes in Inhambane and Niassa continue to have relevance? Are they consistent with Irish Aid's local development policy and with Mozambique's decentralisation programme?	
EQ4	How effective has the country programme been in implementing its stated strategic objectives?	Effectiveness
EQ5	What is the state of government donor relations? Are they sufficiently good to facilitate effective dialogue?	
EQ6	To what extent has Irish Aid contributed to enhanced aid effectiveness especially during Ireland's term as President of the G19?	
EQ7	What have been the intermediate effects of Budget Support on the overall volume of public expenditure, budget allocations and revenues? Have there been unexpected or perverse effects arising from Budget Support?	
EQ8	How [well] has the country programme addressed the Irish Aid key policy priorities – HIV and AIDS, Governance, Gender and Environment?	
EQ9	How efficiently did the Irish Aid team in Mozambique apply its human, financial and other resources in furthering development results and the strategic objectives contained in the country strategy?	Efficiency
EQ10	To what extent is there sufficient coherence, complementarity and synergy across the country programme and between its component parts, between country programme and HQ-based funding for programmes such as MAPS, CSF, Hunger Task Force and Research and between the political and development functions of the Embassy?	
EQ11	Has policy engagement with Government been sufficiently strategic and was engagement at the appropriate levels?	
EQ12	How sustainable, in terms of continuing benefit, are the CSP programme interventions in Mozambique undertaken in partnership with government, NGOs or civil society more broadly?	Sustainability
EQ13	Has risk been adequately managed? Was the risk analysis valid and the mitigation measures appropriate?	
EQ14	Based on the hypothesis that through its funding of various modalities and policy dialogue, Irish Aid contributed to the results achieved by increased public expenditure and pro poor policies, what were those results over the past 4 years?	Impact / results

2. Evaluation Process and Methodology

Introduction and evaluation challenges

2.1 This chapter explains the methodology the evaluation followed.

2.2 There were several challenges. First, it was not practical to evaluate all the programme's components in detail. Second, many components involve joint efforts with the government and with other donors, making it difficult to separate IA results from those achieved through collective effort. This is particularly the case in Mozambique where IA has followed international principles of aid effectiveness by supporting government programmes and making extensive use of pooled funding and budget support. Third, for most components, IA was concerned both with *financing* certain programmes *and* with *influencing* how those programmes were carried out. Fourth, the programme was intended to be more than the sum of its parts, taking advantage of potential synergies between different components.

TOR guidance

2.3 The TOR proposed to keep the scope of the evaluation to manageable proportions by focusing the evaluation team's main efforts on three expenditure programmes. The programmes selected for review in depth were:

- General Budget Support (GBS) (and associated interventions on governance)
- Support to the health sector (including HIV/AIDS and the link with the Clinton Foundation)
- The provincial programme for Niassa.

2.4 The main evaluation questions from the TOR have been highlighted in Box 1 above. At the Interim Report stage these were elaborated with more detailed sub-questions which were used to guide the enquiry.

2.5 As anticipated by the TOR, the Interim Report was also used to develop the evaluation's initial assessment of the overall role of aid in Mozambique's economic and social performance, as a backdrop to the evaluation of IA's particular contributions.

Contribution analysis

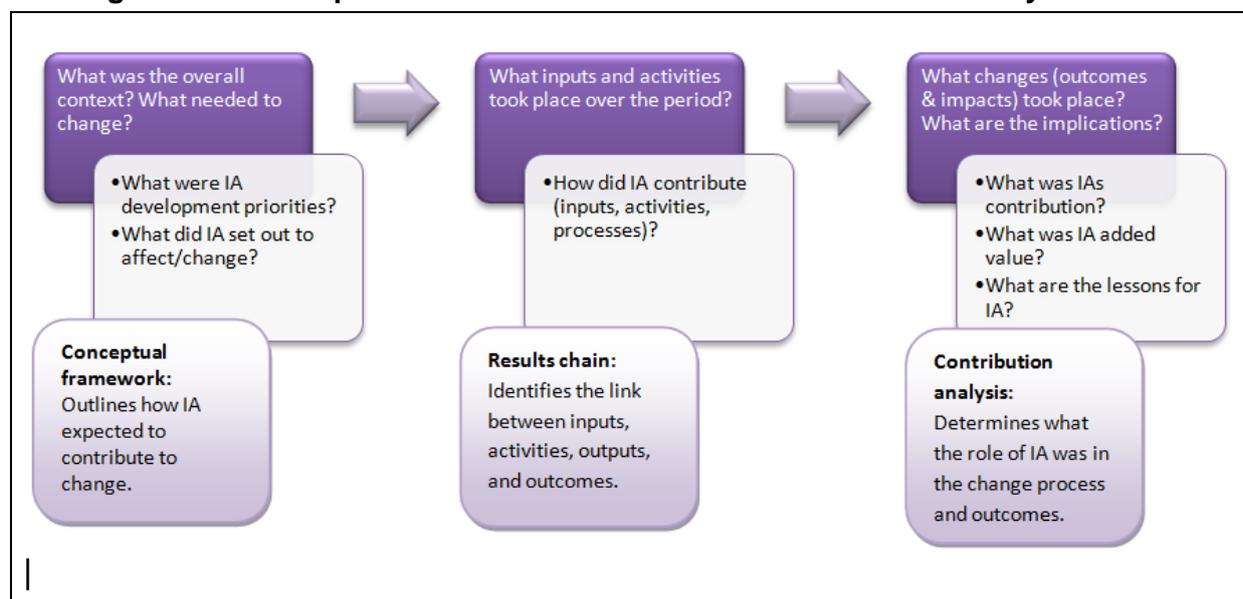
2.6 *Contribution analysis* was adopted as the organising framework for the evaluation. This approach is well suited to the assessment of one agency's influence on a joint undertaking. It begins by identifying changes that have taken place, and then uses quantitative and qualitative methods to assess the extent to which it is plausible that an intervention has contributed to an observed change. A key stage in the analysis is to spell out the cause-and-effect relationships through which the intervention was expected to achieve results (its "programme logic"). Ideally the intervention's programme logic will have been spelt out from the beginning; if not, the evaluators may need to reconstruct it and identify the indicators that would provide evidence of success. Before assuming that an intervention has been effective (or not), the evaluators must consider whether there are other, more likely, explanations for the results observed.

2.7 Advantages of contribution analysis include: (a) that it can take account of higher order indicators of outcome (i.e. the measurement of results that are outside of IA's direct control); (b) that it also takes account of donor harmonisation and of the joint nature of interventions; and (c) that clarifying the programme logic facilitates the evaluation process and can inform thinking about future direction and possible changes. Contribution analysis is more appropriate than seeking precise attribution of results to the IA interventions: strict

attribution would require heavy use of data to compare the intervention with an alternative scenario without the intervention (a counterfactual), and is obviously not practical for the present study.

2.8 The contribution analysis approach is depicted in Figure 1 below, and is reflected in the structure of the evaluation report and of the core chapters within it. Thus the review of overall aid and development in Chapter 3 is an important step towards analysing the IA contribution. Similarly, each sector/thematic chapter first reviews overall performance at sector level, and then assesses the IA contribution to the results observed. In each case, IA in principle could claim a share in results commensurate with its financial contribution, but the evaluation also considers whether non-financial inputs (such as technical assistance, advice and participation in joint decision making and dialogue) also made a distinct contribution.

Figure 1 Conceptual Framework for the Use of Contribution Analysis



Limitations

2.9 Contribution analysis requires the evaluation to link judgements on the Irish programme to findings and views on the effectiveness of the overall programmes to which they contribute. However, it is beyond this study's scope to attempt a full-scale evaluation of general or sector development in Mozambique. For understanding of the context the team has mainly relied on secondary sources³ and interviews, as well as the team's prior familiarity with Mozambique. Similarly, the evaluation's reviews of components of the IA programme should not be construed as full evaluations at component level.

2.10 The evaluation frequently draws attention to limitations in data. These can arise when programme logic was not spelt out from the start, and when baseline data and progress indicators are therefore not available. More generally, and especially at outcome level, there is frequently a delay before data are collected and published, while, often, inputs and actions can only realistically be expected to affect outcomes a number of years later. Accordingly, although it makes sense to take stock of one CSP when preparing the next one, it is too soon to be certain of the impact of CSP 2007–2010.

³ See *Reference Documents*, from page 101.

Summary

2.11 The evaluation methodology systematically views IA's interventions in the context of combined efforts by the government and donors and makes reasoned judgements about IA's contribution to overall results. It takes account of IA influence as well as finance.

PART II – CONTEXT AND RELEVANCE OF THE CSP

3. Aid and Development in Mozambique

Introduction

3.1 This chapter reviews the country context in which the Irish Aid programme in Mozambique was prepared and implemented. It briefly discusses Mozambique's:

- historical background and development strategy;
- track record and donor perceptions at the time the CSP was prepared;
- development performance and how aid relationships evolved during the CSP's implementation.

3.2 The chapter focuses particularly on three aspects that proved increasingly relevant during the implementation of the CSP: (a) Mozambique's "donor darling" status and the elaborate system of aid coordination linked to general budget support (GBS); (b) trends in economic performance and poverty reduction; and (c) evolving perceptions of Mozambique's politics and governance.

3.3 The chapter's conclusions on the general role of aid in Mozambique's performance are an initial step in the assessment of Irish Aid's contribution.

Aid and development background

3.4 Mozambique, with a population of 21 million, has come to be seen as one of the more successful as well as one of the most needy developing countries. It gained independence from Portugal in 1975, under the leadership of Frelimo, but the ensuing decades were marked by war and economic turmoil. A 1992 peace accord between Frelimo and the opposition movement, Renamo, and the end of apartheid in neighbouring South Africa in 1994, ushered in a period of political stability and economic growth which still continues.

3.5 In 2006, as the IA CSP was being prepared, Mozambique was still one of the world's poorest countries, but there had been remarkable political, economic and social progress since the peace agreement:

- Politically, the peace accord had held, and there had been several rounds of multi-party elections. Although Frelimo continued to dominate the political landscape, Renamo had made gains at municipal level, including the mayoralty of Beira, the country's second-largest city. A legislative framework for greater democratic decentralisation to provincial and district levels had been put in place in 2003.
- Economically, there had been a rebound from a war-torn economy, with sound economic management and growth rates averaging about 8% p.a. over the period since 1995.
- Socially, poverty assessments indicated a decline in the proportion of Mozambicans living in absolute poverty from 69% in 1996/97 to 54% in 2002/03, and the government's poverty strategy targeted a further reduction to 45% by 2009. Basic health and education services had been expanded, and there was tangible progress towards most of the Millennium Development Goals (MDGs).

3.6 Mozambique's progress had been decisively supported by aid. Both the volumes of aid provided and the numbers of aid agencies involved were exceptional. Because of the problems of coordination between agencies, and the importance of macroeconomic support (at first to deal with debt problems) Mozambique and its aid partners developed a

sophisticated system of aid coordination linked to the provision of general budget support (though GBS never displaced other modalities). Most of the aid effectiveness principles set out in the Paris Declaration (2005) had already been worked out and begun to be applied in Mozambique, which was one of the early countries to link major debt relief to the articulation of a national poverty reduction strategy.

3.7 By the beginning of the evaluation period, there were 19 Programme Aid Partners (the G19 PAPs) providing budget support linked to an elaborate system of dialogue and joint monitoring and reviews at both general and sector level.⁴ The PAPs aim to support the Government of Mozambique (GoM) in the implementation of its poverty reduction strategy (see Box 2 below). Coordination among the G19 was managed by a "Troika+" consisting of the previous, current and next president of the G19, elected from among the bilateral donors, plus the European Commission (EC) and the World Bank.⁵

Box 2 Mozambique's Strategies for Poverty Reduction

Mozambique's first Poverty Reduction Strategy Paper (PRSP) was known as the PARPA (plan for the reduction of absolute poverty) and covered the period 2001–2005. In keeping with the philosophy underlying debt cancellation, it had a strong focus on basic health and education services; its other priority areas were agriculture, infrastructure, governance and macroeconomic management.

PARPA II (2006–2009) emerged from a more extensive consultation process. It was organised along three main programmatic pillars: economic development, governance, and human capital, plus a number of cross-cutting areas of intervention, including gender, HIV/AIDS and environmental sustainability. It presented a more holistic view of the causes of poverty and gave greater prominence to economic development as an underlying driver of poverty reduction, with emphasis on the promotion of agricultural and agro-processing activities. It aimed to reduce the headline poverty rate to 45% by 2009.

Preparation of a new strategic planning document – known simply as PARP (Action Plan for the Reduction of Poverty) began in March 2010, and had to take account of failure to achieve the PARPA II poverty target (see ¶3.19ff below). It had yet to be completed at the time of this evaluation's fieldwork in February 2011, but was adopted in May 2011 (see Box 4 below).

Aid and development since 2006

Overview

3.8 Although Mozambique had a reputation as a "donor darling", donors also had concerns about government capacity, the quality of public administration, justice and financial management, growing corruption, and the accountability of the government in a situation where, in practice, one political party was dominant, and civil society institutions were seen as nascent and weak. These concerns grew during the evaluation period (2007–2010), influenced by global trends as well as by events in Mozambique.

Aid flows and domestic revenue

3.9 Despite the global recession from 2008 onwards, aggregate aid flows to Mozambique did not decline. Aid in 2009 was still equivalent to 21.5% of national income. Moreover, aid and investment from non-traditional sources (e.g. Brazil, China, India), became more significant. At the same time, there was a noticeable change in the aid climate: the global recession made it less likely that anticipated increases in aid to Africa would be forthcoming, and electoral shifts in Europe contributed to more demanding approaches, with greater insistence that aid should demonstrate clear results, and increased sensitivity to corruption and to political and reputational risks. There were also changing patterns of aid: the level of

⁴ This system is more fully described in Chapter 6.

⁵ Ireland was elected to serve as Troika president from 2008–2009.

3. Aid and Development in Mozambique

budget support did not increase, but there was more project aid, including a growing prominence for vertical funds. The aid effectiveness agenda included guidelines (pursued most systematically by the EU countries) for donors each to focus on a limited number of sectors. In a number of cases this led to donors exiting from sectors in which they had been prominent for years.

3.10 The evaluation considers that aid has played a very positive role in Mozambique's development, both before and during the CSP period – see Box 3 below.

Box 3 The Influence of Aid

Aid to Mozambique, which in 2009 was equivalent to 21.5% of the country's gross national income, continues to play an important role in helping sustain development progress in the country. Whilst difficult to assess with precision, it is clear that official development assistance (ODA) has had many positive development impacts over the years in Mozambique.⁶

Thus, ODA constitutes a prime source of (concessional) development financing, with official grants accounting for more than 60% of external net resource flows into the country in 2008. Just to give a dimension of their importance, the volume of official grants in 2008 amounted to USD 1.46 billion, almost three times the value of foreign direct investment that same year: USD 587 million (World Bank 2009e). In addition, aid is an important source of foreign exchange,⁷ technology transfer and technical expertise, and provides critical support to local livelihoods.

Finally, with ODA financing over half of the government's budget (World Bank 2010), and presumably a very large share of off-budget public investment, aid has played a critical role in helping expand social service delivery and basic public infrastructure in Mozambique in the last two decades. It is worth noting that areas in which recent progress has been stronger in improving local living standards, as captured in the latest round of poverty surveys and Unicef's multiple indicator cluster surveys (DNEAP 2010; Unicef 2009), include those where development assistance has been more prominent, such as in water and sanitation, and basic infrastructure development (e.g. roads, energy, etc.).

3.11 There has been a sustained strengthening of domestic revenue collection. The share of domestic revenue in total budget resources increased from 36.2% in 2005 to 58.9% in 2009. This has been driven by a real increase in government revenue collections as a percentage of GDP, from 13.7% in 2005 to 18.1% in 2009 (details in Annex 6).

Economic Performance

3.12 Mozambique faced a difficult external environment, with a decline in demand for its exports, reduced investment flows and sharply rising fuel and food prices. Nevertheless, according to the IMF, Mozambique weathered these global difficulties better than most of its peers. Economic growth remained strongly positive, but dipped below 7% in 2008 and 2009. However, there was a surge in domestic inflation. Poor consumers were hard hit by rising prices, and there were street protests and riots among the urban poor in 2008 and 2010, in which clashes with the police left several people dead. Reactive measures by the government in 2008 included food subsidies and a very costly fuel subsidy. In 2010 certain

⁶ See Arndt, Jones and Tarp (2006) for a detailed analysis of the aid and development nexus in Mozambique. They conclude that '*Mozambique has benefited from sustained aid inflows in conflict, post-conflict and reconstruction periods. In each of these phases aid has made an unambiguous, positive contribution both enabling and supporting rapid growth since 1992*'.

⁷ The importance of this sometimes overlooked aspect of aid became apparent in Mozambique when concerns over aid commitments motivated by the impact of the financial crisis in donor countries and the problems surrounding the 2009 presidential elections, led to downward pressures on the Metical exchange rate against the USD and the Rand, as noted by the IMF (2010).

subsidies, on bread and on utilities for low-usage households, were reinstated, but the response was more targeted and less expensive.

Social Indicators

3.13 The Millennium Development Goals (MDGs) are at the centre of national and donor strategies. The 2010 report on the MDGs shows that there has been significant progress, but that Mozambique is likely to miss some important MDG targets. There has been notable progress in reducing maternal mortality ratios, which have decreased from 692 deaths per 100,000 live births in 1999 to 500 in 2008, in improving access to health services in rural areas, and in extending the coverage of safe water and sanitation throughout the country. Access to education continued to grow and the primary school completion rate rose from 39% in 2003 to 77% by 2007/08. Nevertheless, Mozambique is likely to meet only a few of the 21 MDG targets by 2015.⁸

Governance issues

3.14 Governance was defined as one of the pillars of PARPA II (Box 2 above). The importance of strengthening government capacity was acknowledged by all parties, but there was a tendency for government to focus more on technical aspects of governance while some donors became increasingly concerned about its political dimensions. There was thus some disparity between Mozambique's scores on standard governance indices, and increasing concerns about governance raised by donors.

3.15 The World Bank's 2008 Country Policy and Institutional Assessment (CPIA) Index found that Mozambique's score had improved since 2005 and that it was placed above the average for low-income countries.⁹ A worldwide comparison of CPIA scores on governance aspects found that, between 2000 and 2009, Mozambique was ranked above 40-45% of countries on the following criteria: voice and accountability, government effectiveness, and regulatory quality. On 'political stability and absence of violence' its position had improved, so that by 2009 it performed better than 63% of countries. Its worst rankings were on the 'rule of law' on which its position was better than only about 33% of countries, and 'control of corruption' on which it dipped to the 30th percentile ranking in the mid-2000s before improving to the 40th in 2009.¹⁰

3.16 On public finance management (PFM), too, there was progress, with successive assessments against Public Expenditure and Financial Accountability (PEFA) standards showing significant gains alongside some areas of persistent weakness. The World Bank raised the CPIA score on public financial management from 3.5 in 2008 to 4 in 2009, out of a maximum possible score of 6 for this CPIA indicator.¹¹

3.17 Nevertheless, the CSP period was marked by increasing concerns about governance issues, including:

- persistent slow progress in judicial reform;¹²

⁸ Details are presented in Annex 3, Table A3.4 and Table A3.5. The only targets whose achievement is rated "probable" are gender equality in education, two-thirds reduction in child mortality, and reduction in the incidence of malaria and other major diseases.

⁹ I.e. the group of countries eligible for concessional funding from the World Bank. A World Bank comparative review of Africa's performance for the period 2004 over the period 2004-08 <http://siteresources.worldbank.org/EXTAFROFFCHIECO/Resources/CPIA-PERFORMANCE-AFRICA.pdf> found that Mozambique came 12th out of 38 countries and that Mozambique, Ghana, Rwanda and Zambia had "achieved more than a 0.5 (or about 20%) increase in their overall CPIA scores".

¹⁰ <http://info.worldbank.org/governance/wgi/pdf/c149.pdf>

¹¹ Details in Annex 5 and more discussion in Chapter 6 below.

¹² Donors were also unhappy about delays in releasing data and poor coordination and cooperation in this sector.

3. Aid and Development in Mozambique

- the convergence/confusion of party and state roles;
- the convergence of political and economic power in a small elite;¹³
- the weak role, and apparently limited political space, for Mozambican civil society.

3.18 The question of governance was brought to a head by the conduct of the 2009 national elections when donors reacted strongly to the exclusion of an opposition party from many constituencies. As Chapter 6 reviews in more detail, governance issues featured strongly in the dialogue between the GoM and the PAPs, and adjustments to the GBS framework gave more prominence to the governance agenda.

Poverty assessments and concerns about the quality of growth

3.19 As noted earlier, Mozambique's levels of absolute poverty had dropped sharply between the mid-1990s and the 2002/03 household survey. PARPA II envisaged a continuation of this trend, and rapid GDP growth seemed a cause for optimism. However, the results of the 2008/09 household survey (which were not published until 2010) were very disappointing. The survey showed that while non-monetary indicators of poverty, including housing standards and the ownership of consumer durables, had improved, the national averages for monetary indicators of well-being had stagnated, the latter trend reinforced by indicators on food consumption.¹⁴

3.20 The national proportion of people living in poverty had not fallen between 2002/03 and 2008/09 (implying a substantial increase in the absolute *number* of Mozambicans living in poverty). However, the survey also showed a complex geographical pattern across Mozambique's 11 provinces and three regions. The northern and southern regions did show gains in consumption-based poverty reduction, with poverty incidence falling in these regions by 8.8 and 9.8 percentage points respectively, between 2002/03 and 2008/09. The national deterioration was mostly explained by a sharp worsening of poverty incidence in three of the four provinces in the central region.

3.21 The poverty results have amplified concerns about the quality and inclusiveness of growth. Growth policies have been criticised for focusing too much on attracting foreign investment into large (mega) projects in sectors such as mining, energy, or non-ferrous metals that generate little employment or synergies with the rest of the Mozambican economy, and often operate as enclave investments. While such activities do generate important benefits to the Mozambican economy in the form of foreign exchange and government revenues, there are growing concerns that their success has served to mask the many challenges the rest of the Mozambican economy continues to face, and has distracted attention from these issues.

3.22 A related concern is the poor employment prospects that Mozambicans currently face, especially the young, urban and educated. Thus, statistics from the 2004/2005 Labour Force survey placed levels of unemployment as high as 18.7% for the country as a whole, 31.0% in urban areas, 34.2% for workers with secondary education or higher, 38.1% among young single people and 40% in the capital city of Maputo. Furthermore, a large share of the employed were sub-employed and underemployed, meaning they worked fewer hours than they would like to or were involved in family-based, own-account employment, which is

¹³ While the strengthening of government financial systems was seen as helping to limit corruption, there were growing concerns about the "off-budget" opportunities for elite enrichment as Mozambique's natural resources were increasingly exploited.

¹⁴ The key results are shown in Annex 3, Table A3.2 and Table A3.3. It is acknowledged, notwithstanding the scientific rigour of the survey, that there are difficulties with some of the data sets, notably around food consumption, and various agencies have been working to 'clean' the data. Nonetheless, as a general indicator of trends within provinces, the household survey is said to be reasonably robust.

typically associated with low earnings, job insecurity and lack of protection and benefits.¹⁵ Although the national statistics office (INE) has not yet updated these figures, there is general consensus that these issues remain a problem.¹⁶

3.23 Against this background, three main factors have been put forward to explain the disappointing poverty reduction findings:¹⁷

- The stagnation of agricultural productivity growth experienced in the country since the early 2000s, especially with respect to food crops. In a country where up to 78% of the economically active population are employed in agricultural activities, maintaining productivity growth is essential in ensuring sustained increases in income and general living standards of the population.
- Declining terms of trade, due largely to the increases in international food and fuel prices experienced over the last decade, which have had a particularly negative impact on low-income earners, unemployed people and subsistence households, by severely eroding their purchasing power.
- The numerous climatic shocks affecting the country during the year of implementation of the 2008/09 household survey, which severely affected agricultural crops, especially in the central region.

3.24 Only the first of these factors is under the direct influence of Mozambican policy. Commentators on the agricultural sector's weak productivity performance have noted: low levels of technology uptake (DNEAP 2010), partly the result of deficiencies in agricultural extension services; a lack of diversification among smallholders, especially into profitable cash-crops; insufficient investment in infrastructure to increase farmers' access to markets; weak producer associations; and insufficient linkages between the commercial and family-based farming sectors – linkages which international experience shows are critical in promoting the dissemination of new technologies and helping to integrate small farmers in global production value chains (World Bank 2008). Some commentators argue further that Mozambique's poor agricultural performance is the direct result of a development model that has sought to promote growth by encouraging foreign companies to invest in big farms while neglecting the peasant (subsistence) farming sector (Hanlon and Cunguara 2010).

3.25 Both the poverty statistics and the urban protests of 2008 and 2010 appear to have taken the Mozambique authorities by surprise. Several interviewees suggested that the additional time taken to prepare the next national poverty strategy was partly motivated by the government's willingness to open up the process to wider stakeholder consultation in the light of concerns about the poverty assessment findings and the need to address the roots of the civil disturbances. The document adopted in May 2011 drew on a high-level seminar (at Indy Village, February 2011) involving the World Bank, IMF and other major donors and sets out a more inclusive growth strategy (see Box 4 below).

¹⁵ Data obtained from INE's online database on population and employment trends available on www.ine.gov.mz.

¹⁶ Thus, for instance, employment issues feature prominently in the regular reviews of development progress in Mozambique by the World Bank and the IMF.

¹⁷ Some commentators also argue that the previous survey may have overestimated progress.

Box 4 Action Plan for Reducing Poverty (PARP) 2011–14

The PARP is a concise document that establishes the achievement of inclusive growth as one of its overarching objectives. Based on a candid assessment of the extent of poverty—including uneven progress across regions, urban and rural districts, and genders—the authorities' ambition is to reduce poverty incidence from 55 percent in 2009 to 42 percent in 2014.

The strategy is based on three interlinked main pillars that require extensive inter-ministerial coordination:

- (i) Increased production and productivity for the agricultural and fisheries sectors;
- (ii) Promoting employment; and
- (iii) Human and social development.

The plan's three main pillars benefit from two supporting pillars focused on fostering good governance and preserving macroeconomic stability. The PARP's objectives and indicators will be reviewed, and if needed, updated annually under the Economic and Social Plan (PES) in light of developments and in tandem with the implementation of underlying sectoral strategies.

Source: reproduced from IMF 2011.

Conclusions

3.26 Both the disappointing statistics on poverty reduction and concerns about governance in Mozambique deserve to be taken seriously, and they form an important backdrop to the preparation of IA's next country programme. However, they also need to be seen in perspective. Thus:

- There is strong evidence that aid has been a positive influence on Mozambique's development and poverty trends (see Box 3 above). This conclusion (which relates to EQ14), is amplified in the evaluation's later review of the main components of IA's country programme.
- The shortcomings in poverty reduction imply weaknesses in the national poverty reduction strategy which has been jointly supported by GoM and its aid partners. This would logically be a subject for joint review and strengthening of that strategy, as seems to have occurred in the preparation of the PARP 2011-2014 (Box 4 above). The implications for GBS are discussed in Chapter 6.
- Donors' undoubted concerns about governance have been heightened by their domestic political considerations as well as by developments in Mozambique. There have been episodes of disharmony in GoM/donor relations (which are further reviewed in Chapter 6). Nevertheless, the evaluation interviewed many participants among donors and on the government side of dialogue, and found a strong consensus that systematic and useful dialogue has continued. (This relates to EQ5 and, again, is amplified in later chapters.) The alignment of GoM and donor interests is not perfect (and never was) but there is much common ground that makes dialogue and cooperation worthwhile.

4. Overview of the 2007–2010 Irish Aid Programme

Introduction and Scope

4.1 This chapter briefly describes the IA country programme 2007–2010 and its overall components. This is a backdrop for the evaluation's subsequent analysis and assessment (i.e. it explains what is being evaluated). The chapter notes the financial outturns on the programme, and some significant mid-course financial adjustments that were made, but assessments on these are reserved to the next and subsequent chapters.

4.2 The evaluation is focused on Ireland's direct bilateral assistance to Mozambique. Ireland also provides indirect support to Mozambique and other developing countries. For example, as a member of the European Union, it helps to finance the aid administered by the European Commission. However, such indirect support is not part of this study. Mozambique also benefits from some IA funds which are channelled through international NGOs outside the bilateral country programme. This aid is noted below, but the evaluation concentrates on the bilateral programme itself.

4.3 Mozambique has been one of Irish Aid's largest country programmes (accounting for roughly 8-10% of total IA commitments). Conversely, from Mozambique's perspective IA is a middle-ranking donor, accounting for about 3-4% of annual aid commitments, and placing Ireland about 10th among Mozambique's aid partners.¹⁸

Programme Objectives

4.4 The programme as set out in the CSP document (Irish Aid 2007a) was designed to support Mozambique's poverty reduction strategy (see Box 2 in the previous chapter) as closely as possible. Its components were aligned with the three pillars of PARPA II (human capital, governance and economic development). It had an overarching goal supported by four strategic objectives which were to be pursued across the programme modalities and throughout the dialogue with government, donors and other partners, as follows:

Goal

To contribute to poverty reduction by supporting the development, implementation and monitoring of pro-poor policies within Mozambique.

Strategic Objectives

- Pro-poor targeting of services provided by the public sector.
- Increased accountability of the public service to citizens, especially the poor.
- Capacity strengthening of government and civil society partners to implement pro-poor policies and programmes.
- Improving aid effectiveness through strengthening the relationship between donors and Government by improving the quality of dialogue, partnership and programme management.

¹⁸ Based on OECD DAC data.

Main Programme Components

4.5 Table 1 below shows the main components of the programme.

Table 1 Irish Aid Programme Components in Mozambique, 2007–10

Programme Component	Description
General Budget Support (GBS) (detailed review in Chapter 6)	GBS supported the implementation of Mozambique's poverty reduction strategy and was a platform for policy dialogue with GoM. Ireland had always been one of the Programme Aid Partners (PAPs), now the G19, and was due to be a member of the "Troika+" that leads and coordinates the PAPs for three years of the period, with one year at its head. Planned: €44,300,000 (21.4%) Actual: €41,564,903 (23.6%)
Governance (Chapter 6)	Governance was a cross-cutting issue, with governance objectives in each element of the programme. Separate funding under this heading was also provided to support public sector reform and decentralisation, and to strengthen demand-side accountability, notably through co-funding of a Civil Society Support Mechanism (CSSM). Planned: €9,530,000 (4.6%) Actual: €6,842,044 (3.9%)
Health and HIV/AIDS¹⁹ (Chapter 7)	There were three strands to the CSP's support for health and HIV/AIDS, but these were implemented in an integrated way. Support for the government's health sector programme was augmented by the funding guaranteed through IA's partnership with the Clinton Foundation, and there was also a dedicated funding line for HIV/AIDS. Planned: €80,960,000 (39.1%) Actual: €67,271,774 (38.2%)
Education (Chapter 8)	Continued financial support was to be provided through the education sector common fund (FASE), with technical focus on education quality and girls' education. Planned: €31,750,000 (15.3%) Actual: €23,250,000 (13.2%)
Economic Development (Chapter 8)	Under this pillar, IA planned to continue support to the agriculture sector programme (ProAgri) and to the community land registration fund, and to increase its support for private sector development. Planned: €13,300,000 (6.4%) Actual: €10,997,378 (6.2%)
Provincial Programmes (Chapter 9)	Support to development in two provinces, Niassa and Inhambane, where IA has had a longstanding engagement. Planned: €26,300,000 (12.7%) Actual: €18,019,553 (10.2%)
Other	Programme development costs, administration and other actual items not classified by sector. Planned: €1,000,000 ²⁰ (0.5%) Actual: €8,164,245 (4.6%)

¹⁹ In the CSP, expenditures on education, health and HIV/AIDS were grouped as support to the Human Capital pillar, with the Clinton Foundation co-finance shown separately (as additional support to the CSP); the presentation in this evaluation shows the sector composition of the programme more clearly.

²⁰ Only programme development costs were shown in the CSP tabulation, so the planned and actual figures are not directly comparable.

4. Review of the 2007–2010 Irish Aid Programme

4.6 At the time of CSP preparation it was expected that IA's disbursements would continue to rise each year. General Budget Support was expected to absorb 21% of funds. The human capital pillar was allocated almost 55% of the programme, while the economic development pillar got less than 7%, and the governance pillar 4%. Cross-cutting provincial programmes in Niassa and Inhambane provinces accounted for about 12% of the planned programme.

4.7 The share for human capital was strongly influenced by the co-financing arrangement with the Clinton Foundation (see the more detailed presentation in Table 2 below). This was a separate funding line, additional to the basic bilateral programme, but was treated as an integral part of support to the health sector (see Chapter 7).

4.8 Programme components are reviewed in more detail in subsequent chapters (as shown in the first column of Table 1 above).

Planned and Actual Disbursements

4.9 Planned and actual disbursements for the programme are displayed in Table 2 and Table 3 below. Ireland's economic crisis necessitated cuts in expenditure in 2009 and 2010. The GBS contributions were largely protected, with reductions falling mainly on other elements of the programme. The most striking changes in the balance of the programme were an increase in the *share* of GBS from 21.4% to 23.6%, while the provincial programmes spent less than 70% of the amount originally anticipated, and their share fell from 12.7% to 10.2%. Expenditure patterns by sector are reviewed in more detail in the sector chapters in Part III.

Table 2 Planned and Actual Expenditures under the CSP (€ m)

	2007		2008		2009		2010		Total CSP period	
	CSP	Actual	CSP	Actual	CSP	Actual	CSP	Actual	CSP	Actual
Budget support	9.00	9.00	10.30	10.36	11.50	11.16	13.50	11.04	44.30	41.56
Governance	1.83	1.97	2.10	2.17	2.70	1.20	2.90	1.50	9.53	6.84
Education	5.75	5.75	6.50	6.50	8.50	7.24	11.00	3.76	31.75	23.25
Health and HIV/AIDS	17.46	17.74	19.25	18.87	21.00	15.87	23.25	14.79	80.96	67.27
<i>Health</i>	3.50	3.50	5.00	5.00	6.50	3.10	8.50	1.80	23.50	13.40
<i>HIV and AIDS</i>	1.96	1.93	2.25	1.76	2.50	0.80	2.75	1.00	9.46	5.48
<i>Clinton Co-Financing</i>	12.00	12.32	12.00	12.11	12.00	11.97	12.00	11.99	48.00	48.39
Economic Development	2.75	2.85	3.18	2.97	3.88	2.78	3.50	2.40	13.30	11.00
Provincial Development	5.30	6.00	6.50	5.71	7.00	2.97	7.50	3.34	26.30	18.02
<i>Niassa</i>	2.59	3.26	3.25	2.90	3.50	1.39	3.75	1.72	13.09	9.27
<i>Inhambane</i>	2.71	2.74	3.25	2.81	3.50	1.58	3.75	1.62	13.21	8.75
Other	0.25	1.80	0.25	2.24	0.25	2.12	0.25	2.00	1.00	8.16
Total	42.34	45.12	48.08	48.82	54.83	43.34	61.90	38.83	207.14	176.11

Table 3 Actual CSP Expenditures as % of CSP Budget

	2007	2008	2009	2010	Total period
Budget support	100.0%	100.6%	97.1%	81.8%	93.8%
Governance	107.7%	103.4%	44.4%	51.7%	71.8%
Education	100.0%	100.0%	85.2%	34.2%	73.2%
Health and HIV/AIDS	101.6%	98.0%	75.6%	63.6%	83.1%
<i>Health</i>	100.0%	100.0%	47.7%	21.2%	57.0%
<i>HIV and AIDS</i>	98.4%	78.0%	32.0%	36.4%	58.0%
<i>Clinton Co-Financing</i>	102.6%	100.9%	99.8%	99.9%	100.8%
Economic Development	103.7%	93.4%	71.7%	68.6%	82.7%
Provincial Development	113.3%	87.8%	42.4%	44.5%	68.5%
<i>Niassa</i>	126.0%	89.3%	39.6%	45.9%	70.8%
<i>Inhambane</i>	101.1%	86.4%	45.2%	43.1%	66.2%
Other	721.0%	896.1%	848.0%	800.6%	816.4%
Total	106.6%	101.5%	79.1%	54.8%	85.0%

Source: Data from Table 2 above.

CSO and NGO support from IA Headquarters

4.10 International NGOs and CSOs which are funded by IA headquarters are also active in Mozambique. Their IA funding is not earmarked to particular countries, so the amounts that benefit Mozambique are only known retrospectively, and are not part of the CSP.²¹ Table 4 provides a summary of Irish Aid-funded expenditure by international CSOs and NGOs that benefited Mozambique during the CSP period. Most of this funding was via the Multi-Annual Programme Scheme (MAPS) partners (Concern and Trócaire) and the Civil Society Fund (CSF). It amounted to EUR 14.2m between 2007 and 2010 (equivalent to about 8% of actual CSP expenditures).

²¹ But several components of the CSP do include funding for NGO and CSO activities within Mozambique.

4. Review of the 2007–2010 Irish Aid Programme

Table 4 International CSO and NGO Support (EUR m)

Funding Scheme	2007	2008	2009	2010
MAPS	1.6	1.5	1.7	2.1
Misean Cara	0.03	0.04	0.2	0
Block Grants	0	0.7	0.5	0.3
Civil Society Fund CSF	1.2	0.8	0.7	0.01
UN Volunteers	0	0	0.07	0
Emergency and Recovery Fund	1.5	0.08	0	0
International Union for Conservation of Nature (IUCN)	0	0	0.05	0
Global Alliance for Improved Nutrition (GAIN)	0	0	0	1.1
Total	4.4	3.1	3.1	3.6

Source: Irish Aid 2007b; Irish Aid 2010a

Notes: i) 2009 and 2010 figures for MAPS, Misean Cara, Block Grants, CSF and UN Volunteers are allocations rather than expenditures; ii) the GAIN disbursement (2010) is for a project period of 2010-2013, however the disbursement was made in a once-off payment.

Staff Inputs

4.11 The country programme is managed by the team based in Mozambique, headed by the Ambassador, with oversight and support from IA HQ. The Head of Development and development specialists are supported by the advisors based in Maputo and small teams based in Niassa and Inhambane. An important feature of the programme is a strong cadre of locally-recruited specialist advisors, who help to manage the programme and often represent IA in the committees and working groups through which much of the technical work on joint GoM-donor programmes is carried forward.

4.12 The CSP anticipated that IA's own staff organisation would echo the pillar structure of the CSP and PARPA, with each pillar led by a development specialist. In practice, however, there were never three development specialists in post.

Summary

4.13 The goals and objectives of the programme were closely aligned to Mozambique's poverty reduction strategy.

4.14 The CSP 2007–2010 planned a rising level of Irish aid to Mozambique (from €42m in 2007 to €62m in 2010). However, the Irish financial crisis caused the programme to be scaled back in 2009 and 2010; overall spending was 15% less than initially planned, and expenditure in 2010 was less than it had been in 2007. All components spent less than initially planned, but budget support underspent less, and provincial programmes underspent more than other components.

4.15 The next chapter assesses the preparation and design of the CSP, while the Part III chapters review the implementation of its main components.

5. Preparation and Design of the CSP 2007–2010

Introduction

5.1 This chapter reviews the preparation and design of the CSP 2007–2010. It also takes account of the mid-course adjustments that were made, as these are revealing about the CSP's initial assumptions and design features. The chapter concludes with an assessment of the CSP's relevance and the quality of its design. Subsequent chapters focus on its implementation.

Context and assumptions

5.2 The CSP 2007–2010 was the fourth in a series of country planning documents for Ireland's programme in Mozambique. Since 1998 the programme had grown from a set of projects into a very much bigger programme that was closely aligned with the government's poverty reduction strategy and largely delivered through sector support, pooled funding and general budget support. However, Irish Aid always deliberately maintained a mix of modalities and a variety of partners.

5.3 Mozambique had become one of Ireland's largest country programmes. This was not because of historical affinities, but because Mozambique was needy and seemed able to use aid well. Irish Aid shared with other donors the positive view of Mozambique's performance and prospects described in Chapter 3. The CSP noted the track record of stability, growth and poverty reduction and saw Mozambique as on a path towards a functioning pluralist democracy and market economy. Aid had played a demonstrable role in this progress, and it was not difficult to make the case for more aid.

5.4 Other assumptions that shaped the CSP included:

- an expectation that Irish Aid's total programme would continue to grow rapidly, reflecting the buoyancy of the Irish economy, coupled with the commitment to the 0.7% of GDP target;
- the aid community would continue to work towards the Paris aid effectiveness agenda, with significant effects on the patterns of aid delivery in Mozambique;
- continued progress in poverty reduction in Mozambique; PARPA II's anticipation of continued rapid reduction in consumption poverty was not questioned.

5.5 These were reasonable assumptions, but all of them had to be revised with hindsight. Ireland was badly affected by the 2008 financial crisis, and sharp cuts in its aid programme ensued; the impact of these cuts on the Mozambique programme was noted in Chapter 4. The Paris agenda remained influential, but it did not lead to as much change in aid delivery patterns as some of its advocates had hoped. In particular, GBS did not displace other modalities, and the volume of project aid increased, partly driven by the growing importance of vertical funds. And, as discussed in Chapter 3, ¶3.19–3.25, the consumption poverty findings of the 2008 household survey, when they eventually emerged, were extremely disappointing.

The design process

5.6 Irish Aid was already committed to long-term engagements in particular sectors, and with particular provinces. It was therefore natural and appropriate that the design of the CSP involved reflecting on performance during the previous CSP period and making appropriate adjustments. This reflection appears to have been systematic and careful. There was an evaluation of the country programme since 2001 (ECORYS 2006) and its recommendations were explicitly referred to and taken into account in the new CSP. Various other analytical papers were also commissioned (e.g. on the provincial programmes – Warren-Rodríguez

2008a). At a more general level, emerging good practice guidelines on aid effectiveness (OECD DAC 2006) were reflected in the Irish government's important 2006 White Paper on aid (GOI 2006), and in the design principles for the Mozambique country programme.

5.7 Collaboration in design took place in context of the various coordination mechanisms with GoM and other donors, and all relevant GoM stakeholders were consulted. Thus Ireland's intentions for GBS, education, health and agriculture – all continuations of existing involvement – were explained in the respective working groups, the Ministry of Planning and Development (MPD) was consulted on the overall programme, and provincial plans were discussed with stakeholders in Niassa and Inhambane. The CSP was explicitly linked to PARPA II, a document on which there had been wide consultation between GoM and its aid partners.

Principal design features

5.8 The evaluation notes the following key features of the design, which strongly reflected the strategic approach summarised in the 2006 IA White Paper.

- (a) There was strong continuity: the CSP expected to concentrate on sectors and areas where IA had built a comparative advantage through its experience in Mozambique (this applied strongly to the engagement with the provinces of Niassa and Inhambane, as well as continuing engagements in education, health and HIV/AIDS).
- (b) The programme was expected to continue expanding: inevitably this meant that pressure to streamline it was not acutely felt.
- (c) The choice and design of components showed a very strong focus on poverty reduction and on related governance issues (e.g. in terms of accountability to citizens).
- (d) There was built-in commitment to aid effectiveness principles: this meant a focus on supporting government strategies and programmes, using country systems as much as feasible, and working in partnerships with government and other donors.
- (e) The alignment with government strategies led the CSP to echo the three pillars of PARPA II (governance, human capital, economic development).
- (f) At the same time, IA retained a commitment to a mix of modalities (the CSP refers to a mix of three main modalities – GBS, sector support and provincial programmes) as well as engagement with civil society partners.
- (g) The design implied that much staff time would be devoted to working with partnerships, and IA continued to give its Mozambican professional staff a strong role in such work.
- (h) Implementation of the programme (in comparison with many other donors' practices) was highly decentralised to embassy level.

5.9 Finally, Ireland's role in the management of the donor coordination group (including its presidency at a crucial period) was seen both as a challenge and as an opportunity to use Irish influence to enhance the effectiveness of aid beyond IA's own programme.

Mid-course adjustments

Overview

5.10 There were important mid-course adjustments to the country programme. The Irish economic crisis necessitated significant reductions in planned expenditure, which were noted in the previous chapter. The need to reduce planned spending helped to sharpen the agenda for the Mid Term Review (MTR), an internal exercise involving HQ staff and the country team (Irish Aid 2009a). The MTR recommended that the programme be extended by a year: partly to spread the planned expenditure over a longer period, but also to synchronise preparation of the next CSP with the schedule for the revised GoM poverty strategy. Efforts to streamline the programme were given impetus by IA's commitment to the division of labour as well as the need for savings. The MTR led to a re-working of the CSP results framework, and the pillar-wise organisation of in-country staff was also revisited.

The Mid Term Review and revised results framework

5.11 The MTR in September 2009 concluded that the CSP, as well as being very ambitious, was not tightly enough specified. As explained in the CSP Extension document (Irish Aid 2010c), the Strategic Objectives were considered to resemble strategies more than objectives, and to be insufficiently measurable.²² It was decided to re-work the original results framework, with the aim of making the original objectives more clearly measurable.

5.12 The reformulated goal and objectives for the programme as set out in the CSP extension are shown in Box 5 below. The goal statement was unchanged, but instead of being linked to four Strategic Objectives (pro-poor targeting, increased accountability, capacity strengthening and aid effectiveness – see ¶4.4 above) it was linked to three "Objectives" and eight "outcomes". This structure, together with associated indicators, has been used as a framework for recent monitoring and reporting of the programme's implementation.

Decisions on the Division of Labour

5.13 The MTR contributed to a review of the IA programme in the light of Ireland's commitments to the EU Code of Conduct and its "division of labour" objectives, which require donors to concentrate on a limited number of sectors in each partner country. This means that some key decisions about the strategy for the next CSP period have already been taken. Thus, in early 2010, Ireland decided to withdraw from direct support to the agriculture sector at national level (see discussion in Chapter 8), from public sector reform (Chapter 6), and from its involvement in the HIV/AIDS pooled fund (Chapter 7).

Staff reorganisation

5.14 The CSP's original approach was to organise its in-country staff along the lines of the three pillars of the PARPA that were echoed in the CSP. This did not work as well as anticipated. This was partly because of turnover among international staff, and the fact that the embassy never had more than two development specialists, but a more fundamental reason was that the workloads associated with the three pillars were very different, given that the bulk of IA expenditure was linked to the human capital pillar. A review of "ways of working" led to a more pragmatic division of responsibilities which balanced workloads better by splitting health and education (the two big "human capital" programmes) between development specialists but still encouraged interaction and learning across the programme.

