



**Institute of Social Studies**

Graduate School of Development Studies

**OWNERSHIP AND CAPACITY BUILDING IN POLICY PROCESS  
IN MOZAMBIQUE:**

**The case of PRSP & GBS**

A Research Paper presented by:

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(Mozambique)

in partial fulfillment of the requirements for obtaining the degree of

**MASTERS OF ARTS IN DEVELOPMENT STUDIES**

Specialization:

**Public Policy And Management  
(PPM)**

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The Hague, The Netherlands

November, 2007

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## **DEDICATION**

I dedicate this work to my parents , my brother and sisters



## **ACKNOWLEDGEMENTS :**

My first thanks go to my supervisor Professor Des Gasper for guiding me and making possible to me write this Reseach Paper. Second I want to thank the Convenor and my second Reader Dr. Jan Kees Van Donge for their useful and critical comments on my work.

I want to also to thank Professor Eduardo Siteo for giving me the opportunity to come to study at ISS. I extend my compliments to Dr. Nicholas Aworti from NPT Mozambique project for all the cooperation he accorded the entire study process.

Thirdly , I appreciate the wonderful moments I had with my colleagues from my PPM 2006-7.specialization. They were a good source of my inspiration and courage. I will never forget them.

Finally, to all my African brothers and sisters at ISS .Special appreciation goes to Chief Ola, Mr. John, Lovemore and Saul Banda.

Finalmente aos Mocambicanos com que partilharam os momentos comingo aqui no ISS, Francisco, Jose, Ernesto, Adriano, Machoie e Momade.



## Table of Contents

<b>i abbreviations.....</b>	<b>ii</b>
<b>ii list of table and figures.....</b>	<b>iv</b>
<b>Chapter I</b>	
<b>Introduction: addressing the problem of aid for development in Mozambique.....</b>	<b>1</b>
<b>Chapter II</b>	
<b>Research Questions, Objectives and Methodology.....</b>	<b>4</b>
<b>Chapter III</b>	
<b>Placing government and donors on the debate of aid on the new paradigm for international development cooperation.....</b>	<b>9</b>
<b>Chapter IV</b>	
<b>Theoretical Framework.....</b>	<b>13</b>
<b>Chapter V</b>	
<b>PRSP and GBS experience in Mozambique 1999-2007.....</b>	<b>19</b>
1. Introduction.....	19
2. Context and background.....	19
3. National policy process and PRSP process.....	20
3.1. PRSP and other planning instruments.....	25
4. Aid modalities and conditionalities.....	28
5. linking PRSP to GBS.....	30
6. GBS and Harmonisation of aid disbursements.....	31
7. Government strategies and policies positions.....	33
8. Donors involvement and discourse in policy process.....	38
9. Other actors in policy process in Mozambique.....	39
10. Structure of policy dialogue.....	41
11. Final remarks.....	43
<b>Chapter VI</b>	
<b>The case of Education Sector.....</b>	<b>45</b>
1. PRSP in education sector.....	45
2. donors and government interaction in education sector.....	45
3. Education sector policy dialogue .....	46
4. donors support to education sector.....	53
5. Final remarks.....	54
<b>Chapter VII</b>	
<b>Conclusion and recommendations.....</b>	<b>55</b>
<b>References</b>	
<b>Annexes</b>	





i abbreviations

CDF	Comprehensive Development Framework
CFMP	Medium-Term Fiscal Framework
ESSP	Education Sector Strategic Plan
FASE	Education Fund
FRELIMO	Front for the Liberation of Mozambique
GBS	General Budget Support
HIPC	Heavily Indebted Poor Countries Initiative
MF	Ministry of Finances
MPD	Ministry of Planning and Development
IMF	International Monetary Found
NGO's	Non Governmental Organisations
OE	State Budget
PAF	Performance Assessment Framework
PAPs	Programme Aid Partners
PARPA	Action Plan for Poverty Reduction
PES	Economic and Social Plan
PPI	Prospective Indicative Plan
PRSP	Poverty Reduction strategy Paper
PRS	Poverty Reduction strategy
RAR	Annual Review Meeting
RENAMO	Mozambique National Resistance
SAP	Structural Adjustment Programme

Swap	Sector wide approach
WB	World Bank

## **ii list of table and figures**

Table 1: Political Social and Economic Events

Figure 1: A simple framework for examining text: Part1- Analysis

Figure 2: A simple framework for examining text: Part 2- Synthesis

Table 2: Three modes of help X two dimensions of help

Figure 3: PRSP on National policy process. Part 1- Analysis

Figure 4: PRSP on National policy process. Part 2- Synthesis

Table 3: Distribution of costs to government between alternative aid instruments

Figure 4: PRSP on National policy process. Part 1- Synthesis

Figure 5: Government positions on assistance from the cooperation partners. Part1- Analysis

Figure 6: Government positions on assistance from the cooperation partners. Part2- Synthesis

Figure. 7: Structure of Policy Dialogue in Mozambique

Figure 8: Education Sector positions on external support. Part1- Analysis

Figure 9: Education Sector positions on external support. Part2- Synthesis



## **Chapter I**

### **Introduction: addressing the problem of aid for development in Mozambique**

This research aims to address the question how development assistance, under the current dominant approach to international development cooperation, can help building capacity, autonomy and ownership in the recipient countries. Therefore, the study analyses the case of Mozambique's introduction of PRSP (Poverty Reduction Strategy Paper) and GBS (General Budget Support) during the period of 1999-2006.

Thus, research shows that donors still address the issue of aid effectiveness taking in consideration their own interests, practices and views of development -- despite the relative successes in case of Mozambique, with introduction of a PRSP that is claimed to be owned by government, and their positive link with the GBS as an indicative of the trend of Paris declaration on harmonization of aid supply. The study will also consider how far donors take into account recipients countries with their specificities and differences. The study looks further at the case of education sector, where donors and government operate since 1999 under a Swap (Sector wide approach), to highlight the intricate process of interactions between donors and government actors in the process of aid deliverance.

Claims on the possibility of PRSP process, guarantee to the recipient countries' autonomy and ownership<sup>1</sup> of policies that will promote poverty reduction, and the possibility of an effective partnership with donors, remain critical. As Ellerman (2006) puts it, the ownership of reform programs contains a paradox. Normally, donors target recipient countries that are more in need to help than other. Therefore the aid provided to those countries will have some impact:

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<sup>1</sup> 'Ownership' according to Bartley (2005) quoting Pavignani and Hauck (2001): '... based on domestically developed policies and rooted in national systems and procedures'. De Valk et al. (2005) conceptualize ownerships by distinguishing individual and organizational ownership and passive and active ownership in context of aid projects.

“On the side of development agency, the reasoning is often to apply resources only where there is positive marginal effect –where a positive reform program would not have otherwise taken place without the extra resources (...) But this tends to be precisely the situation where the government may feel it is just being “paid” to do the reform and thus have little or no ownership. (...) On the other hand, if the government is going to do reforms for its own reasons (but perhaps could use some findings) and thus it has ownership, then the agency may say: “Why should we put resources there? They were going to do that reform anyway one way or another. We want to have some impact.” How can the agency make a difference without thereby taking ownership and thus eventually not making much difference at all?”( pag: 103)

According to Tan (2007: 151) PRSP ‘fails to offer a resolution to the tension between the processual shifts towards focus on ownership and participation, and the realities of financial conditionality and the dynamics of power that underline the relationships of parties to the PRSP framework’. Tan affirms that the ‘PRSP is highly intrusive approach and require extensive legal and political interventions in country seek financing under this approach’ (pag 153).

The PRSP or PARPA (Action Plan for Poverty Reduction) of Mozambique is an ambitious plan in terms of its goals, and highly fragmented in its components. The experience of Mozambique shows how the Swaps approach is still a preferred mechanism by line ministers. ‘Doubts concern the increasingly predominant role of the ministries of finance within recipient governments emerged in 2005 joint review of aid to Mozambique, with line ministries expressing disquiet about the higher proportion of aid going to GBS (Government of Mozambique 2005). PARPA is a document that can serve government purpose to satisfy donor’s requirements to/do gain aid, it is a document too ‘inclusive’<sup>2</sup>. It gives the possibility to all donors interested on supply aid to the country to choose any area, sector or activities that are more aligned with their interests.

In practice, donors are allowed to provide aid to country, through different modalities: projects, programmes, through aid agencies, sector basket funds or GBS. On government side there are a dominant trend to gradually reduce the weight of projects in favour of sector budget support negotiated direct by the line ministries, and GBS.

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<sup>2</sup> PARPA covers almost all areas of government activities, therefore is difficult to real access what are the real priorities addressed.

Aid coordination has high transactions costs. All modalities of aid have their virtues and vices. In case of project aid, its clearly difficult for government to manage and have a control of it, but this is the way most local NGO's can do something, the point is that most of international aid (85%) is allocated through government; therefore 15% through other channels. The emphasis on GBS, under the current principle of harmonisation, leads to donor bureaucracies to talk only with their government counterparts in the recipient countries (Eyben, 2007). Prospects for any effective participation of the other actors (civil society and parliament), remain weak and contradicts the idea of ownership.

Perhaps this evidences are not so surprise for people directly involved in the aid business, some lessons can be conclude regarding how to improve the process of aid management and negotiations; but the country cannot keep relying on short term success of some solutions; the real challenge that must be faced is how can in long term the country reducing gradually the dependency on aid. Political leadership must clarify the vision on the politics of aid in Mozambique.

The study is structure in following sequence: chapter 2 presents the research questions, the objectives and methodology used; chapter 3 makes a review of the current debate on the international development cooperation about aid effectiveness, the introduction of governance and PRSP agenda on fight poverty and harmonisation aid instruments; chapter 4 is the theoretical framework. Chapter 5 and 6 presents the empirical findings of the study, on respectively the introduction of PRSP process and GBS in Mozambique and the case study on education sector to analyse the dynamics of interactions between government and donors. Finally, chapter 7 brings the main conclusions and the recommendations of the study.