²² Nonetheless, this evaluation has found the SOs a useful reference point in reviewing IA performance against the CSP.

Box 5 Reformulated Goal and Objectives for the CSP Extension (2011)

<p>Goal <i>To contribute to poverty reduction by supporting the development, implementation and monitoring of pro-poor policies within Mozambique.</i></p>
<p>Outcome 1: Increased livelihoods and food security for the poor households</p>
<p>Objective 1: Improved coverage and implementation of agriculture extension services and enhanced community land use and rights <i>IA activities: support to agricultural extension (through 2011) and Community Land Fund. Provincial level support to water resource management in Inhambane.</i></p>
<p>Objective 2: Improved business environment and improved market linkage for small scale farmers <i>IA activities: support private sector initiatives in agriculture (partnerships with Technoserve and CARE); work with Ministry of Industry and Commerce to improve business licensing process.</i></p>
<p>Outcome 2: Improved health and learning outcomes for the poor</p>
<p>Objective 3: Improved capacity and resources to extend basic social services to the community level <i>IA activities: support to health sector programme (PROSAÚDE) including technical support to national plans for community health and for human resource development.</i></p>
<p>Objective 4: Improved coordination and monitoring of multi-sectoral response to HIV/AIDS <i>IA activities: Financing for National AIDS Council for NGO networks ,and PROSAÚDE funding linked to Clinton partnership; participation in sector activities to ensure implementation and monitoring of agreed strategies and programmes; support to home-based care in Inhambane.</i></p>
<p>Objective 5: Improved teaching and learning environment to respond to the learning and retention needs of girls and boys <i>IA activities: Support to the education sector programme (FASE); complementary support to the education department in Niassa through the provincial programme.</i></p>
<p>Outcome 3: Increased accountability of government and allocation of resources to the poor</p>
<p>Objective 6: Improved planning, monitoring and financial management of resources, at central, provincial and district levels <i>IA activities: Support to public sector reform (PSR), the Planning and Finance Decentralisation Programme (PPFD). Monitoring at provincial level through multi-disciplinary visits, and at national level through ODAMoz.</i></p>
<p>Objective 7: Improved mechanisms for transparency and participation in governance processes <i>IA activities: include support to the Civil Society Support Mechanism (CSSM) to the Social and Economic Studies Institute (IESE) and to CSOs under the provincial programmes.</i></p>
<p>Objective 8: Increase effectiveness of Irish Aid in Mozambique <i>IA activities: GBS funds are identified against this objective as are related activities to improve the effectiveness of GBS and the quality of aid as a whole.</i></p>

Assessment: relevance and design quality of the CSP 2007–2010

5.15 The evaluation considers that the CSP was highly **relevant** – both to the priorities of Mozambique and its poor people (EQ1) and to the development objectives and principles espoused by Irish Aid (EQ2). The latter were clearly reflected in the overall design of the CSP and in the individual components of the programme. The CSP was closely aligned with Mozambique's priorities and strategies, and virtually all of its components had a clear pro-poor orientation. It could be argued that the programme was (financially) heavily weighted towards the human capital and governance pillars of PARPA II, rather than the economic development pillar. However, the economic importance of basic education, health and HIV/AIDS interventions should not be underestimated, and IA chose to focus on areas where it had a clear comparative advantage. The GBS component meant that IA was directly engaged with Mozambique's poverty reduction strategy as a whole.

5.16 The **design process** was collaborative (EQ2). There was explicit consultation with relevant Mozambican stakeholders, but, equally important, the development of the programme drew on the collaborative national poverty reduction strategy, and on the standing mechanisms for consultation with government and donor partners in the sectors and provinces in which Ireland was engaged. Systematic efforts to learn from previous experience were clearly reflected in the design that emerged. An acknowledged weakness is that the need to streamline the programme was not pursued vigorously enough until IA budget cuts made the issue unavoidable.

5.17 Concerning **design quality** (and the practicality of the CSP):

- The *design principles* noted in ¶5.8 above were appropriate and were applied well. The CSP translated the principles of ownership and alignment into working as much as possible with government and through government systems; at the same time it showed a pragmatic awareness of the weaknesses of those systems and incorporated efforts to strengthen them. Operating with a mix of modalities gave IA more scope to exert influence and develop capacities at sectoral and provincial levels. Although the bulk of IA funding was channelled to support government services, this was complemented by support to other partners on the demand side of accountability
- The *rationale* for choices of sectors and partners was well spelt out, but the *logic* of the Irish engagement was not so clearly spelt out. Most of the programme (by value) was concerned both with *financing* certain programmes and with *influencing* how those programmes were carried out. This was a corollary of working jointly with government and other partners as much as possible, in line with the Paris Declaration principles of aid effectiveness. In such circumstances IA has only limited control of the outputs and outcomes to which it contributes, and (as the MTR noted) this carries a danger that either the objectives will be stated in ways that are too ambitious or the programme will seem to be focusing on specific activities without a clear specification of what results are to be achieved. (This is a pervasive issue, and the evaluation returns to it in the final chapter.)
- The pillar-wise *organisation of staff* was attractive in principle, but (as shown by later adjustments) it was not very practical, because it put a disproportionate workload on the development specialist responsible for the human capital pillar.

5.18 As regards anticipation of *risk* (cf. EQ13): the CSP identified the following "major risks to the success of the programme":

- A. Weak capacity of implementing partners at all levels.
- B. Deterioration in standards of governance; flawed elections.
- C. Potential breach (by either GoM or donors) of underlying principles as detailed in GBS MoU.

D. HIV/AIDS – reversing poverty reduction gains at a national level and impacting on Irish implementation capacity.

E. Vulnerability to natural disasters.

F. Failure by GoM to tackle culture of endemic fraud and corruption.

5.19 This list reads well in hindsight (e.g. anticipating the risks associated with governance concerns and flawed elections). In practice risks may also be considered as chronic or acute in the threat that they pose: thus low capacity is a chronic risk to implementation and sustainability of programmes, while governance and fiduciary risks can be an acute threat to the continuation of the programmes at all, and require more rapid reactions when they appear. The nature of mitigation and responses varies accordingly. The risk of a reduction in IA resources was hard to foresee. However, there could have been more discussion of the development risk that Mozambique's growth pattern would not reduce rural income poverty as rapidly as PARPA II assumed.

5.20 The design was very attentive to *coherence* and potential synergies between elements of the programme. Among the main synergies highlighted were:

- Synergy between GBS and the rest of the programme (to be heightened by the Troika+ role).
- Synergy between provincial engagement and sector/GBS engagements.
- The reflection of cross-cutting issues – especially gender, HIV/AIDS and governance – across the programme.

5.21 The CSP also took account of potential synergy with other donors – both by ensuring complementarity rather than overlap in the IA activities, and by seeking to use IA resources to influence wider partnerships. Accordingly, in its review of programme implementation which follows, the evaluation has paid particular attention to coherence and synergy in practice (were the laudable design intentions realised?).

Summary

5.22 The evaluation finds that the CSP 2007–2010 was highly relevant and generally well-designed in a collaborative manner (EQ1 and EQ2). Not all the assumptions made at the time of its preparation were borne out, and some weaknesses in the design are revealed by the subsequent adjustments. The design was attentive to coherence and to risks, but a full judgment on these aspects requires a review of implementation, which follows.

PART III – IMPLEMENTATION OF THE CSP

6. General Budget Support and the governance programme

A. Introduction and Scope

6.1 General Budget Support (GBS) has been at the centre of overall aid to Mozambique and of the Irish Aid country programme. It had additional significance during the evaluation period (2007–2010) because of Ireland's membership of the G19 coordinating group for three years, and its presidency for the critical year during which the GBS Memorandum of Understanding (MOU) was renegotiated.

6.2 Governance has been a prominent theme in the GBS dialogue, and the CSP included governance interventions that were directly complementary to GBS. These are reviewed alongside GBS. However, governance, including PFM was also a cross-cutting theme in the IA CSP and was reflected in virtually all components of the country programme; it therefore recurs in the reviews of the sector and provincial programmes.

6.3 GBS is a prime example of IA acting in collaboration with GoM and other donors, and contributing to collective results. This chapter therefore follows the sequence required by contribution analysis. Section B provides context: it explains the GBS system and the situation when the country programme was prepared. Section C traces the implementation of GBS during 2007–2010 and assesses the combined results of GoM and donor inputs. It includes an overview of the re-negotiation of GBS arrangements which took place during the Irish presidency. Section D reviews and assesses the specific IA contribution, both to the management of GBS and to its overall results, and Section E provides a summary of the findings.

B. Initial situation: the GBS system and expectations

Origins and Objectives of GBS

6.4 In 1999, based on their experience of balance of payments support, four donor countries (Denmark, Norway, Sweden and Switzerland) set up a single facility for general budget support with a common set of conditions. In 2000, a common framework agreement for GBS was agreed by the original four and six others – Belgium, Denmark, the European Commission (EC), Ireland, the Netherlands and the United Kingdom (UK).

6.5 In 2004 the agreement was elaborated into a formal MOU with the Government. This was signed by the earlier 10 together with Finland, the World Bank, Germany, Italy and Portugal, and – soon after – Canada and Spain. These 'Programme Aid Partners' (PAPs) were later joined by Austria and the African Development Bank, and were by now known as the G19. The IMF was an ex-officio member, while Japan, the UN and the USA remained external observers.

6.6 The shared overall objective was, and remains, to contribute to poverty reduction in all its dimensions, by providing budget financing to the public sector, working with Mozambican government systems and linked to performance.

How GBS Operates

6.7 The 2004 MOU was prompted by problems of unpredictability in the release of donor funding and uncertainty about the political pre-conditions that each donor expected of the Government of Mozambique. It set out the objectives, principles and commitments on which

the understanding was built, and also the processes for dialogue, monitoring, reporting, dispute resolution and disbursement by donors.

6.8 Two fundamentals were:

- (a) The Government's commitment to '**underlying principles**' of peace, democratic process, independence of the judiciary, the rule of law, respect for human rights, good governance, probity, sound macro-economic policies, and commitment to poverty reduction.
- (b) The use of a **Performance Assessment Framework** (PAF) of indicators, drawn up on the basis of the Government's own strategy, as the shared instrument for the annual assessment of its performance and for decisions about donors' future financial commitments. Annex 4 explains the PAF matrix and its indicators in more detail, and also summarises performance assessments for the evaluation period.

6.9 A central tenet was that, once funds were committed on the basis of the previous year's performance, disbursement should follow as scheduled unless there had been a breach of the underlying principles.

6.10 The joint review process under the 2004 MOU entailed: (a) assessment in April/May of the government's performance against the PAF in the previous year, and publication of a joint assessment; (b) indication by PAPs, in May/June, of their likely commitments for the following financial year and confirmation of these by 31 August; (c) a mid-year review in August/September of future PAF indicators, the Government's plans (poverty reduction, its Medium Term Expenditure Framework, socio-economic plan and budget), and progress to date in the current financial year; and (d) in combination with these meetings and throughout the year, meetings of a joint Budget Working Group to monitor budget execution and donor disbursement, and of joint government/donor thematic and working groups to monitor and report on specific aspects of policy and MOU implementation.

6.11 Thus, while GBS in principle provides government with unearmarked resources to support its own budget, it comes on prescribed terms that include a high degree of donor participation in assessment and decision-making. In this context, the PAF and the review process are the main instruments for donor participation in priority setting.

6.12 A review process that was initially focused on GBS has become the apex of dialogue between the Government and PAPs, including on sectoral issues. The indicators included in the PAF are drawn from more detailed indicators reviewed at sector level, while participants in sector and thematic groups include non-GBS donors.

Coordination amongst GBS donors

6.13 The mechanisms for coordination of donors were codified in the 2004 MOU. A "Troika+" group is an annually rotating executive of the PAPs. It includes the three countries elected to occupy the chair in the previous, current and following years plus two permanent members – the EC and the World Bank. A small PAP Secretariat assists the president of the Troika+ and the PAPs generally. There are periodic meetings of Government and the Troika+ in a Joint Steering Committee to discuss and agree on strategic issues. The Troika+ president is responsible for convening regular meetings of PAP Heads of Mission, Heads of Cooperation, and an Economists' Working Group to share information and agree common positions among the PAPs.

Expectations

6.14 Different PAPs have different approaches towards GBS and different degrees of enthusiasm for it. For some it is the centrepiece of their aid programme; for others a contribution to GBS is seen as the necessary subscription for a place at the table for the

dialogue with GoM. The GBS approach was linked to the Paris Declaration emphasis on ownership, so that donors would work in support of government strategy for poverty reduction, rather than trying to "buy" actions or reforms to which the government was not genuinely committed. Nonetheless, many donors instinctively see GBS as a set of incentives to reward desired GoM behaviour. Although linked to the whole poverty reduction strategy, GBS has been seen as a particularly efficient way of financing the expansion of basic services – especially for education and health – that are essential to the achievement of the MDGs. And, because it is linked to the entire government budget, GBS has proved a useful way of encouraging and supporting reforms in PFM, as well as other cross-cutting issues.

6.15 An independent evaluation of GBS in Mozambique found that it was an effective means of supporting the poverty strategy, underpinning the government budget for service delivery, strengthening PFM and coordinating donor inputs that would otherwise be more fragmented and burdensome for the government (Batley et al 2006a). Nevertheless, participants are always conscious of the transaction costs involved in the machinery for managing GBS.

C. GBS developments 2007–2010

6.16 This section looks at:

- how the GBS architecture and dialogue evolved during the CSP period;
- performance as assessed by PAF reviews;
- developments in PFM;
- the plausible effects of GBS on public expenditure and systems.

GBS architecture and dialogue

Overview

6.17 The regular management of GBS during this period was overlaid by the process of renegotiating the governing MOU. In turn, both the MOU renegotiation and subsequent dialogue were dominated by some high-profile governance issues.

Renegotiation of the MOU

6.18 The GBS MOU was due to be renewed by 2009.²³ Donors agreed it should be almost completely redrafted. This proved very laborious: it took 9 months of intensive negotiations, both among the donors and with GoM, and resulted in a very detailed document (25 pages of MOU and 65 pages of annexes). Bringing a large and disparate group of donors to agreement was inherently difficult, and there were two particular areas of controversy.

6.19 The first was whether to focus only on GBS or to adopt a broader Code of Conduct that would also cover non-GBS donors and modalities. GoM and some important non-GBS donors preferred the latter. But some GBS donors felt strongly that they could not maintain their HQ support for GBS if it conferred no special access to dialogue with GoM. In the end the Code of Conduct was not pursued, but the new MOU allowed associate status for non-GBS donors who agreed to be subject to mutual accountability through the annual assessment of donor aid effectiveness. In the end the UN and the USA took up associate status.

6.20 The second controversy was the place of (political) governance issues in the dialogue. Some PAPs considered that political dialogue should take place in a separate forum (the EC and some EU countries expected such dialogue to take place under the provisions of the Cotonou Treaty), or that their mandate required them to be apolitical (the World Bank). Other PAPs were concerned that the governance indicators included in the

²³ With the Irish presidency – see next section – in the lead.

PAF were rather technical,²⁴ and the dialogue of poor quality. They wanted a forum to discuss serious governance concerns without having to declare a potential breach of the underlying principles and so threaten suspension of GBS. The revised MOU did expand the scope for dialogue on governance.

6.21 The 2009 MOU incorporated a number of refinements (a) to make the review process more efficient and predictable for the GoM, and (b) to enable PAPs to hold GoM more effectively to account.

6.22 In the interests of efficiency and predictability, for example, the review process was aligned more closely with the GoM budget and planning calendar and PAPs undertook to give more timely indications of budget support commitments.²⁵ The number of PAPs claiming exceptions to the general agreement was reduced to two (the EC and the World Bank).²⁶ In order to avoid peremptory action when a breach of underlying principles was claimed, it was agreed that PAPs would as far as possible respond collectively, and act individually only as a last resort. Other programme aid modalities, in particular sector budget support, were included as a sphere of concern of PAPs within the framework of the MOU. And, as noted, associate status was offered to donors who agreed to be assessed in the annual report on the PAPs' performance.

6.23 On holding GoM to account, there was an extension of the terms of reference of Heads of Mission to maintain a dialogue with GoM not just on matters to do with the Underlying Principles and the jointly agreed Performance Assessment Framework of indicators, but also on 'relevant issues of political and policy nature, whenever these are actual'. And, the review process was no longer to be joint between GoM and PAPs but undertaken by each separately, as a prelude to dialogue and agreement between them. (Previously joint teams of GoM and PAP officers had reviewed the government's progress against the annual performance targets.)

The dialogue on governance

6.24 The 2004 MOU had established a system of mutual accountability and the underlying principles (of commitment to good governance, poverty-focused policies and sound macro-economic management) upon which donors and government collectively agreed. With these principles established, the main focus of governance concerns until 2006 had been on the achievement of *technical* reforms, especially in public financial management, budgeting and planning, and bringing donor funds on budget (and therefore subject to scrutiny).

6.25 From 2007, what had been an essentially technical and collaborative relationship, with periodic interventions by donors to press for reforms in justice, human rights and democratic functioning, became much more influenced by PAPs' demands for improvements in GoM's performance in *political* governance. The shift was to a more active (and not just underlying) concern among donors with issues of justice, corruption, elections, the politicisation of the public service, and conflicts of political and business interests. These

²⁴ The nine indicators of governance in the PAF were quantitative and itemised: the percentage of the budget allocated to levels of government; the percentage of functioning local consultative councils; approval of the public sector salaries policy; proportion of municipal budgets derived from own revenue; number of judicial cases tried; the number of district courts operating; the number of cases of corruption under investigation, charged and tried; the percentage of cases tried within fixed deadlines; and the percentage of criminal cases cleared up. These did not capture the PAPs' broader governance concerns.

²⁵ It included, for example, an agreement that PAPs' budget support commitments should be confirmed within 4 weeks after the end of the annual review process, so that GoM could begin its budgetary cycle with more confidence about GBS funds available.

²⁶ Though a growing number of donors have adopted split response mechanisms ("performance tranches") released separately against fulfilment of a subset of PAF conditions.

were long-running issues, but some appeared to be taking on new forms: for example, as the classical sources of corruption were displaced by more effective financial management, new opportunities were expanding for the political elite to negotiate stakes in strategic sectors of the economy (De Tollenaere 2008). The riots over food and fuel prices in 2008 and 2010 fed a sense that the leadership was out of touch with the people. As noted in Chapter 3, PAPs' governance concerns were driven by changing perspectives at home as much as by changing circumstances in Mozambique.

6.26 Quarterly meetings between PAPs' Heads of Mission and senior GoM ministers provided an opportunity to raise governance issues, but this tended to be done in ad hoc fashion by individual ambassadors without systematic preparation or follow-up. The political meetings became more formalised between 2007–2009, with efforts to ensure a better prepared, more systematic and serious dialogue, particularly on the governance agenda. According to an inside observer, GoM only slowly came to realise that it was not just the tone that had changed but also the reality: the G19's commitment to GBS was in question unless reforms were achieved. To pursue the dialogue with government on governance issues, an already existing informal group of donor staff committed to raising awareness of governance was converted in 2008 into a formal G19 Governance Platform with the intention of establishing a mandate for the Troika+ to enter into dialogue on governance.²⁷ It was commissioned to prepare a paper analysing the reasons for delays in the government reforms, to propose initiatives that the PAPs could take, and to monitor performance.

6.27 This formed the basis for an Aide Memoire on governance, which was handed by the Troika+ to the government in December 2008. This led to an exchange of views between December 2008 and March 2009 in an 'Extraordinary Dialogue', additional to the regular cycle of four political meetings annually. This noted areas of progress, but also pointed to the poor quality of the governance pillar dialogue, the failure to develop systems for monitoring governance reforms and the need to meet deadlines on anti-corruption action plans and some other outstanding commitments. The GoM response essentially satisfied the donor concerns. And (as noted in ¶6.23 above) the 2009 MOU consolidated the principle of regular dialogue on such governance issues.

6.28 The "Extraordinary Dialogue" was pursued seriously, but with considerable diplomacy. The next major governance issue to arise became much more confrontational. This was the PAPs' concern that the electoral process in 2009 had marginalised an opposition party (the Mozambican Democratic Movement) during the campaign and excluded it from some constituencies. Most donors announced in December of that year that they would suspend disbursements on the basis that a potential breach of the Underlying Principles had occurred. The matter became public in a meeting at the National Electoral Commission to which the press was invited. GoM responded to the G19 in February 2010 by arguing that it did not control the Electoral Commission, and defending the government's record, its commitment to electoral and governance reform, and its participation in the African Peer Review Mechanism.

6.29 However, claiming that the reforms were on its own initiative, in March 2010 GoM proposed a Governance Action Plan, which met the PAPs' requirements and which would be monitored both through GoM's own procedures and through the joint (GoM/PAP) political dialogue meetings and working groups. The Plan committed GoM to:

- Preparation of legislation for electoral reform.
- Measures to increase 'political inclusivity' in parliament and at local level.

²⁷ The Governance Platform provided its input primarily to Heads of Mission, from whom the Troika+ draws its mandate.

- Procurement reforms relating to audit, and to transparency in access to opportunities resulting from major investments and from public-private partnerships.
- Measures to improve the business environment, procedures for licensing, and audit of public enterprises.
- Registration of community land.
- Submission to parliament of draft laws on conflict of interest and on the protection of witnesses and whistleblowers, and of proposals for review of anti-corruption legislation.
- A strategic plan for strengthening the capacity of an office for combating corruption.
- Integration of the action plan proposed by the African Peer Review Mechanism into GoM's five year programme.

Performance against PAF targets

6.30 Joint aide memoires sum up the evaluation by PAPs and government resulting from the annual review process. As of 2010, reports are also produced by PAPs and government separately. There are some common patterns that run across the 2007–2010 period covered by this report:

- The Mozambican Government has a strong record of economic growth and macro-economic management, but the proportion of households in income/consumption poverty has not fallen since the 2002/03 survey and there are important regional disparities.
- In the more technical aspects of governance, and particularly in public financial management (see below), there is steady progress.
- Some other aspects of governance – justice, corruption and electoral reform – have been repeatedly labelled as problematic, although advances in the fight against corruption are noted. Some of these issues are being pursued not only through the PAF but also through the Governance Action Plan.
- Health (including HIV) and education indicators show a regular improvement in terms of access to health treatment and services, access and completion rates in education and improvements in gender equity. In the case of treatment for HIV/AIDS, targets for two indicators were exceeded in 2009. The key challenge remains in the quality of services, particularly of education.
- Water and sanitation: There is a steady increase in access to clean drinking water and safe sanitation, but rural households are far less likely to be well-served.
- In respect of the climate for business, Mozambique's position is improving but it remains one of the lowest performing countries.
- Food crop production and agricultural productivity remain low and stagnant.

Strengthening of PFM

6.31 Public financial management (PFM) systems were very weak when Mozambique's political and economic recovery began in the 1990s, and their modernisation has been at the centre of the Mozambican reform agenda, and a central focus of GBS. The evaluation's TOR highlight Irish Aid's and GoM's interest in PFM and the appropriate use of government systems, and we therefore provide a detailed review in Annex 5. Key points are as follows:

- Most analyses of PFM reform in Mozambique make a positive assessment of progress during the past ten years. At the centre of this reform has been the development of an integrated "system of financial administration" (SISTAFE), which was legislated in 2002 and has since been developed as an electronic accounts

management system, linked to a Single Treasury Account; e-SISTAFE is currently being rolled out to the district level.

- The Public Expenditure and Financial Accountability (PEFA) analysis for 2009²⁸ is the third in a series. It confirms a trend of steady progress in the implementation of PFM reforms in Mozambique, while also highlighting areas of relative weakness. Progress has been most significant in increasing the comprehensiveness and transparency of the budget, and increasing predictability and control in budget execution. Progress has been slower or non-existent in the areas of accounting, recording and reporting, and in external scrutiny and audit.
- On the basis of two successive good quality PEFA assessments, the World Bank increased Mozambique's CPIA score on public financial management from 3.5 in 2008 to 4.0 in 2009, out of a maximum possible score of 6 for this CPIA indicator.
- Despite notable progress, public financial management systems and processes in Mozambique still lag by international standards. There is no room for complacency.

GBS expenditures

GBS volume

6.32 Despite the frictions described earlier in this chapter, and the less favourable international climate for aid, volumes of GBS (in USD terms) have held their own. Table A3.8 in Annex 3 shows that total volumes of GBS from the 19 PAPs were USD 378m in 2007, USD 386m in 2008, USD 485m in 2009 and USD 472m in 2010.

GBS and public expenditure patterns

6.33 The evaluation team took a special look at the links between GBS and public expenditures (see Annex 6). Although GBS is not earmarked to specific expenditures, it is justified as underpinning public expenditures on the poverty-reduction priorities identified in the PARPA. There has long been an understanding between GoM and the PAPs that the designated priority sectors should receive 65% of total public expenditure.²⁹ We therefore reviewed the shares of the priority sectors in total GoM spending, and also the relationship between volumes of GBS and increases in pro-poor expenditure. We also looked at domestic revenue performance to see whether there was any evidence of GBS leading to a lower tax effort or, on the contrary, whether it had coincided with the implementation of tax and revenue reforms aimed at increasing the Mozambican tax base.

6.34 The evaluation's main findings are:

- (a) There has been a very strong domestic revenue performance (see ¶3.11 above) and thus no obvious evidence of GBS – or other aid – leading to a perverse effect on revenues.
- (b) Designated "priority sectors" have experienced increases in absolute levels of expenditure.
- (c) The growth in priority sector expenditures exceeds the volume of GBS.
- (d) However, during the evaluation period there was a tendency for the share of the "priority sectors" to fall below the 65% benchmark. This tendency was accentuated in 2010 when, alarmingly, there was an absolute decline in priority sector expenditure, measured in USD terms, with the result that their share in the budget fell to a little over 50%.

²⁸ Preliminary results were made available to the evaluation team.

²⁹ The 65% share for priority expenditures was actually dropped as a formal PAF target in 2008; however, the annual review and aide memoire has usually continued to report on it; see Annex 4 and Table A4.1.

6.35 We are unable to explain these figures conclusively (particularly those for 2010).³⁰ Annex 6 presents various possible explanations, but we lack the data to go beyond speculation. However, it is surprising that the matter has apparently not been taken up as part of the GBS dialogue. It seems possible that the PAPs' preoccupation with governance issues has distracted their attention from the composition of the government budget that GBS helps to finance.³¹

Conclusions: the results of GBS

6.36 The evaluation draws the following conclusions about the results of GBS in the period from 2007–2010:³²

- (a) GBS continued to be an effective platform for the coordination of aid and for dialogue between government and donors; the revised MOU was important in maintaining continued broad engagement with GBS and strengthening its procedures.
- (b) GBS continued to support the strengthening of national PFM; this is an important example of an area where technical progress has continued and which helps to open up and address sensitive issues related to corruption.
- (c) The political governance concerns of many donors were increasingly recognised within the dialogue, and in the framework of the revised MOU; moreover, the PAPs had a demonstrable influence in persuading GoM to make specific commitments on the implementation of governance reforms.
- (d) GBS continued to be an efficient means of supporting public expenditures; priority "poverty reducing" expenditures continued to grow in real terms, and expanded by more than the GBS contribution; there is no obvious evidence of perverse substitution for domestic revenue effort, since both the level of domestic revenues and their share of GDP were rising rapidly during the period; however, donors may not have paid enough attention to public expenditure trends and the recent decline in support for priority expenditures.
- (e) GBS also supported a dialogue on GoM's overall poverty reduction strategy. Household survey data indicate that the strategy has not succeeded as hoped in reducing national levels of consumption poverty. It does not follow from this that GBS is an inappropriate modality of support; it does follow that GoM and its partners need to review and strengthen the poverty strategy. The new PARP 2011–2014 (Box 4 in Chapter 3 above) appears to be a step in this direction.³³

³⁰ The extraordinary costs of the fuel subsidy could have had an effect in reducing the shares of other spending, but the data sources we used do not provide a breakdown of the non-priority expenditures.

³¹ IA staff at the embassy commented as follows on this point:

Over the last three years there have been fluctuations around the 65% but not major ones until it fell to 50% in 2010. However, it needs to be noted that this was discussed at various levels and, from a G19 perspective it was recognised that this significant drop was largely due to managing aspects of the fallout from the Economic Crisis. During the 2010 Development Observatory concerning the new PARP the Government did state that this category of expenditure in the new PARP would be set to 60% due to the new emphasis and future investment on productivity, employment etc.

³² These conclusions are relevant to EQ5 and EQ11 (on the quality and strategic level of government/donor dialogue); EQ7 (on the intermediate effects of budget support, and possible perverse effects); and on EQ14 (overall effects of public expenditure and poverty reduction strategy).

³³ See the fuller discussion of poverty trends in Chapter 3, ¶3.19–3.25.

D. The Irish Aid contribution to GBS and governance

IA Objectives, strategy and inputs for GBS and governance

6.37 Ireland had been involved in the GBS group since 2000, and the CSP continued to see GBS as a key element of the programme. GBS had a role in pursuing all four of the CSP's strategic objectives (SOs). Thus, within the GBS framework, IA would advocate for and support:

- equity in resource allocation, and pro-poor targeting of public expenditures (SO1);
- accountability for the use of public resources (SO2);
- capacity strengthening of government (SO3); and
- greater aid effectiveness by strengthening dialogue and partnership between government and donors (SO4).

6.38 Ireland's activities as a G19 partner would be complemented by specific governance interventions, mainly to reinforce accountability, both on the supply side (GoM systems) and on the demand side (civil society holding GoM to account).

6.39 If Ireland had been a passive partner in GBS, it could still claim a share in the results of GBS on the basis of its financial contribution. However, Ireland has always seen GBS (and other joint approaches) as an opportunity to add value through analytical inputs, advocacy and capacity development, with influence on fellow donors as well as GoM. Irish participation in the Troika+, and its presidency during renegotiation of the MOU, were seen as a special opportunity for influence.

6.40 IA's direct inputs to GBS were thus (a) its financial contribution – eventually €41.6m, and almost 24% of programme expenditure from 2007–2010; and (b) its staff inputs for participation in the bodies and processes through which GBS operates. Because of its Troika+ role, there was an extra budget in 2008 of €300,000, and some temporary additional staff were recruited.³⁴

6.41 The complementary governance inputs were, on the supply side of accountability: (a) continued support to the public sector reform unit; (b) support for decentralised planning and finance at district level; and (c) support to PFM, both centrally and at provincial level. On the demand side of accountability, IA supported: (a) a Civil Society Support Mechanism (CSSM) to nurture Mozambican CSOs involved in governance advocacy; and (b) an independent policy research institute.³⁵

6.42 Governance (including PFM) was also mainstreamed across the programme, and so is a recurring topic in later chapters. The evaluation's assessment of decentralisation support and of PFM at provincial level is included in Chapter 9.

6.43 Although Governance was a pillar of the CSP (and of PARPA II), planned funding for explicitly "governance" activities was relatively small – just 4% of the total budget for the four years, reflecting the fact that technical inputs into governance do not absorb large amounts of money, that they would be included in the GBS dialogue between the GoM and the G19 donors, and that governance as a cross-cutting issue would be funded through some of the parallel components. In the event, IA expenditure on the governance activities was €6.8m, significantly less than the €9.5m originally planned.

³⁴ Including the secondment of a former Head of Cooperation from Sida who had previous Troika experience.

³⁵ Support to media and investigative journalism, mentioned in the CSP, was considered but not taken forward.

Implementation of complementary governance components

The Public Sector Reform programme

6.44 Irish Aid was one of the founders of the common fund set up in 2003 to support the technical unit for public sector reform (UTRESP) that coordinated public sector reforms across government. Since then, the common fund – of \$5 million per annum – has been supported not only by Ireland but also by Denmark, Canada and the UK. Throughout the period of this evaluation, Ireland's successive governance advisers have played important roles as chair of the joint GoM/PAP working group on public sector reform until March 2009, and then as leader of the task group on salary reform. IA is one of few donors who put local staff in prominent positions: Irish Aid's governance advisers have often found themselves not only formally leading but also informally playing intermediary and advisory roles to donors and UTRESP staff.

6.45 Reporting to an inter-ministerial committee, UTRESP coordinates and monitors public sector reform across government through 'focal points' in each ministry. Its success therefore depends on the level of ministerial cooperation.³⁶ Financial management reform (e-SISTAFE, procurement and audit) was managed directly and successfully by the Ministry of Finance (see Annex 5), while each ministry was made responsible for following up its own anti-corruption strategy, with UTRESP only able to report progress. Following up UTRESP's own analytical work also proved difficult. A civil service statute is said to have facilitated planning and mobility across sectors. The salary and incentives policies agreed in 2008 had still not been applied by 2010 because their sustainability was uncertain (GoM/PAP Aide Memoire 2010).

6.46 The evaluation of the previous CSP (ECORYS 2006) offered a mixed view of the programme, based on a strategic review of UTRESP. On the one hand it was deemed relevant and effective with increasing donor harmonisation; on the other hand, there was little visible impact and a questionable level of political support. Subsequent experience reinforced the impression that UTRESP had run out of steam. As part of its division of labour review, IA has decided to end its involvement, and it is likely that at least some other common fund donors will also withdraw.

The Civil Society Support Mechanism

6.47 The CSSM (MASC in Portuguese) was set up by Irish Aid with DFID and is supported by a pooled fund between the two donors of about €7 million over five years to 2012, managed by an international consulting company. The CSSM was established with the goal of "strengthening and diversifying the engagement of Mozambican civil society organisations with monitoring and advocacy on governance". It was intended to 'break the mould' by reaching beyond the (international) NGOs that had traditionally benefited from funding to a diversity of local and sustainable civil society organisations (CSOs). Government ministries are represented on CSSM's advisory committee. This approach was also intended to relieve the burden on the Irish Embassy of managing multiple small grants in this field.

6.48 CSSM management has (rightly in the evaluation's view) set high governance standards for the organisations it supports, and this has contributed to a slower-than-anticipated start-up and disbursement. By February 2011, 78 grants had been made and about 100 CSOs had benefited.

6.49 CSSM appears to be a highly relevant and innovative intervention. It should be accepted that capacity development of CSOs is a long-term process, and ideally such a

³⁶ UTRESP became less influential when it was moved from the Prime Minister's office to a new public service ministry.

programme would have secure and longer-term funding. There may be scope for involving more donors in its support.

The Institute for Social and Economic Studies (IESE)

6.50 IESE was established in 2007, with financial support from various bilateral donors, including Denmark, Ireland, Norway, Switzerland, the UK and, at a later date, Finland. Ireland's commitment amounted to about €200,000 per year. IESE is led by a prominent local researcher, and has links to the Eduardo Mondlane University, where IESE's staff of around 15 researchers remain part-employed.

6.51 IESE undertakes research on socio-economic issues, publishes academic outputs, and seeks to stimulate debate about public policy by publishing its own brief bulletins and through the media. It is the only publisher and printer of significant policy-relevant research in Mozambique, and has had a high rate of output, strongly based on the experience and data accumulated by its staff before joining IESE. It has been encouraged to seek other sources of finance, but there is little market for its analytical work in Mozambique. Like CSSM, IESE appears relevant and effective, but there are questions about its sustainability in the absence of donor support. Here again, donors may need to accept that the nurturing of demand-side accountability requires long-term support.

Support to public finance management

6.52 Irish Aid's PFM activities have mainly been formulated around specific components of the PAP/GBS agenda to support ongoing concerns among G19 donors and government on specific aspects of the planning, budget and PFM cycle in Mozambique.³⁷

6.53 Irish Aid's presidency of the G19 brought added responsibilities, including the chairing of the Economists' Working Group, a group which has traditionally occupied a central place in the PAP/GBS architecture and process. As a result of the innovations brought in by the new PAP-GoM MOU, the economist group expanded the scope of its partnership work on PFM reform. Most PFM discussions were previously held in the context of the Budget Analysis Working Group; under the new MOU, this group has been replaced by the PFM Coordinating Working Group, which has a broader mandate, membership and strategic scope. It addresses more strategic considerations of PFM reform, together with government representatives including the Ministry of Finance, the Mozambican tax authority, the National Directorate of Public Accounts, and the Ministry of Planning and Development.

6.54 Ireland's chairing of the Economists' Working Group also saw the creation of the Poverty & Growth sub-group, which has been instrumental in bringing together donors interested in these issues and in ensuring that a more balanced range of interests/focus areas are discussed in the Economists' Working Group, which until then had focused heavily on PFM issues. This sub-group is now the main channel through which PAP economists are discussing and providing contributions to the PARP formulation process.

6.55 Still within the general context of the PAP/GBS framework, Irish Aid was instrumental in introducing annual PAP-GoM provincial visits as part of the Joint Annual Review exercise. Their purpose has been to verify progress on the ground in the various areas of reform, including and perhaps especially in the sphere of PFM, following concerns expressed by many partners, including Ireland, on the pace of implementation of PFM reforms at subnational levels. This highlights the benefits of Ireland's "foot on the ground" in Inhambane and Niassa (see Chapter 9).

³⁷ It has also included interventions at the provincial level in Inhambane and Niassa to improve PFM systems and the use of Irish funds in these provinces (see Chapter 9).

6.56 At a 'sectoral' level, Irish Aid's work on PFM during the CSP evaluation period has largely focused on internal audit issues. Irish Aid has been an active member of the Internal Audit working sub-group, to which it contributes the only qualified auditor among participating donors. In this area, Irish Aid has prepared several analytical inputs, including an Audit and PFM assessment of the various MOUs that exist between government and development partners in Mozambique. It also helped organise a roundtable discussion to clarify the MOU requirement of conducting annual performance audits on selected sectors – something which had never happened because of lack of clarity on the purpose and implications of this exercise, and financing, procurement and capacity constraints on the part of the Inspectorate General of Finance (IGF).

6.57 Ireland's work on PFM reform has also focused on budget reporting of external funds. During the CSP implementation period Irish Aid led efforts to make the ODAMoz ODA database (an on-line system for reporting aid flows) fully operational as a regular instrument of budgetary planning of external funding in Mozambique.³⁸ In 2008, as part of its Troika+ responsibilities, Irish Aid led donor efforts to support the upgrading of ODAMoz, in order to link it with e-SISTAFE for the purposes of State budget preparation and execution. A specialist consultancy firm was contracted in early 2009 and was in the final stages of checking the newly installed version of ODAMoz prior to its official launch in 2011.

6.58 The evaluation considers that Irish Aid's support to PFM reform during the CSP evaluation period was relevant in addressing key PFM concerns, and well aligned with government priorities. By pursuing these activities within the PAP/GBS framework, IA has also ensured efficiency, coherence and effectiveness in its interventions and avoided duplication of effort. It has also ensured sustainability by focusing on interventions that GoM is keen to maintain in the longer term.

Implementation: Ireland's role in GBS development

6.59 Ireland's participation in GBS was dominated by its involvement in the Troika+ and its presidency during the renegotiation of the MOU. Ireland's priorities for the presidency were: (i) advancement of the Paris Declaration in a new MOU, (ii) promoting good governance, (iii) improving the monitoring of poverty reduction, and (iv) improving aid effectiveness through the division of labour among the G19, documentation of procedures and development of an aid database (ODAMoz).

6.60 This was a big undertaking for which IA prepared by recruiting a special advisor who had highly relevant previous experience, strengthening the PAP secretariat, and ensuring that the senior country team (Ambassador, Head of Development and Economist) all had relevant language skills and country experience, and were in place for the duration. It was recognised that the Troika+ would be a distraction from managing the rest of the country programme, but it was not fully anticipated how turbulent, or how time-consuming the Troika+ and presidency tasks would be. Nonetheless, the evaluation heard high praise for Ireland's performance in G19 leadership (see Box 6 below).

³⁸ The ODAMoz database was created in 2005 for the registration of all external funds to Mozambique. It was set up by the EC in line with OECD/DAC requirements in collaboration with the government and with support from the Embassy of the Netherlands in Maputo, but its management was subsequently transferred to MPD in 2006.

Box 6 Comments on Ireland's G19 Leadership

All the PAPs and government officers that the evaluation interviewed praised the personal style, inclusiveness, tact and ability of the negotiators on the Irish side. A sample of GoM comments: 'they have soul', 'a calm and serene partner', 'things are going alright now partly because of the manner and achievements of the Irish'. From PAPs: 'they brought us all in', 'played by the book', 'sacrificed their own time', 'did a great job', 'gave great leadership', 'played a critical role'. There were similar positive comments about Ireland's leadership of the Economists' Working Group and its interactions with GoM.

In particular, several government officials made a point of highlighting the importance of donors having staff, as in Ireland's case, who have a good understanding of the history of GBS in Mozambique and of the country's socioeconomic and policy context.

6.61 The evaluation finds that an important intangible input that Ireland brought to the management of GBS was the quality of staff inputs and the influencing strategies they adopted. On the two priority issues – the MOU and governance reform – there were strongly divergent positions between PAPs. On both issues, the Irish team found ways of staying engaged with all factions and finding sufficient common ground to make progress. They adopted two key strategies: (i) inclusiveness, in the sense of bringing all PAPs into the debate so as to bridge potential rifts, and (ii) communicating and networking with PAPs and government officials, so as to understand positions and attempt to reach compromises before positions became entrenched.

6.62 Overall, Ireland's performance of its G19 role was highly effective (cf. EQ6). It enhanced Ireland's reputation amongst all parties involved, and, as we discuss next, it had a strongly positive influence on the GBS system and its performance.

Assessment of IA contribution

Overview

6.63 Irish Aid can claim a share in the general results of GBS (¶6.36 above). The evaluation concludes that IA also made some additional significant contributions: in the way the MOU was renegotiated, in strengthening the GBS focus on governance issues, in enhancing the sustainability of GBS, in strengthening PFM, in advancing a number of specific policy concerns, and in support to demand-side accountability. The main elements of Irish "added value" are highlighted in Box 7 below and explained in the paragraphs which follow.

Box 7 Irish Aid's Added Value to GBS, 2007–2010

IA's involvement in the Troika+ and its presidency during the MOU renegotiation was an exceptional opportunity to influence both the policy discussions and the changes to the GBS management system that took place.

IA brought exceptional diplomacy, dedication and country knowledge to its role and can claim significant credit for:

- holding the G19 together and securing a renewed commitment to GBS;
- helping to strengthen the GBS framework by:
 - bringing issues of political governance into the dialogue, backed by better analysis and coordination among the donors;
 - improving performance monitoring under GBS;
- helping to consolidate PFM reforms linked to GBS;
- raising important policy concerns to the political level (including land and EITI).

These specific contributions augment Ireland's share in the general results of GBS.

The GBS MOU

6.64 Even without Irish Aid's contribution, it is likely that a revised MOU would have been agreed and that the G19 would have gone on delivering budget support. However, differences between PAPs were sharp, and it is possible that there would have been some sort of fracture. The Irish approach and negotiating skill not only held the G19 group together, but also secured a new MOU that was a significant improvement on the previous one (e.g. in terms of its better alignment with government processes while strengthening accountability).

The governance agenda

6.65 It is likely that the governance agenda would not have been advanced so systematically without the Irish Troika+ presidency. Other Troika+ presidents had raised broad governance questions, but the Irish presidency was responsible for consolidating the concerns of donors into a clear agenda.

6.66 The governance agenda was advanced not just for itself but also because advances in this area were necessary to maintain many donors' commitment to GBS. A head of mission told us that his country would have abandoned GBS, if it had not been for the actions that the Irish initiated. A head of cooperation of another country told us that it demonstrated GBS's utility: 'it demonstrated that, in a moment of crisis, we had an instrument to address the issue'. The price was that it introduced a new element of conditionality and an, at least temporary, souring of the relationship with GoM which felt that its ownership of governmental processes was being challenged.

Sustaining GBS

6.67 The adoption of the new MOU, together with demonstrable influence of the G19 on the governance agenda, has helped to sustain GBS as a central element in aid management and coordination for Mozambique going forward.

Strengthening PFM

6.68 As described in ¶¶6.52–6.58, Irish Aid made a distinctive contribution to the GBS focus on PFM, including the strengthening of the ODAMOZ database that is under way. This has been among the strongest areas of Ireland's contribution to GBS dialogue and the improvement of government systems.

Specific policy concerns

6.69 Irish Aid also successfully pursued a number of specific policy measures. Of course IA cannot claim sole credit, but it was a strong advocate for:

- The GoM commitment to join the Extractive Industries Transparency Initiative (EITI).
- Highlighting land issues within the PAF, both as an independent cross-cutting issue and in relation to the registration of community land.

Demand-side accountability

6.70 IA's support to CSSM and IESE (in both cases jointly with other donors) is a highly relevant effort to strengthen the ability of Mozambicans to hold GoM to account. Ireland has thus made some small but significant contributions to strengthening domestic accountability through both policy analysis and citizen action. In both cases sustainable results are likely to require continuing support.

Assessment against CSP objectives

6.71 None of the objectives for GBS that were identified in the CSP (¶6.37 above) were wholly within IA's control. They were an "influencing agenda", in a period when its Troika+ role offered IA the possibility of enhanced influence. In practice, the reality of managing the Troika+ led to the development of more focused objectives for GBS, more at the level of inputs and outputs than outcomes: (i) advancement of the Paris Declaration in a new MOU, (ii) promoting good governance, (iii) improving the monitoring of poverty reduction, and (iv) improving aid effectiveness through the division of labour among the G19, documentation of procedures and development of an aid database (ODAMoz).

6.72 IA can consider that objective (i) was broadly achieved, with a new MOU which continues and strengthens aid effectiveness principles; on objective (ii) there was substantial progress; IA's ability to pursue objective (iii) for monitoring poverty reduction was somewhat eclipsed by the demands of the MOU and governance issues, but IA did help to raise the sights of the Economists' Working Group to address such issues; on (iv) the MOU and revisions in the management of the G19 represented significant progress.

E. Chapter Summary

6.73 GBS has been a centrepiece of aid to Mozambique generally, and of IA's country programme itself. It was given added significance during 2007–2010 by Ireland's leadership role within the donor group.

6.74 During the evaluation period, GBS continued to be a relevant, efficient and effective aid instrument. Renegotiation of its operational arrangements, through a new MOU, has consolidated its position and strengthened elements of its management. It has also been reinforced by demonstrating an ability to address governance issues that are pivotal for many donors' continued support.