## Chapter II. Research Questions, Objectives and Methodology

<b>Main research question</b>	
How the introduction of PARPA and GBS modality in Mozambique can be viewed as an effective way of building capacity, autonomy and ownership?	
<b>Main objective</b>	
Understanding the process of development assistance through the PRSP and GBS, related to the current debate on aid effectiveness.	
<b>Specific objectives</b>	<b>Sub- questions</b>
1. Describe the policy process of planning for development related to PRSP and particular focusing in education sector	Do PRSP and GBS represent an improvement in capacity building and autonomy of the country in planning for development?
2. Map the process of aid assistance in general and particular to education sector	What are the significant changes in aid delivery results from the introduction of GBS and PRSP? What changes for the education sector?
3. Understanding how the issue of ownership is addressed	To what extent government have the ownership of policy processes in Mozambique? How do government and donors means by ownership?
4. Characterize the interactions between donors and government in policy process	Are government and donors relationship based in genuine partnership?
5. Characterize the roles of other actors in policy process in Mozambique	What role do the parliament, the administrative audit court, political parties, media and civil society plays in new context of policy process in Mozambique?

This study focuses in the interactions of donors and government in policy process; at the moment those are the main actors in the context of PRSP. Currently, PARPA is the reference document that donors use to provide assistance to Mozambique, through GBS mechanisms. This research is focused on the analysis of these new modalities, in the context of the whole period 1999 to 2006. The significant political, social and economic developments in this period are presented in table below:



Year	Event
1999	Second General Presidential and legislatives elections
2000	The huge floods in south and central zone of the country
2000	New term in Parliament, it begun by approve the Five year Government Programme 2000- 2004
2001	Approval of the PARPA I for 2001-2005
2003	Second Municipal elections
2004	Third General Presidential and legislatives elections
2004	Agreement between government and donors to GBS mechanisms
2005	New term in Parliament and approval of Five year Government Programme 2005-2009
2006	2006 – Approval of PARPA 2006-2009

Table. 1

The methodology of PRSP process considers the contributions of the different policy sectors to reduction of poverty. This study will examine at the PRSP process in general but will focus the analysis in the education sector. The study places greater emphases on actors, process and institutions.

The education sector, both in PRSP and other government policies always appears to be one of the main three sectors (with Health and Agriculture). This sector benefits from Swap which leads to change in practice from a project based planning to a more programme based approach to planning. One of the main ideas of PRSP is that poverty reduction needs a coordination of all efforts in all sectors around one major policy framework. *In the new context of aid assistance to narrow the research question addressed above it is important to see to what extent the PRSP approach change the formulation, implementation and monitoring practice in education sector.* Achieving the education goals defined in the PARPA is fundamental to the objective of reducing poverty.

The research adopted as methods: discourse analysis and ethnography, these are two approaches that allow for detailed analyses of particular problem-solving practices that could promote an understanding of the intricacies of successful policy deliberation in a discursive polity and a new understanding of what features constitute a good policy deliberation<sup>3</sup>. This research is based mainly in primary data. During fieldwork, I conducted several semi-structured interviews to persons both in governmental institutions, donors and NGO's in Maputo, the capital city of Mozambique (Annex 1). The main limitation of the fieldwork was that few people from the Ministry of Education were interviewed. Although, most of the respondents are people that on his activities interact with education sector in the process of planning, implementation and monitoring the PARPA.

The approach is clear qualitative. The intention is to understand the context and actors involved in policy process; how actions are shaped and the meanings actors give to their experiences. As complementary to primary sources, the study focuses also in documentary research. I also collected and analyzed several documents, such as programmes of government and donors, related to aid, development and poverty; journals, websites materials also focused in aid and development.

My inception on aid ethnography has three references. First goes back to the date I joined the Mozambique parliament, as a staff member in 2001. This year, as mentioned above coincide with the approval of the PARPA by the government, and also—although not constitutional binded—it made a presentation to Parliament. There, I had the opportunity of interact with politicians, bureaucrats, civil society organizations and sometimes donors. As part of parliament functions of oversight the executive, we use to deal with the main government strategic policies documents. My first impression by look at the PARPA document, was to realize how this document appears to duplicate the main government five year program, and in also, not appear clear why the parliament was not played any role regard their approval. Second, as consequence I never stop my reflections and attention on the PARPA process. In 2004 the country engaged on reflections on the preparations of the PARPA II, through my participation on training program to higher

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<sup>3</sup> Hajer, , M (2003) pag 190-191

public servants, we dedicate some sessions on the course of governance and public policy to reflect on the challenges of PARPA to national policy process, exploring the views of the staff of different sectors of the executive dealing with the document. Finally, I have this opportunity to develop it as research, in Master in Public Policy and Management.

In this paper, policy making process of PRSP is understood as the mainstream orthodoxy in development discourse that actual shape the international development cooperation between donors (developed countries) and recipients (developing country). The policy analysis approach adopt here has as assumption that struggle over ideas as the core of policymaking (Stone, 2002). Policy discourse analysis must examine first the framing of problems to be tackled, and its connections to the generation of answers offered (Apthorpe & Gasper; 1996). Furthermore 'policy consensus' visions such as 'fighting poverty' must be question and subject of more deep analysis. People or different authors can agree on 'fighting poverty' but, at least, on how 'fighting poverty' many disputable solutions will compete on how 'fighting poverty. Yanow (2007) summarizes "the importance of attending to policy-relevant actors language in discerning the character of disputes and potential for interpretation" (pag 412).

For policy analysis to be appropriate to its intended use, it must be consonant with policy setting (...) characterized by interaction, power play, structural inequality, deep complexity, indeterminacy, dispersed decision making, lack of trust among the actors, value pluralism, and a fundamental orientation to practice (Wagenaar, 2007: 435).

In this research the analysis of discourses and policy discourses, uses the Gasper (2000) combination of Scriven model for policy argumentation, and George's tabular version of Toulmin-Dunn format. This framework is presented in two figures, one for understating components of meanings and the second the structure of argument. "Only if we clarify meanings, as first part, are we ready to assess logic, in second part".(Gasper, 2004: 66).

Figure 1: A simple framework for examining a text: Part 1-analysis

<i>THE TEXT</i>	<i>COMMENTS ON MEANINGS</i>	<i>A REWORKING OF KEY COMPONENTS</i>	<i>MAIN CONCLUSIONS AND ASSUMPTIONS IDENTIFIED IN THE TEXT</i>
<i>Section 1</i>			
<i>Section 2</i>			
.....			

Figure 2: A simple framework for examining text: Part 2- synthesis

<i>I Claim [ this conclusion</i>	<i>Given this data (empirical facts)</i>	<i>And this principal (or Principles=theoretical And/or value statements</i>	<i>Unless (/expect When) one or more of these counter-arguments applies</i>
Conclusion 1	Data 1.1, (1.2, ...)	Principal 1.1, (1.2,...)	Rebuttal 1.1, (1.2, 1.3, ...)
Conclusion 2	Data 2.1, (2.2, ...)	Principle 2.1, (2.2, ...)	Rebuttal 2.1, (2.2, 2.3,...)
.....	.....	.....	.....

With this framework, the study presents a more detailed analysis of sorts of policy documents that summarises the dominants views, ideas and strategies regards PRSP process in Mozambique. This appears on chapter 5 and 6. I selected two documents, first on the PARPA II. I analysis the first parts of the introduction of the document where government presents their views related to the place of PRSP on national planning process (Annex 4). Also in the same document, I look at their final session, where government presents their position on assistance from the cooperation partners (Annex 5). The second document is the Education Strategic Plan for 2006-2010/11, where I analysed the sector positions on external support (Annex 6).

### **Chapter III**

#### **Situating government and donors in the debate of aid in the new paradigm for international development cooperation**

Current debate on international development cooperation focuses on aid effectiveness. Promotion of good governance, participation and pro poor policies, combined with the harmonisation of aid instruments is defined as the new paradigm for international development cooperation. PRSP is considered actual to be the main instrument for achieving these purposes.

Thus governance and development are considered the main challenges for developing countries, particular those in Africa. Thinking about the idea and the processes of governance and development in Africa nowadays, is matter of debate among politicians, donors, scholars and so many actors. In thinking about development, the issue of aid comes to the centre of debate. How aid assistance effectively contribute to development? Which modalities of aid can be sustainable, in a way that the developing countries generate capacity as states to be able to address the needs of their citizens? Most of developing countries are engaged in relations with donors for more than 50 years. These relations present so many configurations and are very complex in nature. It is a fact that many of those countries become at the time highly dependent on aid<sup>4</sup>. One of the main ideas that support the need for help to developing countries is that aid will lead them to foster capacities and creates autonomies. The reality is in many cases different, even though as Gould (2004: 3) observed: “Donors appear to be relinquishing some degree of control over how their grants are spent in favour of the ‘local ownership’ of development endeavours”. Killick, et al (2005: 33), in case the of Mozambique, analyzing the processes of GBS, observes that: “however, it was also emphasized to us that increasing the share of GBS aid holds some significant risks. First there is a perceived danger of “ganging up” by donors, as greater coordination among them strengthens their already powerful bargaining capability”. Doornbos (2006: 84) points out that “introducing policy

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<sup>4</sup> African economies have increasingly relied on aid rather than trade. Such aid is often tied to donor criteria and has made these countries more dependent on donors for credit and policy advice. Olowu et al (2002) pag 2.

conditionalities often meant inserting new elements into highly complex policy process and situations, leading to fresh complexities for which donors and recipients would henceforth bear joint responsibilities. In the process, donors ran the risk of getting more deeply enmeshed in the internal policy process of recipient countries than they thought they had bargained for”.

The introduction of PRSP proposals reflects according to Booth (2003: 6-7) a: i) disappointing poverty reduction performance in most highly indebted and aid-dependent countries throughout the last 20 years, despite substantial changes in policies and institutions; ii) growing recognition of the importance of the national policy context for aid effectiveness; iii) increased awareness of the limitations of conventional conditionalities for leveraging some of critical changes; and iv) a search for a new instruments with which to justify a major new debt reduction initiative.

The World Bank source book for poverty reduction strategies set the principles underpinning the PRSP as the following:

- Country-driven and owned
- Participatory process of formulation, implementation and monitoring
- Result oriented, focus on outcomes that would benefit the poor
- Partnership-oriented, more coordination and active participation of development partners in supporting country strategies.

Mozambique national policy process is actually characterised by two dynamics, the formal domestic process and the PRSP process:

- The Five-Years Government Program (the elaboration of this sort of planning documents started in 1994 and now it is on its third term for 2005-2009), which has to be approved by the Parliament. It is within this core document that are defined the governmental priorities for the respective period. This document informs the departmental and provincial level planning processes. Equally, the five-year Government Program is operationalised in annual plans, the Economic

and Social Plan (PES), as well as the respective annual budget (OE). These two instruments have to be approved by the Parliament. There is also a process to determine the CFMP (Medium-Term Fiscal Framework) for short term periods and a program of investment prepared for three years period, which must be also approved by the Parliament.