6.75 Ireland shares in the general results of GBS and also made a very strong contribution during its period of G19 leadership, particularly in negotiating the structure of the agreement between PAPs and GoM, and in raising governance concerns and getting GoM's commitment to reforms.

7. Health and HIV/AIDS

A. Introduction and Scope

7.1 This chapter focuses on IA's support to the health sector, including support related to HIV/AIDS. The chapter structure follows the logic of contribution analysis. Section B addresses the health sector³⁹ as a whole; it describes the initial context and sector performance over the evaluation period (2007–2010). It notes the combined results of GoM and donor efforts. Sections C and D describe IA's strategy and its implementation. Section E assesses IA's contribution to the sector's performance, and Section F summarises the evaluation's conclusions.

B. Initial Situation and Sector Developments 2007–2010

Health sector context

Health status and issues

7.2 Available data do not allow a neat division between pre-CSP and CSP periods. This section therefore combines an explanation of the background to the CSP with an overview of available data on the evolution of various health indicators.

7.3 As one of the world's poorest countries, Mozambique faces severe health challenges. A burden of tropical diseases including malaria accentuates the problems of poverty and poor nutrition. Health services have historically been limited, and their geographical distribution has been inequitable, while per capita levels of expenditure on health have been low. This dire situation was made much worse by HIV and AIDS. There has been progress in some key health indicators, but the health status of the Mozambican people remains lower than the average for African countries, and far below international standards.

7.4 The most reliable data on health outcomes are from periodic household surveys; which can compare 1997, 2003, and 2008. Table 5 shows that infant and under-5 mortality rates have continued to decline, but malnutrition in under-fives worsened between 1997 and 2008. Infant mortality data continue to show inequalities across provinces, but suggest that the gap between best and worst-off provinces has narrowed.

7.5 The general picture as the CSP 2007–2010 was prepared was of low levels of health service coverage, with improvements in access and quality of services constrained by shortages of personnel and institutional capacity as well as finance.

7.6 Problems have been exacerbated by HIV and AIDS. The majority of hospital beds are occupied by patients with AIDS-related diseases, and HIV and AIDS also cause attrition of health staff. There are signs that the national prevalence rate is levelling off (CNCS 2010b),⁴⁰ although the disease pattern varies across provinces. However, it remains an extremely serious problem. According to the 2010 MDG report, in 2009 an estimated 425,000 people living with HIV and AIDS were in need of anti-retroviral treatment (ART).

³⁹ For brevity 'health sector' is used to cover health and HIV/AIDS.

⁴⁰ The UNGASS report (CNCS 2010b) gave a median estimated prevalence of 16%, based on sentinel surveillance of pregnant women at ante-natal clinics. The first National Survey for HIV and AIDS was published in 2010 (MOH & INE 2010), and gave a more accurate national prevalence rate of 11.5% (13.1% for women and 9.2% for men).

Table 5 Selected Indicators on Health Status

	1 – Chronic Malnutrition under Fives			2 – Infant mortality (per 1,000 live births) ¹			3 – Under-five mortality (per 1,000 live births)		
	1997	2003	2008	1997	2003	2008	1997	2003	2008
National	35.9	41	43.7	147	124	93	245.3	154	138
Rural	38.9	45.7	47.2		135		270.9	192	162
Urban	27.3	29.2	34.8		95		174.2	143	135
Rural : Urban ratio	1.4	1.6	1.4				1.6	1.3	1.2
Lowest income			51		143	116,3	277.5	171.9	170
Highest income			25.9		71	74	144.6	109.9	110
Poor : Rich ratio			1.9		2.0	1.6	1.9	1.6	1.6
Worse off province				216 ²	178 ³	147 ⁴			
Better off province (Maputo City)				49	51	67			
Ratio Worse off/ Better off province				4.4	3.5	2.2			
Niassa	54.6	47.0	45	134	140	97			
Inhambane	26.0	33.1	35	151	91	75			

Notes: ¹Children under 1 year.
²Nampula; ³Cabo Delgado; ⁴Zambezia
Source: 1997 and 2003 data, IDS 1997 and 2003; 2008 data, INE 2009 - MICS 2008.

Institutional framework

Government responsibilities and planning framework

7.7 The public sector is responsible for 95% of services. The national health service is run by the Ministry of Health (MOH). In practice, the system is highly centralised: provincial and district health departments rely on central budgets and direction from MOH. Expansion of health services has been a high priority in poverty reduction strategies and this is echoed in health sector plans. In 2000, a National AIDS Council (CNCS in its Portuguese acronym) was established and was given a central role in coordinating the national HIV/AIDS response.

Sector programmes and aid management

7.8 Health has attracted large amounts of aid from a wide range of aid agencies and NGOs. In recent years, more aid focused specifically on the HIV/AIDS response. During the 1990s and early 2000s, the costs of fragmentation were recognised and a sector-wide approach was developed in the early 2000s. Relations between the MOH and its partners are set out in a code of conduct (the Kaye Kwanga agreement) signed in 2000 and revised in 2003. A national pooled fund to support the health sector (PROSAÚDE) was initiated in 2003; there were other pooled funds supporting drug procurement and provincial health. The PROSAÚDE fund was linked to a system of joint annual reviews, and the further elaboration of PROSAÚDE was a major activity during 2007–2010. Project financing, particularly, in recent years, from vertical funds addressing HIV and AIDS, remains an important feature. From the outset, IA was an advocate of, and participant in, joint approaches and pooled funds (this is discussed in more detail in Section C).

Sector performance 2007–2010

Planning and strategy

7.9 A revised health sector plan (PESS II 2007–2012) was under preparation during 2006 and was endorsed by the GoM and partners in early 2007. It focuses on (a) the improvement of the health status of the population and the provision of quality health services, and (b) strengthening the capacity of the sector for service delivery. Strategies and targets for the PESS II are set for 20 overall objectives under these two headings.

7.10 The *Integrated Plan for reaching MDG 4 & 5 2009 – 2012 (2015)*⁴¹ includes a series of interventions aimed essentially at increasing women and children's access to health services and care, in order to accelerate the attainment of these MDGs. Major obstacles are limited resources – human, financial and infrastructure.

7.11 A Human Resources Development Plan (HRDP) for the health sector was approved by government in 2008, and is seen by donors and MOH as an important advance, but one which highlights continuing challenges for the sector (see Box 8 below).

Box 8 The Human Resources Development Plan (HRDP)

With support from donors the MOH developed a comprehensive Human Resource Development Plan (HRDP), which was approved by government in 2008. The plan analyses existing capacity in light of what is needed to reach the MDGs and puts forward an ambitious proposal for the progressive training of 20,000 staff. However, there is an enormous funding gap for its implementation.

Since its approval, the MOH has been implementing it within the constraints of the funding available. A recent assessment (Clarke & Visser-Valfrey 2010) concluded that the plan is a sound basis for training and deployment plans for health personnel, that there is strong ownership of the plan by GoM, and that it provides a sound basis for sector monitoring. It has led to greater recognition by GoM of concerns about the inequality of service provision and staffing support between Provinces and Districts; this issue is now part of the policy dialogue, and GoM is continuing to take action to allocate more newly trained staff to the least well served areas of the country. This policy started before the HRDP was approved but it has been reinforced by it.

DFID and Danida were leading supporters and financers of the plan's preparation, with Irish Aid also participating in the relevant working groups.

*Aid management – evolution of PROSAÚDE*⁴²

7.12 A major focus of dialogue between MOH and donors was the agreement and subsequent implementation of a new MOU for PROSAÚDE. Negotiations were long and complex, with 15 of the 28 donors in the sector signing the new MOU in 2008. The new MOU embodied some important reforms:

- strengthening of the performance framework:
 - a new sector PAF was agreed (also linked to the GBS PAF);
 - a new joint PAF review process was introduced, under which the annual review is done jointly by MoH and its partners instead of being commissioned from consultants;
- consolidation of pooled funds (the provincial common fund and the common fund for drugs were moved into PROSAÚDE);
- a move from basket funding to sector budget support: funds are disbursed through treasury systems, using SISTAFE, and the majority uses government procurement, accounting and audit systems; funds cannot be earmarked within the sector, but donors can require that funds unspent at the end of the year are carried forward;
- use of GoM PFM systems, complemented by special provisions on audit: these strengthened the role of the GoM internal audit agency and provided for an annual fiduciary assessment (see Box 9 below on the initial assessment);
- better alignment with the GoM budget calendar, and with the calendar for GBS.

⁴¹ With a wide range of participating entities, the elaboration of this plan had direct support of WHO, UNFPA, Unicef, PATHFINDER and USAID

⁴² This section draws on Visser-Valfrey and Umarji 2010.

7.13 In practice, development of the new MOU was a very time-consuming negotiation (which inevitably focused much more on process and fiduciary issues than the service-delivery issues of the sector). It also took a long time to implement its provisions: for various reasons, funds continued to flow through the separate common funds during 2009 and the first joint review focused on the new PAF took place in 2010. It is therefore early to assess the results of the new arrangements (this issue is taken up again in Section E of this chapter).

7.14 The new PROSAÚDE arrangements reflected, and in turn helped to reinforce, improvements in PFM in the sector. A sectoral Public Expenditure and Financial Accountability (PEFA) assessment was undertaken in 2008; this noted progress in aspects of PFM but highlighted that the health sector was significantly weaker in key PFM areas than GoM as a whole (see Box 9 below).

7.15 The assessment brought together key government, donor and other non-governmental partners to agree on priority actions to improve public financial management. At the request of the Minister of Health, these recommendations were consolidated with recommendations from other audits and assessments into one single Action Plan for Public Financial Management. This single Action Plan was formally endorsed in July 2009. Plans to follow up the PEFA with a Public Expenditure Tracking Survey (PETS) are well advanced.

Box 9 The Health Sector PEFA Assessment (2008)

The assessment adapted the methodology of the Public Expenditure and Financial Accountability assessments to address sector-level issues. (See Annex 5 for a review of PEFA assessments at national level.)

Overall the assessment showed that SISTAFE introduction and the direct budget execution feature of the system had contributed to improvement in the timeliness, quality and availability of budgetary information at all levels (central, provincial and district). However, substantial improvement was still needed in a number of areas including:

- Health sector expenditure out-turn compared to budget;
- Transparency of obligations and liabilities for health care user charges;
- Timeliness of health sector procurement processes;
- Inventory management in the health sector;
- Effectiveness of internal controls for non-salary expenditure;
- Effectiveness of internal audit in the health sector;
- Availability of information on resources received by district level;
- Quality and timeliness of in-year budget reports;
- Scope, nature and follow-up of external audit in the health sector.

Source: Lawson et al 2009 (summary adapted from Visser-Valfrey and Umarji 2010)

7.16 A major weakness of the planning and budgeting system is that the budget does not clearly link financial inputs to programmes and objectives. This makes it hard for GoM and donors alike to judge what inputs have been applied to different elements of the programme and with what effect (for example, it is not easy to discover how much of the government budget has been spent to address HIV/AIDS – and donor off-budget funds make it even harder to get a full picture).

Response to HIV and AIDS

7.17 According to the CNCS report covering 2008–2009 (CNCS 2010b), the trend of national prevalence from 1988–2009 shows a levelling-off (but not a decline). There have

been dramatic advances in testing and treatment of those affected since 2005. For example, between 2005 and 2009 the percentage of adults and children with advanced HIV infection receiving ART rose from 7% to 38%, while the proportion of HIV-positive pregnant women receiving ART in order to reduce mother-to-child transmission rose from 7% to 46%.

7.18 During the 2007–2010 period, activities in the multi-sectoral response to HIV and AIDS included the development of: (i) the National Strategy for HIV and AIDS (PEN III) in 2009, which gives priority to HIV/AIDS care and treatment among the four key components of the national response; (ii) the Strategy to Accelerate HIV Prevention in 2008 by the multi-sectoral Prevention Reference Group led by the Minister of Health; and (iii) a Communications Strategy which was published in December 2009..

7.19 However, this was a difficult period for CNCS. From its establishment in 2000 it suffered problems in capacity and management, which were exacerbated by a tendency to focus on implementation as opposed to facilitation and coordination. Donors and others became increasingly dissatisfied with CNCS's performance. Its role in the direct management of grants seemed to be incompatible with its role in policy coordination and monitoring. The grant management function was withdrawn from CNCS and, in 2008, a separate Rapid Results Fund, managed by UNDP, became an alternative channel for grants to organisations tackling HIV and AIDS. However, it too has seen important delays in implementation.

7.20 And at the same time there was only limited success for efforts to align the HIV/AIDS response more closely with mainstream health systems:

- The Global Fund to fight AIDS, Tuberculosis and Malaria (GFATM) agreed to join PROSAÚDE but its procedures proved too inflexible to allow this to work in practice,⁴³ and GFATM is not a signatory to PROSAÚDE II. Mozambique's failure to obtain GFATM funds in two funding rounds created a serious gap in resources for treatment. Donors are now supporting the establishment of a project management unit within the MOH to manage GFATM funds. However, GFATM remains a signatory of the code of conduct and is making more efforts to ensure its programmes are in line with national priorities and the plans of other donors.
- The USA's HIV and AIDS programme (PEPFAR) remains huge, but it is also making more efforts to coordinate with mainstream health systems, and has brought its funds on budget (see ¶7.23 below).

7.21 Vertical funds and HIV/AIDS funding have large implications for overall sector finance and budget, reviewed next.

Budgets and finance

7.22 The main features of national budgets and overall finance for the health sector have been: (a) rising levels of expenditure (per capita and total), but decline in budget share and GDP share for health (see the evaluation's analysis of priority public expenditures in Annex 6); (b) heavy dependence on aid funding for the sector, with increasing volumes of project funding, especially from vertical funds, and PROSAÚDE has become a declining share of total expenditures; and (c) budget execution rates have improved, largely due to the introduction of e-SISTAFE; the joint review reports an increase in the budget execution rate from 70% in 2007 to 90% in 2010.

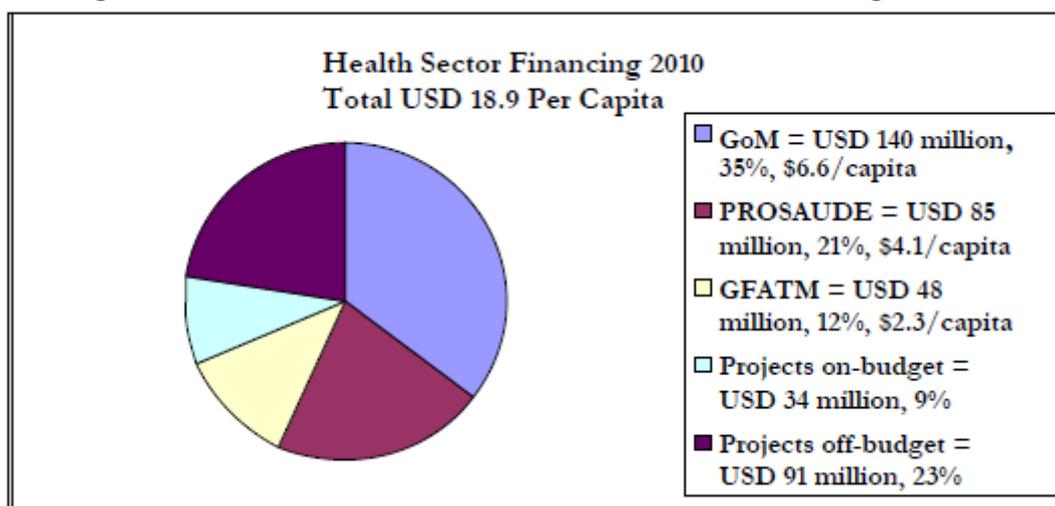
7.23 Data on external funding of the budget are complicated by some existing external funds moving on-budget. By making the external funds visible, this reduces the apparent

⁴³ E.g. in requiring in-year triggers for release of funds; in 2007 this left other donors having to fill a gap left by non-disbursement of GFATM funds.

share of domestic financing of the budget. As already noted, the sector common funds have moved on-budget, and in 2009 PEPFAR also did so (so that between 2008 and 2009 there was a near doubling of the external component of the budget). Figure 2 below provides a snapshot for 2010. It is noteworthy that PROSAÚDE and GoM's own funding together account for less than 60% of total resources, and that nearly a quarter of funds are still disbursed through off-budget projects.

7.24 PROSAÚDE decreased in terms of the overall proportion of funding to the sector from 30% in 2008 to 20% in 2010. This proportional decrease is due in part to the exit of a number of PROSAÚDE donors as a result of division of labour exercises and in part to the ongoing increases in vertical funding outside of PROSAÚDE, in particular PEPFAR funding (approximately USD25 million/year).

Figure 2 Source and Volume of Health Sector Financing 2010



Source: Health Partners Group, March 2010
(drawn from Clinton Partnership Review, May 2010)

Service delivery

7.25 Joint annual reviews indicate substantial progress in expanding service provision. This was accompanied by improvements in a wide range of health service indicators. Nonetheless, major challenges remain in terms of adequate infrastructure, human resources and drugs. The health network coverage is only around 50-60%, in terms of people within reach of a health facility. Improvements in quantity and quality of staff have been accompanied with some improvements in their geographical distribution. One of the headline achievements in the last years has been the deployment of at least one medical doctor in every district. This achievement is not without its challenges. Some critics note the fact that in some of the districts, the main health centres do not have sufficient infrastructure, making the deployment of a medical doctor an inefficient use of scarce resources, and more than half the country's doctors are in Maputo. The availability of medicines has been a major concern in the last few years; the joint reviews highlight both funding and management problems.

7.26 Table 6 focuses on some key service delivery indicators, for vaccination and institutional deliveries, drawn from household surveys. Again there is a pattern of improvements, and of some reduction in inequities: thus rural coverage, both for vaccinations and institutional deliveries, has shown big increases since 1997 (although the fully-vaccinated figures for 2008 were worse than for 2003, reflecting problems in supply and management). The gaps between best- and worst-served provinces have declined, though

7. Health and HIV/AIDS

progress was slower and more patchy between the 2003 and 2008 surveys. However, the data also show much room for further improvement in both access and equity: in 2008, for example, only half of rural deliveries were supervised, and on all the indicators shown there are still big gaps between best- and worst-served provinces.

Table 6 Immunisation and Institutional Deliveries, 1997–2008

	1 – Children vaccinated with DPT/HB 3 rd dose			2 - Children fully vaccinated			3 - Coverage institutional deliveries		
	1997	2003	2008	1997	2003	2008	1997	2003	2008
National	60%	72%	74%	47%	63%	60%	44%	48%	58%
Rural	50%	65%	69.6%	36%	56%	54.8%	33%	34%	49%
Urban	94%	87%	85.9%	85%	81%	74.1%	81%	81%	81%
Urban : Rural ratio	1.9	1.3	1.2	2.4	1.4	1.3	2.5	2.4	1.7
Lowest income		52%	59.4%		45%	47%		25%	38%
Highest income		96%	88.9%		90%	78.8%		89%	90%
Rich : Poor ratio		1.8	1.5		2.0	1.7		3.4	2.4
Worse off province	29%	53%	56%	23%	45%	34%	24%	31%	40%
Better off province	88%	98%	91%	82%	91%	82%	87%	89%	93%
Ratio Better off/ Worse off province	3.0	1.8	1.6	3.7	2.0	2.4	3.6	2.9	2.3
Niassa	59%	55%	75%	48%	47%	56%	44%	47%	75%
Inhambane	83%	94%	91%	72%	91%	80%	56%	49%	62%

Notes: ¹Children under 1 year.
Source: 1997 and 2003 data, IDS 1997 and 2003; 2008 data, INE 2009 - MICS 2008.

Quality of dialogue

7.27 Policy dialogue takes place at various levels: at technical level through various working groups dealing with different specific issues and at political level through high level meetings. In general there has been good coordination and high participation, and recent years have seen more donor alignment with government systems. However, relationships have not always been easy. Under a dynamic minister of health, in place for most of the period, policy dialogue between government and donors became more difficult, as the frequency, structure and scope of discussions with donors was limited. Donors who had considerable concerns about policy choices, centralisation of decision making, and equity issues felt their voice was limited, and a number of significant policy announcements were made with little consultation. Interviewees linked the prevailing management style to a serious brain drain from MoH, resulting in a loss of institutional memory and a weakening in the policy dialogue with sector stakeholders. More recently, the quality of dialogue is said to be improving.

C. Irish Aid Strategy for Health and HIV/AIDS

Background

7.28 Health and HIV/AIDS were established components of previous IA country programmes, and all the health components of the CSP 2007–2010 were continued from the previous period. They comprised (a) support to PROSAÚDE; (b) a support programme for HIV/AIDS; (c) health components of the two provincial programmes;⁴⁴ and (d) a partnership with the Clinton Foundation (see Box 10 below).

⁴⁴ In the financial tables these are included within the provincial programme figures.

Box 10 The Clinton Foundation Partnership

The Clinton Foundation (CF) partnership is an arrangement under which funding and in-country support from Irish Aid are allied to technical inputs from the CF. The partnership began in 2003 and has since been renewed twice, in 2006 and 2010. Under the latest agreement, the partnership – which operates in Lesotho as well as in Mozambique – will continue until 2015.

The goals of the partnership are to provide financial and technical support to Government in its fight against HIV and AIDS and to help strengthen national health services, in particular human resources for health, in keeping with national strategies and plans. The CF began with a special interest in tackling paediatric AIDS, but has included this within support to basic health services. It also works internationally to leverage more favourable terms for procurement of drugs and equipment. Its specialist expertise is seen as complementary to Irish Aid's finance, country knowledge and relationships.

The Clinton Foundation has a special resonance in Ireland, because of President Clinton's role in the Northern Ireland peace process. Its involvement helps to build popular and political support for Ireland's development programme in Mozambique.

7.29 The evaluation of previous country programmes (ECORYS 2006), which included a special focus on the health programme, had endorsed most of its elements (including working through the sector programmes). However, it highlighted a need for more emphasis on output and outcome results and a focus on the relationship between service delivery and outcomes; this would require better data and stronger monitoring and evaluation. This concern was reflected in the CSP 2007–2010 objectives for the health programme.

Objectives and Strategy 2007–2010

7.30 Health and HIV/AIDS components in the CSP were part of the human capital pillar, and intended to contribute towards all four of the CSP's strategic objectives (as detailed below). IA's strategy was summarised in the CSP itself and elaborated in submissions to the Project Appraisal and Evaluation Group (PAEG). It followed the approach of working jointly with other donors to support the strengthening of national health systems and services. This meant that the bulk of its funding went into the health common pool (PROSAÚDE), with smaller complementary expenditures on the HIV/AIDS programme, technical support and health elements of the provincial programmes.

7.31 IA did not seek to earmark its funds to particular elements of the health sector programme.⁴⁵ However, it did spell out in the CSP how it would seek to support the evolution of the health system in certain directions. This influence would come through its activities in health sector working groups, by supporting certain innovations at provincial level, and through its partnership with the Clinton Foundation. The PAEG document also noted the role of indirect support via Ireland's GBS contribution and its participation in the G19 dialogue.

7.32 The following contributions to the four strategic objectives (SOs) were identified:

- (a) In support of SO1 – pro-poor targeting – IA would use its participation in general and sectoral dialogue forums to push for improved equity in resource allocation, and pro-poor targeting. Specific undertakings included:
 - using its position as chair of the sector's M&E working group to improve health information systems, so as to assess access of the poor, as well as the quality of services;

⁴⁵ The current PROSAUDE MOU, which IA strongly supported, does not allow such earmarking.

- participation in a task force to develop a national strategy on community health, linked to work with provincial governments to develop effective models of community health service delivery;
 - monitoring implementation of the multi-sectoral response to HIV/AIDS (including the Grant Management System to be operated by CNCS), emphasising equity of access to comprehensive services; and support to the roll-out of home-based care, at national and provincial level.
- (b) In support of SO2 – increased accountability to citizens – IA planned to advocate for more transparency in plans and budgets and pursue demand-side accountability; it undertook to participate in the health sector finance and audit working group, and give priority to strengthening financial management systems in the Ministry of Health, with increased transparency both to donors and to civil society.
- (c) In support of SO3 – capacity strengthening of government and civil society partners – IA would support capacity development linked to service provision at district and community level. The HIV/AIDS component included a continuation of support to two networks – MONASO (network of national NGOs working in the area of HIV/AIDS) and RENSIDA (network of organisations of people living with HIV/AIDS) so as to strengthen their capacity in advocacy and in monitoring the government's response. IA also undertook to support the development of an appropriate human resources development strategy for the health sector.
- (d) In support of SO4 – aid effectiveness – there was a general commitment to promote harmonisation and alignment within SWAp structures. In health specifically, IA also planned to support harmonisation of conditionality linked to agreed annual indicators, and to support better medium-term expenditure planning.

Planned Inputs

Finance

7.33 Including the Clinton co-financing, planned expenditure over the four years 2007–2010 was €80.96m. In financial terms, health and HIV/AIDS was thus by far the largest component of the country programme, accounting for 39% of anticipated expenditure. This comprised €9.46m for HIV/AIDS, €23.5m for health, and €48m for Clinton co-financing. In practice, both the last two elements were dominated by contributions to PROSAÚDE, so that Irish Aid became one its largest bilateral donors.

Staff inputs

7.34 IA's health programme was led by the Development Specialist responsible for the human capital pillar.⁴⁶ It was supported by a long-serving health adviser, and for much of the period by an HIV/AIDS specialist appointed within the framework of the CF partnership. Substantial inputs on PFM issues were provided by the Embassy's internal audit specialist. A process fund under the CF partnership (€0.5m annually) provided flexible funding for consultancies and technical support.

D. Irish Aid Implementation

Planned and actual expenditures

7.35 Table 7 below shows the financial outturn. Planned disbursements were reduced in response to Ireland's general budget cuts in 2009 and 2010. Total HIV/AIDS spending was €5.4m, only 57% of the planned €9.5m. Combined health and Clinton budget lines spent €61.8m against a planned total of €71.5m, a shortfall of almost 14%. (Technically, all the

⁴⁶ But after the "ways of working" review, the health and education responsibilities were no longer assigned to the same Development Specialist.

cuts were in the health component, with the Clinton co-financing disbursed as planned.⁴⁷ But since both budget lines predominantly fed into PROSAÚDE, the combined figure is a better indicator of the reduction in Irish support to that common fund.)

Table 7 Planned & Actual Expenditures on Health & HIV/AIDS 2007–2010

CSP planned €	2007	2008	2009	2010	Total
Health	3,500,000	5,000,000	6,500,000	8,500,000	23,500,000
HIV/AIDS	1,960,000	2,250,000	2,500,000	2,750,000	9,460,000
Clinton Co-financing	12,000,000	12,000,000	12,000,000	12,000,000	48,000,000
Sub-total	17,460,000	19,250,000	21,000,000	23,250,000	80,960,000
TOTAL CSP	43,000,000	48,075,000	54,825,000	61,900,000	207,800,000
Health etc. % of total	40.6%	40.0%	38.3%	37.6%	39.1%
CSP actual €	2007	2008	2009	2010	Total
Health	3,500,000	5,000,189	3,100,000	1,800,000	13,400,189
HIV/AIDS	1,927,889	1,755,965	800,000	900,000	5,383,854
Clinton Co-financing	11,965,095	11,971,366	12,111,309	11,989,876	48,362,950
Sub-total	17,392,984	18,727,520	16,011,309	14,798,876	67,146,993
TOTAL CSP	45,110,000	48,760,000	43,275,000	38,829,699	176,109,897
Health etc. % of total	38.6%	38.4%	37.0%	38.1%	38.1%

Health sector dialogue, and development of sector policies and systems

7.36 Irish Aid was an active participant in the revision of the PROSAÚDE MOU, and in several areas of policy development and dialogue. Government and donor partners acknowledge IA's significant role in many areas anticipated in the CSP (as summarised in ¶7.32 above). Thus:

- (a) IA was one of the main proponents of the new MOU. With its move towards sector budget support with more complete harmonisation and alignment of donor support to the sector ministry, and more complete use of government systems, the new MOU was a substantial advance for aid effectiveness (SO4).
- (b) IA (along with Finland) took a particular interest in the revised M&E procedures that were incorporated in the new MOU. These strengthened the performance basis of the collaboration: a more coherent set of indicators were incorporated in the sector PAF, and the annual joint review is now more integrated into the national budgeting process (SO1).
- (c) IA also took a particular interest in the financial management aspects of the MOU, in the PEFA review of the sector (Box 9 above), and in the MOH's PFM improvement plans (SO3). Unlike other agencies, IA was able to deploy a qualified auditor in the audit and finance working group's discussions.
- (d) Through its engagement in the technical working group on human resources for health, IA supported the development of the sector's human resources plan (see Box 8 above), This links to SO1 (pro-poor targeting) as well as SO3 (capacity strengthening).
- (e) IA pursued community health policy and provision (SO1) both at national level and in its provincial programme – see Box 11 below.

⁴⁷ As noted in Chapter 4, the Clinton partnership draws on a separate funding line from HQ, additional to the main country programme.

Box 11 Community Health Services / Niassa

IA pursued the development of community health services both through its provincial engagement in Niassa and through participation in national dialogue.

In Niassa:

- Using IA funds, an NGO (Comissão Diocesana de Saúde – CDS) was contracted through the provincial health department to provide community health services in 10 districts with a combined population of about 160,000 that were poorly covered by regular public facilities. CDS operated 33 health posts, including 13 constructed with Irish funding. IA also funded the training of basic health workers. Among other things, the initiative contributed to a marked increase in the number of institutional births in Niassa.

At national level:

- IA took a strong interest in the task force for the development of a national strategy on community health. Experience from Niassa was fed into its deliberations, and IA also funded study visits (for national and Niassa staff) to see models of community health care in neighbouring countries.
- In 2010, the essential health package to be delivered by community health workers was agreed, together with an implementation plan for the new national strategy.
- IA is financing a consultancy to help roll out the national strategy on community health in Niassa.

Pursuit of HIV/AIDS objectives

7.37 IA was one of the first contributors to the CNCS pooled fund, and continued to play a significant role in the multi-sectoral response to HIV/AIDS. It made financial contributions to the CNCS fund, to PROSAÚDE, and to support the national NGO networks. It contributed technical expertise (its own health and HIV/AIDS advisors, plus the Clinton Foundation technical assistance) and its role included the chairing of core working groups in the MoH as well as in the CNCS forum. As chair of the HIV and AIDS working group, IA was closely involved in the development of the response strategies (¶7.18 above) IA shared the frustrations of other donors with the performance of CNCS (see ¶7.19 above), and was among the group which reduced direct funding to CNCS in 2009.

7.38 IA used its provincial engagement in Inhambane to pursue home-based care for persons living with HIV and AIDS, linking service provision in the province to advocacy at national level (see Box 12 below). IA's health programme in Niassa, though focusing on community health (Box 11 above), included elements of support for HIV and AIDS. CDS produced a nutritional supplement for people living with HIV and AIDS, and IA financed services provided by an international NGO, MSF.⁴⁸ IA also promoted HIV and AIDS responses across the other sectors it was involved in (e.g. helping to secure funding for HIV/AIDS response in education – see Chapter 8).

⁴⁸ See Chapter 9 for a holistic view on the provincial programmes.

Box 12 Pioneering Home-Based Care in Inhambane

Irish Aid assisted the development and implementation of a strategy for home-based care (HBC) in Inhambane. An international NGO (International Relief and Development – IRD) was engaged as a facilitating agent, to work with smaller local implementing agencies, helping to develop their capacity and on-granting funds for home-based care. By 2009 this involved a network of 350 community volunteers caring for 2,700 chronically ill people, and providing them with essential health, nutrition and livelihood support.

Irish Aid supported the provincial Directorate for Health in developing a strategy for their own role in supporting HBC roll-out in the province, in line with national priorities and guidelines.

The national policy on home based care has been informed by IA and others' practical experience. It sets out objectives and basic standards for home based care, and a management and coordination structure involving provincial and district focal points.

The Clinton Foundation partnership

7.39 The Clinton Foundation partnership (see Box 10 above) was a major additional support to the fight against HIV and AIDS. From the outset IA had insisted that its collaboration with the CF must avoid the characteristic drawbacks of projectised vertical funding, which can easily drain resources from the mainstream basic health services. Consequently, the CF worked directly with the Ministry of Health,⁴⁹ while most of Ireland's financial support to the partnership was channelled through PROSAÚDE. As a token of its health systems approach the Clinton HIV and AIDS Initiative (CHAI) evolved in 2009 into the Clinton Health Access Initiative (with the same acronym). Areas supported by CF experts included supply chain management, procurement and logistics, paediatrics, laboratory capacity development, human resources for health, and nutrition. Through a partnership with UNITAID,⁵⁰ CF provided direct support to the Ministry of Health for the procurement of paediatric commodities, anti-retrovirals and other HIV medications, diagnostics, and therapeutic food at competitive prices.

7.40 Among other things, the Clinton process fund financed an HIV and AIDS expert based at the embassy, the MSF programme in Niassa, work on supply chain management in both Niassa and Inhambane, support to CNCS, the MOH and the Ministry of Science and Technology in developing a national HIV/AIDS research agenda, and a national AIDS spending assessment (NASA).

7.41 A joint review of the partnership in 2010 gave a positive assessment (Box 13 below), on the basis of which the partnership was extended to 2015.

⁴⁹ CF staff participated in the HIV/AIDS and M&E sector working groups.

⁵⁰ UNITAID is the International Drug Purchase Facility being established by Brazil, France, Chile, Norway and the United Kingdom as an innovative funding mechanism to accelerate access to high-quality drugs and diagnostics for HIV/AIDS, malaria and tuberculosis in countries with a high burden of disease.

Box 13 Findings of the Clinton Foundation partnership Review

The 2010 review of the CF partnership concluded that the technical support services were high value for money, and had been linked to capacity building and sustainable strengthening of health systems. It concluded:

The Partnership has showcased how a Global Health Initiative and a bilateral donor can work successfully together in support of Government achieving its own development goals. Perhaps the most important aspect of the Partnership is that it incorporates crucial and high quality technical support within a sector-wide approach to health sector development. The Partnership thus effectively accelerates sustainable progress and has become a flagship for the aid effectiveness agenda. Government ownership, donor alignment and mutual accountability are inherent to its model of support. As a result the partnership has been highly influential in drawing other donors and Global Health Initiatives into working more effectively together under Government led coordination mechanisms.

Given that there is a rigorous process of jointly agreeing on the annual plan, and the fact that HIV has always been prioritised within this, Irish Aid was able to have confidence that the additional funding would indeed be contributing towards joint priorities of the sector, with a strong focus on HIV&AIDS, but would also go towards addressing broader systems issues such as human resource constraints, drug logistics and management, integrated planning, financial management, and monitoring and evaluation. The channelling of this volume of additional funding in this manner was a significant boost for the Ministry of Health in allowing this 'HIV&AIDS' funding to be directly under the control of the Ministry and to be used for the overall sectoral priorities.

Source: Review of the Irish Aid-Clinton Foundation Partnership, May 2010

E. Assessment of Irish Aid Contribution

7.42 IA's contribution to the health sector can be considered broadly in terms of (a) its share in outputs and outcomes achieved jointly by the GoM and its health partners, and (b) its influence on the development of policies and systems in the sector. The latter involves a two-stage judgement: on the quality of the policies and systems concerned, and on the extent of IA influence. We begin with an assessment of Irish influence, and then return to the question of the Irish share in joint results (which may be more directly related to the financial contributions from Ireland).

Assessment of Irish influence

Value of the sector approach – a balance-sheet

7.43 IA invested a lot of its staff time (as well as most of its financial support to the sector) to the sector approach embodied in PROSAÚDE. As noted earlier, it is too soon to demonstrate the results of the latest reforms to this arrangement, since they have only recently been put into effect. However, a recent study provides a "balance sheet" of strengths and weaknesses for the sector programme, as summarised in Box 14 below. It broadly concludes, in effect, that the sector approach has been a relevant, efficient and sustainable vehicle for external support to the sector. It could be more effective if there were more attention to substantive service delivery issues, which have tended to get squeezed out by the (unsurprising) focus on procedural and fiduciary issues in setting up and monitoring joint funding arrangements. The present evaluation concurs with the assessment, and takes it as a starting point in assessing the value of IA's influence on the programme.

Box 14 A Balance Sheet for Mozambique's Health SWAp⁵¹

It is too early to say what the specific effect of the SWAp is. However, the common fund and associated SWAp procedures that preceded SBS made the following overall **positive contributions**:

- The dialogue and coordination structures associated with the SWAp facilitated the development of a single policy and implementation framework for the sector (the PESS), costing of this plan, and development of a single monitoring framework (the PAF).
- These SWAp structures have led to inclusiveness of partners in policy dialogue through a structured process for discussion which includes the Joint Annual Review process.
- Clearer policies and the SWAp processes facilitated improved alignment by partners with government and sector planning and budgeting processes.
- Harmonisation among donors on policy, financial management, procurement and monitoring and evaluation and use of government systems has strengthened those systems and enhanced confidence in them.
- There has been progressive improvement in budget execution in the sector due to the introduction of e-SISTAFE – this was accelerated as common funds used e-SISTAFE.
- Common funds allowed for an increasing volume and share of external sector funding to appear on budget and have increased discretionary funding for the PESS, contributing to government ownership. Flexibility is likely to improve as conditionalities and earmarking by donors continue to decrease.
- **Combined this means that common funds resulted in increased funding of operational inputs, such as medicines, and infrastructure for service delivery.**
- Common Funds have facilitated some additional decentralisation of funding to provinces, increasing capacity, confidence, and stakeholder participation at provincial and district level.
- The combination of SWAp coordination structures and the use of common funds have resulted in a gradual reduction in transaction costs for the Ministry of Health (MOH).

Areas where there has been less progress:

- Insufficient progress has been made on key policy decisions, and on establishing clear sector priorities which can guide decision making at central and decentralised levels.
- The comprehensiveness of resource allocation is still undermined by vertical funding, much of it off budget and not aligned to the PESS.
- Decentralisation of planning and implementation is weak and central management of pooled resources reinforces this.
- **A disproportionate time in the dialogue has been spent on common fund process issues [including public finance management]. Not enough attention has been paid to the downstream systems for service provision, the incentives faced by service providers, and accountability for service provision.**

IA's contribution to the sector approach

7.44 IA's influencing activities closely followed the programme set out in the CSP (¶7.32 above). Through its participation in technical work on the new MOU, IA made substantive contributions towards:

- the new MOU's stronger focus on results, through the revised M&E framework and PAF;
- bringing PROSAÚDE funds more fully on-system, while devising safeguards satisfactory to the donors;

⁵¹ This balance sheet is drawn from the study of health sector budget support by Visser-Valfrey and Umarji 2010.

- strengthening of PFM within the sector (linked to the PEFA assessment and subsequent action plan).

7.45 Through its collaboration with the Clinton Foundation, Irish Aid demonstrated the practicality of pursuing the HIV/AIDS response within the mainstream health services, and encouraged other HIV/AIDS funders to better align their assistance. This began with IA's initial insistence that the partnership must work with mainstream health systems (hence using PROSAÚDE as the main funding channel), and meant that the CF's technical support was provided directly to the MoH.

7.46 On specific policy issues, working through the technical working groups and sector review processes, IA made significant contributions to: (a) the development of the HRDP (Box 8 above) which was especially relevant to addressing capacity issues in the sector; (b) the development of policy on community health services (Box 11 above); and (c) the development of home-based care (Box 12 above). Both the latter drew effectively on IA's ability to engage simultaneously in the national dialogue and in supporting innovations at provincial and district level. IA was one among several donors involved in the sector, and cannot claim an exclusive effect; moreover, all these policies are still evolving and it is too soon to judge their ultimate effects.

Irish Aid's financial contribution to results

7.47 As noted in Chapter 2, IA, like several other donors, has come under increasing pressure to demonstrate "results" of its programmes. Implicitly the emphasis is on *quantifiable* results, which are easier to claim when activities are distinct and bounded, and harder to judge when a donor pools resources government and other donors.

7.48 Box 15 below shows an effort to address this issue on behalf of DFID. Such calculations, based on a donor's share of total financing, can only be indicative, but may be a valuable antidote to the feeling that there is "nothing to show" for pooled funding. Compared with DFID, financial support to health and HIV/AIDS by Irish Aid has been on a similar or even slightly higher scale⁵² so that IA would also be justified in claiming credit for results on the scale shown in Box 15.

Box 15 Assessing a Donor's Share of Joint Sector Results

A recent study for DFID in Mozambique (Clarke & Visser-Valfrey 2010) addressed the issue of assessing DFID's share in joint results for the health sector. Its approach was to calculate the DFID share of total expenditure in the sector, and to allocate a share of the combined sector outputs accordingly. On that basis it concluded that over the period 2005–2009 DFID could reasonably claim credit for:

- 118,000 children fully immunised
- 117,000 institutionalised births (i.e. giving access to emergency care for new mothers)
- 126,000 mothers receiving family planning advice and services
- 19,700 HIV and AIDS sufferers receiving ARVs
- 50 health centres refurbished or reconstructed.

Such an approach is necessarily approximate, and is restricted to those "results" for which overall data are readily available. It is based purely on financial contributions, and additional "influencing" needs to be separately evaluated. Nevertheless it is a valuable antidote to the notion that "there is nothing to show" for funds that are pooled.

⁵² Clarke & Visser-Valfrey report DFID spending of GBP 52m over 2005/06–2009/10 (five years); this compares with €67m by IA over the four years 2007–2010. This gives IA a higher annual spend.

F. Chapter Summary

7.49 The evaluation has reviewed the combined health and HIV/AIDS activities of GoM and its donors. It notes that coverage and quality of available data are very patchy: its further improvement should be a priority for all concerned. The health challenges for Mozambique are still huge, but there is significant progress, led by GoM, in providing better and more equitable care. IA's engagement in health and HIV/AIDS responses has been highly *relevant* in terms of Mozambican needs and priorities as well as IA's global objectives, and in terms of its approach to working with the national bodies that are responsible for the bulk of health services. IA has supported sector approaches which the evaluation judges to be appropriate, on the grounds of *coherence*, *efficiency* and *sustainability* (see Box 14 above), though the *effectiveness* of the sector policies and programmes needs to be carefully monitored. The evaluation concludes that IA finance made a positive contribution to sector performance, and that this was enhanced by IA's technical work and policy influence, including its positive influence on other donors' approaches.

7.50 In order to enhance the effectiveness of the programmes themselves, and to sustain donor support, it is important to improve GoM's ability to track expenditures programmatically and to link them more clearly to outputs and outcomes. With a robust SWAp framework now in place, donors and GoM also need to ensure that more of future dialogue is related to substantive issues of sector performance, and performance monitoring, and less to the processes of fund management.

7.51 During the evaluation period, IA was one among several bilateral donors providing substantial support to the sector. With the announced withdrawal of some of them, IA's role in policy dialogue and technical support to health and HIV/AIDS in the next CSP period is likely to be even more important, and thus more demanding of its staff.

8. Other Sector Programmes and Cross-cutting Issues

A. Introduction and Scope

8.1 This chapter addresses components of the country programme that were reviewed in less depth than the focal areas of budget support, health and provincial engagement. Section B deals with education, Section C with support to the PARPA's economic development pillar, and Section D with cross-cutting issues.

B. The Education Sector Programme

Initial Situation

8.2 Mozambique's poverty strategies have consistently prioritised education, including the expansion of basic education in line with MDG targets. Support to basic education has been a major focus of aid to Mozambique. In the period up to 2006 a sector-wide approach was developed, with an increasingly inclusive partnership between the Ministry of Education and donors supporting the sector. GoM encouraged partners to channel their support through a common fund (FASE – see Box 16 below) and by the time the CSP was being designed in 2006 the sector coordination framework was based on:

- The GoM strategic plan for the sector.
- A sector performance assessment framework, with indicators against which the MOE and partners jointly monitor sector performance.
- "Terms of Reference" (2005) for the education sector-wide approach, which define the roles of different partners and the procedures for dialogue.
- A 2006 MOU prescribing the common fund procedures.

8.3 The sector's performance is monitored through joint reviews (two or three annually). A high level Joint Coordinating Committee is supported by a variety of technical working groups. The sector-level dialogue is linked to the overall dialogue on the PARPA (as reviewed in Chapter 6).

8.4 In the period to 2006, basic education had expanded very rapidly, but there were concerns about the quality of education being achieved. (The same themes recur in the sector's performance during the evaluation period, 2007–2010.) A new primary curriculum was introduced in 2004, with emphasis on making education more relevant to Mozambican children, including greater use of local languages.

Developments during the CSP period⁵³

8.5 Irish Aid's financial support is all channelled through FASE, and IA therefore shares in the overall results achieved by the sector partnership. The guiding GoM strategy was its second sector strategic plan (2006–2010/11). Its three main goals were to increase access by reducing geographic and gender disparities, to improve the quality of education, and to strengthen the institutional capacity of the system at all levels. Compared with the previous plan, there was more emphasis on education quality and ensuring that more children would complete primary education.

⁵³ This section draws heavily on the FTI funding request document (MOE 2010).

Box 16 The Education Common Fund (FASE)

The education common fund (FASE) began operating in 2002. By 2010 it was the channel for 75% of external aid to the sector, a substantial portion of which are EFA/FTI funds. Funds are channelled through the national accounting system (e-SISTAFE); there are some adaptations to national procurement arrangements in order to satisfy World Bank standards which were necessary for the sector to qualify for FTI funding.

In 2003, the programmes financed were mainly:

1. Subsidies for literacy workers and other adult literacy activities;
2. Teacher training;
3. Institutional development at the sector level.

The scope of FASE has since expanded to include:

4. Primary and secondary classroom construction, including furniture;
5. Direct support to schools (decentralised funds under the control of school management councils);
6. Textbooks for primary education (previously funded through a separate joint donor fund);
7. Activities related to the prevention and mitigation of HIV/AIDS;
8. Reinforcement of provincial implementation and institutional capacity;
9. Food for boarding houses and hostels;
10. Distance learning;
11. Curriculum development and monitoring;
12. Major construction projects in the area of post-primary education;
13. Support for capacity development of district education services.

The allocation of FASE funds is agreed each year between the Ministry of Education and the FASE partners. Any unspent funds are carried forward to the next year.

Sector performance

8.6 Rapid expansion of the education system has continued. Between 2000 and 2010 the number of lower primary schools increased by 30% and the number of upper primary schools more than doubled, as did the number of secondary schools. Primary school enrolments were 2.6m in 2000; by 2007 they had reached 4.6m, and reached 5.3m in 2010 (a 61% increase over the decade). The number of teachers increased from 65,000 in 2004 to 103,000 in 2010, with a decrease in the proportion of untrained teachers. There were particularly large increases in teachers recruited in 2009 and 2010. Many over-age children enrolled when fees were abolished, but the system is catching up with the backlog, and the net enrolment rate (children aged 6-12) increased from 88% in 2007 to 95% in 2010. Numbers of text books available have increased and their unit cost has declined.

8.7 Along with expansion there were improvements in equity. The distribution of teachers has become more equitable among provinces, though there is still a large gap between the best and worst off. Gender disparity decreased at all levels of education. The percentage of girls in primary education rose from 45.3% in 2004 to 47.3% by 2010. Analysis of household survey data indicates that the gap in access between rich and poor households has narrowed: in 2003 the net schooling of the rich was 88% and 45% of the poor, in 2008 it was 95% and 72% respectively. Nevertheless, the poor were more likely to drop out.

8.8 The low quality of education remained a concern. There was a moderate decline in pass rates over the period, although average drop-out rates remained stable. Rapid expansion brings more disadvantaged children into the system and is bound to put pressure on standards: SACMEQ⁵⁴ results suggest that reading and maths scores declined between

⁵⁴ Southern and East Africa Consortium for Measuring Education Quality

2000 and 2007. Facilities and resources have struggled to keep pace with the expansion. More than 4,600 classrooms were constructed by the government⁵⁵ between 2005 and 2010, but even so the percentage of classes without classrooms increased, given the substantial increase in absolute numbers of pupils. Double and even triple shift operation is common (especially in urban areas), and it is estimated that children on average receive less than 600 hours/year of instruction, versus the recommended 900 hours/year envisaged in the primary education curriculum. (However, the percentage of teachers that teach double shifts was reduced from 53% in 2006 to 32% in 2010, and there has also been progress in eliminating the third shift.)

8.9 There was progress in decentralising responsibilities, with increased roles for provincial and district administrations. A direct support programme transfers funds from the central level to individual schools for the purchase of basic materials to support teaching and learning processes; evaluations report a positive impact in ensuring basic materials are available, as well as supporting the functioning of the school councils which manage the funds, and greater community involvement in decision making around priorities at primary level.

Aid coordination and education finance

8.10 During the evaluation period there was a consolidation of sector pool arrangements. For example text books are now funded within the overall pool, and the direct support programme to schools is now also financed through FASE. The proportion of aid channelled through FASE greatly increased.⁵⁶ Financing shares for the 2010 budget (including known off-budget aid) were 69% GoM, 23% FASE, 8% other aid.

8.11 Total sector spending more than doubled: from USD 313m in 2005 to USD 656m in 2009. Shares of education in the total GoM budget remained above 20%. However, the education budget experienced severe pressure in 2010, when large numbers of new teachers were deployed and the effects of salary reform were felt. This coincided with a weakening of donor support for the sector. The external component of the 2010 budget fell by 8% compared with 2009, mainly because financing of bilateral projects fell by a third. The FASE contribution was maintained by drawing on previous balances, but two major bilateral donors announced their withdrawal from the sector as part of the division of labour review. A successful application to the Fast Track Initiative's Catalytic Fund will meet part of the shortfall for 2011–2013, but the sector's funding situation in the medium term remains critical.

The Irish Aid strategy and its implementation

Strategy and inputs

8.12 Irish Aid globally has consistently supported education, and the 2006 White Paper (Irish Aid 2006) envisaged a continued focus on "high quality primary education, situated within comprehensive national education plans". Education has featured in the Mozambique country programme from its outset, and IA was one of the original partners in the education sector programme and common fund (FASE).

8.13 Under the CSP 2007–2010, education, after health, was IA's second major sector programme in Mozambique. Ireland had always been a strong proponent of the pooled fund approach, and planned to put all its education sector financial support through FASE (with a limited amount of education funding also subsumed in the provincial programmes). Its annual funding was planned to increase from €5.75m in 2007 to €11m by 2011.

⁵⁵ Drawing on its own funds and FASE. Another 320 were constructed under separate bilateral, Unicef and NGO projects.

⁵⁶ A contrast with the health sector.

8.14 The CSP envisaged that, through its participation in education sector planning and monitoring, it would support quality improvement and equity in primary education, with special attention to gender. Its provincial engagements in Niassa and Inhambane would help it to encourage linkages between the education sector and decentralisation programmes. In particular, the Niassa programme would pioneer a strategy to prevent the sexual abuse of girls. Irish Aid would "advocate for better pro-poor service targeting and improved capacity and quality through expansion of the education network, more effective school management by communities and the creation of a safer environment for girls' education." (Irish Aid 2007a: §3.5.1)

8.15 IA's technical inputs to the sector were bolstered by an experienced full-time advisor based at the Embassy, and Ireland was very active in various sector working groups. IA has been continuously involved in the joint review drafting teams, and from 2009 was the lead education donor (Unicef and Germany were supporting members of the education 'troika'). From 2007 onwards it was a member of the cross-cutting sectoral group focusing on gender and HIV. It has also been an active member of the PFM interest group among donors, which aims to monitor and capacitate the Ministry's financial management, and participated in the group working on revision of the FASE MOU. It has also been active in provincial coordinating bodies in Niassa and Inhambane.

Table 8 CSP Planned and Actual Expenditures on Education 2007–2010

CSP planned expenditures					
	2007	2008	2009	2010	Total
Education	5,750,000	6,500,000	8,500,000	11,000,000	31,750,000
TOTAL CSP	43,000,000	48,075,000	54,825,000	61,900,000	207,800,000
as % of total	13.4%	13.5%	15.5%	17.8%	15.3%
CSP actual expenditures					
	2007	2008	2009	2010	Total
Education	5,750,000	6,500,000	7,240,000	3,760,000	23,250,000
TOTAL CSP	45,110,000	48,760,000	43,275,000	33,878,000	171,023,000
as % of total	12.7%	13.3%	16.7%	9.7%	13.2%

Implementation

8.16 Planned and actual sector expenditures (not including the provincial programme) are shown in Table 8 above. The education programme was seriously affected by the cuts in the country programme in 2009 and 2010. In 2009 the FASE contribution was significantly less than planned, but still an increase on the previous year. In 2010, however, the IA disbursement fell sharply – by almost half compared to the previous year, and to slightly more than a third of the €11m originally planned. The evaluation understands that this was not a judgement on the merits of the programme: since cuts were imperative, they fell where it was judged they would do relatively less short-term damage to ongoing programmes and to Ireland's reputation. Whatever the pragmatic rationale, the evaluation notes that the weakening of donor support for basic education is a serious medium and long-term concern.⁵⁷

8.17 In the context of the financial constraints affecting the sector, and in its capacity as focal point for the education sector working group, Ireland played a key role in two initiatives during the CSP period which sought to ease the sector's financial constraints:

⁵⁷ The report returns to this issue in the final chapter.

- (a) It supported the preparation and approval of a second application to the Education for All Fast Track Initiative (FTI) Catalytic Fund, through which a total of USD 90m has been approved for the period 2011–2014. This required detailed technical support to preparation of the application, plus advocacy at key points (e.g. in getting FTI approval for funding that actually spans the current GoM sector strategy and its successor which is still under preparation). The World Bank, which is the supervising entity for the FTI in Mozambique, is providing a further USD 71 million for FASE over the 2011–2015 period. IA staff were able to draw on contacts and experience derived from Ireland's involvement in the troika, and also to link country-level lobbying with HQ-level contacts in Ireland and Washington (including IA's representation to the FTI).
- (b) Near-term assistance was also provided in brokering an agreement between FASE donors and the Ministries of Education and of Finance, to provide a year's transitional finance to allow the MoE to hire newly graduated teachers in 2011, pending provision of domestic financing by the MOF from 2012 onwards.

8.18 Through its involvement in the sector review process, IA was involved in advocacy on key areas of education quality and equity, including pushing for the inclusion of teacher/pupil ratios as an indicator in the PARPA PAF, for the gender disaggregation of monitoring data, and for inclusion of a learning standards indicator in future performance assessment. Through its involvement in the cross-cutting issues group, IA was instrumental in securing FASE funding for the sector's HIV/AIDS response.

8.19 IA has also been involved in discussion of future priorities for FASE: it is expected that this will prioritise activities designed to improve the quality of education and increase retention and completion rates, through, for example, procurement of textbooks and school materials (at all levels of education), and to improve social support with the aim of ensuring equity in access and inclusion of out-of-school children. This implies less expenditure on major construction projects.

8.20 Provincial level activities were principally:

- In Niassa:
 - the completion of an ongoing programme of school facilities construction;
 - development of a strategy to protect girl pupils from sexual harassment; this followed on from the development of a baseline study on harassment and sexual abuse of girls in educational institutions when Ireland was chair of the Gender in Education Working Group, and IA has continued to follow up the issues in the national dialogue.
- In Inhambane:
 - the continued rehabilitation of Teacher Training Institutes. (However, education-specific projects in Inhambane have now ceased, in keeping with the "sector-deep" approach to the provinces – see Chapter 9 below – and in order to support the maturing of pooled funds and their ability to cover provincial expenditures.)

Assessment of Irish Aid's contribution to education

8.21 The evaluation considers that IA's support to education was highly *relevant*. It was pro-poor in its orientation towards the equitable expansion of basic education. The sector has secured important and tangible results, noted in ¶8.6–8.9 above. IA has contributed to these both through its direct funding of FASE and also through its GBS contribution which helped to finance the GoM portion of sector expenditures, so the sector support must be judged *effective*, although challenges remain in key areas of quality. The strategy of working in direct support of the GoM is *efficient*. IA's positive influences are felt across the sector, and it is unlikely that the same benefits could be achieved as economically through separate

projectised support. This approach also enhances *sustainability*, since improvements are built into the services managed by GoM. In terms of *coherence*, IA made good use of links from its provincial programmes, both in relation to the protection of girls, and in feeding its understanding of decentralised PFM systems into national-level review of systems and financial standards. IA's contribution to planning, monitoring, dialogue and sector coordination was highly appreciated by the government and by fellow-donors, and IA's failure to deliver as much financial support as the CSP had envisaged was partly offset by its efforts in mobilising FTI funds. However, the weakening of external funding for basic education is a serious concern for the next CSP period.

C. Economic Development – Agriculture and the Private Sector

Overview

8.22 This section reviews the components of the country programme that the CSP 2007–2010 grouped under the economic development pillar. The scope for contribution analysis is more limited than in the cases of IA support to GBS and to the health and education sectors, although agriculture has a partial sector-wide approach in the case of ProAgri. Successive sections provide an overview of economic pillar expenditures, and then review the agriculture and private sector components in more detail.

Relevant components of CSP 2007–2010

8.23 As noted in Chapter 4, the CSP was designed to support all three pillars of the PARPA II strategy, although in financial terms the economic development pillar was allocated only about 6% of the planned CSP expenditures.

8.24 The 2007–2010 CSP document considered Irish Aid's work in Mozambique under its economic pillar approach as being '*innovative and address[ing] the obstacles to improved private sector development and agribusiness*' (Irish Aid 2007a:11). In line with PARPA II's greater focus on economic growth as a key underlying driver of socioeconomic development and poverty reduction, Irish Aid sought to '*strengthen pro-poor growth through its engagement in the Economic Development pillar areas of agriculture, private sector development, and support to de-mining*' (Ibid: 16).

8.25 Work on the economic pillar was supported by one of the Development Specialist posts at the Embassy (but there were discontinuities in staffing, and the Embassy never had the three Development Specialists envisaged when the pillar-wise staffing arrangements were planned). There was an experienced Mozambican advisor focusing on agriculture and the environment, and a locally-recruited private sector advisor was engaged between 2007 and 2009.

8.26 Planned and actual expenditures during the CSP period are summarised in Table 9 below. The adjustments to this pillar when the programme had to be cut in 2009 and 2010 were broadly proportional to its share in the programme.

8. Other Sector Programmes and Cross-cutting Issues

Table 9 Economic Pillar – CSP Planned and Actual Expenditures 2007–2010

CSP planned expenditure	2007	2008	2009	2010	Total
Agriculture	1,950,000	2,000,000	2,000,000	2,000,000	7,950,000
Private Sector Dev.	500,000	800,000	1,500,000	1,500,000	4,300,000
De-mining	300,000	375,000	375,000		1,050,000
Pillar total	2,750,000	3,175,000	3,875,000	3,500,000	13,300,000
TOTAL CSP	43,000,000	48,075,000	54,825,000	61,900,000	207,800,000
<i>Economic pillar as % of total</i>	<i>6.4%</i>	<i>6.6%</i>	<i>7.1%</i>	<i>5.7%</i>	<i>6.4%</i>
CSP actual expenditures	2007	2008	2009	2010	Total
<i>ProAgri</i>	<i>1,750,000</i>	<i>2,000,000</i>	<i>1,000,000</i>	<i>1,000,000</i>	<i>5,750,000</i>
<i>Land Registration</i>	<i>400,000</i>		<i>200,000</i>	<i>200,000</i>	<i>800,000</i>
Agriculture	2,150,000	2,000,000	1,200,000	1,200,000	6,550,000
De-mining	300,000	375,000	375,000		1,050,000
Private Sector*	402,745	590,912	1,203,721	1,200,000	3,397,378
Pillar total	2,852,745	2,965,912	2,778,721	2,400,000	10,997,378
TOTAL CSP	45,110,000	48,760,000	43,275,000	38,829,699	176,109,897
<i>Economic pillar as % of total</i>	<i>6.3%</i>	<i>6.1%</i>	<i>6.4%</i>	<i>6.2%</i>	<i>6.2%</i>

* including "economic development"

8.27 De-mining had previously been counted among governance interventions, but was included in the economic development pillar because of its important role in facilitating agriculture and rural investment. This was the concluding chapter of longstanding IA support for the work of the Halo Trust. Niassa had been declared mine-impact free in 2006, and continued funding during 2007–2009 supported the completion of the mine-clearing exercise in the south of the country. The intervention was clearly *relevant* and *effective*.

Agriculture

Context

8.28 Agriculture is of key importance to the poverty reduction strategy in Mozambique given the large number of poor people involved in smallholder farming. However (as described in Chapter 3 of this report), there have been growing doubts about the effectiveness of the national strategy for agriculture, and these doubts were influential in the strategic decisions IA took during the period.

8.29 Much of the development effort for agriculture was focused on a sector approach in support of agricultural extension and research, known as ProAgri. However, there was increasing dissatisfaction with ProAgri, and a growing feeling that the support to institutional development of the agriculture ministry was not feeding through adequately into improved services for farmers or agriculture sector outcomes (see Box 17 below).

8.30 In part, the ProAgri experience demonstrates how much harder it is to implement a sector-wide approach in agriculture than in the social sectors (Foster 2000, Evans et al 2007). Technical problems are more difficult than in the provision of basic social services (as in PROSAÚDE and FASE), there is less agreement about the role of the state in fostering agricultural production and development, and the "responsible" sector ministry deals with only a portion of the factors that are crucial (which include the development of infrastructure and markets within a supportive policy environment).

Box 17 ProAgri – Disappointed Ambitions

Mozambique's National Programme for Agricultural Development (ProAgri) was developed in the mid-to-late 1990s as an attempt to focus government and donor efforts on a common vision for national agricultural development.

The ProAgri basket fund was introduced in 1999 and various dialogue mechanisms were established alongside the common fund. It mobilised a significant amount of discretionary external assistance to support the agriculture ministry (MINAG) in pursuing its development policy for the sector. A total of USD 207 million had been disbursed by donors by 2006 and an additional USD 126 million were committed for the period 2007-09. The main objective of this funding arrangement was to improve the effectiveness of public agricultural programmes and institutions in order to promote equitable growth in rural areas, reduce poverty and improve food security. Most of this was to be achieved, initially, through a significant investment in improving institutional capacities of the Ministry of Agriculture and putting it in the driver's seat of development interventions in the sector. In 2007 the concept of sector budget support was introduced and alignment with country systems was further strengthened. Donors could choose to channel their funds to the entire pool or to specific sub-programmes within it.

In practice, a disproportionate share of resources has been allocated to institutional development activities and not to service delivery.

Whilst progress has been made in strengthening institutions in the sector, there has been little or no expansion in service delivery as a result of this increase in public resources. MINAG has been through periods of significant instability and has suffered considerable losses in terms of qualified human resources. These have had an impact in terms of capacity to generate good policies and sustain the quality of policy dialogue with sector stakeholders. More recently, the GoM has started to make ad hoc, and more interventionist, policy pronouncements.

Early on there was improved government ownership (not only by MINAG but also by Ministry of Finance) as a result of achievements in alignment of aid management with country systems. However, later on ownership was eroded as ProAgri failed to deliver results in the agriculture sector. Recently, the ownership of ProAgri has waned on both the government and donor side, and the GoM has taken policy decisions with little consultation, taking agriculture policy in a more interventionist direction.

In terms of outcomes in the sector, there is little or no evidence that public service provision at field level has improved as result of the investments made in building institutional capacity of the sector ministry. Nor is there evidence that public sector actions in the agricultural sector have improved sector outcomes. The various evaluations carried out on ProAgri are consistent in concluding that ProAgri has been all about processes and procedures and very little about development results on the ground.

Source: Cabral 2009

CSP Strategy and Implementation

8.31 IA had a long-standing involvement in the agriculture sector, and was one of the original partners in ProAgri. IA continued its support, along with nine other donors, throughout the CSP period. IA opted to keep its contribution unearmarked, but to focus in dialogue on areas most related to the productivity and livelihoods of smallholder farmers. In addition, through its provincial programmes, IA provided some support to the agriculture department in Inhambane. The CSP envisaged continued support to ProAgri, but provided for a review in 2008, as a basis for deciding whether to continue in the sector.

8.32 The continuation of IA's involvement in the agriculture sector at national level was brought into question in the context of the division of labour exercise. IA had accepted that the CSP was overextended even before the financial constraints that followed the economic

crisis, and therefore accepted the logic of limiting the number of sectors in which it was involved. In any case, the growing disappointments with the agricultural sector's performance in general and with ProAgri in particular warranted a review of IA's involvement in the sector. *An Assessment of Irish Aid Support to Agriculture in Mozambique* (Ashley and Selvester 2008) presented Irish Aid with different programmatic options, as well as a set of criteria and conditions that needed to be met to guide Irish Aid in its decision on whether to continue its support to MINAG and the agricultural sector, or not.

8.33 The subject was considered during and after the 2009 MTR as part of the strategic division of labour exercise. There were strong views on both sides of the argument, but decisions were reached in March 2010. It was decided to withdraw from the agriculture sector on the basis that – despite its intrinsic importance – Ireland had no comparative or competitive advantage to offer. The Embassy reported to IA HQ that:

.. the sector historically and currently performs poorly. There is consensus that Ireland is not equipped to provide the leadership or technical capacity to bring about the major transformation needed in this sector.

8.34 The evidence available suggests that this decision followed a careful assessment of Irish Aid's programmatic strengths and weaknesses in each of the areas in which it worked (health, education, governance, agriculture, etc.), as well as its comparative advantage (technical, financial, etc.) in each of these areas vis-à-vis other donors with programmes in Mozambique. The poor performance of the Ministry of Agriculture in recent years, with several ministers being appointed in a very short period of time, the lack of progress in initiatives such as ProAgri, and the fact that other key donors such as DFID, USAID and the EC were also withdrawing their support to the agricultural sector, seems to have also weighed heavily in Irish Aid's decision to pull out of this sector.

8.35 Furthermore, all evidence suggests that the Ministry of Agriculture was fully informed about this decision and Irish Aid's motivations to move out of agriculture throughout this process. Moreover, Ireland appears to have given sufficient advance warning to the Ministry of Agriculture about this decision before ending its financial support, which will take place in a phased way until the end of 2011, in an attempt to minimise the disruption that its decision might have caused. It also continues to participate actively in policy dialogue meetings with the government on these issues, and to provide informal technical support to MINAG through its Agriculture Advisor, while it appeared that IA's support to the Land Fund would continue.

8.36 IA was also one of several donors supporting the Community Land Fund as part of a programme aimed at supporting communities to avail themselves of their rights under Mozambique's new land policies. Through a pooled fund supported by Irish Aid and five other donors, it has been possible to pilot in three provinces – Sofala, Cabo Delgado and Gaza – a land registration project, with the aim of extending the programme nationwide. After several years of piloting, the first of 40 Land certificates (DUATs) were presented to an association of small farmers in Gaza during the second quarter of 2010.

8.37 IA was able to use its position in the PAP Troika to raise issues on which it was working at programme level at high-level discussions and negotiations between the G19 and the government of Mozambique. Thus, Ireland seems to have been instrumental in bringing land issues and, specifically, land rights, and the fair implementation of the land law to the PAP-GoM debate, culminating in the inclusion of community land as an indicator of the Performance Assessment Framework (PAF) matrix and the addition of an indicator on land certification to the agriculture strategic matrix.

Assessment of IA contribution

8.38 The evaluation considers that IA's support to ProAgri was *relevant*, and working through the joint sector programme was, in principle, *efficient*; in practice, however, ProAgri funds were mainly absorbed in upstream activities and did not feed through adequately into better service delivery for small farmers. Ultimately, therefore, this support was not sufficiently *efficient* or *effective* to justify continuation. IA was left with a choice of withdrawing from the sector or finding a more effective way to pursue its objectives. The choice of sectors (division of labour) has to be considered at the level of the entire country strategy, and we return to it in the final chapter of this report.

8.39 By contrast, IA's participation in support for the land fund appears *relevant* and *efficient*. It was also *coherent* with IA's ability to pursue the policy issues involved at the level of GBS dialogue. Land issues are inherently long-term, and the ultimate *effectiveness* and *sustainability of benefits* will take time to establish.

Private Sector Development

Context

8.40 Mozambique has experienced a long period of rapid economic growth, which was maintained during 2007–2010 despite an unfavourable external environment. However, as noted in Chapter 3, growth has largely been driven by aid and by large-scale mega-projects. PARPA II and Mozambique's aid partners have recognised the need for broader-based private sector growth. Irish Aid's global policies also emphasise the importance of the private sector in development.

8.41 Whereas agricultural sector involvement was driven by a long-term, country-wide strategic involvement in ProAgri, private sector development (PSD) can be seen as more fragmented and bottom-up in approach. There is also overlap between this area and agriculture, as some of the main PSD initiatives were linked to agricultural development in Inhambane.

CSP Strategy and Implementation

8.42 The CSP anticipated the development of a specific strategy for its private sector engagement, which would '*explore options for support to job creation and examine the scope for assisting in delivering market access for smallholders*'.⁵⁸ In this area, Irish Aid would also continue its work with the NGO *Technoserve* to strengthen the capacity of the private sector in the agro-processing business sector, as well as its support to the *Business Confidence Index* initiative.

8.43 In practice there was some increase in the scope of Ireland's PSD activities during the period. Its Private Sector Development Strategy document for Mozambique, finalised in October 2008, identified a new set of interventions, in addition to the work Irish Aid was already undertaking in partnership with *Technoserve* to support agri-business firms and entrepreneurs.

8.44 The new strategic framework was formulated around three main objectives – job creation and market stimulation, increased incomes for small-holder farmers through a value-chain approach, and an improved business environment. Two new strands of work

⁵⁸ IA has highlighted that establishment of a PSD strategy in Mozambique was the first in a bilateral programme (Tanzania later followed). It was primarily a pilot initiative to see how, with initially relatively little money, Ireland could engage in this area. Decisions about its future are currently pending.

8. Other Sector Programmes and Cross-cutting Issues

were started, in addition to the relationship with Technoserve, so that the three main areas of activity were:⁵⁹

- (a) Promoting job creation and market linkages – through support to Technoserve’s programme for *Transforming the Agricultural Sector in Inhambane Province*. This component supports job creation in the agriculture and agri-business sector. Initially the support focused on the cashew, coconut and pineapple sub-sectors with the possibility of expansion to other areas as opportunities were identified. This support consists of identifying market opportunities, identifying investors, assisting investors in developing business plans, accessing finance, land, and equipment, hiring and training workers and marketing the final product.
- (b) Increasing smallholder farmers’ income – through support to CARE International’s *Sustainable and Effective Economic Development (SEED) Project*. This component, implemented by CARE Mozambique, focuses on increasing smallholders’ income from cashew production by improving the quality and sales value of the crop. The target group are communities in the most drought-affected districts of Inhambane province. Of the communities targeted, almost 60% of households are vulnerable with more than 70% earning less than \$1 per day. 47% of households are living with HIV/AIDS and 29% of households are headed by a female with no male partner. Since inception the SEED project has reached 1,200 households. Female-headed households are a particular focus.
- (c) Improving the business environment – through participation in the World Bank led *Competitiveness and Private Sector Development project*. This component is implemented by the Ministry of Industry and Commerce (MIC), as part of the World Bank’s \$25 million *Competitiveness and Private Sector Development Project* focusing on improving the business environment. The Irish Aid funded component of this project is aimed at addressing a critical constraint faced by new businesses – legal registration. Support is also aimed at improving the operations of one-stop shops in all Provinces in order to speed up and simplify the process of registering a business for all new investors, (including clients of Technoserve) thereby facilitating business expansion and employment.

8.45 There have been improvements in Mozambique's business environment that are directly related to Irish Aid’s programme. Thus, the number of days it takes to start a business in Mozambique dropped from 26 to only 13, between 2009 and 2010, bringing this indicator close to the target set for 2010 of 5 days (IA, 2010 Q3 report p15). The Public Sector Reform PAF for 2011 includes an indicator on one-stop shops which IA is directly involved with through its support to the Ministry of Industry and Commerce. Similarly, during its presidency of the G19 group Ireland brought the issues of implementation of Land Law, the Extractive Industries Transparency Initiative (EITI) and business environment reform to the final political level dialogue.

8.46 Project activities implemented by *Technoserve* and CARE in Inhambane have also reported some achievements, with up to ten businesses/clients being supported by Technoserve in the cashew, coconut and horticulture industries in that province as of the third quarter of 2010, two more than the target established for 2010; a total of 482 people employed by cashew processing operations and another 115 people working for coconut processing plants receiving support from Irish Aid through Technoserve at end of the third quarter of 2010, 44% of whom were women.⁶⁰ CARE’s SEED programme started to yield

⁵⁹ As described in the *Country Note*.

⁶⁰ Although Irish Aid’s PSD strategy document (Irish Aid 2008) set a target by the end of 2010 of 2,100 workers employed in cashew processing and 1,000 in coconut processing plants, targets which would seem difficult to meet given trends reported up until the third quarter of 2010.

results with 796 participants enrolled in Inhambane by the end of the second quarter of 2010, of whom at least 60% were women, and each farmer earned 33% more than the price they would have received without project support.

8.47 In some cases, these initiatives have broader spill-over effects in the province. The support to Moçambique Organicos, for instance, is being used by the provincial department of agriculture (DPA) as a pilot model for agricultural research and extension stations that, if successful, will be replicated in other parts of the province. The DPA is complementing *Technoserve*, for example with irrigation investments and business environment facilitation, some of it also financed by Irish Aid through its provincial programme.

8.48 These results are significant, but should be seen in perspective. They are on a small scale: the rural working age population of Inhambane exceeds half a million.⁶¹ There have also been some significant failures, especially in the case of *Technoserve*. For instance, six of the eight cashew processing plants it was supporting in Gaza and Inhambane have now closed down, mainly owing to difficulties encountered with the local business/production and institutional environment.⁶² *Technoserve* had some satisfied clients, but also some significant clients who were very dissatisfied. And, as already noted, many of these projects presented output-level results up to the third quarter of 2010 that were well short of targets.

8.49 In contrast to the decision to withdraw from the agriculture sector, IA has asserted the continuing relevance of its PSD activities. The Ambassador's report on the conclusions of the division of labour exercise noted:

Private Sector Development ... is a relatively small financial engagement, not considered a sector for our purposes in Mozambique but will continue unchanged within the current portfolio.

Assessment of IA contribution

8.50 PSD is clearly an important issue for Mozambique's growth and poverty reduction. Donors may be able to play a useful role in supporting improvements in the business environment and innovative practical projects; the latter will be more justified if there is a likelihood of replication on a wider scale. To that extent IA's private sector programme is considered *relevant*. However, the evaluation has doubts about its *effectiveness*, *efficiency* and *sustainability*. The interventions are on a very small scale, and even at that scale results are mixed. Only the support to business environment improvement has a national scope. As regards *efficiency*, the growth of Irish Aid's private sector development support activities has led to a substantial increase in the amount of time spent by its Maputo staff on project management issues, to the detriment of more strategic types of work, such as providing technical assistance and engaging in policy dialogue initiatives with government counterparts and development partners. The difficulties experienced by some of these projects have added to their demands on IA staff time. This raises issues about aid modalities and about IA's comparative advantage to which we return in the final chapter of this report.

⁶¹ According to projections by INE, the total population between the ages of 15 and 64 living in rural areas in the province of Inhambane is estimated to reach 504,410 people in 2011 (see www.ine.gov.mz).

⁶² In this connection, several people interviewed for this evaluation considered that *Technoserve* had simply tried to replicate its work and approach in Nampula province, and by doing so had failed altogether to identify, foresee and plan for some of these problems which were to a certain extent to be expected.

D. Cross-cutting issues

8.51 The CSP identified four cross-cutting issues:

Governance will be a central theme; **HIV/AIDS** and **gender** will be focused on in the human capital pillar and the provincial engagement. Efforts to improve internal capacity to engage in **environmental issues** across the programme will be progressed. [emphasis added]

8.52 Support to the governance pillar has been reviewed in Chapter 6, which also noted that governance issues, both political and technical, featured strongly in other components of the programme. High-level governance issues became a prominent part of the G19 dialogue, while IA also pursued the themes of internal and external accountability and better public finance management in all its sector and provincial programmes. HIV/AIDS was reviewed in Chapter 7. Here we note how gender and environmental issues featured in the programme.

Gender as a cross-cutting issue

8.53 Gender mainstreaming is an established IA strategy, and one of its Maputo staff is assigned as a gender focal point. Gender issues are prominent across all components of the IA programme, not least in the human capital and provincial engagements, and IA has participated actively in various gender working groups and on related issues such as girls' education. Planning, implementation and reporting across all pillars demonstrated consistent attention to gender issues.

Environmental issues

8.54 Environmental issues have not been very prominent in Mozambique, though this is likely to change as the climate change agenda gains momentum. The CSP commitment was to improve internal capacity to engage in environmental issues. To this end, the rural development advisor in Maputo also acted as the environment focal point, and liaised with IA headquarters in disseminating IA policies and guidelines. An HQ-funded IUCN project was used to raise awareness of environmental issues in Niassa and Inhambane provinces, and also as an opportunity for Embassy staff training. Inhambane province is prone to drought and floods, and IA funded a study on water management, and a study visit to Ethiopia.

9. Provincial Programmes and Support to Decentralisation

A. Introduction and scope

9.1 During the CSP period, 2007–2010, IA continued long-standing programmes in two Provinces, Niassa and Inhambane. IA's approach was linked to national-level support for decentralisation, and IA also sought synergies with other components of the country programme. Section B of this chapter provides the context of Mozambique's approach to decentralisation, including developments during 2007–2010. Section C describes the CSP strategy and how it developed from previous phases. Section D reviews its implementation. Section E provides the evaluation's overall assessment. Section F summarises.

B. Context – decentralisation in Mozambique⁶³

Political framework

9.2 From the colonial era, Mozambique's provinces and districts were administrative units of a highly centralised government, and moves towards decentralisation are recent. In 2003 the Law of State Local Authorities (LOLE) gave more responsibility to districts; this included operating their own budgets. Partially elected district consultative councils have been established. Provincial governors and district administrators were given more powers to coordinate sector agencies operating at provincial and district level, and provincial authorities were expected to support the development of district capacity. A new post of Provincial Permanent Secretary was created in 2005. The gradual strengthening of provincial governments culminated in the first provincial assembly elections in October 2009.

9.3 Autonomous municipal governments have been created for cities, provincial capitals and other concentrations of population. There are now 43 municipalities, which are run by elected local governments, and have substantial control over their own budgets.

Fiscal decentralisation

9.4 Annex 7 reviews the extent of fiscal decentralisation, in terms of the share of public expenditure that is managed at provincial and district level. Table 10 below is a summary. District responsibilities have grown significantly (executing 8% of all recurrent expenditures in 2010, up from only 2% in 2006). However, this is mainly a transfer of responsibilities from the provincial level, not from central government. Investment expenditure remains much more centralised than recurrent, though the provincial share increased from about 6% in 2006 to roughly 15% in 2009 and 2010.

9.5 In 2006 GoM began allocating investment funds directly to district administrations, initially as a lump sum per district amounting to 7 billion Meticaís, approximately USD 300,000 at the time. This was an important step in district empowerment, but the funds were specifically for economic development, not infrastructure, and guidelines on their use were weak. In late 2009 GoM formally established District Development Funds to support local infrastructure projects (Decree 90/2009, of 15 December 2009). However, there are still concerns over how funding made available to districts through these two financing instruments is being planned and spent.⁶⁴

⁶³ See Annex 5 for more detail.

⁶⁴ This was one of the issues raised with the government by G19 donors during the 2010 Joint Review exercise (PAP/GOV, 2010:WG report).

Table 10 Budget execution by level of government 2006–2010 (% share)

	2006	2007	2008	2009	2010
Recurrent expenditure					
Central government	54.4	53.7	51.1	51.9	54.1
Provinces	42.5	43.6	43.5	40.6	36.6
Districts	2.1	1.8	4.6	6.3	8.1
Municipalities	1.0	0.9	0.7	1.3	1.2
Investment expenditure					
Central government	88.0	84.3	79.5	78.4	80.5
Provinces	5.8	9.8	14.3	15.4	14.0
Districts	5.2	4.4	5.4	5.3	4.6
Municipalities	1.0	0.9	0.8	0.8	0.8

Source: Annex 7, Table A7.1

9.6 Implementation of district budgeting has been facilitated by the integrated accounting system (SISTAFE) although the implementation of the electronic version (e-SISTAFE) at district level is still far from complete. There has been a general improvement in execution rates for investment and recurrent expenditures across all provinces (see Annex 7, Table A7.2 for trends from 2008–2010).

Aid and decentralisation

9.7 Historically, many donors, recognising the weaknesses of central government, channelled aid directly to provinces. As GoM capacity increased, it became more practical to channel funds via GoM mechanisms (including FASE and PROSAÚDE in the case of education and health respectively), and the number of donors with multi-sectoral interventions in the provinces has declined. There was a corresponding effort by donors, including IA, to coordinate their support to decentralised capacity development (see ¶9.14 below).

Status of decentralisation by 2010

9.8 The GoM/G19 Joint Review exercise of May 2010 (GoM & PAP 2010) recognised that progress had been made in decentralisation, especially in (i) increasing budget transfers to sub-national levels; (ii) making local councils operational; (iii) formally establishing the District Development Funds mechanism; (iv) the deconcentration of sectoral funds for public works (especially with regard to water and tertiary roads), provincial and district finance, health and education; and (v) the approval and publication of new staffing for district administrations. At the same time, it identified a number of shortcomings, especially in (i) creating conditions to retain government staff at district level; (ii) establishing the legal framework for district-level consultative councils; (iii) enhancing the links and coordination between sector-level and sub-national planning exercises; and (iv) improving the monitoring and evaluation of local councils' performance.

C. Irish Aid strategy

IA policies on decentralisation and local development

9.9 Irish Aid globally has a strong commitment to decentralisation as a means of supporting pro-poor development. Its Local Development Policy (Irish Aid 2007c) seeks to reduce poverty at local levels, and to build strong local institutions. It also emphasises the role of such programmes in keeping IA in touch with the realities of implementation and development at local level. At the same time IA strongly advocates working with and through national systems.

Background to the IA provincial programmes

9.10 When IA began working in Mozambique, in the late 1990s, the balance of these considerations was much clearer: central administration systems, including systems of public finance management, were very weak and IA, in common with many other donors, saw a clear justification for channelling resources directly to provincial level, in provinces whose needs clearly exceeded what the central authorities were able to deliver. It particularly supported projects in priority sectors, including health, education and agriculture, as well as institutional capacity building.

9.11 However, the balance of such arguments has been changing with the evolution of decentralisation in Mozambique and the strengthening of central government's planning and financial management systems. Accordingly, the evaluation of the previous CSP (ECORYS 2006) recommended continuing the provincial programmes, but with a narrower focus, and more attention to capacity building of their planning departments and engagement in the budgeting process.

9.12 A specially commissioned study on the subject (Warren-Rodríguez 2006) similarly noted that ongoing reforms in PFM were addressing several of the previous bottlenecks, and that the increasing ability of the central government to roll out service delivery programmes at provincial level could shift the nature of the provincial bottleneck from a lack of financial resources for local development to a lack of implementation capacity. It argued that direct financial support to the provinces should be gradually phased out, with IA funds increasingly being channelled through national funding mechanisms, while maintaining an institutional relationship with the provincial governments. Implicitly, this meant that the potential synergies from working simultaneously at national and local levels became a more important part of the justification for the provincial programmes.

9.13 IA planning recognised that the evolution of decentralisation in Mozambique would require adaptation of the IA approach. Many of the assessment issues for the evaluation are about the pace and timing of the adaptations made.

Objectives and strategy 2007–2010

Support to national decentralisation programme

9.14 IA was among the donors supporting the decentralised planning and finance initiative (see Box 18 below). IA also provided informal technical assistance to the MPD team working on decentralisation.

Box 18 The Decentralised Planning and Finance (PPFD) Initiative

The PPFD initiative has been instrumental in developing and introducing a comprehensive methodology for district-level planning and budget formulation.

It originated in the late 1990s as a pilot project in the province of Nampula, but its success led to its gradual replication and extension during the first half of the 2000s to almost all provinces (except Gaza and Maputo) through two similar projects run by the World Bank and GTZ/PRODER, and operated under the general denomination of PPFD. In 2006 these three projects – PPFD-MPD, World Bank and PRODER – were subject to a joint evaluation, which recommended merging them into one joint national programme, to be managed by MPD, with the support of interested donors.

It was agreed in 2006 to support the process over five years with a common fund of USD 47m funded by Ireland, Switzerland, the Netherlands and the World Bank, with technical assistance by Germany (GTZ) and the UNDP. The common fund would pay for capacity development provided by a national team to provincial teams and then down to district level.

Provincial programmes in Niassa and Inhambane

9.15 The CSP strategy emphasised a narrowing of focus: the programme in each province would concentrate on two or three specific areas where IA could support reform and pro-poor service delivery by linking its provincial inputs with its national support to the sector. The PAEG submission (November 2007) emphasised the role of the programmes in strengthening national systems, including the need for the provincial governments themselves to play a strong role in managing the programmes supported by IA, and in strengthening district capacity. It also spelt out the specific areas of focus that had been agreed in discussions with the provincial authorities (the discussions were informed by a number of sector/thematic studies in each province):

Niassa Province	Common elements	Inhambane Province
Education	Decentralisation	Private sector
Health	Public Sector Reforms	HIV/AIDS Home Based Care
Roads and Bridges	Monitoring and Lesson learning	Water

9.16 This was later described as a "sector-deep" approach, which would also focus particularly on capacity constraints. The strategy now put even more emphasis on synergies between the provincial engagements and the rest of the programme. Provincial engagements would be a "barometer of realities on the ground" which would feed into IA's national engagements, both as an entry point for monitoring the decentralisation process, and as a means of working simultaneously at local and national level on sector-specific policy issues.

9.17 As a basis for this stronger collaboration with the provincial governments, new MOUs would be agreed with each. IA would collaborate closely with Sida, which also had a broad provincial programme in Niassa. And in both provinces IA would also work with non-government partners, especially to build the capacity of communities to engage with their local governments.

Planned Inputs

Finance

9.18 The provincial programmes were allocated €26.3m, or 12.7% of the country programme over 2007–2010.

Staff inputs

9.19 Staff inputs were key to the strategy. IA maintained a technical staff complement in each provincial capital, including a programme coordinator, a monitoring officer and an accountant. They were supervised and supported by the Development Specialists in Maputo, with additional professional inputs from IA's governance advisor (who was also a link to the decentralisation support work with the central government) and internal auditor. IA's sector specialists (for education health, rural development, etc.) were also directly involved in supporting the provincial programmes in their sector.

D. Irish Aid implementation

Planned and actual expenditures

9.20 Table 11 below summarises actual total expenditures on the provincial programmes against the amounts originally programmed in the CSP. As already noted in Chapter 3 of this report, there were substantial reductions in provincial allocations in 2009 and 2010, with a corresponding reduction in their share of the total CSP programme. Problems in absorptive capacity made it easier to find savings when the total IA programme was cut, and eventual expenditure on the provincial programmes was less than 70% of what was originally envisaged.

Table 11 CSP Planned and Actual Expenditures on the Provincial Programmes

	2007		2008		2009		2010		2007–2010	
	CSP	Actual								
Amounts (€ m)	5.30	6.00	6.50	5.71	7.00	2.97	7.50	3.34	26.3	18.0
<i>Niassa</i>	2.59	3.26	3.25	2.90	3.50	1.39	3.75	1.72	13.1	9.3
<i>Inhambane</i>	2.71	2.74	3.25	2.81	3.50	1.58	3.75	1.62	13.2	8.7
Actual % of Planned	113.3%		87.8%		42.4%		44.5%		68.5%	
<i>Niassa</i>	126.0%		89.3%		39.6%		45.9%		70.8%	
<i>Inhambane</i>	101.1%		86.4%		45.2%		43.1%		68.2%	

Implementation – support to decentralisation

9.21 The MOU for the common fund was expected to be signed in 2008 but this did not actually happen until March 2010 – and the first disbursement occurred in November 2010. A lengthy World Bank approval process was a source of delay, and led to other donors becoming equivocal. There was a second stumbling block: by 2008, GoM was to draw up a decentralisation strategy which would clarify the future allocation of funding to the districts, and therefore the parameters for the programme's implementation. This has still not appeared and is said to be caught up in political debates about the risks of decentralised funding, including the risk of funds falling under the control of opposition parties. This raises concerns that are unlikely to be resolved before the Frelimo Congress in September 2011.

9.22 In the meantime, government officials working on decentralisation were very appreciative of IA's role in sustaining this initiative by continuing to fund the UNDP/UNCDF/MPD project during the transition phase; they also appreciated IA's influence in developing a fully on-budget common fund and its ability to base its funding on the agreed general MOU without a separate bilateral agreement. Interviewees also praised IA's work on the decentralisation working group and as focal point for the PPF initiative.

Implementation – provincial programmes

Implementation framework

9.23 The transition to the new "sector-deep" approach was gradual as a broader set of ongoing activities were completed. New agreements were signed with both provinces in 2008. They were supported by a revised financial manual which took account of developments in GoM's own PFM systems. This allowed for IA to continue to fund specific budget lines within an agreed provincial programme.

9.24 In the case of Niassa, there was systematic coordination with Sida, which also has a provincial programme there, but which has provided its funding to the provincial government as unearmarked support to the provincial budget. This included a joint annual planning meeting with the provincial authorities, and joint reviews of performance. All parties regarded

this coordination as valuable. For most of the period, however, Sida did not have a local office in Niassa, and this constrained day-to-day collaboration.

Health sector components

9.25 The provincial health sector activities that IA supported were strongly linked to its national health sector programme (as reviewed in Chapter 7 above). Thus, in Niassa, IA funded community health services delivered by the Catholic diocesan agency (CDS) linked to consultancy support to develop a community health strategy, which in turn fed into work on a national community health strategy (see Chapter 7, Box 11). In Inhambane, health sector support focused on home-based care (HBC) for people living with HIV/AIDS, which again has been linked to the dialogue on national policies and strategies on HBC (as noted in Chapter 7, Box 12).⁶⁵ In both cases there were tangible contributions to services in the province, as well the link to national policy development. The Clinton Foundation (also see Chapter 7), gave special attention to Niassa and Inhambane in its technical work (e.g. the strengthening of supply chain management at provincial level).

Infrastructure

9.26 In Niassa, IA continued to fund selected roads (repairs) and bridges. Support to feeder road repairs has been phasing out in recent years as the district road fund has become a more reliable source of support. Nevertheless, the evaluation team found that specific roads and bridges were often cited as highly visible evidence of the value of the Irish programme.

9.27 In Inhambane, recent infrastructure support has concentrated on water and sanitation. The CSP extension document reported the expansion and improvement of the Inhambane province rural water supply and sanitation programme by funding for the construction/rehabilitation of 172 water points, directly benefiting about 86,000 people; the construction of 35 units of community and family water tanks for harvesting rain water in drier zones; and the construction of 3,158 improved latrines.

Education

9.28 In Niassa support to girls' education included a focus on protecting girls from sexual harassment. This is seen as particular issue in Niassa because of cultural practices and the low population density which means that secondary school pupils commonly have to board. With IA assistance, the provincial education department developed and in 2008 rolled out a strategy to protect girls from sexual harassment on their way to and from and within schools; again this was linked to the national dialogue, with the direct involvement of IA's education adviser at both levels. Support to school infrastructure is now seen as something that should be taken care of through FASE – see Chapter 8 – and the education programme in Inhambane has been phased out.

Agriculture and private sector development

9.29 Support to (agriculture-related) private sector development in Inhambane is extensively reviewed in Chapter 8 of this report, as part of its discussion of the CSP's economic pillar.

Civil society capacity building

9.30 In both provinces there was support to civil society capacity (via an international NGO, IBIS in Niassa, and via a provincial umbrella organisation, FOPROI, in Inhambane). In Niassa, IBIS's areas of focus include access to information, community development education, good governance – "building citizenship in Mozambique". It aims to empower

⁶⁵ In Niassa, IA also supported HIV/AIDS services via an NGO, MSF, in a programme that was eventually handed over to the provincial health department.

CSOs as well as individual citizens. It is currently working with several CSOs and in 9 districts, where it has 236 "change agents" – these are volunteers nominated by the community, who act as liaison for communication of ideas (topics mentioned included HIV, gender, sexual violence, environment, etc.). There are particular efforts to support the new consultative councils. The Civil Society Support Mechanism (CSSM) reviewed in Chapter 6 is now an additional source of funding for such initiatives.