- Poverty Reduction Strategic Paper (PRSP/PARPA). Mozambique has been experiencing high levels of absolute poverty situated above 60 %. To tackle this Mozambique in cooperation with international community has embarked in the elaboration of the PRSP for the period 2001-2005. Mozambique is currently experience the second phase of the PRSP for the period 2006-2009. Apart from elaborating this document, the government is concerned with the reconciliation of the PRSP and the Five-Year Government Program. The absolute poverty reduction has been a key objective of the Government even before the conception of the PRSP. The antecedents of the PRSP *inter alia* include: i) the increment of social dimension within the structural adjustment program in 1989; ii) the launch of the Poverty Reduction Strategy in a Consultative Group meeting in 1990; iii) the National Reconstruction plan in 1993; iv) the Poverty Reduction Strategy in 1995; and v) the Action Lines for Absolute Poverty Eradication in 1999<sup>5</sup>.

The PARPA approach is that of broad development plan with a poverty focus, which encompasses most of budgetary resources of the government. The elements of existing sectors strategies are integrated into a macroeconomic and fiscal framework. In addition, the document includes a description of the consultation process, and evaluation strategy (Falk, H, et al, 2003: 235).

Booth (2002: 279) concludes that “general evidence on the effectiveness of aid remains controversial. Dispute centres on both the degree to which a favourable national policy context is a precondition for effective aid, and critical elements that constitute a

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<sup>5</sup> Republic of Mozambique: Evaluation of the Poverty Strategy Paper (PRSP) Process and Arrangements under the Poverty Reduction and Growth Facility (PRGF), By WB & IMF Independent Evaluations Units.

favourable policy context". Mozambique is one of the poorest countries in the world, according to the PARPA; half of the total government budget is supported by the donors. Apart from that, the country is highly indebted and one of the largest beneficiaries of foreign aid. Actually some voices suggest that being dependent on aid undermines state effectiveness in poverty reduction (Booth, D. 2002). The introduction of PRSP and GSB is considered by WB, IMF and donors as representing nowadays the most effective way of aid assistance.

Mozambique is now experiencing its second generation of PARPA, although the official statistics claim a significant reduction of poverty in country; it is important to look to what are the positive and negative effects of the introduction of PRSP in national policy process. This study aims to contribute too improvement understanding of national policy process in Mozambique.



## **Chapter IV**

### **Theoretical Framework**

The theoretical framework is based on David Ellerman (2006) book *Helping people help themselves*, where he presents an 'alternative methodology of development assistance that genuinely helps self-help'. Development assistance is defined by Ellerman as a relationship between those offering assistance in some form, the helper or helpers, and those receiving the assistance, the doer or doers. The helpers could be individuals, NGO's, or official bilateral or multilateral development agencies, and the doers could be individuals, organizations, or various levels of government in the development countries. The relationship is the helper-doer relationship (pag 4)

Ellerman argues that 'Helping people help themselves' is the best methodology for development assistance in the developing countries as well as for other types of helping relationship is in fact a deep conundrum far more subtle than is realized by many development agencies that routinely use the slogan. Rhetoric from the development agencies simply takes the idea as being the same as helping people. Help is in fact unhelpful in the sense of overriding or undercutting self and thus quite antithetical to help them help themselves. Genuine help is not something that can be done in a direct way or mounted like an engineering project. You cannot force a person to act spontaneously. You cannot externally supply motivation to a person to act on his her own motivation. But the failure of direct frontal help does not mean that external help is impossible.

Development of whole societies must surely be on of the most complex tasks facing humanity. Failure in development assistance is not for lack of money or insufficient benevolence. The problems of development lie not in the details of development models nor in the content of the conditionalities imposed by development agencies but in the whole mode and philosophy of development assistance.

In general helper-doer relationship, there is the frustration of the helper wanting the doers to do something—and wanting them to do it for the doers own reasons. Whatever cajoling, enticements, rewards, or bribes might be offered by the helpers will only supply

external reasons. But that is not the desired internally motivated performance. The assumed goal is the doer helping themselves – autonomous development on the part of the doers. The problem is how can the helpers “supply” help that actually furthers rather than overrides or undercuts the goal of the doers helping themselves. This is the actually a paradox or conundrum; if the helpers are supplying help that directly influences the doers, then how can the doers really be “helping themselves”? Autonomy cannot be externally supplied. And if the doers are to become autonomous, then how can externally helpers have any direct influence? This paradox of supplying help to self-help, “assisted self-reliance,” or autonomy is the fundamental *conundrum of development* assistance. Over the years, the seemingly endless debates about aid, help, assistance, and capacity building keep circling around and around the helping self-help conundrum in development assistance.

The conception of development subscribed by Ellerman is not related to the idea of ‘growth or an increase in wealth, but development as freedom or autonomy in the sense of the capabilities approach proposed by Sen (1999).

But in the idea of development-as-autonomy, there is both autonomy as an end and as a means. In Sen’s terms, freedom has both autonomy as an instrumental role. This dual role of autonomy might be related to the old discourse about key factor in economic development (pag 6)

He argues that the idea of development economics try to look for a ‘key factor in development’, such as capital formation, power, governance (corruption), and background institutions of the country is equal to “asking the wrong question”.

“Development agencies do not do development; at best they do development assistance. The helpers are involved only through a helper-doer relationship. Thus the first question for helpers is not “what” for the doers (which will surely vary from case to case) but the “how” for the helpers in their helper-doer relationship. And the question *does* have an answer; the key “how” is autonomy-respecting help – for the helpers to help in a way that respects, fosters, and sustains the autonomy of the doers. Help that defeats the instrumental role of autonomy on the part of the doers is unhelpful. When the doers have the will, there is a way; the best role for the helpers is to indirectly enable and expedite that way, not try to substitute their will for that of the doers (pag 6-7)

In his methodology two forms of unhelpful help are identified: (1) help as social engineering, deliberately tries to impose his will on the doer, and (2) the helper, by

benevolent aid, replaces the doer's will with her will, perhaps inadvertently. The first is the called "the first don't: Don't override self-help capacity with social engineering". 'The intellectual basis for social engineering is usually neoclassical economics. The helpers supply a set of instructions or conditionalities about what the doer should be doing, and they supply the external carrots and stick "motivation" to follow the blueprint as various forms of aid to override the doers' own motivation. WB policy based lending is the main example of social engineering, and structural adjustment programs particular in Africa their application. Social engineering approach to development assistance is the vision that was largely failed over the last century.

The response to that is the indirect approach based on the notion of 'autonomy-respecting assistance, which consider internal or own motivation of the doer. "Engineering autonomous action with external carrots or sticks would be self-defeating; the means are inconsistent with the motive and thus defeat the end". Indirect approach does not supply the motivation, but *find* and start with the existing own motivation of the doer and to supply aid on that basis (pag 11). "Such help might take the form of changing the background constraints (breaking barriers) and resources so that are enabled to effectively act on their own motivations. Such an indirect approach is greatly complicated by the organizational pressure on helpers by their helping agencies and by the gaming strategies on the part of doers who only seek the aid. More power and money for the helpers leads to less autonomy-respecting help to the doers (pag12).

The second, called "Second don't: Don't Undercut Self-Help Capacity with Benevolent Aid". "Long term "charitable relief" can erode the doers incentive to help themselves—and thus creates a dependency relationship. "The idea is that condition of needing aid result from for instance natural disaster, was external imposed, the doer shares no responsibility, such aid tends to undermine that assumption "as aid becomes a reward for staying in the state of needing aid, all of which leads to rent-seeking or creates dependency and learned helplessness". Benevolent aid claims of "doing good" in the name of the poor without recognize how this undercuts the incentives for developing self-reliance. Related with this unhelpful help mode, is the gap between rhetoric and reality.

“Development agencies are quite adept at the adopting the language of being against “charity” and “blueprint-driven social engineering” and being in favor of “helping people help themselves” (pag 17) .

The Ellerman alternative approach is then divided in to dimensions related a person’s relationship with the world. First is the *volitional* side trying to get the world to correspond more to some prescriptive representation or model, second the *cognitive* side trying to get one’s descriptive representation or model to correspond more to the world. The volitional side is related with the actions of both helper and doer and the cognitive side is related with beliefs. For instance some helpers can see themselves as has “development knowledge” and focus on how to expand that knowledge to doers. The knowledge based assistance again fail under the same vicious of the two don’ts. First by try to impose a “right belief” (first don’t) and second by borrowing opinions (second don’t), not knowledge and undercuts the development of their own learning capacity. The indirect approach to knowledge-based assistance is the Socratic approach where ‘is for the helper to facilitate the doer taking the active role (be in the drive seat). The danger is that “the more pretentious the agency, the less likely it is to pursue and indirect Socratic approach to capacity building”.

After consider the above, Ellerman presents what is the alternative autonomy-respecting approach (see table 2). “Together the two Don’ts and the three Dos outline the alternative autonomy approach to both the volitional and cognitive sides of development assistance” (pag 19):

- First don’t: Social engineering
- Second don’t : benevolent aid
- The First do: Start from the where the doers are
- The second do: see the world through the doers’ eyes
- Third do: Respect the autonomy of the doers

The first Do argues, once applied to technical cooperation, 'it would be better for the helpers train local doers to the job rather helpers do the job with little or no capacity building. The second Do, advocates the need for a deeper knowledge of the presents institutions, by learning "to see the world by the eyes of the policymakers and people of the country". The Third Do, focus is clear on the doers taking the active role with the helpers having an indirect, enabling role. "The broad theme is that people have a natural *ownership* of the results of their own activities (the fruits of their labor) as opposed to what is done to or for them (pag 23).