Capacity development and fiduciary issues

9.31 IA supports capacity development in the central and sectoral provincial departments that it works with. This includes relatively small amounts of finance for training, study tours, etc. More fundamentally, IA's manner of working with the provincial authorities is itself aimed at systemic capacity building, especially in budgeting and financial management. Key relationships are with the provincial permanent secretary's office and the provincial planning and finance department.

9.32 In both provinces capacity building is hampered by a high turnover of government personnel, and Niassa in particular has experienced serious fiduciary issues. The 2007 PAEG document highlighted "culture of endemic fraud and corruption" as a high risk, which it sought to mitigate through IA's work with provincial government and with the national internal audit office in order to strengthen internal control systems. A case of fraud linked to IA funds led to long prison terms for two Niassa government officials in 2008.

9.33 Nevertheless, IA worked closely with government agencies, and tried not to undermine their ownership of the activities it was funding, although it earmarked its funds and kept them separate. Funding to government activities at provincial level has been based on an approved annual provincial plan, with IA funding earmarked to approved lines/activities within it. Previous years' accounts have to be closed before the current year's transfers are made; this, together with delays in budget formulation in some years, has sometimes led to funds being disbursed very late in the year, with consequent underspending.

9.34 Increasingly IA has supported the work of GoM's own internal and external audit agencies (the Inspector General of Finance – IGF, and Administrative Tribunal respectively). This included construction of an IGF office in Niassa, and many of the queries that have been raised concerning the IA programme have come from the IGF's own checks. IA is also currently helping to develop an anti-corruption strategy in Niassa.

9.35 As explained in Annex 5 and Annex 7, there has been considerable progress in rolling out GoM's integrated financial management system, which is linked to a single treasury account (the CUT) and a computerised disbursement system (SISTAFE). In 2009 the embassy senior management team agreed that IA should move on-CUT in one of the provinces on a trial basis. In 2010 it was agreed that Niassa would be pioneer, on the basis that it had more internal control weaknesses, and using the direct execution mechanisms of e-SISTAFE was expected to limit the scope for irregularities and improve visibility, efficiency and effectiveness. Moving on-CUT should improve the predictability and reliability of disbursements, since it requires IA to notify GoM of its financial commitments for the coming year in time for them to be incorporated in the GoM budget.

E. Assessment of Irish Aid contribution

Perspective

9.36 The context for IA support to decentralisation and its provincial programmes has been evolving, but at an uncertain pace. At the time the CSP was formulated, IA reasonably expected faster progress on the joint provincial planning initiative, and also anticipated more rapid decentralisation of responsibilities and finances to district level. IA also faced dilemmas

in seeking to work with, and strengthen, government systems while recognising, and experiencing, the fiduciary risks involved.

Relevance

9.37 The evaluation considers that working at provincial and district level continued to be relevant in the context of broader aims to support pro-poor development (EQ3). As IA's strategy recognised, the basis of such relevance was changing. There was less justification for implementing provincial programmes as a way of boosting resource flows to disadvantaged provinces (see Box 19 below). In addition to its financial contributions, it was therefore appropriate for IA to move more in the direction of systemic capacity development, and working to support the provinces' central administrations and finance departments was a relevant approach.

Box 19 Fair shares of spending for Niassa and Inhambane?

Evidence presented in Annex 7 raises question marks about the additionality of Irish Aid funding to Niassa and Inhambane. There is no doubt that IA funds were passed through the provincial budgets as agreed, but aggregate data suggest that, at the same time, these provinces received less domestic funding for investment, so that per capita levels of investment for these provinces were in line with national averages despite the high level of external funding.

Source: for more detail see Annex 7, ¶36ff and Table A7.4.

Coherence and lesson-learning

9.38 The "sector-deep" approach emphasised vertical coherence within sectors, and made practical links between provincial prototypes and national policy in the health and education sectors. There was coherence too between the provincial programmes and support to the national decentralisation programme. An inevitable consequence was that each provincial programme became less comprehensive and coherent across sectors within the province.

9.39 A corollary of coherence is lesson-learning. IA itself considered that (as in previous periods) lesson-learning from the provincial programmes was insufficiently systematic. There have been some joint visits to the provinces by IA's Maputo-based staff, but some provincial interviewees consider that not enough use was made of their potential to provide mentoring and support to departments at provincial level.

9.40 Nevertheless, it was clear to the evaluation team that IA has an understanding of decentralisation and of front-line service delivery issues that is deeper and more practical on account of its provincial engagements, and that IA's engagement at provincial level fed very practical considerations into IA's engagements in the GBS dialogue, including its perspective on PFM development, and into its contributions to sector debates on health and education.

9.41 Many relevant contributions were informal: for example, Irish Aid provided informal technical assistance to the MPD's PPF programme, e.g. in drafting and providing comments to project documents. This enabled Irish Aid to establish a close working relationship with its counterparts at the MPD working on decentralisation.

Effectiveness and efficiency

9.42 Overall, the provincial programmes are judged effective, both in supporting service delivery, and in supporting capacity building and policy development. However, their effectiveness has been constrained by problems in the efficient absorption of IA funds. The move on-CUT that is to be pioneered in Niassa offers a prospect of linking more predictable IA funding to appropriate fiduciary safeguards on disbursement.

Sustainability

9.43 High turnover at provincial level and the difficulties of capacity development hamper sustainability. On the other hand, working with mainstream government systems offers a better prospect of durable effects. IA is also notable for its persistence and the consequent building up of experience and relationships that can make IA a more effective player in the medium and longer term. The depth of Irish experience in Niassa and Inhambane is one aspect of this, and IA deserves credit for its willingness to operate in, and seek to improve, difficult fiduciary environments.

F. Chapter Summary

9.44 Both GoM and Irish Aid rightly identify decentralisation as an important part of a pro-poor development strategy, with the potential to make public services more efficient, equitable and accountable to users. There have been important changes in the political framework of decentralisation, but the pace at which real (and budgetary) responsibilities are being decentralised is slow.

9.45 As central government capacities have increased, the rationale for donor support to specific provinces has changed. Irish Aid was right to focus on fewer sectors in each province, and to seek synergy between its sector and provincial engagements. It can point to clear examples where provincial experience has fed national policy development. However, with a narrower set of sector activities in each province, IA's value at the provincial level will increasingly depend on its ability to respond to the capacity development needs of provincial and district administrations as the national decentralisation programme proceeds.

PART IV – ASSESSMENT OF THE PROGRAMME AS A WHOLE

10. Overall Conclusions, Lessons and Recommendations

A. Introduction and Scope

10.1 This chapter builds on findings and conclusions from the earlier sections to provide the evaluation's overall conclusions on the country programme as a whole. These are explained in Section B (which concludes with a summary table of responses to each of the Evaluation Questions from the TOR) and linked to broader lessons that are drawn from the assessment (Section C) and recommendations for IA to consider in preparing the next phase of the country programme (Section D).

B. Conclusions on the Programme as a Whole

Overview

10.2 This section assesses the country programme as a whole against the criteria of relevance, efficiency, coherence, effectiveness, impact and sustainability. It considers its performance against each of the four strategic objectives that were set in the original CSP 2007–2010.

10.3 The evaluation judges that the Irish aid programme to Mozambique was generally relevant and well aligned with Mozambique's needs and priorities. It was efficient both in design and in implementation, and it has made effective contributions to improvements in policies and systems, as well as to Mozambique's overall progress towards the MDGs. The approach of working predominantly with and through government systems has been effective in maximising the impact of Irish aid, although it means that "Irish" achievements at the outcome and impact level are not usually separately identifiable (it is nevertheless important not to overlook the shared results to which Irish aid has contributed). This approach makes sustainability more likely.

10.4 IA has not pursued the aid effectiveness agenda in a doctrinaire way: it has shown awareness of the risks attached to its chosen ways of working, and has acted to monitor, mitigate and spread those risks, both in its choice of modalities and in its continuing efforts to refine them. The IA programme demonstrates the benefits of showing stamina within particular country and sector engagements, so as to build up its relevant expertise and understanding and to persist with interventions, including developments in policy and capacity, that inevitably take time to implement and to bear fruit.

10.5 Of course these general conclusions do not apply unreservedly to every aspect of the programme, and the evaluation has drawn attention to weaknesses as well as strengths that were noted. Criticisms should be taken in context: it is important in development to take some risks and to accept that not every intervention will be equally successful. IA has demonstrated a culture of willingness to learn from experience, and we comment below on lesson learning within the Mozambique country programme.

Relevance

10.6 Relevance relates both to the appropriateness of the interventions selected and the quality of their design, and these aspects were reviewed in detail in Chapter 5 of this report. The evaluation considers that the CSP was highly relevant. It was well aligned with Mozambique's priorities and strategies, and virtually all of its components have a clear pro-poor orientation. In its preparation, IA took careful account of GoM preferences and

consulted with GoM partners at different levels of government, as with other aid agencies. Continuity between this CSP and its predecessors meant that overall design of the CSP was, appropriately, a matter of refining and improving upon the previous CSP. IA took good account of previous evaluations and reviews in doing so.

10.7 It could be argued that the programme was (financially) heavily weighted towards the human capital and governance pillars of PARPA II, rather than the economic development pillar. However, the economic importance of basic education, health and HIV/AIDS interventions should not be underestimated, and IA chose to focus on areas where it had a clear comparative advantage. The GBS component meant that IA was directly engaged with Mozambique's poverty reduction strategy as a whole.

Effectiveness and Impact/Results

10.8 The OECD DAC definition of "impact" refers to development interventions' long-term effects on beneficiaries. In most cases it is too early for such long-term effects to be visible (and the outcomes for which data became available during the period of CSP implementation would mainly reflect inputs from earlier periods.) As IA's own mid-term review noted, the CSP's strategic objectives were very broadly stated. In most cases they indicated directions in which IA would seek to influence the combined efforts of GoM and its donor partners. This meant that IA did not have direct control over the outcomes, but it also meant that its potential influence was much broader than if it were confined to distinct IA initiatives. This evaluation's approach has been to consider "results" (discernible effects of Irish aid) at each stage in the causal chain, and to consider the collective results of joint activities and pooled expenditures, as well as the distinct influence of Irish activities.

10.9 Despite the breadth of the SOs, they did give strategic direction to the programme and indicated priorities for the use of IA influence in policy dialogue. The next paragraphs consider the joint and distinct results the evaluation has identified against each of the strategic objectives specified in the original CSP.

Strategic Objective 1: Pro-poor targeting of services provided by the public sector

10.10 Irish Aid made substantial direct financial contributions to pro-poor services, both through GBS and through its direct financial contributions to the sector programmes in health/HIV&AIDS and education. The sector chapters in this report document significant results in expanding health and education services, for which Irish Aid can claim a share of the credit.

10.11 Irish Aid also played a significant role in "crowding in" finance from other agencies. Its role in consolidating GBS under a new MOU has helped to keep a broad range of donors involved in GBS. In the education sector, IA was instrumental in obtaining additional FTI financing to be disbursed through FASE.

10.12 In all its sectors of engagement, IA consistently advocated for pro-poor targeting, including attention to gender and HIV/AIDS dimensions. Its influence was effective in implementing provincial prototypes and promoting national strategies for developing community health services, home-based care and the protection of girls in educational institutions. It was part of a group that made progress in land registration, and raised the profile of land issues in the national dialogue. Its wider involvement in the agriculture sector was less effective, mainly because of the inherent weaknesses in ProAgri.

Strategic Objective 2: Increased accountability of the public service to citizens, especially the poor.

10.13 Making public services more accountable is a long-term process, given the limited scope and low capacity of civil society organisations in Mozambique. Nevertheless, Irish Aid made significant contributions:

- Through its troika role, IA was instrumental in strengthening the governance dialogue between GoM and the G19 and putting it onto a more systematic footing. IA was instrumental in setting up the Governance Platform, as a basis for more coherent donor advocacy on governance issues, and in ensuring a more systematic high-level dialogue on political governance under the new MOU. This helped to elicit more specific and monitorable governance commitments from the government.
- It helped to secure Mozambique's adherence to the Extractive Industries Transparency Initiative, which has important implications for ensuring that all Mozambicans benefit from future resource exploitation.
- It provided well-designed support to demand-side accountability through the CSSM and IESE, and supported similar CSO efforts in Niassa and Inhambane.

Strategic Objective 3: Capacity strengthening of Government and civil society partners to implement pro-poor policies and programmes.

10.14 IA's approach to capacity development has been built into the design of the whole country programme. Thus IA has consistently focused on using and strengthening government systems as much as possible, rather than undermining government capacity with parallel systems and additional demands on capacity. It has systematically supported the strengthening of PFM, through its engagements at GBS, sector and provincial level. It played a significant role in the development of the Human Resources Development Plan for health, and, especially through the Clinton Foundation, provided substantial technical support to the Ministry of Health. Its provincial programmes in Niassa and Inhambane provided valuable training and support at provincial and district levels, as well as to district-level civil society organisations. Its support to CSSM and IESE has already been noted.

Strategic Objective 4: Improving aid effectiveness through strengthening the relationship between donors and Government and improving the quality of dialogue, partnership and programme management.

10.15 Irish Aid has been a leader in applying and promoting the aid effectiveness principles embodied in the Paris Declaration and the Accra Agenda for Action. It has embodied aid effectiveness principles in the design of its own programme, as well as seeking to strengthen relationships and systems in line with SO4.

10.16 The annual PAPs' PAF assessments provide an independent assessment of the IA programme against a set of aid effectiveness indicators. Overall, Ireland scores well in Mozambique in terms of its efforts to comply with Paris Declaration principles and quantitative targets. Thus, in the various assessments since 2006, Ireland's performance has been qualified as either 'very good' (in 2006 and 2008) or 'good' (in 2007 and 2009),⁶⁶ with its rank among the 19 donors that comprise the PAP group moving between the 3rd position it achieved in 2008 and the 8th place it reached in 2009.

⁶⁶ In these reports, G19 donors are assessed along four main areas relevant to aid effectiveness: programmatic composition of their ODA portfolio, predictability, harmonisation and alignment, and technical assistance. In each of these areas a series of indicators and targets are defined in order to measure donors' aid effectiveness performance, and points awarded to each donor according to the level of achievement of these targets. The maximum number of points possible is 36, with donors' performance scored as 'very good' if they obtain more than 32 points, as 'good' if they obtain a score of between 28 and 31 points, as average/acceptable if they score between 23 and 27 points, as low if they score between 19 and 22 points, and as weak if they score less than 21 points.

10.17 Ireland tends to perform well or very well in most areas examined in these PAP assessments, except in terms of the programmatic composition of its aid portfolio. In this regard, Irish Aid's preference for a mix of aid modalities in its programme portfolio and, in particular, the relatively low share of ODA it disburses through GBS, works against it. The share of GBS is one of two indicators examining donors' programme portfolio in these assessments and which also affects the volume of aid using national PFM systems (another performance indicator).

10.18 However, the PAP assessments have recognised the fact that Irish Aid uses country systems for other modalities besides GBS, and the 2008 assessment (IESE 2009) highlighted that *'the case of Ireland also confirms that even with a not so large share of GBS it is quite possible to make adequate use of national systems'* (p35), and presenting the case of Ireland as *'a strong reminder that any PAP, or any other donor, willing can maximise utilisation of GoM systems of public finance management. Although the composition of portfolio and utilisation of GoM systems are linked, a donor does not necessarily have to provide GBS to align and harmonise with GoM PFM cycles and systems'* (p57).

10.19 As reviewed in Chapter 6, Ireland, through its role on the Troika+, and especially during the renegotiation of the GBS MOU, made a very substantial contribution. It was instrumental in negotiating a new MOU that kept the GBS group together, ensured the G19 dialogue would continue, and strengthened the focus on governance issues; it brought additional players (USA and the UN) closer to the group, and the new MOU embodied technical improvements in the GBS mechanism, supported by more practical cohesion on the donor side. Most observers considered that the IA management of the Troika+ presidency was very adroit, and that it was unlikely that anyone else could have done a better job.

10.20 IA is also credited with very positive contributions to the development of the new MOU for the health sector programme, PROSAÚDE, and in leveraging FTI finance while acting as focal point for the education sector. Securing the Clinton Foundation's modus operandi of working with and through national health systems was a very valuable contribution in the health sector, which suffers from the fragmenting effects of vertical funds.

10.21 People in government and in the donor community interviewed for the CSP evaluation generally viewed Ireland's engagement in the PAP framework in a very positive light. Irish Aid is seen as a good performer in the aid effectiveness framework, as well as an agency that actively plays by the rules, seeks the common good, rather than its own programmatic agenda, and is proactive in its engagement with both government and other development partners in Mozambique. It is seen as having a good understanding of the Mozambican socioeconomic and political reality, as well as of the donor and government policy relations in Mozambique.

Overall Assessment

10.22 The evaluation agrees that a more precise formulation of objectives and intended results would be helpful in future CSPs. Nevertheless, it concludes that the programme has been generally effective in implementing the CSP, and can claim substantial achievements against each of its original strategic objectives.

Coherence

10.23 Its attention to coherence was one of the strengths of the country programme. This has several dimensions: (a) the strategic objectives were mutually reinforcing (thus, for example, the approach to aid effectiveness supported capacity strengthening of government systems); (b) it selected sectors and areas of focus that complemented what other donors were doing, as well as reflecting IA's strengths; and (c) it actively sought synergies between

its own activities at different levels of government, and greater coordination and complementarity among development partners.

10.24 Coherence, complementarity and synergy have been particularly high across the GBS/governance and human capital pillars of the programme. Issues that relate to the efficiency and accountability of government systems and the effectiveness of service delivery are relevant both at the GBS level and in the dialogue linked to the social sectors, and IA country-level experience and expertise have been consistently and effectively brought to bear in the different forums. Provincial involvements have been valuable in informing the national-level engagements. There has been less synergy across the economic development pillar, although IA was able to use its role in high-level dialogue to give more prominence to economic issues such as land rights and the EITI.

10.25 The evaluation found little evidence of purposive coordination between the CSP-funded activities and the activities of international NGOs and CSOs funded from HQ, and did not review the latter activities per se.

10.26 Perhaps reinforced by the exigencies of the Troika+ role during this CSP period, the political and development functions of the embassy appeared to be highly integrated.

10.27 The division of labour review highlights the potential tensions between coherence/complementarity and focus of the programme. It could be argued that the programme will become narrower as a result of the decision to withdraw from national-level participation in the agriculture sector. At the same time, the arguments that IA has a stronger comparative advantage in the retained sectors – governance, health and education – are strong, and as we have noted there are also strong synergies in the Irish role in these areas. The decision to withdraw from general public sector reform and focus on decentralisation, which links to IA's provincial programmes, has a similar logic. It will be important to take advantage of GBS and its associated dialogue as a continuing avenue for addressing issues that extend beyond IA's core sectors.

Efficiency

10.28 The CSP design was structurally efficient in its systematic application of aid effectiveness principles. Thus supporting the joint funding mechanisms of GBS and key sector programmes limits the transaction costs associated with the management of separate projects, enables IA staff to focus on systemic and policy issues and extends the potential impact of IA efforts beyond the funds IA provides directly.

10.29 At the same time, this approach demands intensive inputs at policy and system levels (more than at the level of detailed project administration), and requires that IA is able to deploy staff with relevant sector expertise and adequate country knowledge. The extensive use of locally recruited staff in responsible roles has been a major contribution to efficiency as well as effectiveness.

10.30 The main risk to efficiency is that staff become overloaded with the combination of direct programme management responsibilities and their additional roles vis-à-vis GoM and other development partners. This has been a chronic problem, and one of the main incentives for further streamlining of the programme.

10.31 A particular challenge was to manage the additional workload linked to Ireland's responsibilities in the G19 troika. IA was astute in its approach to planning for this engagement and its use of extra staff to support it. Inevitably this put a substantial additional strain on the whole programme, with which it coped remarkably well.

Sustainability and related issues

Sustainability

10.32 By channelling most of its aid to support the expansion of mainstream government services, IA largely avoids the risk associated with free-standing projects – that their benefits will wither upon cessation of direct donor funding. Moreover, by remaining engaged in the same sectors over long periods, IA has been able to pursue issues associated with sustainability of benefits. A key emerging issue at general and sector level is to ensure that GoM's long-term expenditure plans are consistent with maintaining the level of services currently being funded with donor support. Where IA is supporting the development of non-government organisations, it is important to recognise that capacity development is a slow process that requires long-term engagement if sustainable results are to be achieved.

10.33 At the same time, there are concerns about the sustainability and reliability of donors' collective long-term commitments to Mozambique. Recent decisions on "division of labour" grounds seem to have led to uncoordinated exits from certain sectors, with the risk of unintended effects through reduced levels of support.

Risk management

10.34 As noted in Chapter 5 (¶5.18–5.19) the CSP showed a good awareness of potential risks, and generally the programme has built in appropriate measures to address chronic weaknesses and to monitor fiduciary risks.

10.35 An unanticipated threat to the programme comes from the changing aid climate experienced by IA and other agencies. Financial stringency in Ireland has made IA increasingly sensitive to political and reputational risks. There is a risk that this, along with demands for results clearly attributable to Irish Aid, may lead to a programme that is more easily defensible in Ireland but less effective in Mozambique.

Lesson learning

10.36 Lesson-learning is important for the sustainability of programmes as well as for their efficiency and effectiveness. IA, both generally and in Mozambique, displays a readiness to review experience and learn lessons from it. This is evidenced in the systematic review of experience that fed into the preparation of the CSP 2007–2010. The mid-term review and the subsequent division of labour review were difficult but thoughtful exercises which have been influential while seeking to maintain as much consensus as possible among IA stakeholders. The decisions to withdraw from ProAgri and the AIDS commission pooled fund demonstrate an ability to recognise serious flaws in enterprises in which IA had invested substantial resources and towards which IA demonstrated considerable loyalty.

10.37 At the same time – as in many organisations – active information-sharing and lesson learning can easily get squeezed by the day-to-day demands of running the programme. The embassy has recognised that there is scope for more systematic lesson-learning from its provincial programmes and has recently assigned an officer to strengthen its knowledge management processes.

Table 12 Summary Answers to Evaluation Questions

Evaluation question	Main findings/conclusions
<i>Relevance</i>	
<p>1. To what extent does the CSP address the developmental challenges and priorities of Mozambique and the needs of poor people?</p>	<p>The CSP was well aligned with Mozambique's priorities and strategies, as set out in PARPA II and GoM sector strategies, and virtually all of its components had a clear pro-poor orientation, both in financing pro-poor expenditures and in seeking to use Irish influence to promote pro-poor approaches and interests.</p> <p>It could be argued that the programme was (financially) heavily weighted towards the human capital and governance pillars of PARPA II, rather than the economic development pillar. However, the economic importance of basic education, health and HIV/AIDS interventions should not be underestimated, and IA chose to focus on areas where it has a clear comparative advantage. The GBS component meant that IA was directly engaged with Mozambique's poverty reduction strategy as a whole.</p> <p>Also, in practice, Mozambique's growth pattern has not been as pro-poor as it needs to be, and it is a challenge for both GoM and its aid partners to ensure that future iterations of the national poverty reduction strategy are more effective in addressing the economic interests of the poor.</p>
<p>2. Has the programme been designed in a collaborative manner with national and local authorities and in alignment with Government of Mozambique and Irish Aid policies, as well as in a harmonised way with other development partners?</p>	<p>IA generally developed its programmes in close consultation with the government and other stakeholders. It used the national and sector dialogue mechanisms to coordinate with GoM and other donors, and aligned its programme with national and sector strategies which were themselves very consultative. GoM has provided only weak leadership on its preferences for donor engagements, apparently not wishing to discourage any available forms of support. Thus for example, GoM has not really engaged with the division of labour exercise. IA, however, has in its own strategic decisions explicitly tried to take account of other agencies, and its collaborative working with GoM and other donors has been exemplary.</p>
<p>3. Do the Provincial Programmes in Inhambane and Niassa continue to have relevance? Are they consistent with Irish Aid's local development policy and with Mozambique's decentralisation programme?</p>	<p>Maintaining an engagement at provincial level remained relevant, more especially because of IA's concern to support government systems and effective service delivery at local level. It gave IA a direct understanding of operational issues at provincial and district level which complemented its support to the decentralisation process and the strengthening of PFM systems. This usefully informed IA's engagement with GBS, and the "sector-deep" approach was used effectively to link pilot provincial programmes (community services and home-based care in health, protection of girls in education) to national policy debate and development. However, there is still scope for more systematic learning from the provincial programmes.</p>

Evaluation question	Main findings/conclusions
Effectiveness	
<p>4. How effective has the country programme been in implementing its stated strategic objectives?</p>	<p>As the mid-term review noted, the CSP's strategic objectives were very broadly stated. In most cases they indicated directions in which IA would seek to influence the combined efforts of GoM and its donor partners. This meant that IA did not have direct control over the outcomes, but it also meant that its potential influence was much broader than if it had been confined to distinct IA initiatives.</p> <p>There is evidence that the basic services to which the bulk of IA funding has been directed (particularly in health and education) are key to addressing important dimensions of poverty; IA can claim a share in significant results achieved with this funding, and it is important not to overlook the effects of Ireland's financial contributions. IA advocacy and technical support have consistently reinforced pro-poor approaches (including gender and HIV/AIDS dimensions).</p> <p>Moreover, many elements of IA's programme and approach simultaneously serve several of the strategic objectives: thus IA's focus on following aid effectiveness principles in order to strengthen government systems and services has simultaneously supported improvements in government capacity and higher standards of government accountability.</p> <p>The evaluation found that IA influence was notably effective in the two areas of collaboration that it reviewed in depth – in the health sector and in IA's inputs to dialogue and the development of aid management systems and policy related to budget support. Long-term commitment to these engagements and accumulated country/sector experience are key to effectiveness.</p> <p>Involvement in the agriculture sector programme was less effective, mainly because of inherent weaknesses in ProAgri.</p>
<p>5. What is the state of government donor relations? Are they sufficiently good to facilitate effective dialogue?</p>	<p>There have been episodes of discord both in the overall GoM/PAP relationship and in some of the sectors in which IA is prominently engaged. To some extent these reflect the effectiveness of dialogue mechanisms in enabling difficult issues to be raised and addressed: the emergence of political governance issues in the GoM/PAP dialogue is a case in point.</p> <p>Such episodes should not obscure the fact that the working relationships between government and donors in Mozambique are generally effective. There is an onus on donors to enter dialogue in an informed manner that is based on an understanding of the government perspective and the pressures that it faces: in this respect, IA has earned a high reputation from GoM and fellow donors alike.</p> <p>In the fields the evaluation examined in depth (GBS and health) IA made a notable contribution to strengthening dialogue mechanisms and making GoM/donor collaboration more effective.</p>

10. Overall Conclusions, Lessons and Recommendations

Evaluation question	Main findings/conclusions
<p>6. To what extent has Irish Aid contributed to enhanced aid effectiveness especially during Ireland's term as President of the G19?</p>	<p>IA has made a very strong contribution to enhanced aid effectiveness. This is reflected in its scores in the annual PAPs/PAF assessments of the IA programme itself, but extends to its wider influence on aid management and coordination mechanisms.</p> <p>IA deserves particular credit for its commitment to alignment with government systems, where it has demonstrated the scope for use and strengthening of government systems at sector level, and contributed directly to the evolution of more aligned sector funding mechanisms, based on its own direct familiarity with the government systems concerned.</p> <p>During its Troika+ term, IA managed some potentially difficult issues very adroitly; it successfully brokered a new MOU which has kept GBS viable for a broad range of donors, and it helped develop processes for addressing governance issues that threatened to undermine the GoM/PAP relationship.</p> <p>It also contributed directly to strengthening of aid management in the health sector.</p>
<p>7. What have been the intermediate effects of Budget Support on the overall volume of public expenditure, budget allocations and revenues? Have there been unexpected or perverse effects arising from Budget Support?</p>	<p>Over a long period, GBS has helped to underwrite the expansion of public expenditure on pro-poor services, among which basic health and education services are the most prominent. Evolving forms of sector budget support (including PROSAÚDE and FASE) have also been important in this respect. The GBS dialogue has included understandings on the share of public expenditures to be allocated to priority sectors (initially an indicative 65% target).</p> <p>The evaluation's analysis of recent public expenditure data suggests that the share of priority expenditures has recently been eroded (markedly so in 2010), and that the composition of public expenditures may therefore require more attention as part of the GBS (and sector) dialogues. On the other hand, the same analysis shows a very strong GoM revenue performance, so there is no prima facie evidence that GBS (or other aid) has undermined GoM's revenue effort.</p>
<p>8. How [well] has the country programme addressed the Irish Aid key policy priorities - HIV and AIDS, Governance, Gender and Environment?</p>	<p>Gender concerns are consistently reflected in all IA's programmes, and IA's contribution to the HIV/AIDS response in Mozambique (reinforced by the Clinton Foundation partnership) has been exceptional, and has included emphasising the importance of working on HIV & AIDS issues through other sectors, such as education.</p> <p>Governance concerns are well built into the IA approach on strengthening government systems, and, through its Troika+ involvement, IA made a key contribution to dialogue on political governance issues. Strengthening governance on the demand side is a long-term endeavour, but IA support for the Civil Society Support Mechanism and an independent social and economic research institute appears well targeted.</p> <p>Environmental issues have not been very prominent, though this may change in future as the climate change agenda gains momentum.</p>

Evaluation question	Main findings/conclusions
<i>Efficiency</i>	
<p>9. How efficiently did the Irish Aid team in Mozambique apply its human, financial and other resources in furthering development results and the strategic objectives contained in the country strategy?</p>	<p>The CSP design was structurally efficient in its systematic application of aid effectiveness principles. Thus, supporting the joint funding mechanisms of GBS and key sector programmes limits the transaction costs associated with the management of separate projects, enables IA staff to focus on systemic and policy issues and extends the potential impact of IA efforts beyond the funds IA provides directly.</p> <p>The extensive use of locally recruited staff in responsible roles has been a major contribution to efficiency as well as effectiveness. IA itself has recognised that the programme was overstretched from the outset: the demands of playing a leading role in GoM/donor forums are onerous. Staff inputs are the binding constraint, and IA should explicitly plan its next CSP around the optimal use of staff.</p>
<p>10. To what extent is there sufficient coherence, complementarity and synergy [a] across the country programme and between its component parts, [b] between country programme and HQ-based funding for programmes such as MAPS, CSF, Hunger Task Force and Research and [c] between the political and development functions of the Embassy?</p>	<p>(a) Coherence, complementarity and synergy have been particularly high across the GBS/governance and human capital pillars of the programme. Issues that relate to the efficiency and accountability of government systems and the effectiveness of service delivery are relevant both at the GBS level and in the dialogue linked to the social sectors, and IA country-level experience and expertise have been consistently and effectively brought to bear in the different forums.</p> <p>Provincial involvements have been valuable in informing the national-level engagements.</p> <p>There has been less synergy across the economic development pillar, although IA was able to use its role in high-level dialogue to give more prominence to economic issues such as land rights and the EITI.</p> <p>(b) The evaluation found little evidence of purposive coordination between the CSP-funded activities and the activities of international NGOs and CSOs funded from HQ, and did not review the latter activities per se.</p> <p>(c) Perhaps reinforced by the exigencies of the Troika+ role during this CSP period, the political and development functions of the embassy appeared to be highly integrated.</p>

10. Overall Conclusions, Lessons and Recommendations

Evaluation question	Main findings/conclusions
<p>11. Has policy engagement with Government been sufficiently strategic and was engagement at the appropriate levels?</p>	<p>Policy engagement in Mozambique takes place through the mechanisms of the PAPs/GBS dialogue and the sector programmes in which IA is involved.</p> <p>IA showed awareness of the need to approach different issues at different levels in the dialogue. It made a significant contribution, during its Troika+ role, to consolidating and refining the mechanisms for high-level dialogue, and addressing strategic governance issues there. Nevertheless, there is still room for donor engagement to be better informed, and for improved links with other levels of the dialogue.</p> <p>Although IA's engagement has been well calibrated to the different levels of government, IA and other donors have not always focused enough on the most important strategic <i>policy</i> issues. There is an inherent danger that dialogue becomes preoccupied with processes (not least the requirements of PFM at various levels) and that there is a consequent neglect of more substantive issues, including the effectiveness of service delivery and results achieved.</p> <p>IA has engaged constructively in substantive issues (human resource requirements in health is one example), and has helped to strengthen M&E approaches. But there are also signs that the PAPs as a whole need to pay more attention to public expenditure priorities, to the effectiveness of the national poverty reduction strategy in improving rural livelihoods, and, at sector level, to practical issues of quality service delivery.</p>
Sustainability	
<p>12. How sustainable, in terms of continuing benefit, are the CSP programme interventions in Mozambique undertaken in partnership with government, NGOs or civil society more broadly?</p>	<p>By channelling most of its aid to support the expansion of mainstream government services, IA largely avoids the risk associated with free-standing projects – that their benefits will wither upon cessation of direct donor funding. Moreover, by remaining engaged in the same sectors over long periods, IA is able to pursue issues associated with sustainability of benefits. A key emerging issue at general and sector level is to ensure that GoM's long-term expenditure plans are consistent with maintaining the level of services currently being funded with donor support. Where IA is supporting the development of non-government organisations, it is important to recognise that capacity development is a slow process that requires long-term engagement if sustainable results are to be achieved. Moreover, donors may have a continuing role in helping to protect the political space for their operations.</p> <p>At the same time, there are concerns about the sustainability and reliability of donors' collective long-term commitments to Mozambique. Recent decisions on "division of labour" grounds seem to have led to uncoordinated exits from certain sectors, with the risk of unintended effects through reduced levels of support.</p>

Evaluation question	Main findings/conclusions
<p>13. Has risk been adequately managed? Was the risk analysis valid and the mitigation measures appropriate?</p>	<p>The set of risks identified in the CSP reads well in hindsight (e.g. anticipating the risks associated with governance concerns and flawed elections). Risk threat varies – low capacity is a chronic risk to implementation and sustainability of programmes; governance and fiduciary risks can be an acute threat to the continuation of the programmes at all. The nature of mitigation and responses varies accordingly. Generally the programme has built in appropriate measures to address chronic weaknesses and to monitor fiduciary risks.</p> <p>An unanticipated threat to the programme is, in a climate of financial stringency, increased sensitivity to political and reputational risk along with demands for results clearly attributable to Irish Aid, which may lead to a programme that is more easily defensible in Ireland but less effective in Mozambique.</p>
<p><i>Impact</i></p>	
<p>14. Based on the hypothesis that through its funding of various modalities and policy dialogue, Irish Aid contributed to the results achieved by increased public expenditure and pro poor policies, what were those results over the past 4 years?</p>	<p>Mozambique has maintained political stability and rapid economic growth in difficult international circumstances, and international aid has played a substantial role in consolidating this stability and enabling GoM to implement its poverty reduction strategy.</p> <p>Although the rate of progress has slowed in recent years when compared to the rapid gains made in the post war 1990s, there continues to be substantial progress towards key MDGs, with increased access to basic services and improved health and educational outcomes, including, more recently, encouraging progress in addressing the HIV/AIDS pandemic.</p> <p>The poverty reduction strategy has been less obviously successful in addressing income poverty (though the pattern of poverty reduction across different parts of the country is very mixed, and external shocks have been significant). Ensuring that future growth is more pro-poor is a current challenge for the government and its aid partners.</p>

C. Broader Lessons Learned

10.38 In this section we highlight some lessons which are relevant not only to the next CSP's design process but also to IA overall, to its partner countries, and to other stakeholders in Mozambique and beyond.

The dangers of mood swings

10.39 The CSP period has been a volatile time for aid perceptions generally and for aid relationships in Mozambique in particular. The global financial crisis has tightened the purse-strings on aid at the same time as electoral shifts in the north have contributed to increasing questioning of the received wisdom on aid, greater pressures to demonstrate results and value for money and lower tolerance for political and reputational risks. As we showed in the early chapters of this report, the shift in perceptions of Mozambique (modifying its "donor darling" status) has been exaggerated, and owes as much to the shifts in donors' perspectives as it does to changes in Mozambican realities.

10.40 It is important to retain a sense of balance and to recognise that Mozambique was never a "perfect partner", while it remains a deserving and viable partner, though not always an easy one. Some examples where balance is needed and nuances need to be recognised:

- There was some wishful thinking in extrapolating poverty reduction trends forward, and the findings of recent poverty assessments are very important. However, it is not surprising that progress has become more difficult after the burst of post-conflict recovery and the easy gains of spreading access to basic services. Inclusive poverty-reducing economic growth was always likely to prove more difficult⁶⁷ than the expansion of basic service delivery; and progress in service delivery itself becomes harder when early gains in spreading access have to be followed up by raising quality and pursuing the hard-to-reach.
- At the same time it is far too simplistic to regard disappointing poverty trends as a failure of GBS, or as a demonstration that other modalities would address these issues more effectively. Such results do call into question the effectiveness in practice of parts of the poverty strategy that GBS has supported, and this requires analysis and reconsideration both by government and by donors. It implies not that dialogue should be abandoned but that it should be used more effectively. The challenge in the next CSP period is to ensure that the pattern of Mozambique's economic growth becomes more pro-poor.

10.41 It would be very unfortunate if instinctive reactions to current difficulties and a more sceptical political climate were to cause forgetfulness of past lessons learned (e.g. that imposed conditionality does not work – ownership is essential; that discrete projects can be inefficient and unsustainable, etc.).

The pressure for "results"

10.42 Irish Aid is one among many donors that are increasingly seeking to demonstrate the effectiveness of their aid by linking it to tangible results. The demand that aid should be able to demonstrate "results" is reasonable, and "managing for development results" is one of the main elements of the Paris Declaration agenda. However, there is a risk that this will, inadvertently, introduce a bias towards "results" that are quantifiable, short-term and discretely attributable to individual donors.

⁶⁷ Especially with overall growth driven by mega-projects only loosely integrated with the rest of the economy.

10.43 It is important to make the joint programmes of GoM and donors more result-oriented, recognising that monitoring of outputs and outcomes is crucial in ensuring development effectiveness and learning from experience. At the same time donors should recognise the validity of shared results, and the relevance of influencing strategies that complement financial support. This evaluation has accordingly sought to identify relevant results of Irish aid arising from influencing as well as finance, and to recognise that there can be legitimate results at each stage of the results chain from inputs to impact.

The quality of dialogue

10.44 Aid relationships are inherently asymmetrical, and, despite aspirations to mutual accountability, donors can more directly hold their partner governments to account than vice versa.

10.45 At the same time, dialogue in Mozambique is often shallow. A strong contributing factor is that donor participants lack the necessary depth of knowledge and/or consistency in pursuing issues strategically. The multiplicity of donors and the turnover of their international staff contribute to this. Many donors make only a limited contribution to policy dialogue, because their staff are stretched across many sectors, their country knowledge is superficial (a point exacerbated by frequent staff rotation). Dialogue may be undermined by weak Portuguese language skills. Moreover, donor groups often contain staff with very similar backgrounds, rather than the range of sector experience (e.g. different aspects of health service delivery) that would be more relevant to a group's deliberations.⁶⁸

10.46 Irish Aid is not immune to the characteristic weaknesses of bilateral donors, but it does have particular strengths: these include its strong cadre of experienced Mozambican advisers, its commitment to working with government and through government systems, its stamina in particular sectors, its special attention to PFM issues, and its efforts to narrow the scope of its programme. The evaluation has highlighted numerous examples of distinctive contributions by IA to joint donor/GoM work in its sectors of engagement.

10.47 There is an inherent danger that dialogue becomes preoccupied with processes (not least the requirements of PFM at various levels) and that there is a consequent neglect of more substantive issues, including the effectiveness of service delivery and results achieved. IA has engaged constructively in substantive issues (human resource requirements in health is one example), and has helped to strengthen M&E approaches. But there are also signs that the PAPs' understandable concerns on governance issues (in the GBS dialogue) and on financial management (in dialogue around sector pooled funding) have distracted attention from other mainstream issues. The PAPs as a whole need to renew their attention to public expenditure priorities and to the effectiveness of the national poverty reduction strategy in improving rural livelihoods. With robust pooled funding mechanisms established, monitoring and dialogue should turn more to the substantive issues of effective service delivery.

Unintended effects of the Division of Labour

10.48 The "division of labour" appeals as an aid effectiveness principle: there is obvious sense in individual donors, such as IA, focusing on a limited number of sectors in order to benefit from focus and specialisation, and the presence of large numbers of donors can lead to problems in coordination and impose heavy costs on the recipient. However, the Government of Mozambique is not alone in preferring to draw aid from a wide spectrum of donors and is reluctant to turn away any source of aid. In the absence of a strong lead from GoM, recent decisions on "division of labour" grounds seem to have led to uncoordinated exits from certain sectors, with the risk of unintended effects through reduced levels of support.

⁶⁸ IA was able to make an exceptional contribution by assigning a qualified auditor to working groups examining PFM issues at sector level.

Transaction costs and administrative requirements

10.49 Working at G19 level, as well as with the sector programmes, makes intensive demands on staff for their informed inputs into monitoring, dialogue and programme development. However, these inputs are comparatively efficient against the scale of financial disbursement (as well as reducing administrative transaction costs for the government and enabling a focus on capacity development of core systems).

10.50 Conversely, the management of large numbers of small projects requires intensive administrative inputs (as illustrated in the IA case by its provincial programmes, and the economic development pillar). Outsourcing, as in the CSSM case, can make sense, particularly if it is seen as part of long-term efforts to establish capacity; similarly it makes sense to work through networks rather than a host of individual NGOs. A general lesson is the need to see a donor's professional staff time as its scarcest resource, and to make this a prime consideration in the choice of sectors and modalities to work with.

D. Recommendations

Context/perspective

10.51 Recommendations relate particularly to the formulation and implementation of the next CSP; they are focused on Mozambique but some of them implicitly have wider relevance.

10.52 A more demanding environment for aid delivery is likely to persist. Like a number of other donors, IA is likely to face increased pressure for "visible" results, an increased aversion to risk (especially reputational risks linked to corruption and issues in political governance). The context in Mozambique is also likely to become more complex (e.g. with the emergence of non-traditional donors), and IA will not have the flexibility that is inherent in an expanding programme.

10.53 The context is likely to include pressure on IA's own staff resources, making this even more a binding constraint on the programme

Recommendations

Engagement with Mozambique

10.54 Mozambique should remain an important long-term partner for Irish Aid. On the one hand, the needs of poverty reduction in one of the world's poorest countries remain great, and it remains a good partner, where aid can make a difference. On the other hand, Irish Aid has a record in Mozambique of which it can be proud, and has built up substantial expertise and important working relationships.

10.55 Because of other agencies' withdrawals, IA is likely to find itself carrying greater responsibilities in those sectors where it continues to provide support. It should maintain long-term commitments to these sectors.

Programme logic

10.56 The next CSP should spell out more clearly than the previous one how IA expects its interventions to influence wider outcomes, and over what time-scale (and hence how they will be monitored). This can include continued attention to the ways in which GoM can [be required to] show links between budgets and outcomes and to report results.

10.57 A key emerging issue at general and sector level is to ensure that GoM's long-term expenditure plans are consistent with maintaining the level of services currently being funded with donor support, and IA should seek to keep GoM's public expenditure planning at the centre of dialogue around GBS and the sectors in which it engages.

Choice and design of modalities

10.58 GBS continues to be a valid central core of the G19 relationship between GoM and partners; it complements other modalities by allowing dialogue at a general level, including, as demonstrated, the possibility of dialogue on sensitive governance issues; and it is an effective support to the strengthening of PFM. Dialogue on inclusive pro-poor growth should become increasingly important. Moreover, the public expenditures underwritten by GBS should continue to achieve substantive and demonstrable results, notably in basic service delivery.

10.59 IA should therefore seek to remain one of Mozambique's core partners and an active participant in the management of the G19; this implies that GBS funding should remain as a substantial part of the IA programme, not just a token "ticket to the dialogue".

10.60 At the same time, IA should continue its mixed modality strategy. Among other considerations, spreading its financial contributions across GBS and sector programmes reduces risk. One way it does this is by making clearer the precise focus (and beneficiaries) of aid, and thereby making it less tempting to "turn off" aid when financial constraints occur or there are political difficulties between the cooperating governments.

10.61 In design of individual aid instruments, IA should continue to focus on using country systems when working with government, but with careful attention to fiduciary issues in PFM. However, it should be careful that PFM safeguards do not undermine the effectiveness of the instruments, e.g. by introducing unnecessary bottlenecks in disbursement. In general, derogations from mainstream systems should be carefully justified and kept to a minimum.

10.62 There is a real danger that pressure for more visible "Irish" results will lead the programme in the direction of projectisation, with more staff time absorbed in the details of project management. It will be crucial to retain an approach that identifies ways in which IA can influence broader sector work, while focusing on ensuring that sectors can demonstrate results attributable to aid and other public expenditure. (A strategy referred to by one observer as "getting results with other people's money".) Thus IA should take care that it does not undermine the efficiency and effectiveness of the programme (and make sub-optimal use of its staff resources) by taking on too many management-intensive project interventions. (This is a particular risk in the area of private sector development.)

10.63 Other donors face a similar dilemma, and all have an interest in strengthening the ability of GoM programmes to monitor and demonstrate results. IA should continue to work with other donors and GoM to identify and document joint results – this is necessary not only to "justify" aid, but more importantly to enable better analysis and adjustment of the GoM programmes that donors support. (More programmatic classifications of expenditure, for example, can help in showing how – and how well – funds have been used.)

Choice of sectors

10.64 The division of labour decision to remain engaged in health, education, and governance makes sense in terms of the importance of these sectors and the comparative advantage IA has built up.

10.65 IA should continue to use the GBS dialogue for issues (including inclusive growth and overall pattern of public expenditures) that extend beyond the sectors of direct IA involvement; these include support to domestic research capacity, and to analytical work in general. The pro-poor growth agenda will be of particular importance. At the same time, engagement through GBS is an additional way of seeking appropriate levels and patterns of public expenditure for the health and education sectors.

10.66 IA has argued that private sector development does not count as a sector for the purposes of the division of labour exercise. Nevertheless, although it presently consists of rather small-scale projects, it is potentially demanding of staff time, and IA needs to give careful consideration to the balance between small project interventions and efforts to influence the national policy framework for inclusive growth: the latter is more likely to be served through the GBS dialogue and by collaborating with agencies able to operate on a national scale.

Decentralisation and provincial engagement

10.67 IA should continue its engagements at provincial level. It should continue to link its provincial engagement to the national programme for decentralisation. It should recognise that its main potential value added is from capacity development at provincial level, and from synergies between provincial, sectoral and national engagements. Increasingly, public funds for the provinces will flow through regular national channels, but there is room for advocacy towards greater equity and efficiency in such flows, as well as support for increased decentralisation of responsibilities as district and provincial capacities increase.

10.68 Fiduciary issues are real, but going forward IA should seek ways of providing funding more predictably, with only the necessary minimum of derogation from government systems, and to focus particularly on ways of strengthening the capacity of district and provincial bodies. In future, as national decentralisation evolves, added value is likely to come more from capacity development than from strict additionality of funding.

Health and HIV/AIDS

10.69 IA should continue to take a strategic approach to the sector, with PROSAÚDE as the main funding channel. The approach should include support to efforts to strengthen the links between health budgets and results, and IA should explore with the Clinton Foundation and other stakeholders ways of improving coordination and effectiveness amongst the many NGOs (usually aid-funded) that are active in services related to HIV/AIDS.

10.70 Health is an example of a sector where, if anything, IA's share of donor responsibilities is likely to increase. IA could pursue:

- alliance with the Clinton Foundation to bring international NGOs into closer coordination with sector programme and government systems;
- budget systems that show clearer links between budgets and outputs (this is necessary for government's own effectiveness and at the same time an attraction and a reassurance to donors).
- increased professionalisation of the GoM/donor dialogue: relying on the ad hoc competences of donor representatives in Maputo is likely to be increasingly unsatisfactory as the number of core donors shrinks; IA could advocate for and support joint donor financing of a small professional secretariat for the sector working group.

Education

10.71 Education is another sector where the potential importance of IA's role will be increased by the withdrawal of other experienced donors. Basic education remains of fundamental importance for poverty reduction, with implications for economic growth potential, gender equality and health. With some other donors pulling out, Irish Aid's financial as well as technical support has added importance. FASE should continue to be the main focus of involvement, with attention to adequate aggregate financing for basic education, as well as to issues in quality and equity.

Governance

10.72 IA should continue to pursue governance issues both through the G19 dialogue and through selective support to demand-side accountability (at regional as well as national levels). Its existing support to the CSSM and IESE should continue, recognising that development of civil society capacity is a long-term process.

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ANNEXES

Annex 1 Terms of Reference

Mozambique Country Programme Evaluation Terms of Reference

1. Introduction

The Mozambique Country Strategy and Programme covers the four year period 2007 to 2010. As one of the early steps in the preparation of the next country strategy and programme, an evaluation covering the period 2007 – 2010 is required both for purposes of validation/ accountability and to identify the lessons of experience.

A programme to support three pillars of Mozambique's poverty reduction strategy (the PARPA) – Governance, Human Capital and Economic Development – was approved. Funding modalities included General Budget Support, Sector Budget Support and pooled funds and Provincial Programmes. Substantial funding was provided to Health/HIV Aids through the Clinton Foundation and under the GBS heading, a special allocation was intended to support Ireland's 1-year presidency of the G19. The presidency required huge commitment of senior management effort and time during the period under review but was seen as a major opportunity to progress Irish Aid's strategic objectives.

The Mozambique CSP 2007 – 2010 preceded the introduction of the MfDR-based CSP guidelines and does not contain the prescribed results framework. However, the thrust of the country strategy is reflected in a logic model developed recently and in a results framework which will be useful for the evaluation.

An overall goal and four strategic objectives were to guide the programme over the period being evaluated.

Goal

To contribute to poverty reduction by supporting the development, implementation and monitoring of pro-poor policies within Mozambique.

Strategic Objectives

Four strategic objectives were to be pursued across the programme modalities and throughout the dialogue with government, donors and other partners.

- *Pro-poor targeting of services provided by the public sector.*
- *Increased accountability of the public service to citizens, especially the poor*
- *Capacity strengthening of government and civil society partners to implement pro-poor policies and programmes.*
- *Improving aid effectiveness through strengthening the relationship between donors and Government by improving the quality of dialogue, partnership and programme management.*

A Mid Term Review of the Country Strategy took place in Maputo in September 2009 involving the Embassy as well as representatives from HQ. The Review noted that the basis upon which the Country Strategy had been built largely remained valid although somewhat over-ambitious. For example, attempts to deliver the programme through a focus on four key Strategic Objectives, had resulted in a challengingly large and sometimes overlapping set of actions. It was agreed that this situation would be addressed through a revision of the results

framework. The Review also identified a number of follow-up actions, including a revision of the Results Framework, implementation of the EU Code of Conduct on the Division of Labour and an outline for the planning process for the next Country Strategy. In relation to Division of Labour, the Embassy in conjunction with Head Quarters, has already decided to focus on the Health, Education and Governance sectors in the next Country Strategy.

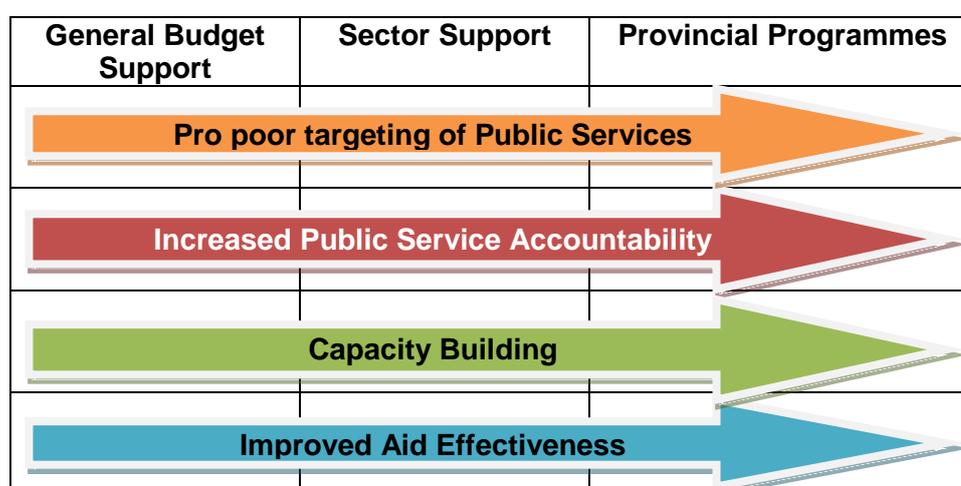
2. Scope of the Evaluation

Consultations undertaken in advance of preparing these TORs with Senior Management at HQ, Embassy and Provincial Programmes and Government prioritised the following broad set of areas/issues for investigation by the evaluation.

- GBS/Public Financial Management/Use of Government Systems/How decisions are made to enter or refrain from entering government systems
- Provincial programmes/decentralisation/extent to which PFM has improved at local level and impact on local level PFM of provincial programmes/support to planning processes/involvement of civil society and the effect on poverty
- Choice of aid modalities/ breadth of the programme
- Ireland’s contribution to aid effectiveness/handling of the G19 Presidency.

Much of the Mozambique Country Programme is in fact budget support in one form or another whether general, sector or pooled funds. An evaluation of the country programme must attempt to answer the question ‘what did government policies and programmes to which Irish Aid contributed to the tune of some €150 million over the four year period, achieve?’ ‘What results were produced?’

The Mozambique programme is a broad one as is the range of issues/questions identified above. Nevertheless, the scope of the evaluation can be kept to manageable proportions while enabling the evaluation questions to be addressed by examining in detail only three expenditure programmes and looking at them in terms of the DAC evaluation criteria of relevance, efficiency, effectiveness, sustainability and impact but also through the lens of the four strategic objectives as illustrated below.



[3. Evaluation Questions]

Specific evaluation questions are set out below and are to be answered with reference either to macro level analysis or to three expenditure programmes - GBS, a Sector programme and a Provincial programme which are taken to be representative of the total programme.

In terms of **Relevance**, key questions for consideration are:

1. To what extent does the CSP address the developmental challenges and priorities of Mozambique and the needs of poor people?
2. Has the programme been designed in a collaborative manner with national and local authorities and in alignment with Government of Mozambique and Irish Aid policies, as well as in a harmonised way with other development partners?
3. Do the Provincial Programmes in Inhambane and Niassa continue to have relevance? Are they consistent with Irish Aids local development policy and with Mozambique's decentralisation programme?

In terms of **Effectiveness**, key questions for consideration are:

1. How effective has the country programme been in implementing its stated strategic objectives?
2. What is the state of government donor relations? Are they sufficiently good to facilitate effective dialogue?
3. To what extent has Irish Aid contributed to enhanced aid effectiveness especially during Ireland's term as President of the G19?
4. What have been the intermediate effects of Budget Support on the overall volume of public expenditure, budget allocations and revenues? Have there been unexpected or perverse effects arising from Budget Support?
5. How has the country programme addressed the Irish Aid key policy priorities - HIV and AIDS, Governance, Gender and Environment?

In terms of **Efficiency**, key questions for consideration are:

1. How efficiently did the Irish Aid team in Mozambique apply its human, financial and other resources in furthering development results and the strategic objectives contained in the country strategy?
2. To what extent is there sufficient coherence, complementarity and synergy across the country programme and between its component parts, between country programme and HQ-based funding for programmes such as MAPS, CSF, Hunger Task Force and Research and between the political and development functions of the Embassy?
3. Has policy engagement with Government been sufficiently strategic and was engagement at the appropriate levels?

In terms of **Sustainability**, key questions for consideration:

1. How sustainable, in terms of continuing benefit, are the CSP programme interventions in Mozambique undertaken in partnership with government, NGOs or civil society more broadly?
2. Has risk been adequately managed? Was the risk analysis valid and the mitigation measures appropriate?

In terms of **Impact or Results**

1. Based on the hypothesis that through its funding of various modalities and policy dialogue, Irish Aid contributed to the results achieved by increased public expenditure and pro poor policies, what were those results over the past 4 years?

4. Methodology

Irish Aid is strongly committed to the aid effectiveness principles of Paris and Accra and has been seeking ways of undertaking Country Programme Evaluations more in keeping with those commitments, particularly in relation to minimising transaction costs imposed on government and other partners by CPEs. Maximum use will be made of existing sources of evaluative information produced by government, other development partners or independent research institutes. Whilst the evaluators will propose a detailed methodology for a results focused assessment of Irish Aid's Mozambique CSP, it is envisioned that the evaluation will include the following elements.

Firstly, the evaluation will examine in depth key documentation (national reports and statistics, budget data, reviews, evaluations, studies, surveys, annual reports, etc.) and will conduct interviews with key informants in Ireland.

Secondly, a field visit to Mozambique will be carried out. This visit will supplement the desk study by further examining in depth the existing quantitative and qualitative data related to the TORs. It will validate, or otherwise, the evidence arising from the desk top study and will identify any new evidence or issues.

In addition, the country visit will examine in depth how Irish Aid's ways of working (including its role in donor coordination) and its strategic choices (including choices with regard to aid delivery modalities) have contributed to aid effectiveness for poverty reduction.

The country visit will conclude with a de-briefing with key stakeholders outlining key findings.

5. Outputs

The expected outputs of the assignment are as follows:

1. At the end of the review of documentation and interviews with key HQ informants (first phase), an interim report (10-15 pages) will be submitted setting out preliminary findings and summarising key issues to be addressed during the second phase of the evaluation. The preliminary report will include a refined work plan for the remainder of the assignment.
2. A final report (40-50 pages excluding appendices) providing an overall assessment (supported by evidence at the outcomes level) of the extent to which the Irish Aid's Mozambique country programme has achieved its stated goals and strategic objectives and contributed to poverty reduction. This report will present findings, analyses (including financial analyses), key lessons and recommendations.

The final report should demonstrate familiarity with the revised OECD-DAC *Evaluation Quality Standards* and be written to a high standard, ready for publication.

6. Evaluation Team and Selection Criteria

Expertise required: A small balanced team, the majority with a working knowledge of Portuguese and Mozambique country experience, is envisaged. It will have relevant and demonstrable experience in the following areas:

- Programme evaluation, particularly in relation to bilateral development cooperation
- Budget Support and Public Financial Management

- Human development
- Engagement with the Paris Declaration on aid effectiveness and the AAA
- Decentralisation and local development.

The evaluation team will have a clearly identified Team Leader with relevant experience. He/she should have demonstrable experience of carrying out evaluations of country programmes covering a number of sectors. The Team Leader will be responsible for the overall management of the assignment and the production of the final report and thus should have experience in managing multi-disciplinary teams, producing high quality reports and working to demanding deadlines.

Consultants will be selected according to the following criteria:

- Understanding of the Terms of Reference (10 points)
- Proposed methodology and planning of the assignment (20 points)
- Mozambique country experience and fluency in Portuguese (15 points)
- Experience of the team in the evaluation of bilateral development cooperation programmes (15 points)
- Overall balance and complementarity of team in respect of the desired expertise (10 points)
- Experience and suitability of the Team Leader (10 points)
- Overall Cost (20 points)

The service provider must be able to demonstrate how it can assure quality control of both the process and the outputs described above.

To enable the Evaluation Committee to thoroughly evaluate tenders, it may be necessary for the Committee to request clarification of information provided in a tender. Tenderers may be requested to attend a telephone interview to clarify their tender and provide the opportunity for the Evaluation Committee to ask questions. In such cases the Contract Officer will be responsible for documenting the interview and coordinating the clarification process. This clarification does not allow tenderers to revise their original offer and therefore no new or additional information will be requested or permitted during interview.

7. Timeframe

It is hoped that work on the documentation review and inception report can be undertaken in late November and December with the field visit taking place in January. The final evaluation report should be completed by latest, the end of March, 2011. **A maximum of 116 person/days will be available for the assignment.**

8. Management Arrangements

The evaluation will be an independent, external exercise managed by the Evaluation and Audit Unit of the Department of Foreign Affairs.

Annex 2 People Interviewed

Numerous people gave more than one interview; in those cases, the date of the first interview is given, followed by an asterisk)

Surname	Other names	Position	Organisation	Interview date
Abdula	Angela	Senior Technical Adviser, PAP Secretariat	DFID	15 Feb. 2011
Abudo	Manuel		SISTAFE, Mandimba District	14 Feb. 2011
Aguilar	Blanca Nayeli	Provincial Delegate	MSF, Niassa	12 Feb. 2011
Amani	Todd	Head of Cooperation	USAID	14 Feb. 2011
Anube	Acacio	Planning and Budget	DPPF, Niassa	11 Feb. 2011
Bahane	Justino	Head of Department for Water and Sanitation	DPOPH, Inhambane	15 Feb. 2011
Benete	Maria Cacilda	Coordinator	CDS	12 Feb. 2011
Bernardo	Almeida	Deputy Provincial Finance Director	Niassa	10 Feb. 2011
Bouri	Mazen	Private sector development specialist	World Bank	11 Feb. 2011
Brumana	Luisa	Senior HIV Specialist	UNICEF	9 Feb. 2011
Buswell	Claire	Education Group, Mozambique	Irish Aid	7 Feb. 2011
Carlos	William	Head of Evaluation and Audit	Irish Aid	23 Nov. 2010
Castel-Branco	Carlos Nuno	Director	IESE	11 Feb. 2011
Chambule	Jonas	Health Advisor	Irish Aid	7 Feb. 2011
Chanito	Ezequiel	Local Development Officer	Irish Aid (Inhambane)	14 Feb. 2011
Chapeta	Simão	Local Liaison Officer, Niassa	Irish Aid	13 Feb. 2011
Chiromo	Basílio António	HIV/AIDS	DPS, Niassa	11 Feb. 2011
Chiurmico	Jacob M.	IA fund manager	DPS, Niassa	11 Feb. 2011
Chivambo	Gonçalves	Community Participation	DPS, Niassa	11 Feb. 2011
Cole	Damien	Head of Programmes Country II Section	Irish Aid	24 Nov. 2010
Combe	Estevão	Administration/finance assistance, Niassa	Irish Aid	13 Feb. 2011
Conyngham	Gerry	Deputy Head of Approach to Multilaterals	Irish Aid	24 Nov. 2010
Cossa	Humberto		World Bank	16 Feb. 2011
Cuereneia	Aiuba	Minister	MPD	15 Feb. 2011
Cumpila	Guilherme	accountant external funds	DPOPH, Niassa	11 Feb. 2011
de Burca	Ruairí	Ambassador	Irish Embassy, Maputo	7 Feb. 2011
de Tollenaere	Marc	Head of Governance	Swiss Agency for Development and Cooperation	14 Feb. 2011
Dembele	Feliciano Faduco	Director, Niassa	DPPF	12 Feb. 2011
D'Uamba	Paulino	Private sector specialist	Danida	10 Feb. 2011
Dzucule	Pedro	Provincial Director of Agriculture	Inhambane	14 Feb. 2011
Ellyin	Lise	Country Director	Clinton Foundation	9 Feb. 2011
Empey	Patrick	Head of Development	Irish Embassy, Maputo	4 Jan. 2011*
Ennis	Caroline	Head of development programmes, KPMG Mozambique and former ODI fellow at MPD	MPD	11 Feb. 2011
Flentø	Johnny	Ambassador	Danish Embassy, Maputo	16 Feb. 2011

Annex 2: People Interviewed

Surname	Other names	Position	Organisation	Interview date
Gaffey	Michael	Deputy Director General	Irish Aid	24 Nov. 2010
Gerald	Mr.	Owner	Fabrica de Cocos de Morrumbene	15 Feb 2011
Gonçalves	Célia	Deputy National Director	DPC	8 Feb. 2011
Gremildo	Sr.	Head of extension services	DPA-Inhambane	
Haghebaet	Geert		EC	16 Feb. 2011
Harding	Philip	Economist	DFID	15 Feb. 2011
Higgins	Liz	Head of Policy, Planning and Effectiveness	Irish Aid	4 Jan. 2011
Jensen	Karen		World Bank	11 Feb. 2011
Johansson	Bengt	former Head of Cooperation, Mozambique	Sida	2 Feb. 2011
Johansson	Kasja	Director	Swedish Civil Society Programme, Niassa	11 Feb. 2011
Jossama	Nelson Ludovico	External funds (Secretaria)	SP Team, Niassa	11 Feb. 2011
Juma	Juma	Deputy Director (Mozambique)	Technoserve	10 Feb. 2011
Junior	Graciano Artur	Provincial Director	DPOPH, Niassa	11 Feb. 2011
Junior	Manuel Domingos	Infrastructure	DPS, Niassa	11 Feb. 2011
Karlsson	Lotta	Head of Cooperation	Govt. of Finland	8 Feb. 2011
Khadhyhale	Martinho	Monitoring and Evaluation Officer, Niassa	Irish Aid	13 Feb. 2011
Kilkenny	Anna	Governance Group, Mozambique (and Education)	Irish Aid	7 and 16 Feb. 2011*
Kinsey	Celeste	Co-Chair	GTAf	16 Feb. 2011
Krockner	Ulrich	Ambassador	Germany	17 Feb. 2011
Laice	Antonio	Former National Director of the Treasury	MoF	18 Feb. 2011
Lambo	Domingos	ex Budget Director	MoF	9 Feb. 2011
Langa	Veronica Ernesto	Provincial Director of Education and Culture	DPEC, Niassa	11 Feb. 2011
Loforte	Telma	Economist	SDC, SECO	16 Feb. 2011
Lubrino	Griolo	Director	Ministerio da Função Pública	14 Feb. 2011
Machon	Phillip	Grants Manager	CSSM	8 Feb. 2011
Macuacua	Eduardo	Economist	CTA	16 Feb. 2011
Macuacua	Inocencio	Governance Adviser	Irish Aid	8 Feb. 2011*
Macupulane	Olga	President	FOPROI (Inhambane)	15 Feb. 2011
Makaunganha	Ali Cassimo	External funds (Secretaria)	SP Team, Niassa	11 Feb. 2011
Malizane	Davide	Governor	Niassa Province	10 Feb. 2011
Manjate	Roberto	Provincial Coordinator, Niassa	IBIS	12 Feb. 2011
Manjate	Virgílio Lucas		DPA, Niassa	11 Feb. 2011
Mazula	Ivan	Planning (Secretaria)	SP Team, Niassa	11 Feb. 2011
McHugh	Nicole	Development Specialist for the Economic Pillar	Irish Aid	7 and 17 Feb. 2011
Melo	Josefa		Family Health International	15 Feb. 2011
Melo	Ana Maria Luís	Head of MCH Provincial Dept.	DPS, Niassa	11 Feb. 2011

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Surname	Other names	Position	Organisation	Interview date
Meque	Lidia	Education Group, Mozambique	Irish Aid	7 Feb. 2011
Milanze	Geraldo Ali	Head of DAF	DPOPH, Niassa	11 Feb. 2011
Milton	Alison	Senior Development Specialist in Civil Society Section and former development specialist, Mozambique	Irish Aid	24 Nov. 2010
Molina	Pilar de la Corte		UNFPA	8 Feb. 2011
Morais	Tatiana	Internal Auditor	Irish Aid	8 Feb. 2011
Muiambo	Bridget Walker	Economist	Irish Aid	8 Feb. 2011*
Muianga	Isaura	National Director	DAF	8 Feb. 2011
Mutacua	Fernando	Investment and External Funds	DPPF, Niassa	11 Feb. 2011
Natividade	Carlos	Director	UTRESP	14 Feb. 2011
Nkandjanga	Estevão Richade	Permanent Secretary	SP Team, Niassa	11 Feb. 2011
Nolan	Paula	former Development Specialist, Maputo	Irish Aid	25 Nov. 2010
O'Brien	Finbar	Head of Approach to Multilaterals	Irish Aid	24 Nov. 2010
O'Cleirigh	Earnan	Former Head of Development, Mozambique	Irish Aid	24 Nov. 2010
Omade	Yassine Abasse		SISTAFE, Mandimba District	14 Feb. 2011
O'Neill	Grainne	Desk Officer Mozambique	Irish Aid	23 Nov. 2010
Paco	Lúcio	(Mandimba) District Director, Education, Youth and Technology		14 Feb. 2011
Pedro	Maria Adelaide	Officer for external funds	DPEC, Niassa	11 Feb. 2011
Pequenino	Benjamin	Parliamentary adviser		11 Feb. 2011
Piaraly	Momed	National Director of Planning	MPD	15 Feb. 2011
Pinheira	João	Management Unit Director	CSSM	8 Feb. 2011
Richter	Niels	former Head of Cooperation, Mozambique	Danida	2 Feb. 2011
Rintoul	Jane	former senior governance advisor and acting country director, Mozambique	DFID	28 Jan. 2011
Rombe	Miguel	former Governance Advisor	CIDA	16 Feb. 2011
Salamão	Roberto	Chief of Decentralisation Department	MPD	10 Feb. 2011
Sarmiento	João	Head of Planning Dept.	DPS, Niassa	11 Feb. 2011
Sheridan	Frank	former Ambassador, Mozambique	Govt. of Ireland	2 Feb. 2011
Sherlock	Paul	Policy, Planning and Effectiveness	Irish Aid	25 Nov. 2010
Silvestre	Elias	Head, Engineer	Roads Authority, Niassa	11 Feb. 2011
Smyth	Marcella	Desk/HQ First Secretary 2006-2010	Irish Aid	25 Nov. 2010*
Suege	Azevedo		Irish Aid (Inhambane)	14 Feb. 2011
Tabesse	Sylvie	Counsellor	EC	10 Feb. 2011
Tomé	Abílio		DPA, Niassa	11 Feb. 2011
Van der Merwe	Koos	Owner	Mozambique Organicos	14 Feb. 2011
Vicente	Palmira	Agricultural Specialist	Irish Aid	7 Feb. 2011
Viegas	Dinis	Provincial Health Director	Niassa Province	10 Feb. 2011
Waterhouse	Rachel	former Development Specialist, Mozambique	Irish Aid	28 Jan. 2011
Xavier	Vitorino	National Director – Economics	MINAG	17 Feb. 2011
Zimba	Claire	Director of the Private Sector Support Office	MIC	17 Feb. 2011

Annex 3 Supporting Data

Table A3.1 Mozambique: Basic macroeconomic indicators

	2005	2006	2007	2008	2009	2010
GDP growth (annual %) ^a	8.4	8.7	7.3	6.7	6.3	n.a.
GDP per capita (current US\$) ^a	315.8	332.3	367.2	440.8	427.6	n.a.
Inflation, CPI (end of year) ^b	13.1	8.1	12.1	11.8	2.3	17.4
Official exchange rate (MZM/USD) ^c	23.1	25.0	25.6	24.2	26.7	33.0
Official exchange rate (MZM/ZAR) ^c	3.6	3.7	3.6	3.0	3.2	4.5
General government net borrowing (% GDP) ^d	-2.8	-4.1	-2.9	-2.5	-5.6	-5.4
Lending interest rate (%) ^a	19.5	18.6	19.5	18.3	15.7	n.a.
Exports of goods and services (% of GDP) ^a	32.5	39.7	37.0	33.2	26.4	n.a.
Current account balance (% of GDP) ^d	-11.6	-10.7	-9.7	-11.9	-11.9	-13.6
Gross fixed capital formation (% of GDP) ^a	18.7	17.7	18.0	18.5	21.7	
Credit to the economy (% change) ^d	22.5	14.3	16.6	45.9	58.6	36.0

Sources: a) World Bank, WDI; b) INE; c) Banco de Moçambique; (d) IMF, IMF(2010) and WEO

Table A3.2 Mozambique: Monetary based wellbeing indicators

	1996/97	2002/03	2008/09
Poverty headcount	69.4	54.1	54.7
Urban	62.0	51.5	49.6
Rural	71.3	55.3	56.9
Niassa	70.6	52.1	31.9
Cabo Delgado	57.4	63.2	37.4
Nampula	68.9	52.6	54.7
Zambezia	68.1	44.6	70.5
Tete	82.3	59.8	42.0
Manica	62.6	43.6	55.1
Sofala	87.9	36.1	58.0
Inhambane	82.6	80.7	57.9
Gaza	64.6	60.1	62.5
Maputo Province	65.6	69.3	67.5
Maputo City	47.8	53.6	36.2
Poverty gap	29.3	20.5	21.2
Urban	26.7	19.7	19.1
Rural	29.9	20.9	22.2
Squared poverty gap	15.6	10.3	11.0
Urban	14.6	9.6	9.6
Rural	15.9	10.7	11.6
Gini coefficient	--	0.4	0.4
Urban	--	0.5	0.5
Rural	--	0.4	0.4

Source: DNEAP 2010

Table A3.3	Mozambique: Non-monetary based wellbeing indicators		
	1996/97	2002/03	2008/09
Material Goods			
Houses with (%)			
Solid roofing	--	24.8	29.5
Solid walls	--	14.2	17.8
Electric lighting	--	6.9	13.2
Households with (%)			
Bicycle	--	28.1	38.1
Radio	--	45.5	45.8
TV	--	6.3	12.4
Cell phone	--	4.3	23.7
Nutrition			
Children suffering from (%)			
Stunting	49.1	47.1	46.4
Underweight	24.1	20.2	18.7
Wasting	8.3	5.1	6.6
Average meals per day	--	2.3	2.2
Urban	--	2.2	2.3
Rural	--	2.2	2.2
Share of food over consumption (%)	--	54.1	59.5
Urban	--	44.9	57.2
Rural	--	57.8	62.3

Source: DNEAP 2010

Annex 3: Supporting Data

Table A3.4 Mozambique: Key MDG Indicators

SELECTED INDICATORS	1997					2003					2007/8					2015
	Total	Urban	Rural	Men	Women	Total	Urban	Rural	Men	Women	Total	Urban	Rural	M	W	Targ.
Indicator of the MDG Targets																
1. Proportion of population living below the national poverty line (%)	69.4	62.0	71.3	69.9	66.8	54.1	51.5	55.3	51.9	62.5	54.7	49.6	56.9	53.9	57.8	40.0
2. Ratio of employed people to total population (%)											74.6	58.2	83.4	72.2	77.6	100
3. Underweight children under 5 years of age, (%)	26.1	14.8	30.7	26.5	25.6	23.7	15.2	27.1	24.7	22.6	17.5	12.9	19.4	19.9	15.2	17.0
4. Primary schooling completion rate (%)	22.0	n/a	n/a	n/a	n/a	38.7	n/a	n/a	n/a	35.4	77.1	-	-	84.6	73	100.0
5. Ratio of girls to boys in EP1	0.71	n/a	n/a	-	-	0.83	n/a	n/a	-	-	0.89	n/a	n/a	n/a	n/a	1.00
6. Proportion of seats held by women in National Parliament										28					38.2	50.0
7. Under-five mortality rate (per 1,000 live births)	245.3	174.2	270.9	257.7	232.9	153	143	192	181	176	147.2	117.1	156.2	155.3	138.5	108
8. Proportion of 1 year-old children vaccinated against measles (%)	55	85.3	69.6	75.1	73.1	63	83.1	54.3	61.4	64.8	58	85.3	69.6	75.1	73.1	95.0
9. Maternal mortality rate (per 100,000 live births)	692	n/a	n/a	-	-		n/a	n/a	-	-	500.1					250
10. Deliveries attended by skilled health personnel (%)	44.2	81.4	33.9	-	-	47.7	80.7	34.2	-	-	55.3	78.9	46.3			66.0
11. Prevalence of HIV/AIDS among adults (15-49 years, %)	8.6	n/a	n/a	n/a	n/a	9.3	n/a	n/a	n/a	n/a	11.5					n/a
12. Land area covered by forests (%)	21	n/a	n/a	-	-	n/a	n/a	n/a	-	-	51.0	n/a	n/a	-	-	n/a
13. Population with access to improved water source (%)	37.3	30	40.3	-	-	36.2	36	36.3	-	-	42.2	40	43.2	-	-	70.0
14. Population with access to improved sanitation (%)	29.0	38	25.3	-	-	44.8	71.7	33.4	-	-	42	47.3	39.0			50.0 (rural) 80.0 (urb.)
15. Net development assistance received as percentage of GDP						25.2					18.3					
16. Debt service (% of exports of goods and services)	21.7					3.9					1.87					
Other Indicators																
17. Size of the population (million)	16.1	4.6	11.5	7.7	8.4	18.5	5.6	12.9	8.9	9.6	21.2	6.5	14.7	10.2	10.9	-
18. Annual population growth rate (%)	2.3	3.4	1.9	n/a	n/a	2.4	3.3	2.0	n/a	n/a	2.4	-	-	-	-	-
19. Gini Coefficient [income inequality]	0.40	n/a	n/a	-	-	0.42	n/a	n/a	-	-						-
20. Life expectancy at birth (average no. of years)	42.3	48.8	40.2	40.6	44.0	46.3	50.1	44.9	44.4	48.2	51.3	52.0	50.3	49.8	54.3	-
21. Adult illiteracy rate (15 years and above, %)	39.5	67.0	27.8	55.4	25.9	46.4	69.7	34.3	63.3	31.2	49.7	75	37.2	65.5	35.9	-
22. Net enrolment rate in EP1 (%)	44.0	n/a	n/a	49.0	39.0	69.4	n/a	n/a	72.4	66.4	64.5	72.5	61.2	67.2	62.1	100.0

Source: MPD 2010 [Report on the MDGs 2010, Table 3]

Table A3.5 Overview of the Progress of Mozambique towards the MDGs

OBJECTIVES / TARGETS	WILL THE GOAL / TARGET BE MET?			
	Probably	Potentially	Unlikely	Without data
EXTREME POVERTY AND HUNGER		Potentially		
Reduce to half, by 2015, the proportion of people living under extreme poverty		Potentially		
Ensure, by 2015, decent work for all, including women and young people				Without data
Reduce to half, by 2015, the proportion of people who suffer from hunger		Potentially		
UNIVERSAL PRIMARY EDUCATION				
Ensure that, by 2015, all boys and girls will be able to complete a full course of primary schooling		Potentially		
GENDER EQUALITY				
Eliminate, preferably by 2005, gender disparity in primary and secondary education, and by 2015 in all levels of education	Probably			
CHILD MORTALITY				
Reduce by two thirds, by 2015, the under-five mortality rate	Probably			
MATERNAL HEALTH				
Reduce by three quarters, by 2015, the maternal mortality ratio				Without data
Achieve, by 2015, universal access to reproductive health		Potentially		
HIV/AIDS, MALARIA AND OTHER DISEASES				
Have halted, by 2015, and begun to reverse the spread of HIV/AIDS		Potentially		
Achieve, by 2010, universal access to HIV/AIDS treatment for all those who need it			Improbably	
Have halted, by 2016, and begun to reverse the incidence of malaria and other major diseases	Probably			
ENVIRONMENTAL SUSTAINABILITY				
Integrate the principles of sustainable development into national policies and programmes and reverse the loss of environmental resources		Potentially		
Reduce the loss of biodiversity, achieving, by 2010, a significant level				Without data
Reduce to half, by 2015, the number of people without access to safe drinking water and sanitation		Potentially		
By 2020, to have achieved a significant improvement in the standard of living of the slum dwellers		Potentially		
GLOBAL PARTNERSHIP FOR DEVELOPMENT				
Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. This includes a commitment to good governance, development and poverty reduction – both nationally and internationally		Potentially		
Address the special needs of the least developed countries				Without data
Address the special needs of landlocked developing countries and small island developing States and the outcome of the twenty-second special session of the General Assembly of the UN				Without data
Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term				Without data
In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries				Without data
In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	Probably			

Source: MPD 2010 [Report on the MDGs 2010, Table 1]

Annex 3: Supporting Data

Table A3.6 Mozambique: Basic Aid Indicators

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net ODA received (constant 2008 US\$m)	1488.2	1593.9	3610.8	1410.2	1529.0	1553.1	1850.7	1878.1	1993.8
Net ODA received (current US\$m)	906.2	960.7	2219.8	1047.9	1242.7	1297.0	1605.7	1778.1	1993.8
Net ODA received per capita (current US\$)	49.7	51.2	115.3	53.0	61.2	62.3	75.2	81.3	89.1
Net ODA received (% of gross capital formation)	68.9	118.0	176.4	100.8	116.9	105.5	128.2	123.3	109.4
Net ODA received (% of imports of goods and services)	51.4	50.4	82.0	42.9	45.1	38.7	38.2	39.9	36.9
Grant element on new external debt commitments (%)	82.9	81.4	76.0	79.6	80.2	80.3	75.3	72.6	80.6
Net bilateral aid flows - DAC donors (current US\$m)	702.4	793.9	1798.8	787.3	882.4	922.9	1113.0	1308.8	1502.7
United States	115.5	91.8	159.7	135.4	110.0	85.4	108.9	153.4	226.7
United Kingdom	82.7	185.2	48.0	63.4	65.9	80.8	99.4	115.7	197.9
European Commission	78.8	73.6	137.8	90.2	151.1	162.6	174.6	235.4	161.4
Sweden	46.3	42.6	45.3	56.5	67.9	79.3	91.8	103.6	119.6
Netherlands	61.6	86.6	52.0	47.3	54.7	64.5	59.7	80.7	105.7
Norway	38.2	32.6	38.7	54.1	61.1	67.9	64.3	80.1	96.7
Denmark	46.9	48.3	51.9	66.4	67.4	64.9	71.1	92.4	87.3
Spain	23.5	11.7	33.5	22.6	32.5	29.4	33.6	53.8	78.5
Canada	8.0	13.9	9.0	26.7	27.3	56.2	49.4	57.3	77.2
Germany	47.8	40.7	156.9	37.9	38.7	42.6	64.9	61.8	74.9
Ireland	15.4	18.7	29.4	39.9	48.7	48.3	53.8	68.7	74.2
Finland	11.6	10.6	11.8	22.0	25.7	24.8	28.4	32.9	40.2
Italy	13.1	13.1	446.5	15.1	27.0	21.6	30.2	42.6	34.6
Belgium	2.5	9.5	2.8	8.7	10.6	12.2	12.8	23.4	25.9
Portugal	32.8	34.3	23.9	19.1	24.3	22.6	21.7	21.6	25.1
Switzerland	25.1	23.4	21.6	20.8	27.7	24.6	22.4	24.2	23.9
Japan	20.0	33.5	69.7	35.3	19.4	14.8	106.8	27.8	23.7
Net official flows from UN agencies (current US\$m)	26.8	30.2	33.4	45.0	37.7	35.9	39.2	44.7	47.5

Source: World Bank's World Development Indicators database

Table A3.7 Mozambique: Basic Programmatic Aid Indicators

	2004	2005	2006	2007	2008	2009
Ajuda Programática (1)	497,598,071	532,930,551	580,535,693	686,501,453	779,709,866	836,589,475
<i>Apoio ao Orçamento geral</i>	243,393,834	329,906,147	359,094,372	403,513,586	448,185,992	487,524,435
<i>Programas sectoriais</i>	254,204,238	203,024,403	221,441,321	282,987,867	331,523,874	349,065,040
Projectos (2)	287,590,656	504,344,199	488,015,664	433,692,078	399,281,696	402,933,073
Apoio ao Governo-Provincial (3)		9,956,189	8,306,053		7,754,959	5,257,316
ODA total ao GdM (4)=(1)+(3)	785,188,727	1,047,230,939	1,076,857,410	1,120,193,531	1,186,746,521	1,244,779,864
ODA Não-Gov.						
<i>Apoio ao sector privado (5)</i>	25,710,822	19,712,870	28,431,012	51,784,474	30,305,288	15,807,605
<i>ONGs (6)</i>	57,902,273	72,586,831	70,874,686	113,292,774	112,495,796	103,755,753
<i>Outros (7)</i>	26,873,256	8,316,317	11,642,544	27,164,989	35,770,814	11,696,875
ODA total não-Gov. (8) = (5)+(6)+(7)	110,486,351	100,616,018	110,948,242	192,242,237	178,571,898	131,260,233
Total ODA to Mozambique (9) = (4)+(8)	895,675,078	1,147,846,957	1,187,805,652	1,312,435,768	1,365,318,419	1,376,040,097
Program ODA as % of total ODA to Moz	56%	46%	49%	52%	57%	61%
<i>Apoio ao Governo Provincial como % do total da ajuda para Moç.</i>	27%	29%	30%	31%	33%	35%
<i>Programas sectoriais como % da ajuda total para Moç.</i>	28%	18%	19%	22%	24%	25%
Projectos como % do total da ajuda para Moç.	32%	44%	41%	33%	29%	29%
Apoio ao Governo Provincial como % do total da ajuda para Moç.	0%	1%	1%	0%	1%	0%
ODA total para o GdM como % da ajuda total para Moç	88%	91%	91%	85%	87%	90%
ODA não-Gov.						
<i>Apoio ao sector privado como % do total da ajuda para Moç.</i>	3%	2%	2%	4%	2%	1%
<i>ONGs como % da ajuda total para Moç.</i>	6%	6%	6%	9%	8%	8%
<i>Outros como % do total da ajuda para Moç.</i>	3%	1%	1%	2%	3%	1%
ODA não-Gov. Total como % do total da ajuda para Moç.	12%	9%	9%	15%	13%	10%
ODA total para Moçambique	100%	100%	100%	100%	100%	100%

Source: Castel-Branco et al 2010

Donor	2007	2008	2009	2010	% Total (2010)
AfDB	28.99	28.99	30.48	26.68	5.7%
Austria	-	1.82	4.97	4.57	1.0%
Belgium	3.83	3.41	4.66	4.29	0.9%
Canada	4.5	6.15	7.57	13.25	2.8%
Denmark	10.26	9.35	10.5	9.32	2.0%
EC	55.84	52.84	73.04	67.15	14.2%
Finland	6.38	7.95	10.88	10	2.1%
France	2.55	2.27	3.11	2.86	0.6%
Germany	12.76	14.2	23.31	21.43	4.5%
Ireland	11.48	11.36	17.87	15.72	3.3%
Italy	4.85	4.32	5.91	5.43	1.2%
Netherlands	22.97	20.45	27.97	25.72	5.5%
Norway	22.82	24.13	31.86	24.79	5.3%
Portugal	1.5	1.5	1.5	2.14	0.5%
Spain	3.83	5.68	10.88	10	2.1%
Sweden	41.09	44.49	55.31	42.1	8.9%
Switzerland	6.54	6.11	7.24	6.87	1.5%
UK	67.07	70.69	83.09	69.49	14.7%
WB	70	70	80	110	23.3%
Total	377.7	385.81	485.17	471.79	100.0%

Source: PAP website (accessed 29 Dec 2010)

Annex 4 Mozambique's Performance Assessment Framework

Introduction

1. The Performance Assessment Framework (PAF) is a focus for Government and donors' joint monitoring of GBS, and provides a basis for donor decisions about their future financing of GBS. This annex explains the PAF system and notes the principal findings of PAF reviews over the evaluation period.

The purpose of the PAF

2. The PAF was initially conceived in 2003 in response to donors' concern that the government's poverty reduction strategy (PARPA) did not provide an adequately concrete basis for assessing performance. Together with the statement of underlying principles, it was developed to clarify the basis of the relationship between government and PAPs and make it more predictable. Both are core elements of the 2004 and 2009 Memorandums of Understanding. While the underlying principles set out the values on which the relationship rests, the PAF establishes its operational basis.

3. The PAF crystallises agreed priorities into measurable indicators on which the government's performance is assessed, dialogue takes place, and PAPs take decisions about their future funding commitments. The PAF is matched by a parallel assessment by government of the PAPs' performance – although this obviously does not carry the same consequences for PAPs as does the PAF for the government's budget.

The PAF process: target setting and review

4. The PAF is a government document that includes priority targets and indicators in the areas of governance, system reform and poverty reduction. Indicators are agreed with the PAPs and now also with civil society (represented particularly by a 'poverty observatory', now known as 'development observatory'); it is then submitted for approval to parliament as part of the government's economic and social plan.

5. Indicators, derived from the PARPA, are intended to be consistent so that progress can be compared over time, but they may be modified annually if indicators have been fulfilled or become irrelevant or where priorities have changed. Advised by PAP/GoM joint sector working groups, revisions for the following year are made annually in a PAF Planning Meeting (previously the mid-year review) in September each year. Final decisions on the PAF for the following year (n+1), and indicative targets for the next two years (n+2 and n+3) are agreed between government and donors in a meeting at the level of ministers and heads of mission. The revised PAF then forms part of the annual economic and social plan that goes to parliament.

6. An annual review of performance over the previous year takes place between March and April, with the participation of the government, PAPs, joint sector working groups and civil society representatives. The review focuses on the performance of government against the PAF indicators but also broader performance on the economic and social plan and in the execution of the budget – and it takes into account other reports such as Public Expenditure and Financial Accountability (PEFA) assessments and IMF review mission findings. The Aide Memoire that results from this process forms the basis of PAPs' collective judgement and their individual decisions on future GBS commitments.

7. Thus, while GBS in principle provides government with unearmarked resources to support its own budget, it comes on prescribed terms that include a high degree of donor participation in assessment and decision-making in which the PAF and the review process are the main instruments. Put another way, drawing the PAF indicators from the poverty

reduction strategy helps to ensure that donors support a budget that is oriented to poverty reduction.

PAF indicators and how they have changed over the period of review

8. The structure of the PAF matrix was changed in 2007 to reflect the structure of the government's second poverty reduction strategy (PARPA II 2006–2009). The number of indicators was reduced from 49 to about 40, and the matrix was simplified down to a statement of indicators, targets and achievements without stating also the objectives and actions to be taken. From 2008-2011, the basic structure has remained the same.

9. The matrix is organised by the following pillars or areas each with its own indicators:
- *Macroeconomics and poverty*: poverty analysis and monitoring systems; public financial management (including management of the budget, public expenditure tracking, use of the e-SISTAFE system, revenue and procurement).
 - *Governance*: public sector reform (including split of the budget between levels of government, operation of district consultative council, salary policy, municipal own revenue); justice, legality and public order (cases tried, district courts operating, cases of corruption investigated, charged and tried, criminal cases cleared up).
 - *Human capital*: health (including coverage of vaccination programmes, births in obstetric institutions, inhabitants per health worker), education (girls' enrolment rates at age 6, completion rates, student-teacher ratios), access to water and sanitation, social action (vulnerable categories' access to social protection).
 - *Economic development*: financial sector (insurance and pensions legislation, and investment strategy for social security system), private sector (simplification of licences for businesses, time to carry out import/export), agriculture (peasants assisted by extension services, hectares of irrigation, community land registered), electricity connections, roads in reasonable conditions.
 - *Cross-cutting issues*: HIV (HIV positive pregnant women receiving prophylaxis), gender (gender-based budgeting), rural development (number of development agencies and micro-finance customers), environment (district development plans with spatial component), and land (fees for land use rights).

10. Many of these indicators comprise a 'tip of the iceberg' synthesis for associated and much more detailed matrices applying to particular sectors such as agriculture, health, education and public sector reform. GBS, the PAF and the review process have become the hub for complementary sector review and planning processes.

11. The restructuring of the PAF from 2007 to 2008 for the most part re-allocated existing indicators to the pillar headings, while also removing some that had been achieved and modifying others so as to focus on more measurable indicators. The most significant changes were in the spheres of (i) financial systems where some existing targets had been achieved, and the focus came to be more purely on public financial management, (ii) the separation of land as a cross-cutting issue from its previous place as a part of the environment, and (iii) the removal from the PAF matrix of the target that 65% of budget expenditure should be on priority poverty-related sectors.

12. On the last, apparently very significant point it should be added that the annual review aide memoire nevertheless usually comments on whether the 65% target has been reached, and whether health and education have received at least a 50% share of this (see Table A4.1 below).

Table A4.1 **Reported Performance on Priority Expenditures**

Year of review (covering the previous year)	Expenditure on priority sectors as percent of all budgeted expenditure	Expenditure on health and education as percent of expenditure on priority sectors
2007 (for 2006)	65.1%	More than 50%
2008 (for 2007)	Not available	Not available
2009 (for 2008)	64.2%	54%
2010 (for 2009)	61.6%	Concern noted that share of education and health is falling

Note: as reported in aide memoires and their annexes.

Performance against targets

13. Joint aide memoires sum up the evaluation by PAPs and government resulting from the annual review process. As of 2010, reports are also produced by PAPs and government separately. There are some common patterns that run across the period covered by this report (2007-2010):

- The Mozambican Government has a strong record of economic growth and macro-economic management, but the proportion of households in income/consumption poverty has not fallen since the 2002/3 survey and there are important regional disparities
- In the more technical aspects of governance, and particularly in public financial management, there is steady progress
- Some other aspects of governance – justice, corruption and electoral reform - have been repeatedly labelled as problematic, although advances in the combat against corruption are noted. Some of these issues are being pursued not only through the PAF but also through the Governance Action Plan (see this report)
- Health (including HIV) and education indicators show a regular improvement in terms of access to treatment and services, indicators of health, and improvements in gender equity. In the case of treatment for HIV/AIDS, targets for two indicators were exceeded in 2009. The key challenge remains in the quality of services, particularly of education
- Water and sanitation: There is a steady increase in access to clean drinking water and safe sanitation, but rural households are far less likely to be well-served
- In respect of the climate for business, Mozambique's position is improving but it remains one of the lowest performing countries
- Food crop production and agricultural productivity remain low and stagnant.