Three modes of help X two dimensions of help

<i>Help</i>	<i>volitional dimension</i>	<i>cognitive dimension</i>
<i>Unhelpful help# 1: social engineering</i>	Helper providing "motivation" for doer to do the "right thing" (aid and conditionalities as "carrots and sticks")	Helper as authority teaching "answers" to passive doer (learner like "pouring water into a pitcher")
<i>Unhelpful help # 2: benevolent aid</i>	Helper provides aid to doer To "solve problem" by relieving symptoms until next time	Helper giving "answers" to doer to save the trouble  of learning and appropriating Knowledge
<i>Autonomy-respecting Help</i>	Enabling-helper searches for Where "virtue is afoot on its own" in the small and catalyzes social and economic linkages to spread successes	Socratic-Helper does not give answers but facilitates doers' own-learning (e.g., experiments) and then peer-to-peer learning between Doers

Table 2

There are many competitive theories to explain donor government interactions. One of the most known and used is 'principal-agent model' (e.g., Killick 1998), it consider that donor is the principal (P) and the recipient country or government as Agent (A). The P wants certain action to be done by A and rewards A for this. P and A have different objective functions, which means that A does not have the same interest as P in complying with p objectives. The asymmetric information means that A will always have more information on what he actually does than P. P can decide to incur costs in order to

monitor A's compliance. However, monitoring can never be perfect since there is no one-to-one relationship between observable outcomes and A's actions, which are largely unobservable. P may also raise the rewards for compliance, but given imperfect information and difficulties of monitoring this may just increase the probability of moral hazard. The larger the difference in the objective functions between P and A, the more participation constraints A will face<sup>6</sup>.

Ellerman (2006) presents a critical analysis of that theory by points out that the main determinants of economic development lie in deep in the institutional infrastructure and cultural makeup of the country. Continuing affirms that institutions are based in part on country's collective self-identity. Culture and basic institutional habits are expressions of "internal motivation" based on the country self-identity. Short term behaviours can be "bought" with sufficient external incentives to temporarily override the more internal incentives of government policymakers, but that by it self is not transformative in the sense of changing the institutional and cultural roots of long-term behaviour (Ellerman, 2006: 102).

Assessing aid effectiveness is, in the case of Mozambique, equal to assessing development performance. If the overall goal of giving aid is to promote development, then the question is what promotes development. The PRSP approach intends to transform the manner in which policy process operates in recipient country. Thus mean the better or more effective way of fight poverty and consequently promote aid effectiveness. Ellerman (2006) use the notion of autonomy-respecting assistance, and consider that it provides a base for a clear ownership and partnership approach in development assistance. The question to consider is that PRSP claims to provide the basis for that idea. To what extent the conditionalities are removed? Are the donors and government interactions more constructed in based of partnership and autonomy-respecting help?

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<sup>6</sup> Extracted from Dijkstra, A (2004) The effectiveness of policy conditionality: Eight country experiences, in Pronk, J (2004) *Catalysing Development? A debate on aid*, USA: Blackwell Publishing. Pag 93

## Chapter V

### PRSP and GBS experience in Mozambique 1999-2007

#### *1. Introduction*

This chapter focus on the introduction of PRSP and GBS in the national policy process, by looking into the main implications of it in transforming the policy practices and relations among the main actors in policy process.

#### *2. Context and background*

Control of the aid was one of major issues among the government and donors relations in Mozambique. During the first few years after independence, Mozambique had a slightly doubtful approach to aid and technical co-operation with the West. This approach was motivated by suspicion of hidden motives behind aid giving, but in the early 1980s the country began to receive significant amounts of aid from Western governments, particularly the Nordic countries and The Netherlands. This support came as an addition to the privileged co-operation then maintained with the Eastern socialist bloc, especially the former Soviet Union, the former East Germany (GDR), Bulgaria and Romania (Siteo et al, 2005: 1).

From 1977 to 1981, the country enjoyed a relative success in terms of economic record that made the President Samora Machel declare the 1980 “the decade of victory over underdevelopment”. Education and health sector achieved during these period satisfactory results which made FRELIMO (Front of Liberation of Mozambique) government had substantial popular support. In 1981 government adopted is PPI (Prospective Indicative Plan) with the aim of eliminate underdevelopment in one decade based on it Socialist orientation. This time was short “the beginning of the 1980’s brought a convergence of factors which dramatically changed the outlook. The second oil price rise triggered a world recession which hit the prices of Mozambique’s exports, pushed up interest rates, and cut off new credit. The worst drought of the century hit southern Africa 1981-83; even the best –run of countries needed aid” (Hanlon, 1990: 18).

As result Mozambique had to start negotiations with the IMF and WB. From 1984 to 1987, the countries had to promote several political, social and economic transformations that led to the implementation of SAP (Structural Adjustment Programme). Following the introduction of SAP, in 1990 the country approved a new constitution that opens space to pluralism and democracy. In 1992 came the peace agreement between FRELIMO government and the RENAMO. 1994, Mozambique held his first general presidential and legislatives elections. This represents the inauguration of a new era in political history of the country.

The end of the war, gives the possibility too the country concentrate in reconstruction efforts. One of the actions taken in 1994 was a more systematic data collection on the conditions of livelihoods of the populations. In 1996-97 the country realised its first household survey to diognost the poverty. The results showed that 70% of the population lived under the poverty line. Mozambique still is one of the most highly indebted countries in the world. In the 1999 the WB and IMF creates the PRSP to replace the SAPs as the operational framework through which concessional development financing to low income countries would be assessed and disbursed by financial institutions (Tan, 2007).<sup>7</sup> Mozambique to qualify to HIPC presented its interim PRSP 2000-2004, and later on approved by the Ministry Council as PARPA 2001-2005. The PRSP or PARPA, initially designed to access international loans and debt relief, made possible the bilateral donors provide GBS to government.

### *3. National policy process and PRSP process*

The PRSP represents a change in the modalities of system of aid deliverance, under the new consensus on international development cooperation. Under the HIPC came the opportunities for the countries to negotiate in a more systematic way their highly indebt situation to a cancellation. Follow that the WB created the CDF (Comprehensive

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<sup>7</sup> PRSP replaced Policy Framework Paper (PFPs) as preconditions for concessional and grant financing form the WB and IMF.



Development Framework) providing the principle of PRSP. The debt cancellation to Mozambique was followed by the introduction of PRSP.

Under this mainstreams conception in international development cooperation, poverty reduction means first to define poverty, secondly, to identify the causes or the determinants of poverty in other words the factors which impede poor people to satisfy their basic needs. Poverty lines are identified in different ways without consideration of the dynamics among the groups considered poor. that keep shifting continuously. Once those people are targetted, then make the identification of actions to eliminate or reduce the problem. Through the concept of human development a sort of things is identified as fundamental for the human being development: access to education, health, water and sanitation, access to roads, infrastructure and governance; therefore fight poverty means to provide these conditions to the poor people. Some of these factors are only things that people have limited access. To support these perceptions there are a lot of study bringing evidence from quantitative data using a sort of different economic and statistic types of analysis to show how the same group target as poor correspond to the one in need for access of the social services listed above. As Toye (2007) puts in analysing the question '*what poverty is to be reduced?*'; "Poverty is to now thought as of kind of generalised lacking, or state of being without some essential goods and services. Poor people are people deprived of those things that they need to live a normal life. Identifying poor people becomes a matter of tallying up how much people consume, often using a household survey, and discovering what percentage of them fall below some pre-set threshold that is meant to represent the minimum standard of a normal life. This percentage is called the 'headcount ratio' of the poor" (pag. 506). Recently debate on define poverty come to highlight the complexity of the phenomenon; therefore this dominant paradigm is clear limited on perspective.

The PRSP are not linked with the idea of a strategy based on the context, culture and politics of the local institutions and their particular conditions. But PRSP is consistent with the fact that SAP did not address poverty issues. The SAP focused on economic stabilization, liberalization and privatizations reforms. In the dominant paradigm the

impact of these reforms are not analysed as a factor of poverty situation. Poverty eradication is understood as matter of increase resources of public investment to the social services like education and health. However, PRSP were made to favour more ownership of the domestic government and participation of local communities, instead of the PFP (Policy Framework Paper) that were draft by the WB and IMF staff. The fact is that the government of the country, who design the program, don't get an opportunity to question the mainstream orthodoxy about fight poverty. 'Country ownership' according to Buiter (2007: 648) can refer to a number of the multidimensional relationship of domestic party of the programme/process and its conditionality. The WB gives the terms and condition to the country to elaborate a draft, then several meetings are realized where the missions evaluate if the document qualifies as a sound policy document to be able to fight poverty. The World Bank PRSP source book has the details of the methodology about the PRSP process.

The PARPAI (2001-2005), was elaborated in special conditions. The document was elaborated in short period of time, some critical observers of Mozambique development process, like also some respondents claimed that the document was elaborated in "less than one month". The point is that the country had to fulfil with the deadline of submission of a document to be part of HIPC group. For that reason the document was not supported by a proper analysis<sup>8</sup>, research and adequate process of consultation of a broad range of the representatives of civil society. PARPAI was based on the household survey of 1996/7. Following the results of the survey, the government created a multisectorial team coordinated by the (MPF) Ministry of Planning and Finance, composed by the staff of ministries of different areas to properly analyse the poverty diagnostic, Each sector had the responsibility to look at their sectoral strategies and identify all the actions corresponding to the causes of poverty identified on the survey. The MPF gave more emphasis to the social services like education and health; because these areas were consider priorities. PARPA identifies as priorities six areas: i) education, ii) health, iii) infrastructures (roads, energy and water), iv) agriculture and rural development, v) good governance and justice, and iv) macro economic and financial

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<sup>8</sup> The PARPA document was not debated satisfactory both inside and outside of the government.

policies. These six areas received two thirds of the total of public expenditures. One of the main critics to the PARPA, was that it focalized more expenditure on social services and the public investment on the productive sectors were limited.

Poverty becomes to mean what we observe, the people facing scarcity or limited access to basic needs. The statistics of human development shows figures like improvement on water and sanitation, people with access to education and health services. But the expansion of these services to the populations is clear dependent on external aid. In fact the more these services are expanded, more dependent the country still in external resources. Later this point of sustainability of the reforms and aid dependency is analyzed with more detail. More questions to the PARPA are related to the quality of the measures and the approach to the poverty problem, for example, the expansion of services are not followed by the improvements on the quality of the services. Also, another critic to PARPA I, that came later during the process of PARPA II (2006-2009) is related with the approach to poverty and the idea of conceive a strategy of development. Therefore the PARPA I is less focused in development than the PARPA II. Finally, PARPA I criticisms concern the process of implementation. There is a gap between the PARPA as a planning instrument and the budgets priorities. By looking at the budget execution, and not to the approved budget, normally the resources are not enough to decide on the allocations according to the plan. This leads to cuts on the expenditures of the sectors having priority. Hodges & Tibana (2005) study *the political economy of budget in Mozambique*, analyse that point in more detailed. The study show that 'the actual share of the priority sectors in executed government expenditure is subject to considerable uncertainty, due to inconsistencies and incompleteness'. To all the priority sectors, the execution of budget were above 60% (see annex 2). Despites, the weak performance in terms of budget execution, other considerations determined the financial management of the country.

The PARPA II (2006-2009), was considerably different of the previous one. The process took almost two years. There was opportunity for intense discussion and involvement of Government, civil society and donors. Working groups were created to deal with the different issues on PARPA. It was the opportunity to incorporate some lessons of the first

experience. Although, it is to be noted that the involvement of researchers and analysts were limited. The civil society involvement was in sense of advocacy. Different interests groups participated demanding for their needs, and as result the PARPA II almost accommodated all these demands. The chapter that describes poverty benefited of some improvements, like the data from the second household survey 2002/2003, although most of data is presented in very descriptive sense, more in deep analysis still needed. The PRSP methodology supposes to be a document that integrates in a comprehensive way, actions of the different sectors considered relevant to poverty reduction. The PARPA is still lacking in terms of clear integrated and connect aspects like poverty, production, economic structure and distribution of resources. This goal of PRSP process is still rather ambitious. We can question to what extent the PRSP represents an approach to thinking about how planning and finance development. Some government officials do at times refer disparagingly to the PARPA (out of earshot of donors) as a donor driven document, adopted only to obtain access to debt relief (Hodges & Tibana, 2005: 83).

In fact the PRSP is neither helpful as a guidance of the economic and social development of the country. There is a cynical consensus surrounding the PARPA. For instance, if we want to access, by looking at the PARPA, whether or not the donors policy preferences are aligned with the government policy priorities, we can say that all the donors preferences are met in PARPA, because the document is structured in set of themes that are far too broad in range. The PARPA represents the ideal of an 'integrated comprehensive approach of development'. Still the question: whether the national priorities are defined according the donors preferences. In fact donors are still making the aid allocation according to their preferences. National policy preferences are defined in wide scope that will be possible to met donors interests. In that sense PARPA creates space for accommodation and consensus between government and donors. Moreover government discourse, even before -- the emergency of the PRSP as new aid paradigm — always refers to poverty reduction as their major objective and sectors like education and health remains priorities in this regard.

It becomes clear that PARPA of Mozambique clearly reflected the mainstream orthodoxy of the economic, social, political and academic world of development assistance. Describe the new aid approach as the dominant “standard model of development “assistance” is heteronomous, and therein lies its ineffectiveness (Ellerman, 2006). Schizophrenic element in new aid approach is the contradiction between the specificity of the ultimate goal (poverty reduction through good governance) and the wooliness of the principles that draw out what a good donor is (partnership, respecting ownership, harmonization, alignment) (Molenaers, 2007: 4).

### *3.1. PRSP and other Planning instruments*

Driscoll and Evans (2005: 18) on a paper about second generation of PRSP put the following consideration:

“In no country was the PRS drawn on a blank political canvas, and its links with other strategies which may command stronger national ownership often remain unclear. Examples include national planning processes, regional political and economic integration plans and decentralisation programmes. In Mozambique, for instance, the PARPA has tended to sit somewhat uncomfortable alongside the more established processes for the Five-Year Programme for government, sector strategic plans, the annual PES and the OE”.

Here we analyse the government discourse regarding the place of the PRSP on national policy process and the way it is considered vis-à-vis the other planning instruments. The complete text is presented as annex 4.

On the table the abbreviations mean:

SA/SC/SS= stated assumption/conclusion/ suggestion; UA/UC/US= unstated assumption/et; UR= Unstated Rebutal

Figure 2: PRSP on national policy process. Part1- Analysis

TEXT	COMMENTS ON MEANINGS	POSSIBLE REFORMULATIONS, CONCLUSIONS, ASSUMPTIONS
1. Owing to the extent of poverty in Mozambique, reducing it challenges both the State and the elements of civil society, and the cooperation partners, to dedicate their efforts.	1. Poverty is very high in Mozambique 2. Government is concern with fighting poverty and recognises the importance of involvement of civil society and cooperation partners	UA: Government alone cannot reduce poverty SA: Poverty in Mozambique is higher
It is vital that there be clear dividing lines between the functions of each of these parties so that coordination and alignment among all of them can be more effective and efficient.	3.each part has their role on poverty reduction. 4. None of the parties must take the role of other	UA: Donors must respect the government and not interfere on their activities SA: Coordination and alignment with the parties can be efficient and effective
It is the responsibility of the Government of Mozambique to coordinate these activities.	5.Government must led the fight against poverty	UC: Government is the one who decide about how to fight poverty
2. During the process of planning, executing, monitoring, evaluating and adjusting PARPA II, strategies, programs, and sectoral and cross-sectional programs and plans were also used as basic documents.	1. Government has a long experience in planning, monitoring and dealing with complex tasks. 2. Government see PRSP as just one among the several planning instruments that use to deal it	UA: Government take into account all the relevant aspects to elaboration of PARPA UC: PARPA is one more plan to government deal it.
Regional, African and international agreements, including the Millennium Development Goals (MDG), New Partnership for the Development of Africa (NEPAD) and the Southern African Development Community (SADC), were respected.	3. Government wants to show how they take serious the elaboration of PARPA.	UA: Governments has to own the PARPA
3. Because of the importance that the Government of Mozambique attaches to participation by civil society and appropriate use of the contributions from the cooperation partners in the achievement of the objectives defined here, the drafting of PARPA II took into account the opinions of both groups.	1. Government see both civil society and cooperation partners as only giving suggestions to process. 2. Government has the right to choose each contributions to incorporate	UA: government see civil society and donors not taking part of decision UC: Government has the right to choose each contributions from partners and civil society to incorporate

<p>4. PARPA is flexible, and is adjusted and updated annually using the Medium-Term Fiscal Framework, the Economic and Social Plan, and the State Budget, which are tools used to implement the Government's Five-Year Plan. What remains constant throughout its life are the two general objectives.</p>	<p>1. Five-Year Plan is the main policy document That informs government of Mozambique actions.</p> <p>2. PARPA must be adjust to these document and through the Economic and Social Plan and State Budget.</p> <p>3. two objectives</p>	<p>C: Government five year program is the main document that guide inform their actions.</p> <p>SA: PARPA is a flexible instrument and adjusted to Medium-Term Fiscal Framework, the Economic and Social Plan, and the State Budget, which are tools used to implement the Government's Five-Year Plan</p>
<p>5. During the subsequent five years, 2010-2014, specific key components of PARPA will be incorporated into the Government's Five-Year Plan.</p>	<p>1. 'Components' all!some! PARPA II is the last in Mozambique</p>	<p>UC: PARPA is dispensable</p> <p>SA: PARPA will be incorporated in Five year program.</p> <p>UC: Government will have just one Plan the Five year programme</p>
<p>6. The combination of the two processes and instruments has the advantage of rationalizing the public planning exercise. This will enable efforts to be channeled toward implementation of the government's plan from the very beginning of its term of office.</p>	<p>1. PARPA is an intrusive document and only contribute to the confusing more the planning process in the country.</p> <p>2. PARPA difficult the public planning exercise:</p>	<p>UA: PARPA in most cases overlap the Government Five-Year Program</p> <p>UA: PARPA is an alien to public planning exercise.</p> <p>SC: combination of the two documents rationalise the planning exercise.</p> <p>SA: this will enable efforts Channeled toward implementation of Government's Five Year Plan</p>
<p>7. The new government will easily be able to align the priorities, debated throughout 2009, with the objectives stated in the Electoral Manifesto.</p>	<p>1. The consultation process with civil society and donors will be held during 2009.</p> <p>The expectation is that any government that won the election have to align his programme with 'components' of the PARPA</p>	<p>UA: Any government elected will accept to incorporate the 'components' of PARPA on his electoral Manifesto.</p>

**Figure 4: PRSP on National policy process. Part 2- Synthesis**

<i>I CLAIM</i>	<i>GIVEN THIS DATA</i>	<i>AND THIS PRINCIPLE/ WARRANT</i>	<i>UNLESS (REBUTTAL)</i>
<p>IUC: Government is the one who decide about how to fight poverty</p>	<p>SA: Poverty in Mozambique is high</p> <p>UA: Government alone cannot reduce poverty</p> <p>SA: Coordination and alignment with the parties can be efficient and effective</p>	<p>UA: Donors must respect the government and not interfere on their activities</p>	

2. UC: PARPA is one more plan to government deal it.	UA: Government take into account all the relevant aspects to elaboration of PARPA		
3. UC: Government has the right to choose each contributions from partners and civil society to incorporate	UA: government see civil society and donors not taking part of decision		
4. UC: Government five year program is the main document that guide inform their actions.	SA: PARPA is a flexible instrument and adjusted to Medium-Term Fiscal Framework, the Economic and Social Plan, and the State Budget, which are tools used to implement the Government's Five-Year Plan		
5. UC: PARPA is dispensable  UC: Government will have just one Plan the Five year programme  SC: combination of the two documents rationalise the planning exercise.	SA: PARPA will be incorporated in Five year program.	UA: PARPA in most cases overlap the Government Five-Year Program .  UA: PARPA is an alien to public planning exercise.  SA: this will enable efforts Channeled toward implementation of Government's Five Year Plan.  UA: Any government elected will accept to incorporate the 'components' of PARPA on his electoral Manifesto.	U.R. The Parliament refuse to approve the Government's five year Plan with the components of PARPA .  UR: the elected government refuse to incorporate it

#### 4. Aid modalities and conditionalities

Singh (2004) consider that “developing countries are today overwhelmed by economic and political conditionality attached to economic assistance from north. This is, therefore, a central issue for them as far as aid (whatever form it takes) is concerned”, and this situation “deprive this country of much of the policy autonomy they had during the period 1950-1980.



PRSP process in Mozambique results in imposition of several institutional reforms, mainly in public finance management. The more recent integration of policies to reduce poverty can be called a ‘third generation’ of policy conditionality (Disjkstra, 2004: 91). Actually the focus of discussions between government and donors are in centred in ‘governance’ reforms. The main reform the country introduces in governance is in public sector reform, decentralisation, justice sector and anti-corruption strategy.

In principle, there is no best form of aid delivery, all forms has costs and benefits. As table 4 summarises the trade-off between costs and benefits of different aid modalities.

Table 3: Distribution of costs to government between alternative aid instruments.