Annex 5 Trends in Public Finance Management

Public financial management reform in Mozambique in perspective

1. The modernisation of the public financial management system has been a central piece of the Mozambican economic reform agenda since the late 1980s. Efforts have sought to improve public service delivery by implementing reforms aimed at enhancing the public sector's administration and financial management capacities. They have also sought to develop a modern and transparent system at all levels capable of ensuring the efficient, effective and pro-poor allocation of public resources to priority sectors (GoM & Danida 2006: 2).

2. During the first decade of reform, up until the mid 1990s, efforts were mainly aimed at correcting the expenditure distortions brought about by two decades of post-independence institutional reconstruction and civil war. These efforts sought to modernise an obsolete PFM system that dated back to the colonial era and the central planning period.

3. The 1996 review of the public expenditure management system, jointly undertaken by the government and the World Bank, and the government's 1997 Expenditure Management Reform Strategy (EMRS) entailed a move towards a more strategic approach to PFM reform. Under this framework, efforts were directed at addressing all underlying weaknesses identified throughout the and PFM system in a coordinated manner, and laying out a modern institutional and legal framework for it. The EMRS strategy had, as its main objectives: (i) increasing the coverage and classification of government budget expenditures; (ii) improving fiscal planning, accounting, and auditing; and (iii) increasing economic efficiency, transparency and accountability of public expenditure management activities (IMF 1998).

4. The implementation of the EMRS was followed by the approval by the National Assembly of the SISTAFE Law in 2002.⁶⁹ This establishes the principles and regulations that define the new integrated PFM system, SISTAFE ('*Sistema da Administração Financeira do Estado*') and has been the central focus of the PFM reform agenda since the early 2000s. SISTAFE has five core subsystems covering the full budget cycle and public financial process: (1) state budget, (2) public accounts, (3) treasury operations, (4) state procurement, and (5) internal control.

5. Subsequent PFM reform efforts have largely focused on financial administration in budget execution and accounting and control, as well as on developing the instruments required to make the new PFM architecture defined in the SISTAFE law operational. Key areas of reform have been: (1) the development and implementation of e-SISTAFE, an integrated IT financial application underlying the SISTAFE framework; (2) the introduction of the *Conta Única do Tesouro* (CUT) accounting system which seeks to consolidate all financial accounts into a single treasury account and bring all available sources of funding – both internal and external – under the umbrella of SISTAFE; (3) the modernisation and strengthening of internal and external control capacities, processes and mechanisms; and (4) the improvement of the budget formulation mechanism and its links to strategic planning and financial management processes, the *Processo Único*.

⁶⁹ *Lei n.º 09/2002 de 12 Fevereiro*, and *Decreto Lei n.º 23/2004 de 20 de Agosto*, which contains the regulations to this law.

Table A5.1 Key Legislation on PFM since the early 1990s

Law /Decree No.	Legislation Purpose	Date Approved
Law No. 05/92	Organic law establishing the mandate and organic statute of the Administrative Tribunal	6 th May 1992
Law No. 13/97	Establishes the legal frame for ex-ante audit of public expenditure by the Admin. Tribunal	10 th July 1997
Law No. 14/97	Establishes the legal frame for ex-post audit of public expenditure by the Admin. Tribunal	10 th July 1997
Law No. 15/97	Establishes the principles, rules and guidelines for the state budget and national account	10 th July 1997
Decree No. 07/98	Approves the regulations for budget execution and budget alterations by the government	10 th March 1998
Law No. 09/02	Establishes the new State Financial Administration System (SISTAFE)	12 th February 2002
Decree No. 23/04	Approves the regulations for Law 09/02 under which under which SISTAFE is organised	20 th August 2004
Decree No. 54/05	Approves the regulation for State procurement of public works, goods and services	13 th December 2005
Law No. 17/07	Establishes Parliament's internal regulations, including those of the Plan and Budget Committee	18 th July 2007
Ministerial Diploma No. 169/07	Approves the Financial Management Manual applicable to all public institutions in the budget execution process	31 st December 2007
Decree No. 23/07	Establishes the regulations for state asset management	9 th August 2007
Law No. 1/08	Defines the asset, budget and finance regime of municipalities	16 th January 2008
Ministerial Diploma No. 124/2008	Defines the treasury operations regulations	--
Law 26/2009	Specifies the functioning and duties of the 3rd section of the Administrative Tribunal, in what regards the approval, prior and post review of public expenditure	29 th September 2009
Decree No. 90/09	Creates District Development Funds	15 th December 2009
Decree 15/2010	Approves the procurement regulations applicable to all public institutions	24 th May 2010

6. PFM reform efforts during the CSP evaluation period mainly focused on implementation of the existing SISTAFE reform framework, in order to secure achievements made thus far (MB Consulting, 2010). No major pieces of legislation or reform initiatives were initiated, with most initiatives aimed at implementing aspects of the reform, or refining (e.g. through new regulations) and expanding the SISTAFE legal framework. Perhaps the most noteworthy development was the formulation and approval in July 2009 by the Ministry of Finance of a new strategic document, the PFM Vision, which set out its vision for PFM reform for the next ten years to 2020, and defined the main strategic objectives to be achieved in the various areas of PFM reform.

Assessing recent developments in PFM reform in Mozambique

7. Most analyses of PFM reform in Mozambique make a positive assessment of progress during the past ten years. There are, however, a number of areas where a stronger commitment to reform is generally considered necessary. Furthermore, whilst progress has been made in modernising PFM architecture, PFM systems and processes still lag behind international standards.

8. For instance, in their summary findings, the authors of the 2006 PEFA assessment (Lawson et al 2008:8), conclude that '*significant improvements in the quality of PFM systems and processes have been achieved between 2004 and 2006, as measured by the PEFA methodology*', identifying the areas of (i) payment, procurement and internal control; (ii) cash management; (iii) donor practices; and (iv) revenue collection and management, as those where progress has been greatest, whilst also recognising positive changes in the comprehensiveness and transparency of the budget processes and in policy-based budgeting.⁷⁰

9. This same report, however, also identifies areas where reform has lagged. In particular, it finds that progress has been slower than desirable in (i) accounting, recording and reporting; and (ii) external scrutiny and audit; and that no progress has been made at all in (iii) enhancing budget credibility and consistency (Lawson et al 2008: 8-9).

10. The IMF's "Fiscal ROSC"⁷¹ report of 2008, also notes that '*Mozambique has made significant progress on fiscal transparency over the last few years, as a result of a wide range of relevant legislative reforms in line with international good practices*' (IMF 2008: 1). The report also highlights that the introduction of new PFM tools such as e-SISTAFE, the single Treasury Account (the e-CUT), and the creation of new institutional arrangements such as the Mozambican Tax Authority, among others, have strengthened fiscal management and led to a relatively well-structured planning and budgeting mechanism and budget reporting system, as well as a well-defined coordination mechanism for donor activities.

11. However, it also identifies a number of shortcomings that require further support, including the existence of overlapping responsibilities between different levels of government and lack of transparency of intergovernmental transfers; the lack of agreement between the Bank of Mozambique and the Treasury on how to manage the e-CUT; the limited coverage of the budget and incomplete use of e-SISTAFE, which undermines the quality of budget reporting; the lack of fully effective internal and external controls; and an insufficient level of human and technical resources devoted to these issues.

12. It makes the following recommendations for PFM reform: '*(i) strengthening the legal framework on autonomous State institutions and public enterprises; (ii) clarifying the responsibilities between levels of government and introducing transparent and rule-based intergovernmental transfers; (iii) expanding the use of the e-SISTAFE, including to the districts with largest socio-economic impact, and the scope of operations channeled through the e-CUT; (iv) developing additional e-SISTAFE modules on revenue collection, payroll, and asset management; (v) broadening the coverage of the budget, enhancing budget execution reports, and strengthening accounting processes; (vi) making transactions related to the resource sector and public-private partnerships more transparent; and (vii) strengthening the Inspectorate General of Finance and the Administrative Tribunal, including by encouraging collaboration between them*' (IMF 2008: 1).

⁷⁰ The 2006 evaluation of General Budget Support (GBS) in Mozambique (Batley et al 2006a) reached similar conclusions.

⁷¹ Report on Observance of Standards and Codes – Fiscal Transparency Module.

13. More recently, in its review of Mozambique's PRSC-7 the World Bank makes a similar assessment of progress in PFM, with some areas that require additional attention and support (World Bank 2010). Overall, it finds that '*the government has embarked on a sequenced program of reform, and Public Financial Management (PFM) systems have shown major improvements in recent years*', noting that Mozambique is '*one of the few countries with two successive good quality PEFA assessments*', reasons behind the Bank's decision to increase Mozambique's CPIA score on public financial management from '3.5' in 2008 to '4' in 2009, out of a maximum possible score of 6.

14. The World Bank notes that progress has been made in the effective roll-out of e-SISTAFE,⁷² which has made possible the transition from the previous system of advance payments towards a system of direct budget execution,⁷³ while contributing to improved budget credibility by reducing differences between actual expenditure out-turns and budget plans, although the prevalence of a '*paper-based culture limits the effectiveness of the e-SISTAFE system*' (World Bank 2010: 35). It also notes as a positive development the implementation of a second generation of SISTAFE reforms, including the integration of the management of payroll and revenue collection in the e-SISTAFE, and that fiduciary accountability has improved significantly, although challenges still remain in areas such as aggregate risk monitoring. The report finds that substantial progress has been made in the implementation of procurement reforms, and that as a result Mozambique's public procurement system has improved consistently over the years, with competitive bidding increasingly becoming the default choice and substantial improvements taking place in monitoring efforts and data collection on public procurement.

15. Progress has somewhat been slower, though, in the area of internal audit. The report recognises that both capacities and coverage of internal audit systems and agencies have been substantially improved, leading to a doubling in the number of audits undertaken by the Inspectorate General of Finance (IGF) since 2005, and commends the fact that the follow-up of audit recommendations is now being monitored regularly. However, it finds that this has still not translated into substantial improvements in the quality of internal audit and control activities (pp.38-39).

16. Finally, the report identifies reforms in external audit systems and processes as the area where changes have been slowest, noting that there has only been some improvement in the external scrutiny and external audit function in recent years. On this point, the report acknowledges that substantial efforts have been made to boost the capacity and performance of external audit bodies, namely the *Tribunal Administrativo*, efforts which have contributed to audit reports being completed within the terms stipulated by the law. However, the response to audit findings and the scope of verification audits by the TA remain limited, partly due to its (continuing) weak capacity (pp. 41).

17. The preliminary results from the 2009 PEFA exercise made available to the CSP evaluation team confirm this trend of steady progress in the implementation of PFM reforms. Thus, its PFM assessment records progress in 15 out of a total of 31 PEFA indicators between 2006, the year when the previous PEFA assessment was conducted, and 2009,

⁷² According the World Bank (2010: 31), as of December 2009 e-SISTAFE had been rolled out to all 25 ministries, 29 autonomous state institutions out of a total of 32, and 50 districts across the country.

⁷³ However, it is important to note that as pointed out in the latest Joint Annual Review Aide Mmoire (PAP/GoM, 2010), as of December 2009, only 29 percent of budget expenditure, including external financing yet excluding expenditure allocated to budget units where e-SISTAFE is still not operational (e.g. public companies), was being executed directly through e-SISTAFE, a share significantly smaller than initially planned.

with only two indicators recording a lower score than in 2006.⁷⁴ The results of this assessment suggest that progress in advancing the PFM reform agenda has been greatest in terms of increasing the comprehensiveness and transparency of the budget, with progress in five out of six indicators, and in terms of increasing predictability and control in budget execution, with progress in five out of nine performance indicators. Progress has been slower or non-existent in accounting, recording and reporting, with improvement in only one out of four indicators, and in external scrutiny and audit, where there has been no significant progress since the previous PEFA assessment.⁷⁵

18. The same study reports on a number of critical achievements in the implementation of the SISTAFE reform between 2006 and 2009, including (Umarji et al, 2010: 18):

- (i) Increased use of direct budget execution.
- (ii) Continued roll out of e-SISTAFE to the district level, with its implementation in 31 districts in 2008 and 50 in 2009.
- (iii) Reduction in the use of commercial bank accounts, from 6,428 in 2007 to 5,420 in 2009.
- (iv) Increases in the capture of execution of the external component of the budget via e-SISTAFE, from 11 percent in 2007 to 82 percent in 2008.
- (v) Substantial increases in the transition of Off-CUT projects into On-CUT.
- (vi) Multi-currency CUT made fully available since 2009, with its functionality approved by ministerial decree in April 2008.

19. Overall, the report identifies as the main areas of progress the continued roll-out of e-SISTAFE, including at the district level; the increases achieved in the scope and coverage of the budget, together with the introduction of a programmatic budget expenditure classification system; a census of civil servants and pension beneficiaries; the piloting and roll-out of the CUT multi-currency tool; the continued development of the legal and institutional framework for the procurement and external audit functions; the establishment and improved performance of the Mozambican Revenue Authority (ATM); and the continued improvements registered in the internal and external audit of public accounts (Umarji et al, 2010: 17). As regards areas where progress has been less satisfactory, the report points to the same weaknesses identified by the IMF assessment mentioned above, namely limited knowledge and understanding of e-SISTAFE among budget process stakeholders' (e.g. suppliers, line ministries, auditors, donors, etc.) and weaknesses in the developments of e-SISTAFE and UTRAFE functioning methods (Umarji et al, 2010:18).

20. Last but not least, it is important to note that whilst progress has been made in the modernisation of the Mozambican PFM framework, PFM systems and processes still score somewhat low by international standards. For instance, in its most recent Open Budget Initiative Survey (IBP 2010), the International Budget Partnership Initiative awards Mozambique a score of only 28, out of a maximum of 100, for budget transparency and accountability, placing it towards the bottom of the group of countries disclosing only minimal budget information, with a significantly lower score than many of its regional peers, including

⁷⁴ These are indicator PI-2 – composition of expenditure out-turn compared to original approved budget – which captures the degree of credibility of the budget, and indicator PI-21 – effectiveness of internal audit (in 15 out of a total of 31 PEFA indicators (Umarji et al, 2010: 21).

⁷⁵ The institutional diagnosis carried out in August 2010 of the Administrative Tribunal continued to report important shortcomings in the work and functions of this body, including (a) insufficient resources; weak links with IGF, lack of suitably qualified staff, lack of instruments to assess risk in order to determine planning priorities; lack of available management accounts from public institutions, weak internal control systems, insufficient access to e-SISTAFE and a lack of a database of audit reports, among others (Irish Aid, 2011 'Public Finance management paper')

Liberia (40), Kenya (49), Uganda (55) and South Africa, which tops the 2008 OBI ranking with a score of 92.

21. Similarly, the cross-country comparison of PFM performance by de Renzio et al 2010, which uses numerically transformed PEFA for 16 countries, also places Mozambique towards the bottom end of PFM performers, with a score of 22 out of a maximum of 33, only scoring higher than Malawi (19), Benin (19), Guinea (19), Zambia (20) and Rwanda (21). (See Table A5.2 below.)

Table A5.2 Evolution of PFM Systems Based on PEFA Scores: 2001–2007

Country/Year	T&C				BPP				COA				TOTAL			
	2001	2004	2007	Var	2001	2004	2007	Var	2001	2004	2007	Var	2001	2004	2007	Var
Benin	9	9	7	-	6	7	5	-	9	8	7	-	24	24	19	-
Burkina Faso	8	8	10	+	8	8	7	-	8	9	9	+	24	25	26	+
Ethiopia	8	10	8	-	5	5	7	+	8	8	10	+	21	23	25	+
Ghana	6	8	9	+	5	5	6	+	4	9	10	+	15	22	25	+
Guinea	8	9	8	-	4	4	5	+	7	8	6	-	19	21	19	-
Guyana	9	10	11	+	5	5	6	+	8	8	8	-	22	23	25	+
Honduras	11	9	9	-	5	4	5	-	7	7	9	+	23	20	23	-
Madagascar	10	10	10	-	5	6	5	-	7	7	7	-	22	23	22	-
Malawi	9	8	8	-	6	5	5	-	8	7	6	-	23	20	19	-
Mali	9	10	10	+	6	7	8	+	10	9	8	-	25	26	26	+
Mozambique	7	7	8	+	5	5	6	+	9	7	8	-	21	19	22	-
Nicaragua	7	9	8	-	4	4	6	+	8	7	8	-	19	20	22	+
Rwanda	10	8	9	-	7	7	5	-	6	6	7	+	23	21	21	-
Tanzania	8	9	9	+	7	7	7	-	9	9	11	+	24	25	27	+
Uganda	10	8	8	-	7	6	7	-	8	9	8	-	25	23	23	-
Zambia	7	6	6	-	3	4	6	+	7	8	8	+	17	18	20	+

Source: de Renzio et al 2010.

Note: T&C stands for 'transparency and comprehensiveness' of budgets, BPP for quality of 'budget, planning and policy linkages'; and COA for 'control, oversight and accountability' of budgetary processes.

22. Annex 7 includes further analysis of PFM at decentralised levels of government.

Annex 6 GBS and Public Expenditure Dynamics

Trends in budget expenditure and domestic revenues

1. Analysis of the impact of GBS on public finance is often centred around two main issues: (1) whether it is creating greater fiscal space for public expenditure growth to poverty reduction priority sectors; and (2) whether it is creating disincentives to tax collection and revenue growth in general. This annex briefly examines both these issues in the case of Mozambique.

Analysis of expenditure trends to priority sectors

2. According to the budget accounts annually audited by the Administrative Tribunal from 2006 to 2009 and the preliminary budget execution figures released by the Ministry of Finance in its recent 2010 Budget Execution Report, budget expenditure to priority sectors experienced a substantial increase of 43%, from around USD 1,044 million in 2005 to over USD 1,493 million in 2010 (Table A6.1).

Table A6.1 Trends in Budget Expenditure to Priority Sectors, 2005-10

USD m	2005	2006	2007	2008	2009	2010 (p)	%± 05-10
Priority Sectors	1,044.2	1,123.5	1,337.5	1,716.7	1,781.5	1,493.2	43.0%
Education	315.1	352.0	467.5	625.4	624.2	552.5	75.3%
Health	203.1	242.0	289.7	295.8	301.5	224.0	10.3%
Infrastructures	301.0	292.0	306.2	391.4	379.4	298.4	- 0.9%
Agriculture & rural dev.	74.3	79.6	80.9	102.2	136.6	115.6	55.7%
Good governance	136.1	141.4	173.4	258.8	286.2	242.0	77.8%
Other priority sectors	14.7	16.4	19.8	43.0	53.6	60.7	314.1%
Non-priority sectors	501.5	614.4	828.6	945.8	1,129.8	1,482.3	195.6%
Total Expenditure (ex. debt)	1,546	1,738	2,166	2,663	2,911	2,975	192.5%
% chares	2005	2006	2007	2008	2009	2010 (p)	
Priority Sectors	67.6	64.6	61.7	64.5	61.2	50.2	
Education	20.4	20.3	21.6	23.5	21.4	18.6	
Health	13.1	13.9	13.4	11.1	10.4	7.5	
Infrastructures	19.5	16.8	14.1	14.7	13.0	10.0	
Agriculture & rural dev.	4.8	4.6	3.7	3.8	4.7	3.9	
Good governance	8.8	8.1	8.0	9.7	9.8	8.1	
Other priority sectors	0.9	0.9	0.9	1.6	1.8	2.0	
Non-priority sectors	32.4	35.4	38.3	35.5	38.8	49.8	
Total Expenditure (ex. debt)	100.0	100.0	100.0	100.0	100.0	100.0	

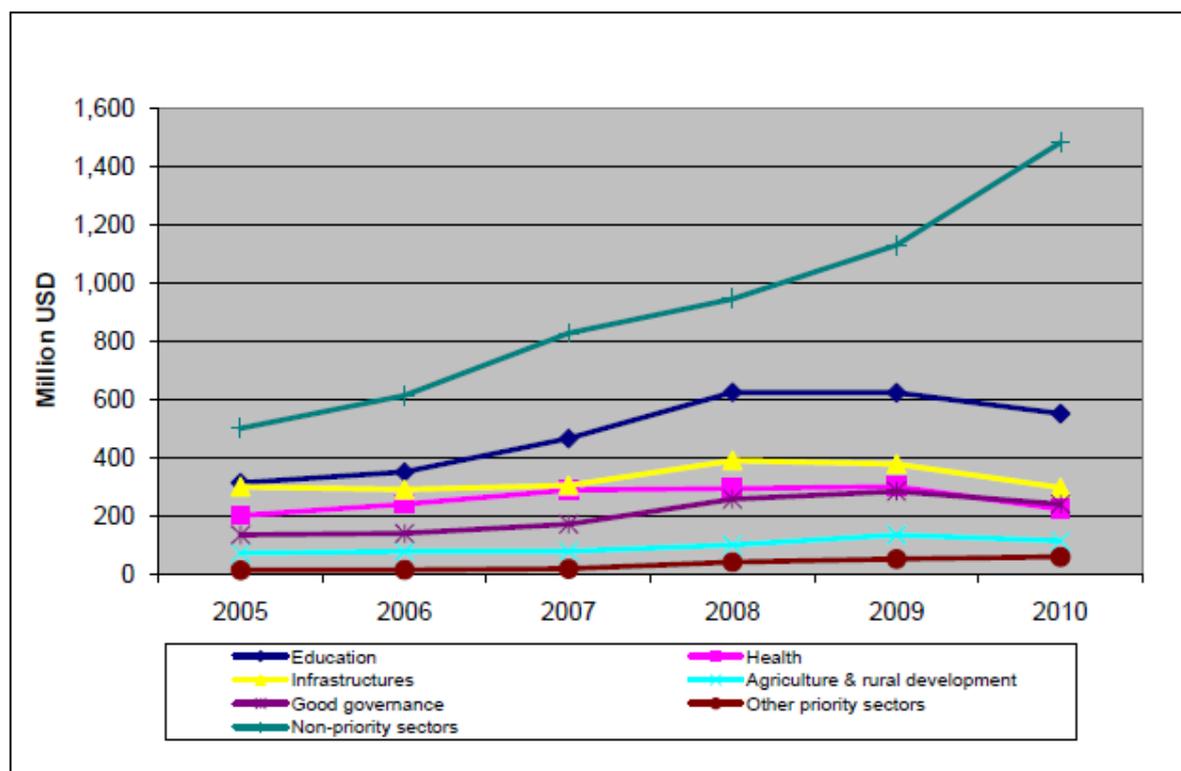
Note: 2010 figures are preliminary figures from the MoF's 2010 Annual Budget Execution Report

Source: own calculations based on data from the 2006–2009 CGE reports by the Tribunal Administrativo and from the Ministry of Finance 2010 Annual Budget Execution Report.

3. Between 2005 and 2010, the largest share of executed priority expenditure went to education, between 18.6% (in 2010) and 23.5% (in 2008) of total budget expenditure, followed by the infrastructure sectors (between 10.0% and 19.5% of total executed budget) and the health sector (7.5–13.9%). In terms of growth of executed budget expenditure, the fastest expanding area was what the Administrative Tribunal's audit report classifies as 'other priority sectors' (which is also the smallest category by volume of expenditure), followed by 'good governance' programmes. Among other factors, growth in 'other priority sectors' was driven by the establishment of the Millennium Challenge Account, which only in 2010 led to total expenditures of USD 27 million, up from USD 4 million in 2008.

4. A trend that stands out in Table A6.1 is the rapid growth in non-priority expenditure, which increased by 195.6% between 2005–2010 from USD 501.5 million to USD 1,482.3 million, outpacing the expenditure going to priority sectors (which increased by 43.0%). These trends can be seen clearly in Figure A6.1 below.

Figure A6.1 Evolution of Budget Expenditure by Priority Sectors



5. As a result of these trends, the share of total budget expenditure going to priority sectors experienced a steady decline during the second part of the decade up to 2009, from 67.7% of total executed expenditure in 2005 to ‘only’ 61.2% in 2009, followed by a sharp drop in 2010, down to 50.2%. This trend would seem to contravene the long-held understanding between PAP donors and the government that at least 65% of the budget should go to poverty-reduction priority sectors. The sharp drop in 2010 is extraordinary and would merit further investigation.

6. However, it is important to note that this analysis does not necessarily mean that budget support is being directed to non-priority sectors or has enabled this expansion in non-priority spending. Thus, the increase in annual priority public expenditure recorded between 2005 and 2009 of around USD 737 million could easily accommodate the USD 485 million in GBS ODA that G19 donors committed in 2009. Furthermore, the government has other sources of financing such as (internal or external) debt financing or revenue growth, among others. As discussed below, during the same period, there was a healthy increase in revenue growth that could easily have been used to finance the expansion in non-priority spending. However, the apparent failure to maintain a 65% share of public expenditure for the priority sectors may be seen as a lapse in government-donor policy dialogue around the PAP-GBS framework.

7. Another trend that emerges from the analysis of budgeted and executed expenditure in priority areas is the divergence in budget execution rates in priority and non-priority sectors (see Table A6.2 below). This is more obvious during 2005–2009. Thus, while

execution rates in non-priority sectors experienced a sustained increase, from 89.7% to 93.9%, priority sector execution rates experienced precisely the opposite trend, a considerable drop from 87.9% in 2005 to 82.1% in 2009, contributing to a widening gap in execution levels between priority and non-priority expenditures. Moreover, with the exception of “good governance” and “other priority sectors”, all priority areas of expenditure experienced a drop in execution rates during this period.

Table A6.2 Budgeted and Actual Public Expenditure in Priority Areas (USD m & %)

	2005		2006		2007		2008		2009		2010 (p)	
	Plan	Exec.	Plan	Exec.								
Priority Sectors	1,189	1,044	1,231	1,123	1,604	1,337	2,230	1,717	2,169	1,781	1,594	1,493
Education	341.0	315.1	381.7	352.0	519.6	467.5	710.1	625.4	682.5	624.2	566.0	552.5
Health	229.1	203.1	276.5	242.0	355.9	289.7	421.8	295.8	431.0	301.5	225.3	224.0
Infrastructures	369.8	301.0	314.1	292.0	408.7	306.2	593.1	391.4	516.3	379.4	308.6	298.4
Agriculture & rural dev.	85.0	74.3	89.6	79.6	108.8	80.9	135.8	102.2	181.7	136.6	125.3	115.6
Good governance	147.9	136.1	148.9	141.4	191.4	173.4	286.8	258.8	299.1	286.2	271.9	242.0
Other priority sectors	16.8	14.7	20.1	16.4	20.1	19.8	82.5	43.0	58.2	53.6	96.8	60.7
Total non-priority sectors	559.0	501.5	673.2	614.4	970.6	828.6	1,094	945.8	1,203	1,123.0	1,893	1,482
Total expend. (Exc. debt)	1,749	1,546	1,904	1,738	2,575	2,166	3,324	2,663	3,372	2,911	3,568	2,975
	Dif.	% Exec.	Dif.	% Exec.								
Priority Sectors	-145.4	87.8	-107.4	91.3	-267.0	83.4	-513.3	77.0	-387.2	82.1	-100.7	93.7
Education	-25.9	92.4	-29.7	92.2	-52.1	90.0	-84.7	88.1	-58.3	91.5	-13.5	97.6
Health	-26.0	88.7	-34.5	87.5	-66.2	81.4	-126.0	70.1	-129.5	69.9	-1.3	99.4
Infrastructures	-68.8	81.4	-22.1	93.0	-102.5	74.9	-201.7	66.0	-136.9	73.5	-10.2	96.7
Agriculture & rural dev.	-10.8	87.4	-10.0	88.8	-28.0	74.3	-33.6	75.3	-45.1	75.2	-9.7	92.3
Good governance	-11.8	92.0	-7.5	95.0	-17.9	90.6	-28.0	90.2	-12.9	95.7	-29.9	89.0
Other priority sectors	-2.1	87.3	-3.6	81.9	-0.3	98.6	-39.4	52.2	-4.6	92.1	-36.1	62.7
Total non-priority sectors	-57.5	89.7	-58.9	91.3	-141.9	85.4	-147.9	86.5	-73.1	93.9	-410.9	78.3
Total expend. (Exc. debt)	-202.9	88.4	-166.2	91.3	-408.9	84.1	-661.2	80.1	-460.3	86.3	-592.7	83.4

Note: 2010 figures are preliminary figures from the MoF's 2010 Annual Budget Execution Report

Source: own calculations based on data from the 2006-2009 CGE reports by the Tribunal Administrativo and from the Ministry of Finance 2010 Annual Budget Execution Report.

8. The budget execution rates for 2010 reported in Table A6.2 would seem to suggest the reversal of this trend, with execution rates for non-priority spending dropping to 78.3% and those for priority sectors rising to 93.7%. However, these figures are somewhat misleading as they take place in a context in which planned non-priority spending experienced a sharp increase of 57.4% between 2009 and 2010, whilst priority sectors saw budget cuts of up to 26.5% on average between these two years. Thus, comparing execution rates gives a better sense of the trends between 2009 and 2010. This seems to confirm the diverging trends in budget execution rates in priority and non-priority sectors reported for 2005–2009: non-priority budget execution increased by up to 31.2% between 2009 and 2010, while executed priority spending fell by 16.2%.

9. Unfortunately, the data presented in the Administrative Tribunal's external audit reports used to obtain these figures do not allow for an analysis of the causes of these trends. Nonetheless, there are a number of possible reasons for them. For instance, they could be related to differences in the composition and nature of expenditure between priority and non-priority sectors, with for example non-priority sectors representing a larger share of recurrent expenditure (e.g. salaries, consumables, etc.) which by its very nature is easier to execute, than priority sectors. It could also be that the sectors make use of different budget execution-related PFM systems (e.g. procurement), some more efficient than others. Another possibility is that, faced with some form of budget constraint, the government has

been diverting funds planned for priority sectors to finance its non-priority needs; or it could be a combination of all of the above, among other possible explanatory factors.

10. Finally, one critical (and obvious) development emerging from this analysis has been the very substantial drop that these budget items experienced overall in 2010, both relative and absolute. These budget cuts affected all priority sectors, except for expenditures under the Millennium Challenge Account, which appear as part of the 'other priority sectors' line in Table A6.1 and Table A6.2 above. Moreover, they affected both executed and budgeted priority expenditures, implying that they were planned in advance.

11. Discussions during fieldwork for this evaluation suggested a number of explanations, other than the straightforward one that the government decided to cut the budget for priority sectors in 2010, but some seem more plausible than others.

12. One possibility is that the sharp decline in priority spending reflects donors' late disbursements of GBS funds caused by problems at HQ, or maybe even resulting from the G19 donor strike of 2010. This is the line of argument presented by the Ministry of Finance in its 2010 Budget Execution Report. However, the problem with this hypothesis is that it can only possibly explain drops in executed budget outlays, not in planned expenditures, which presumably were planned and budgeted sometime in 2009, at a time when it would have been virtually impossible to foresee these disbursement delays and the 2010 donor strike.

13. Another explanation put forward is that this drop is only capturing the strong depreciation experienced by the Metical against the US dollar in 2010, so that when budget expenditures are measured in USD, budget figures appear smaller than would otherwise be the case. The fact that, when measured in current Meticais, executed priority spending increased from MZM 47.8 to MZM 49.2 billion between 2009 and 2010 would seem to support this hypothesis. But there are several problems with this argument. First, the trends reported above refer to the relative weight of different budget items on the State budget and, therefore, are independent of the dollar value of the Metical at any given time. Thus, the MZM/USD depreciation would affect all budget lines alike and leave relative weights unchanged. Yet, as reported above, at the same time that priority sectors experienced a sharp decline in the USD budget expenditures, non-priority spending increased significantly in dollar terms between 2009 and 2010. Moreover, when conducting trend analysis it is value comparisons expressed in real terms that matter. Thus, using USD provides a better approximation to real dynamics than using current Meticais. In fact, discounting the 2010 13.5% CPI inflation rate, the Metical value of priority spending would also fall, in this case from MZM 47.8 to MZM 43.4 billion, in 2009 Meticais (and this would also be an imperfect measure of real trends). Finally, it is important to note that a very significant part of budget resources in Mozambique are actually denominated in foreign currency, and therefore would not be affected by the impact of the depreciation of the MZM, or by the use of USD in the analysis. This includes GBS and SBS ODA, as well as tax revenues from imports (duties, as well as VAT and excise tax on imports). In fact, a significant part of these resources, such as ODA from Euro countries, have actually increased their USD value due to the depreciation experienced by the US dollar against the Euro in 2010; and much of it actually went to finance priority sectors through SBS funds in the health, education or road sectors, among others.

14. Another possible explanation is that the drop in priority spending in 2010 might reflect the fact that some priority sectors have reached the limit of their absorptive capacity, so that any increase in budget spending goes to non-priority activities. However, if this were the case, it would be reflected only in a decline in the relative weight of priority sectors in the budget, not in a decline in absolute terms of executed expenditures. In any case, if this was the main reason behind what happened in 2010, it would be difficult to justify continuing to provide GBS, since, presumably, if the government can afford to finance a 195.6% increase

in non-priority spending, as it has since 2005, then it should be able first to finance priority-sector spending in areas such as health or HIV-AIDS.

15. One final possibility, and perhaps the most likely other than the very real possibility that the government decided to reduce priority budget spending in 2010, is that these cuts were decided in the knowledge that the ensuing shortfall in priority spending would be covered through off-budget (and perhaps non-government) funding. The growing role of vertical funds in areas such as HIV/AIDS, Malaria and Tuberculosis, or the very big off-budget programmes run by non-PAP donors such as USAID in areas such as the health sector, could lend some support to this hypothesis.

16. We should emphasise again that this analysis is preliminary, and that we would expect these issues to form an important part of the dialogue between GoM and the PAPs.

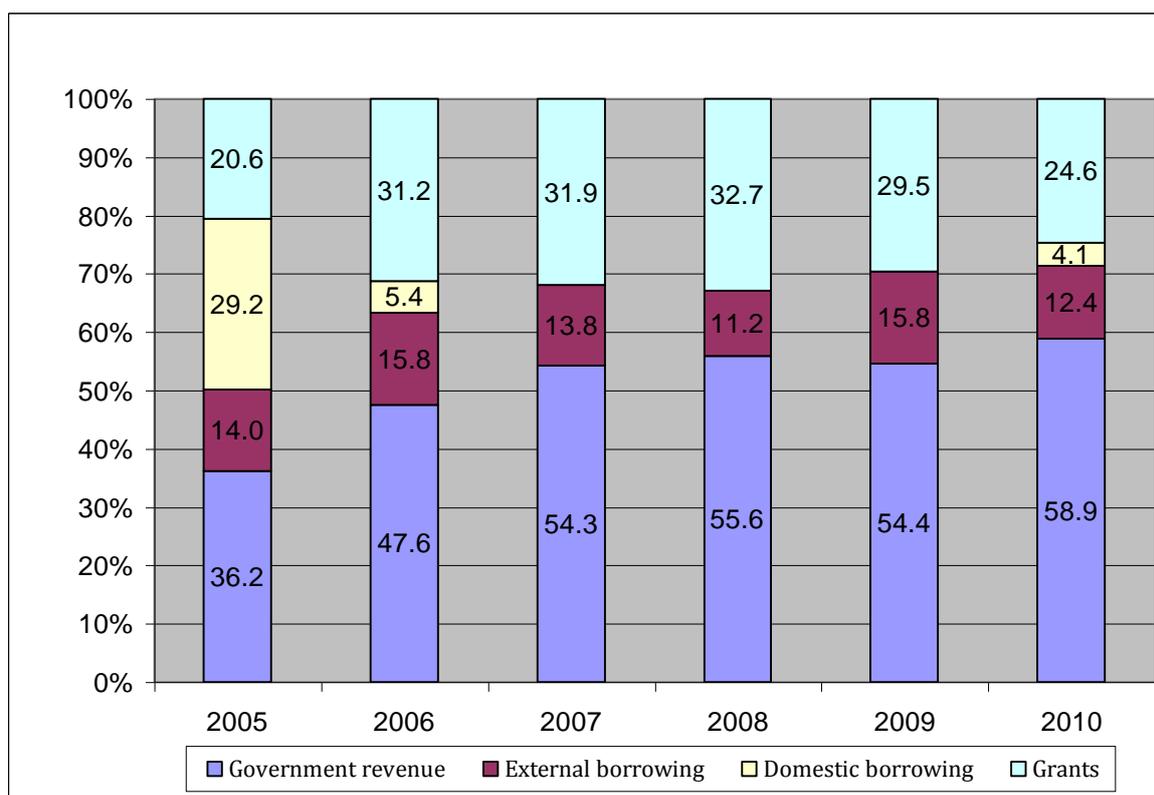
Recent budget financing trends

17. The evolution of budget financing since 2005 presents somewhat more positive trends than those identified above. Several points stand out from the analysis of the budget financing information presented in external audit reports conducted annually by the Administrative Tribunal in Mozambique.

18. First, as Figure A6.2 below shows, there has been a sustained increase in recent years in the level of revenue generated and collected by the government in the budget. Thus, the share of revenue in total budget resources increased very substantially from 36.2% in 2005 to 58.9% in 2010, indicating the emergence and consolidation of a more sustainable framework for budget financing.

19. Moreover, as Table A6.3 below shows, this increase has been driven by a real increase in overall government revenue collection as a percentage of GDP (up from 13.7% in 2005 to 18.1% in 2009, an increase of 32.1%). Furthermore, these same figures show that tax earnings have led this trend, also a very positive development inasmuch as this source of revenue tends to provide a more stable base for budget financing.

20. In addition, there has been an increase in the use of grants to finance the budget, with presumably a large share of them derived from general budget support. This source of funding saw its share in the overall budget increase from 20.6% to 24.6% between 2005 and 2010, an increase of 19.4%. In the short term, greater use of grants is a positive outcome, as by definition it is highly concessional, reducing the cost of financing the budget.

Figure A6.2 Sources of Budget Financing (% of total)

Table A6.3 Evolution of Government Revenue by type (% of GDP)

	2005	2006	2007	2008	2009
Fiscal revenue	11.0	11.5	13.9	13.5	15.9
Non-fiscal revenue	1.0	1.3	1.2	1.0	1.2
User fees*	1.0	0.9	1.1	1.1	0.4
Capital earnings	0.7	0.7	0.9	0.7	0.7
Total government revenue	13.7	14.4	17.1	16.4	18.1

Source: own calculations based on data from the 2006–2009 CGE reports by the Tribunal Administrativo.

**Receitas consignadas* in Portuguese

21. As the upward trend in government own-revenue collections indicates, this increase in grant financing has not come at the expense of falling tax efforts, but of domestic borrowing, with external borrowing remaining more or less constant in real terms. In fact, according to the Administrative Tribunal's audit report, the government ceased to make use of domestic borrowing altogether to fund the budget between 2007 and 2009, and only in 2010 did it resort again to domestic borrowing, and only in relatively small amounts.

22. This last trend is a positive development for at least two reasons. First, because financing through grants and external borrowing, which is presumably partly financed by bilateral and multilateral financial institutions such as the World Bank, the IMF, the AfDB and others and has a larger degree of concessionality than domestic borrowing, lowering the overall cost of financing the budget in the long term. Second, because reducing domestic borrowing (or in the case of Mozambique ceasing altogether to borrow from the domestic economy) reduces the crowding-out effect that budget domestic financing has on domestic

private investment, by making more domestic finance available to private investors, and lowering the cost of borrowing, both of which are particularly important in the current global economic downturn.

Annex 7 Provincial Decentralisation and Expenditure Patterns

Introduction

1. This Annex reviews various aspects of decentralisation and the patterns of decentralised expenditure:

- Section I provides an overview of trends in decentralisation to provincial and district levels.
- Section II reviews available analyses of the pattern of spending between provinces.
- Section III provides the evaluation team's own analysis of current spending patterns, with particular reference to the provinces supported by Irish Aid – Niassa and Inhambane.

I. Progress in Decentralisation to the Provincial and District Levels

2. The PFM reforms described in Annex 5 above have been part of a broader public sector reform agenda, which has included civil service reform and the process of government decentralisation.

3. In particular, PFM reforms have coincided with a process of fiscal and planning decentralisation affecting the various levels of the public administration. This has led to the gradual deconcentration of government operations down to the provincial and district levels and the creation of municipal governments.

Key steps towards decentralisation

4. An important step was the approval, in May 2003, of the Law of State Local Authorities (LOLE) and its accompanying regulations. LOLE has involved a profound reorganisation at provincial and district levels, designating the district as the main unit of decentralised state administration, and the base of the government's development efforts. It also confers greater coordination powers to provincial governors and district administrators over sectoral agencies operating at each of these levels, establishing new institutional mechanisms for inter-sectoral coordination.

5. As part of this decentralisation, districts are now considered as autonomous bodies for fiscal purposes, making them eligible for direct budget funding, rather than having their finances managed by the provincial delegations of the Ministry of Finance (DPPFs). To this end, in 2006 GoM established a special line in the national budget, allocating investment funds directly to district administrations for their use in local investment initiatives with a high developmental impact. In the 2006 budget, these funds were set as a lump sum per district amounting to 7 billion Meticaís, approximately USD 300,000 at the time.

6. Although this was considered to be an important step towards the consolidation of district level planning, its implementation was initially surrounded by considerable confusion, as it was not followed up by clear instructions. Since 2006 the government has introduced guidelines for these funds, while limiting their use to financing projects aimed at directly stimulating the local economy by improving production conditions and creating employment in rural areas. This decision, however, raised concerns in that it limited the sources of funding at the district level for other important interventions, especially infrastructure development.

7. In response to these concerns, the government passed Decree No. 90/2009, of December 15th 2009, which formally established District Development Funds, as a financial mechanism for local infrastructure development. Despite these positive developments, there

are still concerns over how funding made available to districts through these two financing instruments is being planned and spent.⁷⁶

8. Decentralisation has also involved the creation of municipal governments, *autarquias* in Portuguese, which govern local affairs in urban and semi-urban areas and other relatively large concentrations of population. Initially, a total of 33 municipalities were established, including all major cities, provincial capitals and other smaller localities, and which in the early 2000s accounted for approximately 20–25% of the population, while generating an estimated 60% of the country's GDP (Métier 2004). In April 2008, however, the government decided to establish 10 new municipalities, to reflect changing population patterns and trends over the last decade.

9. Municipalities prepare their own budgets and are funded through direct, non-earmarked, fiscal transfers from the central budget, as well as through revenues raised through local fees and taxes. They also have exclusive competences established in the Law of Municipalities, rather than delegated responsibilities from higher levels of government. Municipal government representatives are directly elected and are accountable to municipal assemblies, also elected, and ultimately to the Administrative Tribunal, which acts as the external auditing institution of municipal governments.

10. Decentralisation has also taken place at the provincial level, with a gradual move towards greater devolution of powers to the country's 11 provinces. Initially established purely as political and administrative divisions, provincial governments have gradually attained greater programmatic power, especially in strategic planning (e.g. in the preparation of provincial strategies) and in coordinating all government interventions at the provincial level, including the activities of district administrations and ministries' provincial delegations. This process culminated in the first provincial assembly elections in October 2009.

11. SISTAFE and the various tools and systems developed to implement this PFM reform have increased the scope for greater decentralisation of PFM functions and processes at the provincial, municipal and district levels, especially with regard to e-SISTAFE and direct budget execution approaches. Significant efforts have been made over the last decade to create the physical, technical and human resource conditions to make this possible (World Bank 2010: 36). Nonetheless, despite these efforts, by the end of 2009 the number of district administrations able to operate e-SISTAFE and therefore function under the SISTAFE direct budget execution framework still remained at 50 (World Bank 2010: 31).⁷⁷

12. Furthermore, budget decentralisation is still limited in scope to management of recurrent expenses, with little progress towards increasing the volume of investment funds executed at the district level. Overall, in 2010, 64.9% of budget expenditure was still executed at the central level, 27.3% at provincial level, 6.7% at district level and only 1% was being directly executed by municipalities (GoM & PAP 2010). However, this does represent a significant improvement compared to 2007, when only 22% of budget expenditure was executed at the provincial level, 1.5% at district level and 1% by municipalities.

⁷⁶ This was one of the issues raised with the government by G19 group of development partners providing programmatic support during the recent 2010 Joint Review exercise (PAP/GOV, 2010:WG report).

⁷⁷ And even for these 50 district administrations it is unclear to what extent e-SISTAFE is currently being used for the day-to-day management of district finances. These problems regarding the actual use of e-SISTAFE at the local level have been repeatedly raised in successive PAP/GOV annual reviews, and were actually encountered by the evaluation team during their provincial visit to Niassa, with one of the districts visited having almost all the equipment ready to function with e-SISTAFE, but still not making use of this system.

13. Both donors and the government have devoted significant efforts to develop planning, budgeting and financial management capacities at the local level, especially in district administrations. Underlying these efforts has been the realisation that legislative and PFM reforms aimed at strengthening the role of district administrations would only be successful if local administrations had the capacity to carry out the new functions granted to them.

The PPF initiative

14. The PPF⁷⁸ initiative has been instrumental in developing and introducing a comprehensive methodology for district-level planning and budget formulation. It currently operates from the MPD and in the past has received, in its different forms, substantial technical and financial support from UNCDF, UNDP, The Netherlands, Norway, Ireland, Switzerland and the World Bank. It originated in the late 1990s as a pilot project in the province of Nampula, but its success led to its gradual replication and extension during the first half of the 2000s to almost all provinces (except Gaza and Maputo) through two similar projects run by the World Bank and GTZ/PRODER, and operated under the general denomination of PPF. In 2006 these three projects – PPF-MPD, World Bank and PRODER – were subject to a joint evaluation, which recommended merging them into one joint national programme, to be managed by MPD, with the support of interested donors.