Aid Instrument	Ownership Deficiency	Coordination costs	Administration costs	Conversion costs	Risks of failure	Costs of assurance
Single donor-led projects	High	High	Low	Low	Low	Low
Autonomous in donors in Coordination	High	↑	Low	Low	Low	Low
Donor coordination by Common agent (e.g. UNDP)	↑	↑	Low	Low	Low	Low
Basket funding Donor support to sector Budgets	↑	↑	↓	↓	↓	↓
Donors support to General budget	Low	Low	High	High	High	High

Source: Batley 2005

In terms of deficiency of ownership, where donors leads the management of project, this seems to be highest for government and low in case of general budget support. In fact GBS has in theory a probability of favour more ownership for government. Coordination costs are also low for the government under GBS, but higher in case of single projects, this aid modality still dominant in Mozambique. The more ownership for government through GBS, higher is the administrative costs of delivery. Conversion costs are related to the new relationships as results of new aid modalities. For instance, GBS and Swap

approaches may require a lot of planning and years of evaluation. Risks of failure are associated to the growing interdependence between government and donors, that make them more vulnerable to changes of policies or failure of disbursements. Finally, exist also the costs of assurance management “as they move away from the management of their own projects and instead seek to operate through the government’s mechanisms, donors in Mozambique have become more aware of deficiencies in the government’s capacity of financial management, human resource and administrative systems. They have required reforms as part of the package of general budget support” (Batley, 2005: 421).

### *5. linking PRSP to GBS*

In theory, GBS modality implies that donors give aid in money to recipient country and it can be used according to the recipient needs. There is no consignment or earmarking by the donors. However, the actual practice is completely different from the theory. In fact donors are still tempted to target the resources using the most different strategies and most of time; this is perceived as a kind of intrusiveness in country matters. We consider also this point in more detail later.

Coordination of GBS was agreed in 1999 and formalised in 2000 as “common framework agreement” in a Joint Donor Programme for Macro-Financial Support between the government and bilateral donors. An original of six donors rapidly expanded to 10 in 2002, 15 in 2004, and 17 in 2005, including the World Bank. With regard to policy conditionality, the agreement required the government prioritise poverty reduction to the PARPA. While GBS is the focus of the agreement, it also embraced other forms of programme aid, and specifically, sector support.<sup>9</sup>

As results of this agreement, government and donors are involved in a process of dialogue about policy reforms, and in a cycle of joint review mechanisms for assessment

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<sup>9</sup> Batley, R (2006) Mozambique country report. Joint Evaluation of General Budget Support 1994-2006.

of performance of government implementation of PARPA and donors efficiency of external support. This process has three moments along the year.

First, in April is *Annual Review* 'of performance of previous year and up to the point of review against the government PES, PAF (Performance Assessment Framework) of donors, and the OE. After that a joint Aide Memoire is complete with recommendations. This assessment is the basis for future commitments of donors regard support for the budget of next year. In June there is a follow up meeting' (Batley 2005).

Second in August/September, 'is a *Mid-year Review* focusing on forward planning and budgeting for the next financial year, and agreement on the basis of the following year's performance targets. This takes place in time to influence the submission of government's PES and OE to parliament. Progress of the government against the current year's PES, PAF and OE, and of the donors partners against their commitments are also reviewed' (Batley, 2005)

'Third, In December is the following up meeting were donors confirm their disbursement schedules. Joint working group meets to discuss budget execution and donor disbursement performance' (Batley, 2005).

#### 6. *GBS and Harmonisation of aid disbursements*

“‘Harmonisation’ in the language of Aidland means donors trying to have common programmes and procedures, so that the recipient need to communicate with one single set of financial agencies. Harmonisation is judged to be special important in highly aid-dependent countries such as Mozambique, where 50 per cent of public capital-expenditure budget is donor-financed, and there are 49 official donors.” (Eyben, 2007: 640)

GBS represents in average 30% of the total aid to Mozambique. Total aid to Mozambique is estimated to be 1.5 billions USD; although the information about the aid

remains insufficient and different international sources presents different data about the situation. There are one group of 16 bilateral donors and 3 multilateral organisations that provides the GBS to the country, (Annex 3). All the donors in the GBS also contribute for two thirds of total aid for the country in other modalities. Big donors like USA, Japan and now China are not using this modality. By the annex you can observe the amount of aid provide by each donor. There are donors that are more engaged (like minded) and other less.

Harmonisation around the GBS is a good idea in theory, but difficult to implement in practice. Both donors and recipient country has their practices and procedures that will not be easily to achieve it. The aid of harmonisation implies in ideal to all countries go for adopt standards procedures. Harmonisation also has a very high transaction cost of coordination.

There is a clear commitment, in principle among most of the larger bilateral donors, supported by IMF and WB, to move away from individual operated portfolios of projects and to 'harmonise their aid with each others and sometimes with government (Batley, 2005: 419). The harmonisation is grouped in three forms:

- 1) General budget support: where donor funding contributes to the overall budget, and not earmarked for specific sectors, although government can and donors can agree on priorities.
- 2) Sector budget support: where funds are made available through the national budget, but notionally earmarked for specif sectors (in a 'sector-wide approach' or SWAp).
- 3) Basket funding: where donor funds are pooled and held in a specific bank account for the exclusive use of a specific ministry (or part of a ministry's or a specific province programme) outside the national budget and under the ultimate control of donors. (Batley, 2005, 419)

## *7. Government strategies and policies positions*

This topic proceeds by first, analysing of the findings through the interviews perceptions, second, combined with the analysis of government position on assistance from the cooperation partners; where government expresses his intentions to formulate the National Cooperation Policy. A full text on this regard text is presented as annex 4. Here is presented only the tables using the above framework on discourse analysis.

The GBS modality is considered to promote more sustainability, prevision of resources flows, and flexibility in use of it. For that reasons is better to have this modality instead of parallel process of negotiations that the line ministries use to do with donors, because this only contribute to perpetuate the dependency on foreign aid. Both in donor side and in government side it is possible to observe that among the political leaders and the staff there is no consensus about which modality of aid is preferable; in donor side also some are engaged in promote GBS and others not. Those supporting the GBS (like DFID and SIDA) consider important to increase the amount of this modality to give more ownership to government, to strengthen the institutions and transfer the policy debate inside the government. On the other side, there is the problem of management of public resources and accountability. The group of donors not supporting the GBS modality use as justification the following arguments: fiduciary risk, weakest financial institutions, information bias, and that their constituencies want that aid must be seen in things like schools, bridges they made.

The donors through their international agencies normally they define a global approach not just to deal with one single recipient. Using a broad strategy, donors define the amount of resources to allocate to specific issues or areas, in sense that they can define country by country the amount of recourses to allocate to the areas. But this strategy is not completely flexible, as even those donors that favour GBS have some restrictions.

Therefore they must still not just give support to budget but also to the sectors<sup>10</sup>. Second aspect to consider is that GBS is political sensitive. This modality can contribute to strengthen the government, but if the government action not satisfy the donors, they will simple reduce the amount of aid to the country; therefore, as much as the amount of aid in GBS modality, the more risk the country to collapse. In fact government policy on aid must acknowledge this complexity.

The government policy on aid is not clear enough that we can say that GBS is the most preferable modality. This mean government never said the percentage of total aid that would be satisfactory to go to GBS. What government says is that GBS is preferable modality, but all forms of aid are welcomed. Government strategy on aid is to keep as much longer possible the donors in country, guarantee more flexibility and previsibility of aid flows, and try to increase the amount of it. Because the aid comes tied, there is a perception that nothing can be done apart of following donors policy prescriptions. For officials there is no motivation for think differently, because the costs of not following those recommendations are considerable high. It is normally see the country accept to adopt policies without think in the implementation capacity. But it is clear that there is some room of negotiation with donors about the policy options. The point is policy involves making options that can favour some groups and affect negatively other. For the government this means dealing with conflict, competition and changes in status quo. The option is favour policies that are very broad in range and give impression of large consensus in society about the social and economic development. Also, the government capacities are associated to their influence in society, in terms of the distribution of resources and provision of services. The possibility of government using the aid for building schools, roads and other services gives the government certain accommodation, and prevent them to go in more deeper analysis of policies implications and strategies. This situation favours government legitimacy, and because the strategy is to prolong donors involvement in country, it gives the government the possibility to say that policies failed that, was not the government fault but the result of donors impositions. The W B

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<sup>10</sup> This can be through a big project in that sector or through sector fund. Accountability on donors country may become difficult if the just support through GBS.

history of involvement in the cashew nut sector in the country is wide used to show how the donor's impositions can result in failure<sup>11</sup>. But the country has the possibility of think and find their own way if the donor policy solutions represent a threat.

Figure 5: Government positions on assistance from the cooperation partners. Part1- Analysis

TEXT	COMMENTS ON MEANINGS	POSSIBLE REFORMULATIONS, CONCLUSIONS, ASSUMPTIONS
1. In order to facilitate achievement of the goals of the Five-Year Plan and PARPA II, the government appeals to the cooperation partners to implement their respective commitments, as included in the Paris Declaration.	Implementation of PARPA and Five year programme depends on donors to implement their commitments on disbursements.	SC: Government expects that the partners will implement their respective commitments included in Paris declaration  UA: Implementation of PARPA and Five year program is only possible with partners support.
For example, they would decentralize both the authority and the responsibility for fulfilling established concrete goals to the local offices of the cooperation partners.	Means local offices of donors does not have power to make certain decisions to improve performance of their government commitments.	UA: Donors staff in recipient country does not have power to make decisions on commitments .  SA: Decentralize authority to local staff partner regard commitments.
These commitments include a pledge that 85 percent of foreign aid would be included in the State Budget (i.e., that no more than 15 percent would be off-budget), and that at least 75 percent would be disbursed on a timely basis.		SA: Commitments are: Pledge that 85% of foreign aid goes to state budget, no more than 15% off budget, 75% of disbursement made on time
2. For its part, the government will continue its efforts to strengthen its management of public finances, in particular as regards integration of off budget funds into the State	"Will continue its efforts" does not represent a strong commitment, will not make donors very confident, and regard reforms that government have to pursuit.	UA: Reform public finance management are very complex and heavier task for the government  SC: government will continues efforts to strengthen its public

<sup>11</sup> Mosca (2005) refers that the privatization of cashew nut sector in Mozambique is an example of the State incapacity to regulate because of constraints related to interests of the different actors in case the WB, and domestic ones. The privatization of the sector has negative consequences on the production, employment, and brought social conflicts. On 1970's, Mozambique used to be the number one exporter of cashew nut with 60% of world production. The main disagreement was between export processed cashew nut or raw; for the country export raw cashew nut implied to lose foreign currency and close the factories. ( pag. 369-372)

Budget, in the reports on execution, and in the General Account of the State (i.e., in both budgetary programming and in financial execution).		financial management UA: off budget funds not integrated in state budget, not in reports of budget execution and General state account.
3.Improve the quality and frequency of data available on external financing, and improve its circulation between government agencies and the relevant cooperation partners.	Means more transparency and accountability related to external finances	UA: data on external financing available are not reliable. SA: improve the quality and availability of data in external financing.
4.The government will establish a strategy for handling the allocation of funds to sectors in ways consistent with its priorities.	Government has no clarity about allocation of funds to sectors	UA: Government does not have a clear approach to allocation of funds to sectors. SA: Establish an approach to allocate funds to sectors
5.In particular, the government will examine: (i) the ideal balance between the weight of domestic funds (tax revenues) and external aid as regards State expenditures; (ii) the volume of financing that is desirable and can be absorbed. Total and by sector, keeping in mind the capacity for absorption and the influence of the State on the economy; and (iii) the ideal balance among types of financing;	Government are concern about the aid dependence. Also acknowledge their limitation in management of external aid. Government is not clear enough about the trade-offs of different modalities of aid "ideal balance" of types of financing? What is the state capacity of absorption of external resources?	UA: Government fear some risks and uncertainty about decisions to take related to aid modalities. UA: Some modalities can threat state autonomy and capacity. SA: examine Balance between external and internal resources. UA: Government does not have the information about the state capacity of absorption of external resources. SA: examine the proper state capacity of management external resources including by sector SA: examine the balance between the deferent's types of aid modalities
Although the ideal balance among types of assistance will probably contain a mixture of these, the government would like the proportion of the funds that is channeled through the Public Treasury Accounts, mainly through direct support of the State Budget (known internationally as General Budget Support, or .GBS.), to be increased, because of its	1. "ideal balance means" a combination of different modalities. 2. Government wants that recourses goes to MF, and also increase the amount of GBS, as long as this goes with promotion of eg. Ownership, capacity.	UA: Government accepts in principle all aid modalities SA: The resources must be channeled MF. SC: Increase the GBS.



consistency with the general principles defined above.		
At present, within the context of direct support to the State Budget, it would be preferable if all PAPs would adopt multi-year commitments (i.e., commitments for at least three years, on a rolling basis) in order to facilitate the programming of government activities (within the CFMP [Medium-Term Fiscal Framework], for example).	1. Government support a GBS if donors commit themselves for a period of three years or more.  2. one year based joint review is very uncomfortable to government	UC: GBS disbursements based in one year time is harmful for government.  SC: it would be preferable if all partners adopt at least 3 years commitment based on CFMP

Figure 6: Government positions on assistance from the cooperation partners. Part 2- Synthesis

<i>I CLAIM</i>	<i>GIVEN THIS DATA</i>	<i>AND THIS PRINCIPLE/ WARRANT</i>	<i>UNLESS (REBUTTAL)</i>
1.SC: Government expects that the partners will implement their respective commitments included in Paris declaration	UA: Implementation of PARPA and Five year program is only possible with partners support.	SA: Commitments are: Pledge that 85% of foreign aid goes to state budget, no more than 15% off budget, 75% of disbursement made on time	UR: No implementation of Paris Declaration
....SA: Decentralize authority to local staff partner on commitments.	. UA: Donors staff in recipient country does not have power to make decisions on commitments.		
2.SC: government will continues efforts to strengthen its public financial management	UA: off budget funds not integrated in state budget, not in reports of budget execution and General state account.	UA: Reform public finance management are very complex and heavier task for the government	

3. SA: improve the quality and availability of data in external financing.	UA: data on external financing available are not reliable.		
4. SA: Establish an approach to allocate funds to sectors	Government does not have a clear approach to allocation of funds to sectors.		
5.SC: Increase the GBS.	<p>UA: Government does not have the information about the state capacity of absorption of external resources.</p> <p>UA: Some modalities can threat state autonomy and capacity.</p> <p>UA: Government fear some risks and uncertainty about decisions to take related to aid modalities.</p>	<p>.SA: examine Balance between external and internal resources.</p> <p>SA: examine the proper state capacity of management external resources including by sector</p> <p>SA: examine the balance between the deferent's types of aid modalities</p> <p>SA: The resources must be channeled MF.</p>	
SC: it would be preferable if all partners adopt at least 3 years commitment based on CFMP.	UC: GBS disbursements based in one year time is harmful for government.		UR: CFMP is not a good base to make partners committed with multi- year arrangement.

### 8. Donors involvement and discourse in policy process

Donors, as consequence of the GBS, become deeper involved in all matters related to a decision making and policy issues of the country. Among the government officials<sup>12</sup> this is understood as complete interference in state affairs. Apart of the institutionalisation of different forums of dialogue between donors and government, most donors official are still not aware of the degree of their involvement in national policy process that limit

<sup>12</sup> Those who interviewed expressed that perception. Celine Tan study also highlight this idea of PRSP become a very intrusive approach

their possibility of contribute for a constructive relationship. They create lot of interferences.

Most of donors impositions or conditionalities are see as way of interference with the sovereignty of the state. Some donors like the case of the Nordic countries have good reputation in terms of their flexibility and easy way to engage in constructive relations with government. Therefore negotiate in more mutual basis. Besides that, local staff in the ministries is suspicious about the representatives of the donors in aid recipient country. They most of the time question the authority of donor local staff in terms of their experience and knowledge about the country specific context. The government staff feels like they are not negotiate with the relevant people in terms of decision to be made. Nevertheless, the negotiations forums are perceived as increasing donors power of bargain with the state. But this deep involvement put some donors staff in positions to make decisions that are not part of their mandate. As consequence these negotiations between government and donors local staff are most of the time counterproductive. The situation is also the same for government officials. They are also in situation of inertia regard assuming positions in these negotiations forums.

#### *9. Other actors in policy process in Mozambique*

By the constitution the parliament has an important role in the policy process in country. Parliament has to approve the government five year programme, the PES and OE of each year. The approval of the PARPA is made by the council of Ministries and the implementation through the PES.

It is not yet clear the role of the parliament regard their involvement in PARPA. In some sense the PARPA almost represents a duplication of five year government program; and their implementation is made through the PES and OE. In this regard some analysts even question the constitutional legitimacy of the PARPA. In fact the parliament does not appreciate directly the PARPA. However when the parliament is analyzing the PES and

OE for consequently approval is not clear which actions on PES are regard the implementation of government five year programme and those to implement the PARPA. This is not just a dilemma for the parliament but even for the street levels bureaucraties these most of the time made a practical choice, that means choose one out of the two (PARPA or five year Government program). The question of the parliament involvement in process is not yet resolve and represents a clear deficit in terms of accountability.

The Administrative Audit Court is responsible for scrutinize the government accounts. In Mozambique this body is not yet able to do the review of the state accounts on time. The accounts process shows several deficiencies but most of the time is approved with a several recommendations for improvement and many critical points are complete ignored.

The government enjoys large support by majority they have in parliament. Opposition parties are not in condition to challenge the government using the possibilities which the parliament offer; parliament serves instead most as a rubber stamp.

Civil society has the difficulty that are similar of country where democratic process relative new. Government in Mozambique has resources and possibilities to capture easily the support of several groups in society. Media and press are still also large influenced by government. Policy process is actually clear dominated by government and donors.

## 10. Structure of Policy dialogue

Policy dialogue in Mozambique is structured among three main arenas: i) the Council of Ministries where the OE is discussed and submitted to Parliament for approval, ii) Government/Donors dialogue for under GBS/PRSP, and iii) Government/Donors at Sector level dialogue through the use of SWAP (see figure 3). Some initial considerations will help to understanding the main aspects of policy dialogue in country. First to note that Mozambican OE is supported in 50% by the donors who support through GBS&PARPA. The remaining 50% is guarantee by The Government own's resources.

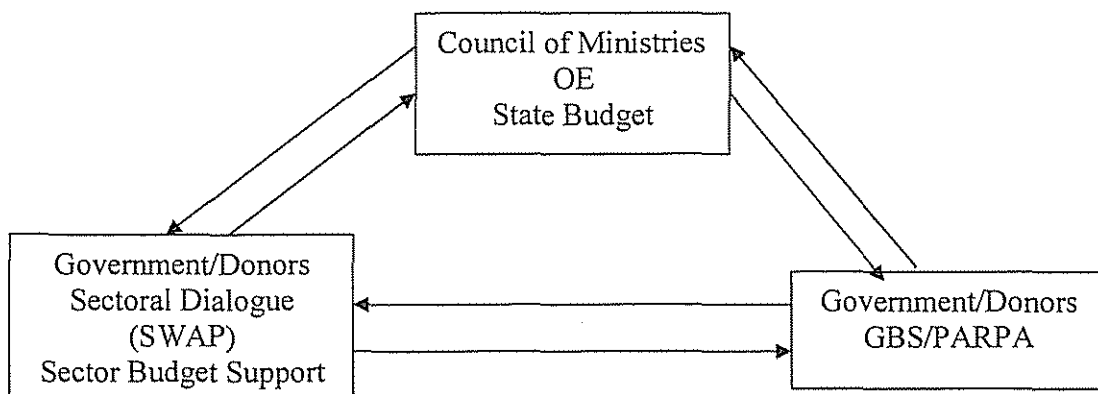


Figure. 7: Structure of Policy Dialogue in Mozambique

Second, donors can support the country using different modalities of aid, like projects, sector support or GBS. Finally, that in government side the dialogue under GBS&PRSP is leading by the MF (Ministry of Finances and MPD<sup>13</sup> (Ministry of Planning and Development); also line ministries like education have long standing practice of bilateral dialogue with donors.

Aid game is played under these arenas, where the main actors negotiate and structure their interests strategically. As we put on point 7 of this chapter, government of

<sup>13</sup> From 1999 to 2004, the Mozambique use to have a MPF (Ministry of Plan and Finances), the idea of joint this plan and finances activities was to create a better integration of them. But the new government elected in 2004, separate these functions into two Ministries ( MF and MPD).