15. However, despite general consensus at the time (late 2006) about the importance of this initiative and of its past successes in building up local capacities in PFM, the formulation and approval of the joint national PPF programme was delayed until 2010. The delays seem to have been motivated by a number of factors. Interviews conducted for this evaluation with government officials directly involved in the programme point to the complexities of having this type of initiative approved by such a wide range of donors. In particular, the World Bank's lengthy project appraisal and approval cycle seems to have slowed down progress in getting the programme approved and running at several critical stages in the past four years. However, other people interviewed point to strong political sensitivities as the main factor behind the delays. These sensitivities have to do with the level of government at which power and resources are controlled, which could be captured by opposition groups coming to power locally. This raises concerns that are unlikely to be resolved before the Frelimo Congress in September 2011.

Civil service reform

16. In addition to decentralisation, the public sector reform agenda has also been dominated by interventions in civil service reform. In the past, government efforts in this sphere have largely focused on raising the educational standards of the civil service. To this end, GoM created several national and provincial centres (IFAPAs and ISAPAs) providing training to current and prospective civil servants. The government, through its Public Sector Reform management unit, UTRESP, also carried out functional analyses in several ministries, provinces and key sectors to determine how to optimise functions, departments and human resources. More recently, in July 2006, the government created the Civil Service National Authority (ANFP) which was upgraded to the rank of Ministry in 2007, and is responsible for overseeing the implementation of ongoing civil service reform.

Current status

17. The Joint Review exercise between the government and the G19 group of Programme Aid Partners (PAP) of May 2010 (GoM & PAP 2010) recognises that progress has been made in decentralisation, especially in (i) increasing budget transfers to sub-national levels; (ii) making local councils operational; (iii) formally establishing the District

⁷⁸ PPF, Programa de Planificação e Finanças Descentralizadas

Development Funds mechanism; (iv) the deconcentration of sectoral funds for public works (especially with regard to water and tertiary roads), provincial and district finance, health and education; and (v) the approval and publication of new staffing for district administrations. At the same time, it continues to identify a number of shortcomings, especially in (i) creating conditions to retain government staff at district level; (ii) establishing and approving the legal framework governing the competencies and functions of district-level consultative councils; (iii) enhancing the links and coordination between sector-level and sub-national planning exercises; and (iv) improving the monitoring and evaluation of the functioning of local councils.

II. Analyses of Public Expenditure vis-à-vis Decentralisation

18. In the context of decentralisation, improved planning and PFM systems should lead to an allocation of budgetary resources and budget expenditure patterns which are more in line with context-specific needs of different parts of the country. Thus, for example, one would expect a strong correlation between the allocation of health expenditures by province and provincial healthcare needs as determined by population patterns (e.g. age, illness incidence, etc.) and other regional considerations (e.g. geography).

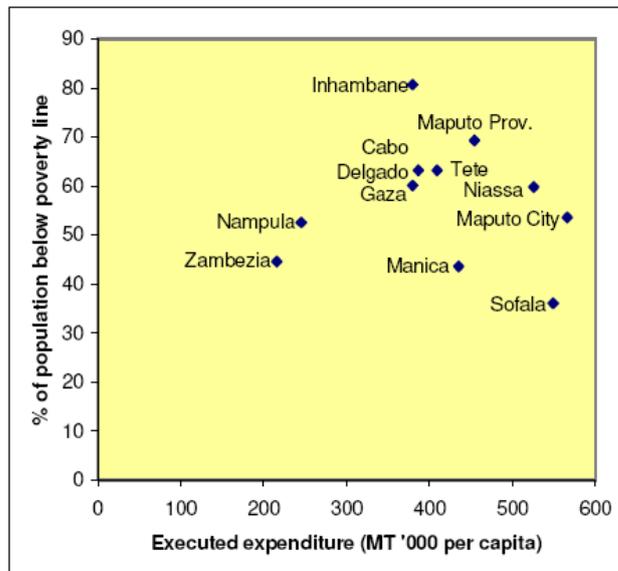
19. The analysis of these issues has traditionally been difficult because of the lack of detail in official budget documents. Current budget reports do not provide a full picture of total or sector-level public expenditure (i.e. expenditure coming from central, provincial district level budget execution units) by province, at least in a direct way. These problems are compounded by the fact that the geographical distribution of public expenditure is determined not only by differences in population or in patterns of socio-economic development, but also by geographical conditions (population density, terrain, etc.), the lumpiness of public investment, and the need to sequence large investment projects over time in different parts of the country. All of these are difficult to factor into this type of analysis.

20. The few analyses that have been carried out have generally found a weak correspondence between socio-economic conditions in different parts of the country and government interventions at the sub-national level, executed either directly through central-government agencies (e.g. by ministries), or by provincial governments and/or district administrations, although it is difficult to assess to what extent these various studies have addressed the problems mentioned above.

21. For instance, in their analysis of the political economy of the budget in Mozambique, Hodges and Tibana 2005 found a very weak correspondence between provincial poverty incidence differentials and levels of government investment in each province (see Figure A7.1 below). They also found wide variations in per capita expenditure by province, for both recurrent and investment expenditures (see Figure A7.2 below).

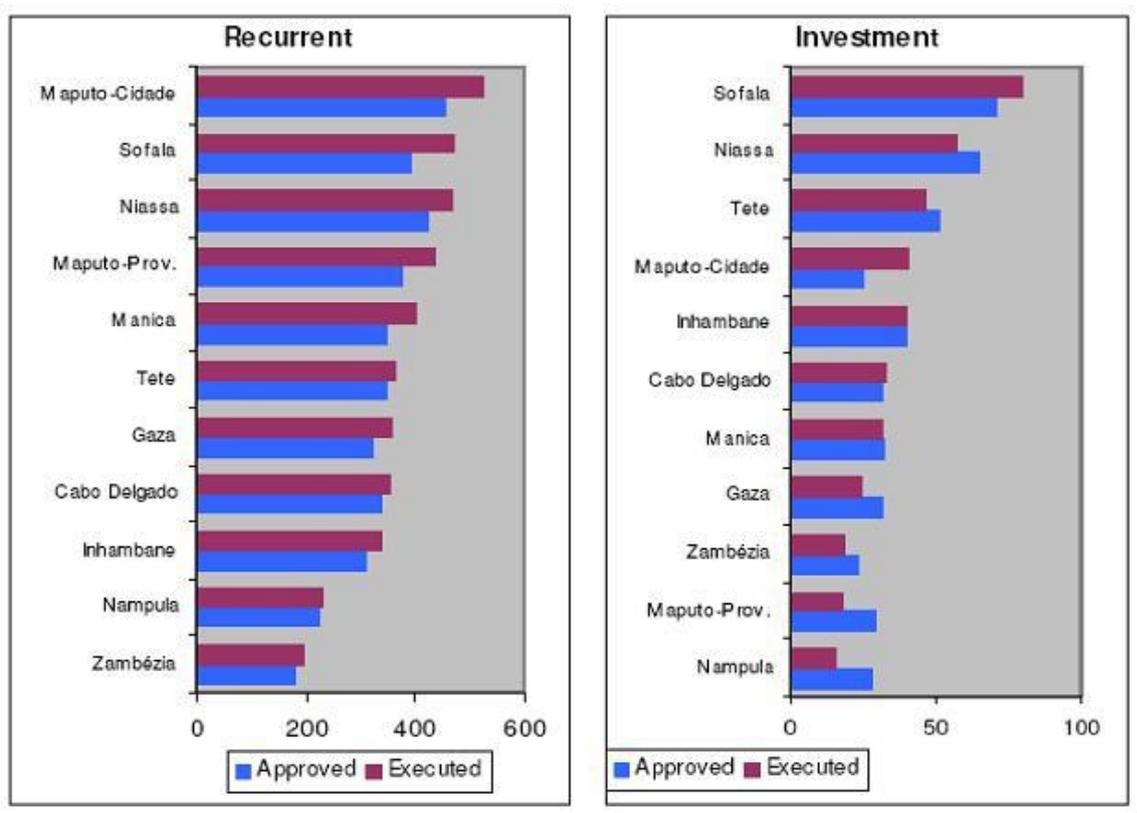
Figure A7.1 Public Expenditure and Poverty, by Province 2002–03

Government expenditure per capita and poverty headcount by provinces, 2002-2003



Source: Hodges and Tibana 2005

Figure A7.2 Per Capita Investment and Recurrent expenditures by province, 2002–03



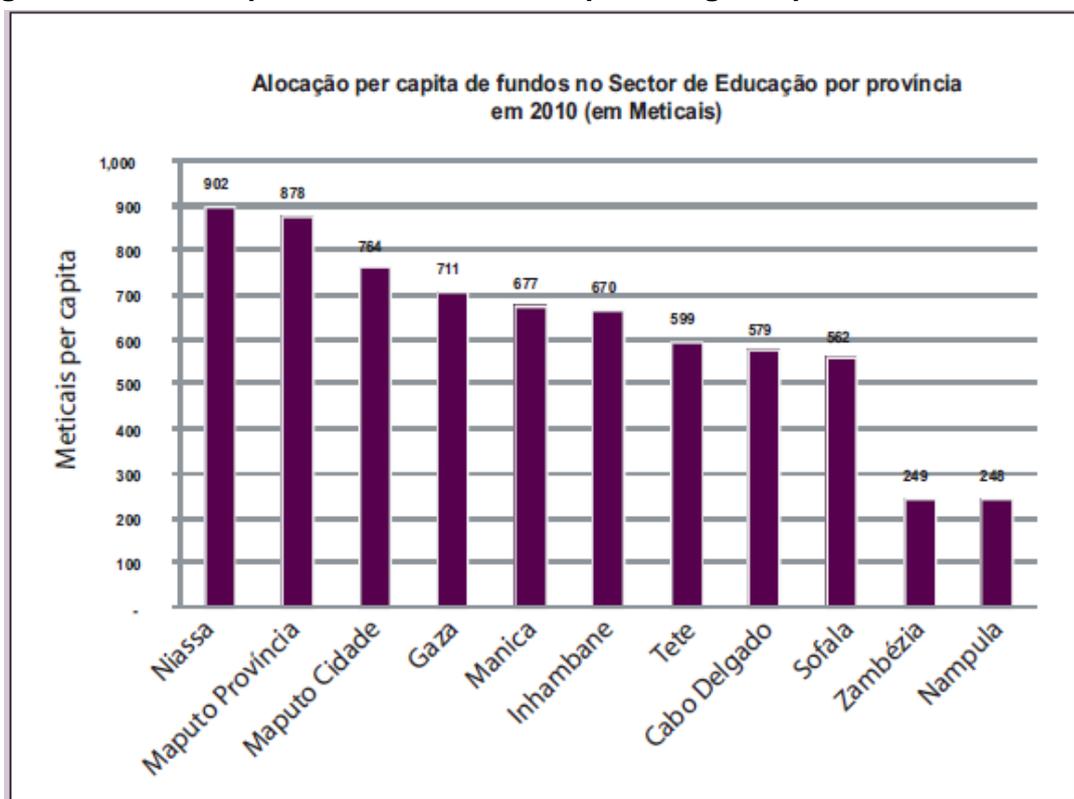
Source: Hodges and Tibana 2005

22. More recently, McCoy and Cunamizana 2008, reached similar conclusions in their analysis of budget allocations by province in the health, education and water sectors during

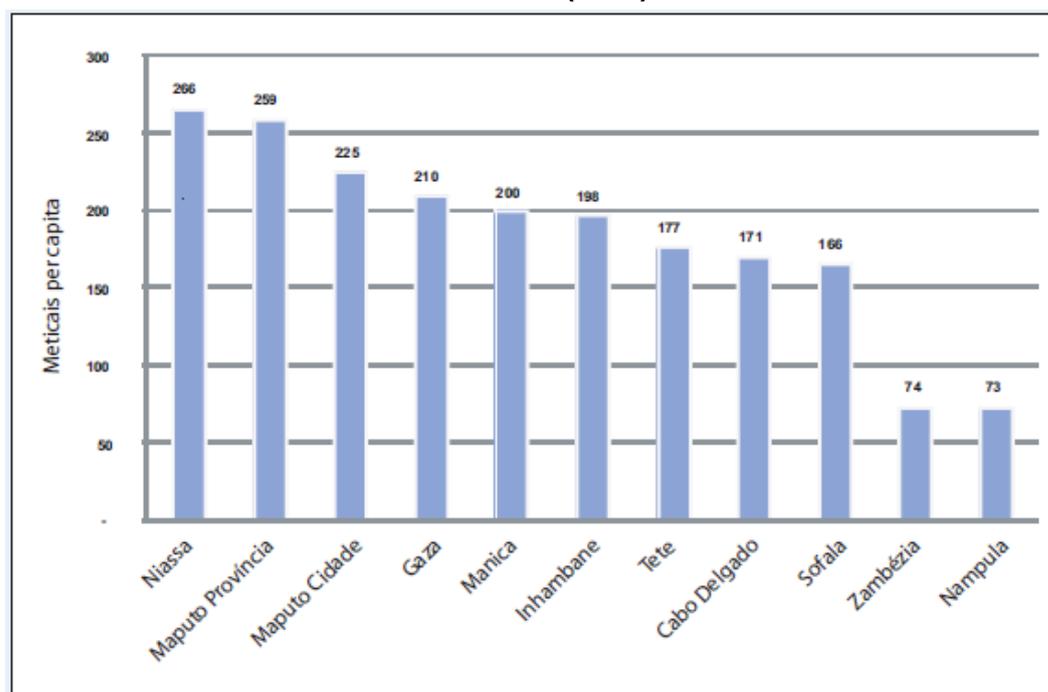
2003–2006, concluding that ‘per capita allocations of state budget resources do not appear to be equal across provinces.’ (McCoy and Cunamizana 2008:2). Whilst noting the difficulties and inaccuracies surrounding this type of analysis, they found that ‘the observed provincial patterns are strongly indicative of an unequal territorial distribution of resources, with the most populous provinces of Nampula and Zambezia consistently losing out’ (2008:2). Hence, health spending per person in Zambezia province during 2003–06 averaged only USD 3.73 per year, considerably lower than the national average of USD 5.7. Similar patterns emerged in the education sector, with school student education spending in Zambezia at levels considerably lower than national average: USD 40.94 vs. USD 61.53 per year.

23. Unicef’s more recent analysis of the 2010 general budget proposal (Unicef 2010a, Unicef 2010b, Unicef 2010c) seems to confirm these patterns of inequality in the allocation of budget expenditure in three priority sectors – health, education and social protection – across provinces (see Figure A7.3 and Figure A7.4 below). However, in this case, figures reported by Unicef refer exclusively to budget allocations in these sectors managed directly at the provincial level, therefore excluding budget outlays by central agencies taking place in the provinces. These can amount to a significant share of budget expenditure executed at the provincial level, so it is necessary to view these findings with a high degree of caution.

Figure A7.3 Proposed Provincial Per Capita Budget Expenditure in Education (2010)



Source: Unicef 2010b

Figure A7.4 Proposed Provincial Per Capita Budget Expenditure in the Health Sector (2010)

Source: Unicef 2010b

III. Provincial Budget Allocations – Niassa and Inhambane in Context

Introduction

24. In this section we present the evaluation team's own analysis of trends in the decentralisation of public expenditures, with particular reference to Niassa and Inhambane.

25. There is one major caveat: the available data sources do not take into account public investment expenditure managed by central agencies but spent in specific provinces. In areas such as education (e.g. construction of schools funded through FASE), health (e.g. health centres paid out of PROSAÚDE), or roads this probably amounts to a very significant share of total public expenditure.⁷⁹ Accordingly, the figures presented here tend to under-report how much is actually being spent by the government in different provinces.

Trends in decentralisation of budget execution

26. Despite progress made in advancing a policy and administrative framework for greater decentralisation, public expenditure patterns and trends at the various levels of public administration during the CSP implementation period present a mixed picture.

27. Thus (see Table A7.1 below), public expenditure decentralisation appears to have happened more *de facto* than as a part of a long-term strategy to transfer a significant share of public expenditure management to sub-national levels. So, except in 2006, when the central government accounted for 'only' 66.9% of planned public expenditure, planned budget outlays at the central level have always remained around 69%, showing no

⁷⁹ Unfortunately, our primary source – the data from the annual budget execution reports – does not provide a breakdown of these expenditures by provinces, and we are not aware of any standard source of budgetary data which does so. To obtain these data one would probably have to go through the programme documents for each of these programmes (e.g. FASE, PROSAUDE, etc.); even then it is not certain that the provincial distribution of interventions is consistently reported.

discernible downward trend.⁸⁰ It appears that it is the central government's growing inability to fully execute its planned budget over time which has driven a certain process of decentralisation, with central levels of government moving from executing 68% of the state budget in 2006 to 64.9% in 2010.

Table A7.1 State Budget Expenditure by Level of Implementation (% share)

	2006		2007		2008		2009		2010	
	Plan	Exec.								
Central level	69.2	68.0	69.2	66.8	68.8	63.3	66.9	63.7	69.4	64.9
Recurrent	55.4	54.4	53.3	53.7	52.0	51.1	52.0	51.9	54.6	54.1
Investment	86.2	88.0	83.8	84.8	83.4	79.5	80.6	78.4	85.3	80.5
Provincial level	26.4	27.7	27.3	29.3	26.6	31.0	27.1	29.4	23.8	27.3
Recurrent	41.4	42.5	43.8	43.6	42.7	43.5	40.4	40.6	36.3	36.6
Investment	7.9	5.8	12.1	9.8	12.5	14.3	14.7	15.4	10.4	14.0
District level	3.5	3.3	2.8	2.9	4.0	5.0	5.1	5.9	5.9	6.7
Recurrent	2.2	2.1	2.0	1.8	4.5	4.6	6.3	6.3	8.0	8.1
Investment	5.1	5.2	3.5	4.4	3.6	5.4	4.1	5.3	3.6	4.6
Municipalities	0.9	1.0	0.8	0.9	0.6	0.8	0.9	1.1	0.9	1.0
Recurrent	1.0	1.0	0.9	0.9	0.7	0.7	1.3	1.3	1.2	1.2
Investment	0.8	1.0	0.7	0.9	0.5	0.8	0.6	0.8	0.6	0.8

Source: own calculations based on annual budget execution reports by MOF.

28. Moreover, the share of central government expenditure in total recurrent expenditure has remained more or less constant throughout this period, in terms both of planned and of executed budgets, at around 53%. By this measure, decentralisation of public administration management – i.e. management of staff, state assets, etc. – has hardly moved forward. The gradual (and small) loss of weight of central government executed expenditure in the State budget has been driven by the drop in executed public investment at this level, which has fallen from 88.0% of total executed public investment in 2006 to 80.5% in 2010.

29. In any case, it is important to note that the bulk of public investment expenditure, where government agencies at any level have greater discretion to implement policy changes, still remains under the control of government agencies at the central level, with 85.3% of planned investment and 80.5% of executed investment in 2010.

30. Trends appear somewhat clearer at the provincial and district levels, especially in recurrent expenditure. Thus, the figures presented in Table A7.1 suggest a process of reallocation of public expenditure management from the provincial to the district level. During the CSP period, provincial government agencies gradually saw the amount of recurrent expenditure under their responsibility dropping from around 41-42% in 2006 to around 36% in 2010, while at the same time, district administrations saw a sharp increase in the share of recurrent expenditure they manage, from around 2% to around 8% during the same period.

⁸⁰ The projections presented in the 2007-2009 MTEFF, which in principle captures the government's medium-term public expenditure policy intentions, would seem to confirm this point. Hence, recurrent expenditure at the central level presented in this document remains throughout the period under consideration (2006-2009) at around 61-62 percent, with no sign of moving downwards over time. Although, the MTEFF report does not present a breakdown of public investment expenditure by levels of administration, one would expect a gradual drop in recurrent outlays spent at the central level, as policies of decentralisation are implemented, and greater management responsibilities (including over staff and wages) are transferred down to sub-national levels of the public administration.

31. Provincial governments, on the other hand, increased their share in public investment expenditure between 2006 and 2010, both planned and executed, capturing the drop in both the central government's and the district administrations' shares of public investment.

32. In a way, these results challenge the government's policy of decentralisation and empowerment of districts as the centre of development efforts in Mozambique. Thus it appears that decentralisation from national to sub-national levels has only taken place ex-post, as result of central government agencies' weaker budget execution performance, rather than as part of a planned strategy to transfer significant shares of public expenditure management to the sub-national level. Districts' greater share of budget expenditure, on the other hand, has largely come at the cost of provincial-level government agencies, rather than as a result of a process of devolution of powers from central to local levels. At the same time, districts' share of public investment – where district administration can actually try to make a difference – has if anything dropped during this period.

Trends in budget execution rates

33. One last trend worth noting emerging from Table A7.1 is the better budget execution performance of sub-national levels of government than of central agencies. These figures are not strictly comparable, as different levels of government are responsible for different types of expenditure, requiring different sets of PFM capacities. For example, central agencies are typically responsible for executing large investment projects, which require sophisticated capacities in areas such as procurement, capacities that are not needed to implement the smaller projects for which provincial and district administrations are responsible. But they do challenge the view widely held in Mozambique that PFM capacities are lower at the sub-national level than in central government.

Table A7.2 State Budget by Province – plan and executed (USD m and %)

	2008				2009				2010			
	Recurrent		Investment		Recurrent		Investment		Recurrent		Investment	
	Plan %	Exec.	Plan %	Exec.	Plan %	Exec.	Plan %	Exec.	Plan %	Exec.	Plan %	Exec.
Central Level	818.6	98.2	1512.9	58.0	858.9	99.0	1513.0	71.8	1012.0	96.3	1464.1	69.0
Provincial Level	686.5	98.8	226.2	69.5	663.5	99.8	185.5	88.8	671.5	98.3	178.9	98.0
<i>Niassa</i>	46.1	99.0	18.0	79.9	46.5	99.8	16.6	73.5	54.1	98.4	9.2	99.4
<i>Cabo Delgado</i>	91.7	99.6	23.5	58.8	92.1	99.8	15.8	99.8	74.9	99.2	12.2	99.5
<i>Nampula</i>	99.9	99.1	28.1	89.5	100.0	99.9	26.0	100.0	101.2	98.4	35.7	100.0
<i>Zambezia</i>	73.8	98.5	25.3	73.5	75.7	99.9	25.4	89.8	86.9	98.1	20.4	99.6
<i>Tete</i>	56.9	100.0	26.1	47.5	59.4	99.7	18.4	67.1	65.0	97.2	13.0	99.6
<i>Manica</i>	54.1	97.8	11.0	83.6	55.9	99.9	11.2	89.3	59.2	99.2	11.7	99.4
<i>Sofala</i>	68.4	98.4	32.6	57.7	75.3	99.8	19.9	98.2	81.4	97.6	23.6	94.0
<i>Inhambane</i>	46.4	96.4	20.5	80.1	45.6	99.9	17.5	87.5	35.6	98.2	14.5	99.8
<i>Gaza</i>	45.5	98.9	19.2	58.3	27.2	99.5	13.5	91.7	25.8	98.2	13.8	99.3
<i>Maputo province</i>	48.7	99.0	14.3	73.6	31.9	99.6	15.3	82.4	34.9	97.8	13.8	88.0
<i>Maputo city</i>	55.0	98.5	7.6	88.5	53.8	99.8	5.9	98.7	52.5	99.4	11.0	99.9
District level	50.7	94.7	65.0	96.7	103.8	99.0	67.6	87.1	147.4	99.2	62.1	93.7
<i>Niassa</i>	3.2	93.7	6.6	97.3	2.9	98.7	5.7	99.9	3.0	97.4	5.8	99.9
<i>Inhambane</i>	4.0	95.1	6.1	98.1	5.9	99.0	5.4	97.5	20.8	99.7	7.0	95.7
Municipal level	19.8	98.8	9.6	99.8	20.9	99.8	10.4	98.6	21.5	100.0	10.6	98.0

Source: own calculations based on annual budget execution reports by MoF

34. Table A7.2 above indicates that between 2008 and 2010 there was a general improvement in execution rates for investment and recurrent expenditures across all provinces, including Niassa and Inhambane, where Irish Aid operates its two area-based programmes. These improvements have been particularly important within investment expenditure, although it is important to note that they take place against a backdrop of falling provincial-level public investment, with planned public investment at this level falling from USD 226.2 million in 2008 to USD 178.9 million in 2009.

35. Table A7.2 also indicates that districts in the provinces of Niassa and Inhambane have also presented a good budget performance, in terms of recurrent and investment budget execution rates reported in 2008, 2009 and 2010, in all cases presenting rates above 95%.

Allocations vs. needs

36. Provincial governments and district administrations in Niassa and Inhambane seem to fare well, in terms of the overall sums that they receive from the State budget in relation to their developmental needs (see Table A7.3 below). This is especially true for sub-national government entities in the province of Niassa. Thus, between 2008 and 2010 Niassa's share of provincial and district-level public expenditure reached an average of 6.71% for recurrent expenditure and 7.88% for investment expenditure, higher than its share of the population (5.94%), its contribution to national GDP (3.27%) and its share of the population living in absolute poverty (3.47%). Only in relation to its share of national land area does Niassa have a less than proportional share of total public expenditure.

37. In Inhambane, the average share of national recurrent public expenditure of provincial and district administrations between 2008 and 2010 was 6.82%. This is more in line with the (development) needs of the province, as defined by its share of national population, land area, GDP and the poor. In the case of public investment expenditure, which in many ways is the part of the budget that can be used by policy makers to shape patterns of development, as with Niassa, Inhambane's share, at 9.05%, is considerably higher than its shares in population and the other categories.

Sources of funding

38. Finally, Table A7.4 below provides a breakdown of provincial-level investment by source of funding, in terms of whether it is funded by the government's own resources, or is financed externally through foreign aid.

Table A7.3 Provincial and District Public Expenditure and Development Indicators by Province

(USDm and %, averages for 2008, 2009, 2010)

	Average provincial + district budget plans				Provincial shares (%)			
	Rec	Share %	Investmt	Share %	Population	Area	GDP	Poor (08/09)
Niassa	51.9	6.71	20.6	7.88	5.94	16.14	3.27	3.47
Cabo Delgado	98.1	12.66	24.1	9.22	7.86	10.34	4.88	5.38
Nampula	120.3	15.54	39.5	15.10	19.76	10.21	14.36	19.81
Zambezia	85.2	11.00	34.2	13.05	18.84	13.14	10.59	24.33
Tete	64.5	8.33	25.3	9.67	8.89	12.60	6.03	6.84
Manica	59.8	7.72	16.6	6.35	7.04	7.71	5.33	7.11
Sofala	80.5	10.40	31.3	11.94	8.14	8.51	12.28	8.65
Inhambane	52.8	6.82	23.7	9.05	6.27	8.58	6.98	6.65
Gaza	51.0	6.58	20.6	7.87	5.92	9.47	5.31	6.78
Maputo Province	56.6	7.31	17.7	6.74	6.02	3.26	13.30	7.44
City of Maputo	53.8	6.94	8.2	3.12	5.32	0.04	17.68	3.53
Total	774.5	100.00	261.8	100.00	100.00	100.00	100.00	100.00

Source: own calculations based on annual budget execution reports by MOF.

Table A7.4 Provincial Investment Expenditure by Sources of Funding, 2010

(USD million and percentages)

	Millions of USD					USD per person			
	Total	Ext'l	Internal	Ext./Int.(%)	Ext/Total	Total	Ext'l	Internal	Ext/Int.(%)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Central	1464.1	972.1	492	197.6%	66.40%	69	45.8	23.2	197.4%
Provinces	178.9	80.7	98.2	82.2%	45.10%	9	4	4.9	81.6%
Niassa	9.2	6	3.2	187.5%	64.90%	7.3	4.7	2.6	180.8%
Cabo Delgado	12.2	6.6	5.6	117.9%	54.10%	7.3	4	3.4	117.6%
Nampula	35.7	12.8	22.8	56.1%	36.00%	8.5	3.1	5.4	57.4%
Zambezia	20.4	8.3	12.1	68.6%	40.60%	5.1	2.1	3	70.0%
Tete	13	5.7	7.3	78.1%	43.80%	6.9	3	3.9	76.9%
Manica	11.7	5.9	5.8	101.7%	50.50%	7.9	4	3.9	102.6%
Sofala	23.6	9.8	13.8	71.0%	41.40%	13.6	5.6	8	70.0%
Inhambane	14.5	9.2	5.3	173.6%	63.40%	10.9	6.9	4	172.5%
Gaza	13.8	8.2	5.7	143.9%	59.10%	11	6.5	4.5	144.4%
Maputo province	13.8	4.5	9.3	48.4%	32.60%	10.8	3.5	7.3	47.9%
Maputo City	11	3.8	7.2	52.8%	34.50%	9.8	3.4	6.4	53.1%

Source: own calculations based on annual budget execution reports by MoF

39. As can be seen in the figures presented in Table A7.4 and, especially, in the ratios presented in columns (4), (5) and (9), there are no discernible patterns in government allocation of internal investment funding by province, at least from the perspective of State budget allocations to provincial State agencies, with these ratios varying significantly across provinces. Similarly in column (6), the wide variation in values across different provinces is indicative that, at least in 2010, the government was not trying to even out total public investment per person across different provinces by adjusting its provincial allocations of internally funded investment.

40. The figures in column (5) clearly indicate that Niassa and Inhambane are the provinces in which the share of investment expenditure funded externally is highest, at around 63-64% of total public investment outlays. This share is similar to the one prevailing at the national/central level, 66.4%, and significantly higher than the average proportion for

all provinces: 45.1%. However, this does not translate into higher levels of public investment per capita at the provincial level in comparison to other provinces, as the figures in column (6) indicate. Hence, Niassa's and Inhambane's total provincial public expenditure per capita in 2010 reached USD 7.3 and USD 10.9 per person respectively, the figure for Niassa being around two US dollars per person lower than the provincial average, and for Inhambane about two US dollars per person higher.

41. Similarly, Niassa and Inhambane are the provinces where external funding allows for a large expansion in public investment undertaken at the provincial level (see column 4), with externally funded investment in the province increasing investment funded internally by 187.5% and 173.6% respectively. But this is only in absolute terms. When examined in per capita terms, the increase in public investment from external funding is more moderate and considerably lower than provincial averages, as the figures presented in column (9) indicate.

Appendix 8 Management response

<u>Recommendation</u>	<u>Management Response</u>	<u>Management Actions</u>
<p>1. A more demanding environment for aid delivery is likely to persist. Like a number of other donors, IA is likely to face increased pressure for "visible" results, an increased aversion to risk (especially reputational risks linked to corruption and issues in political governance). The context in Mozambique is also likely to become more complex (e.g. with the emergence of non-traditional donors), and IA will not have the flexibility that is inherent in an expanding programme.</p>	<p>Agreed.</p> <p>The Embassy recognises that the aid environment and associated architecture is evolving, and also that the political and economic context in Mozambique is in a dynamic phase. This is informing the design of the new CSP.</p> <p>Driven from the DAC, there is increasing focus on results. In response, Irish Aid has introduced a Results Based Management Framework and which since the mid-term review has applied to the Mozambique programme. In this regard, Management considers the word 'tangible' more appropriate to describe our mixed modality approach at national and sub-national levels than the word 'visible'.</p> <p>The new Country Strategy will continue to have a mix of modalities, with results to be achieved through both common fund and direct project implementation arrangements.</p>	<ul style="list-style-type: none"> • The Embassy will apply the Results Based Management approach in the next CSP and design the appropriate monitoring systems (March 2012). • The Embassy will continue to use a mix of modalities. It will draw clear links between its funding, activities and results keeping in mind the contribution / attribution focus and report accordingly (quarterly and annual reports). • In terms of emergence of non-traditional donors, the Embassy will engage, through the G19 structures and in an evolving DPG, to seek improved communication and collaboration with the non-traditional donors.
<p>2. The context is likely to include pressure on IA's own staff resources, making this even more a binding constraint on the programme.</p>	<p>Agreed.</p> <p>Building from the mid-term review, we have already exited from a number of sectors, reduced the number of programme objectives and working group involvement. Staff and other potential resource constraints will be critical</p>	<ul style="list-style-type: none"> • The CSP 2012-16 is being designed to be managed within the 2010 staff levels. Consideration to contracting out some tasks will be given, if appropriate and on a case by case basis.

	design elements in elaborating the next CSP.	
<p><i>Engagement with Mozambique.</i></p> <p>3. Mozambique should remain an important long-term partner for Irish Aid. On the one hand, the needs of poverty reduction in one of the world's poorest countries remain great, and it remains a good partner, where aid can make a difference. On the other hand, Irish Aid has a record in Mozambique of which it can be proud, and has built up substantial expertise and important working relationships.</p>	<p>Agreed and the next CSP will consolidate and build upon these foundations. During the implementation of the CSP 2012-2016 we will actively seek the chair of one major sector (possibly health in 2014).</p>	<ul style="list-style-type: none"> • The CSP 2012-2016 is intended to build on Ireland's good record, expertise and working relationships in Mozambique.
<p>4. Because of other agencies' withdrawals, IA is likely to find itself carrying greater responsibilities in those sectors where it continues to provide support. It should maintain long-term commitments to these sectors.</p>	<p>Agreed. Related considerations were taken into account (e.g. positions and intentions of other like-minded donors, GoM commitments and leadership) when undertaking the Division of Labour exercise in 2009.</p> <p>As matters currently stand there does not appear to be a significant risk of donor flight in the sectors the Embassy is working in but we are very cognisant of the possibilities. Monitoring this is an ongoing task in various forums, including G-19 and also within the EU group.</p> <p>We note that there appears to be decreasing willingness amongst donors to take on leadership / coordination roles within sectors. This is both a challenge, not least in the light of staffing constraints, but also a strategic opportunity to build upon Ireland's record in Mozambique – see 3. The Embassy will continue to actively engage in donor coordination and leadership</p>	<ul style="list-style-type: none"> • Using the G19 and other opportunities, the Embassy will advocate for (i) more effective working group structures and (ii) fairer distribution of donor coordination roles. • During the implementation of the CSP 2012-2016 it will actively seek the chair of one major sector (possibly Health 2014).

	but only in those areas most strategically relevant.	
<p><i>Programme logic.</i></p> <p>5. The next CSP should spell out more clearly than the previous one how IA expects its interventions to influence wider outcomes, and over what time-scale (and hence how they will be monitored). This can include continued attention to the ways in which GoM can [be required to] show links between budgets and outcomes and to report results.</p>	<p>Agreed.</p> <p>The CSP 2012-2016 will identify a limited number of specific issues it will actively pursue through working group structures (e.g. health and education). At the time of writing the Embassy is also discussing with the Ministry of Planning and Development a related training programme for key members of its staff.</p>	<ul style="list-style-type: none"> • The Embassy will use the Annual Planning / Review mechanisms and the relevant Working Group structures to advocate for this (2011 and on-going). • The Results Framework and PMDSs of relevant staff members will reflect this priority.
<p>6. A key emerging issue at general and sector level is to ensure that GoM's long-term expenditure plans are consistent with maintaining the level of services currently being funded with donor support, and IA should seek to keep GoM's public expenditure planning at the centre of dialogue around GBS and the sectors in which it engages.</p>	<p>Agreed.</p> <p>The Embassy recognises that this recommendation cannot be carried alone. However, in planning the next CSP entry points have been identified of which the highest level – political dialogue between GoM and HoMs will be used.</p>	<ul style="list-style-type: none"> • The planning for the CSP 2012 -2016 has identified the relevant entry points and opportunities though both GBS and sector support mechanisms.
<p><i>Choice and design of modalities</i></p> <p>7. GBS continues to be a valid central core of the G19 relationship between GoM and partners; it complements other modalities by allowing dialogue at a general level, including, as demonstrated, the possibility of dialogue on sensitive governance issues; and it is an effective support to the strengthening of PFM. Dialogue on inclusive pro-poor growth should become increasingly important. Moreover, the public expenditures underwritten by GBS should continue to achieve substantive and demonstrable results, notably in basic service delivery.</p>	<p>Agreed.</p> <p>The Government PARP 2011 – 2014 is explicit in its intentions around inclusive growth. The accompanying strategic matrix and the Performance Assessment Framework identify the key indicators that will be used to implement and monitor progress.</p>	<ul style="list-style-type: none"> • The Embassy will use the Annual Planning / Review mechanisms and the relevant Working Group structures to advocate for this (2011 and on-going).
<p>8. IA should therefore seek to</p>	<p>Agreed.</p>	

<p>remain one of Mozambique's core partners and an active participant in the management of the G19; this implies that GBS funding should remain as a substantial part of the IA programme, not just a token "ticket to the dialogue"</p>	<p>Management notes the endorsement of GBS by the Evaluation and recognises its efficiencies. However, it also notes that the quality of technical and policy level inputs can be just as important as the size of financial contribution. Keeping this in mind, the Embassy sees GBS as a central element of its next CSP and the proposal will be to allocate up to 25% of the total budget to this modality.</p> <p>As per 1 above, the aid environment is evolving rapidly, including and most particularly around GBS. Evolving donor sentiment will continue to be monitored and will be critical to continued effective dialogue. If Mozambique's economy continues to grow on trend, the relative weight of the GBS contribution will decline and this may impact on the breadth of dialogue.</p>	<ul style="list-style-type: none"> • The proposal in the next CSP is for General Budget Support to constitute up to 25% of the budget of the CSP 2012-2016.
<p>9. At the same time, IA should continue its mixed modality strategy. Among other considerations, spreading its financial contributions across GBS and sector programmes reduces risk. One way it does this is by making clearer the precise focus (and beneficiaries) of aid, and thereby making it less tempting to "turn off" aid when financial constraints occur or there are political difficulties between the cooperating governments.</p>	<p>Agreed.</p> <p>As recognised by the evaluation, the Embassy had a strong 'pro-poor' focus in the last CSP. This will continue to be central to the next CSP though with greater focus on the most vulnerable and improvements in the quality of basic services and as per 1 above the further elaboration of Irish Aid's results based approach within the Mozambique programme.</p>	<ul style="list-style-type: none"> • Mix of modalities will continue (2012-2016). • CSP 2012-2016 will have a sharper focus on the most vulnerable as will be demonstrated by the new Results Framework (December 2011).
<p>10. In design of individual aid instruments, IA should continue to</p>	<p>Partially agreed.</p>	<ul style="list-style-type: none"> • Building on the already

<p>focus on using country systems when working with government, but with careful attention to fiduciary issues in PFM. However, it should be careful that PFM safeguards do not undermine the effectiveness of the instruments, e.g. by introducing unnecessary bottlenecks in disbursement. In general, derogations from mainstream systems should be carefully justified and kept to a minimum.</p>	<p>The evaluation and the Government’s assessment of donors in Mozambique note that Ireland has been effective in its effective delivery of aid through national systems. Indeed few donors are more engaged in this matter than Ireland and this will continue in the next CSP.</p> <p>The Embassy disputes the reference to ”unnecessary bottlenecks”. The Embassy notes that delays etc are equally (and more frequently) the result of constraints in local financial reporting, sufficient documentation, etc.</p>	<p>well developed foundation, the Embassy will have a clear approach and strategy in dealing with PFM issues throughout the next programme.</p> <ul style="list-style-type: none"> • The PFM Task Team within the Embassy and the management will follow up on recommendations contained in the PFM Assessment conducted in May by HQ.
<p>11. There is a real danger that pressure for more visible "Irish" results will lead the programme in the direction of projectisation, with more staff time absorbed in the details of project management. It will be crucial to retain an approach that identifies ways in which IA can influence broader sector work, while focusing on ensuring that sectors can demonstrate results attributable to aid and other public expenditure. (A strategy referred to by one observer as "getting results with other people's money".) Thus IA should take care that it does not undermine the efficiency and effectiveness of the programme (and make sub-optimal use of its staff resources) by taking on too many management-intensive project interventions. (This is a particular risk in the area of private sector development.)</p>	<p>Partially agreed. See 1 above. Management does not perceive an overall pressure for “more visible, specific ‘Irish’ results” per se but rather a greater effort in achieving and identifying results in general. The importance of a demonstration effect is noted however. It is intended to continue with a mixed modality approach, intended to achieve tangible outcomes within the framework of Irish Aid’s result-based approach.</p> <p>As per 2. The need to make optimal use of staff resources is agreed.</p>	<ul style="list-style-type: none"> • See 1 above.
<p>12. Other donors face a similar dilemma, and all have an interest in strengthening the ability of GoM programmes to monitor and demonstrate results. IA should</p>	<p>Agreed. See 1 and 5 above.</p>	<ul style="list-style-type: none"> • See above.

<p>continue to work with other donors and GoM to identify and document joint results – this is necessary not only to "justify" aid, but more importantly to enable better analysis and adjustment of the GoM programmes that donors support. (More programmatic classifications of expenditure, for example, can help in showing how – and how well – funds have been used.)</p>		
<p><i>Choice of sectors</i> 13. The division of labour decision to remain engaged in health, education, and governance makes sense in terms of the importance of these sectors and the comparative advantage IA has built up.</p>	<p>Agreed. The CSP 2012-2016 will also demonstrate priorities in the improvement of quality of services and focus on the most vulnerable. See above.</p>	
<p>14. IA should continue to use the GBS dialogue for issues (including inclusive growth and overall pattern of public expenditures) that extend beyond the sectors of direct IA involvement; these include support to domestic research capacity, and to analytical work in general. The pro-poor growth agenda will be of particular importance. At the same time, engagement through GBS is an additional way of seeking appropriate levels and patterns of public expenditure for the health and education sectors.</p>	<p>Agreed.</p>	<ul style="list-style-type: none"> • See 5 above.
<p>15. IA has argued that private sector development does not count as a sector for the purposes of the division of labour exercise. Nevertheless, although it presently consists of rather small-scale projects, it is potentially demanding of staff time, and IA needs to give careful consideration to the balance between small project interventions and efforts to influence the national policy framework for inclusive growth:</p>	<p>Agreed. The Embassy will cease to be involved in the Private Sector per se and future engagement, at the provincial level, will focus more on local economic development. See 2 on optimal use of staff resources.</p>	<ul style="list-style-type: none"> • Management is currently assessing economic development opportunities.

<p>the latter is more likely to be served through the GBS dialogue and by collaborating with agencies able to operate on a national scale.</p>		
<p><i>Decentralisation and provincial engagement.</i></p> <p>16. IA should continue its engagements at provincial level. It should continue to link its provincial engagement to the national programme for decentralisation. It should recognise that its main potential value added is from capacity development at provincial level, and from synergies between provincial, sectoral and national engagements. Increasingly, public funds for the provinces will flow through regular national channels, but there is room for advocacy towards greater equity and efficiency in such flows, as well as support for increased decentralisation of responsibilities as district and provincial capacities increase.</p>	<p>The recommendation is largely supported by the Embassy. Priorities have been redefined which will focus primarily on capacity building (particularly in relation to public financial management) climate change, nutrition and livelihoods. This will result in some restructuring of both the provincial programmes and working with new partners including the district level, NSAs, CSOs etc.</p> <p>It is also proposed that by the mid-term review in 2014 the future of engagement in both provinces will be assessed.</p>	<ul style="list-style-type: none"> • Provincial programmes will be maintained in both provinces for the duration of the new CSP (2012-2016). • The programmes will be re-structured with a more limited focus on capacity building and prioritises climate change, nutrition and livelihoods. • The mid-term review of the new CSP will assess progress in this regard and consider the longer term future for engagement in both provinces.
<p>17. Fiduciary issues are real, but going forward IA should seek ways of providing funding more predictably, with only the necessary minimum of derogation from government systems, and to focus particularly on ways of strengthening the capacity of district and provincial bodies. In future, as national decentralisation evolves, added value is likely to come more from capacity development than from strict additionality of funding.</p>	<p>Partially agreed.</p> <p>Predictability is a two-way street. As noted in 10 above, the Embassy too requires efficient reporting from partners on agreed terms before it can make its disbursements.</p> <p>The Embassy recognises that progress has been made in the role out of the national decentralisation programme and, as highlighted in 16, capacity building activities will be complimentary to those provided by the national programme. It also notes</p>	<ul style="list-style-type: none"> • Capacity building support will be complimentary to the national programme. • As noted in 16, restructuring of the Provincial Programmes will commence. This will evolve incrementally with important design work commencing shortly.

	that additionality of Irish funding is declining and this will, over the next two years, influence the balance of expenditure in the provinces.	
<p><i>Health and HIV/AIDS</i></p> <p>18. IA should continue to take a strategic approach to the sector, with PROSAUDE as the main funding channel. The approach should include support to efforts to strengthen the links between health budgets and results, and IA should explore with the Clinton Foundation and other stakeholders ways of improving coordination and effectiveness amongst the many NGOs (usually aid-funded) that are active in services related to HIV/AIDS.</p>	<p>Agreed.</p> <p>See also 5.</p> <p>The Embassy is in discussions with the Clinton Foundation about this.</p>	<ul style="list-style-type: none"> • See 5.
<p>19. Health is an example of a sector where, if anything, IA's share of donor responsibilities is likely to increase. IA could pursue:</p> <ul style="list-style-type: none"> • alliance with the Clinton Foundation to bring international NGOs into closer coordination with sector programme and government systems; • budget systems that show clearer links between budgets and outputs (this is necessary for government's own effectiveness and at the same time an attraction and a reassurance to donors). • increased professionalisation of the GoM/donor dialogue: relying on the ad hoc competences of donor representatives in Maputo is likely to be increasingly unsatisfactory as the number of core donors shrinks; IA could advocate for and support joint donor 	<p>Agreed.</p> <p>As above.</p> <p>The Embassy recognises this as an important recommendation and will seek to address it with the Health Partners Group.</p> <p>Agreed.</p>	<ul style="list-style-type: none"> • As above. • The CSP 2012-2016 will continue support to Education through FASE with of quality and equity being a central focus of our future engagement.

<p>financing of a small professional secretariat for the sector working group.</p> <p><i>Education</i></p> <p>20. Education is another sector where the potential importance of IA's role will be increased by the withdrawal of other experienced donors. Basic education remains of fundamental importance for poverty reduction, with implications for economic growth potential, gender equality and health. With some other donors pulling out, Irish Aid's financial as well as technical support has added importance. FASE should continue to be the main focus of involvement, with attention to adequate aggregate financing for basic education, as well as to issues in quality and equity</p>		
<p><i>Governance</i></p> <p>21. IA should continue to pursue governance issues both through the G19 dialogue and through selective support to demand-side accountability (at regional as well as national levels). Its existing support to the CSSM and IESE should continue, recognising that development of civil society capacity is a long-term process.</p>	<p>Agreed.</p>	<ul style="list-style-type: none"> • The Embassy will continue to support the two institutions referred to but will expand this to engage more directly at the sub-national levels as well subject to the identification of suitable partners.