Mozambique does not have a clear position on aid delivery<sup>14</sup>. The MF is clear more favour to GBS; the line ministries will prefer sector budget support and the donors will have the opportunity to diversify the aid portfolio according to their interests. The opportunity for the MF is that once the donors supply the resources under GBS to the OE, the government can use it without any condition attached by donors. Therefore the MF can redistribute it according to the priorities of the moment. Thus means in practice that it has to be recognized that the proposed budget does not mean the executed one. In fact this modality of aid is not support by all members at Council of Ministry. But none of the line ministries at that level of negotiation will express that position openly. What is the practice is that, first at council the line ministries tries to get as much resources as possible for their sectors; secondly, those resources that they cannot get as part of redistribution of OE, they negotiate by open a dialogue at sector level with donors; Third at sector level, the dynamic goes by eliminate also as much as the projects and bring the external resources for the sector budget support. Finally, for the line ministries is better that this resources come as off-budget, otherwise the MF would make budget cuts based on the amount of resources that the sectors received from the donors. According to Hodges & Tibana (2005) most of the time this resources can exceed the amount of resources provided to the sector through OE. As the annex 3 shoes that there is gap between the proposed budget and the real budget, normally the executed budget correspond to 65% of the expected budget. For the sectors the Swap approach gives them more flexibility of manoeuvre. On chapter 6, the analysis of the dynamic of policy dialogue is extended, looking particular to the case of education.

Again, the Joint Review of 2007 shows that donors have a large proportion of their external aid in the form of projects in the public sector and that need time to change the composition of their external aid portfolio. At least, currently some line ministries have a discourse against projects. One consideration must be made about the predominance of projects in the sectors. The existence of projects is linked with the weak capacity in the

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<sup>14</sup> The Government recognises the for a mixture of modalities, but prefers budget support. Despite the need and joint desire to increase programme aid, it should be noted that projects could and should be better aligned,...with certain criteria and aligned with national strategies and procedures ( Government of Mozambique: Joint Review 2007, Aide-Mémoire. Pag 35)

public sector to implement policies, programmes and projects. External aid through projects was as one of the components wage “top-ups” to attract civil servants with high qualifications. For the civil servants this wage “top-ups” was a fundamental complement to their salaries. This complement would come as subsidies, training programmes in other countries, and other forms of reward. The new government elected in 2004, is against that situation. As result, in some ministries qualified people abandoned their jobs to go to work for NGO’s, and donors activities, due to the lack of incentives. These measures were not followed by a definition of clear policy of human resources management<sup>15</sup>.

The point to highlight where is that council of Ministries no longer the locus of decision making process in country, as use to be in immediate years of independence. Second the practices of donors contrast with the discourse towards the alignment, harmonisation of aid modalities. Therefore, GBS&PRSP cannot be seen as an effective way of promote aid poverty reduction, ownership and autonomy.

### *11. Final remarks*

This chapter showed that introduction of PRSP and GBS brought several changes in national policy process; namely, donors become deeply involved in policy process; and their engagement limited the capacity, and ownership of government. The transformations results of the GBS are stress government capacity in terms of public financial management. The country is pressed to carry out profound institutional transformation as condition to access aid, without consider that those reforms can only be achieved in long term period. GBS claims on possibility of harmonisation and

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<sup>15</sup>Various sectors expressed concern about the area of human resources, in particular in relation to the slow pace of the salary reform. This reform is considered indispensable for the realization of the necessary improvements of public services delivery. The salary updates reflect neither the real cost of living, nor the salary levels outside the public sector. This causes great difficulties in recruiting and retaining qualified staff at all levels, especially at district level. A coherent response is called for, rather than sectoral *ad hoc* solutions based on projects and consultancies. There is also the need to establish transparent and credible mechanisms and proceedings for the contracting of national and foreign technicians for projects and programmes (Gouvernement of Mozambique: Joint Review 2007, pag 8).

alignment practices in aid deliverance remain as uncertainty. Policy process context and institutions were not acknowledged, before the introduction of PRSP. This result was that PRSP was inserted in context of long standing practices regard policy process. Therefore, Mozambique government set a compromise on the document of PARPAII, to not engage in third generation of PRSP, to rationalise the policy planning process. However, only the time will prove this trend.



## Chapter VI

### The case of Education Sector

#### *1. PRSP in education sector*

This chapter discuss the case of education sector. The main point of analysis is to deep the analysis of the practices on formulation, implementation and monitoring policies as result of the introduction of PRSP approach. Achieving the education goals defined in the PARPA is fundamental to the objective of reducing poverty.

Under the Swap approach, the education sector developed is first Strategic Plan for 1999-2003, followed by the adoption of the national policy of education in 1995. The aim of the document was to “fight the Exclusion and Renew the School”. The document was design to be a flexible instrument to allow it to easily fit to the changes in government priorities and policies. For the period of 2006-2010/11, the sector elaborated is ESSP II (Education Sector Strategic Plan) with aim to foster the external partners to adopt significant changes toward elimination of project based aid modalities to sector budget support, with great ownership of the sector.

#### *2. donors and government interaction in education sector*

The education sector has now 21 external partners (bilateral, banks and some UN organizations), all of them are involved in one or other forms of support the sector. These partners set the organizational principles to guide their interaction with the sector. The coordination team, which represents the partners in the dialogue with the sector, is coordinated by two partners rotatively and in an annual basis. There are 3 important moments or meetings with the sector during the year. The most important moment is the Annual Review Meeting (RAR) .This meeting happens at same time of the general meeting of Government and donors (Joint Review). The RAR has the objective to assess the performance of the sector in last year. This happens in end of March, when the progress of the sector is evaluated based in the matrix of indicators. This matrix will monitor the implementation of the sector plan. There is another meeting in December,

where is discussed the activity plan for the next year, forward looking meeting. In September during the time of mid term review (for GBS assessment) , they have also a short meeting to evaluate the first semester and see the challenges of the sector to achieve the goals or objectives set to that year, and start the discussion of plan of activities for the next year, having as reference the PES and OE, that will submitted by the government to parliament, at the end of September. In these meetings, from the sector, is participating the Minister, the National directors, provincial directors, civil society and partners<sup>16</sup>. During the year is developed a closer dialogue with the ministry between the coordination team of the partners and the Permanent Secretary of the Ministry, the Director of Planning and Cooperation and the Director of Finance. The role of these meetings is to monitor and follow up the three big meetings and the implementation of the sector plan. Actually the Netherlands and WB are representing the other partners. These meetings take place every 1, 2 or 3 weeks, according to the urgency of the issues. The partners side also is organized meetings every 1 or 2 weeks. This is the nature of the dialogue with the sector. In more technical level there are 10 working groups according to the areas like: primary education, basic education, higher education, and secondary education. Those groups make the dialogue at more technical level, where they share opinions about strategies, actions and reforms.

### *3. Education sector policy dialogue*

The ESSP II set clear the intention of the sector consolidated the Swap process and eliminate the projects based forms of cooperation. Among the bilateral partners involved at the sector dialogue, the trend is to eliminate the projects. However there are some difficulties with some external partners like the WB and Japan. The partners under GBS that also contribute for the education sector common fund –in addition to financing other projects-- are moving to replace these participations and focus only on GBS. For example Sweden was a big partner of education sector until 2004. It has now retired from the common fund; and transferred the money to GBS. The argument relied on the problems of the programs in the education. The Netherlands have been discussing what to do.

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<sup>16</sup> Look at the composition of the groups in the education sector.

Unless some conditions are fulfilled this country will remove the aid funds from projects to get into sector budget support. Like other bilateral donors, The Netherlands is also engaged in GBS; their majority of funds go direct to the GBS, and also to support direct education, health and water sectors.

Actually trend shows that donors are in reflection about the implications of full move to GBS. One condition for full adoption of that aid modality depends on the quality of the process of fiscal scenario; it is an important indicator for access the financial performance of the country. Nevertheless, this document still not guarantee an effective distributions of funds; furthermore, donors consider that the process of PARPA and dialogue among the ministries are not yet satisfactory for all of them put all funds in GBS.

Again, the fiscal scenario must be elaborated, with the participation of all the sectors, in a open dialogue about priorities. Nevertheless the external partners consider that the level of discussion and the involvement of the ministries, and the parliament cannot assure at moment that GBS mechanism of execution is the most efficient one. A second condition, involve a trust in financial management system. The actually performance of the MF has deficit in capacity to effectively implement such kind of policies reforms. Even when resources are available, capacity to implement it remain weak.

Those sectors that have common funds are more able to implement their policies, as result of this direct money transfer. Apart of this, the sectors must have rigid system to monitoring the implementation. From donors side, it is more easily to get enter in the dialogue at the ministry level if the money are there, because when all of partners and government are together at GBS<sup>17</sup> level, it is more complicated to make a dialogue about reforms at sectoral level, more collaboration with the ministry will help them to improve the procedures and their management system and performance.

The management of common fund is made by the ministry and the donors monitoring the process through financial reports and external audit. One of working group (part of the 10

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<sup>17</sup> Government has more discretionarily in make decisions related to funds, because of the nature of GBS.

groups) is the planning and finance group that is composed by staff of ministry of education and some partners.

Again, there are partners like was mentioned above that remain financing projects and not subscribe sector budget support or GBS. This leads to a situation that the so called "like minded" group starts a reflection about their fast move to support GBS<sup>18</sup>.

In government side the policy is move to GBS. However, this trend has the resistance of the sectors, special those who have sector budget support. These sectors are more comfortable if the money goes to common fund, they are interested in elimination of projects, because they can have more control over the resources. In education sector, a process of decentralization started. There is a perception that with the GBS the sector, at central level will lose control over resources. It is clear that there is some degree of conflict within different national forums of policy dialogue, where each actor<sup>19</sup> plays strategically according to their interests.

After the adoption of the ESSP II, the relation between education sector and the external partners become more consolidate. This allowed a constructive dialogue based in trust. The sector are engaged in consolidate the swap approach by call the partners to harmonization of aid modalities in favor of sector budget support and strengthen of accountabilities procedures. In addition the partners are involved in dialogue to reduce the costs of coordination, by reducing meetings and missions with the state institutions. Thus is the case of bilateral donors there are not much problems; however the difficulties are with the WB because it has loans and responsibilities for credit management. The integration of the WB missions on the general process is constrained by the nature of his

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<sup>18</sup> There is a debate among donors about the speed of advanced towards fuller budget support. The British, Dutch, IMF and EU are more inclined to place trust in the capacity of government to manage budget resources, and to risk failures—"We can only improve the budgetary system buy using it". The Nordic nations and the Swiss aim in the same direction but anticipate a longer period (5 to 10 years) of transition as government performance improves—the 'building-blocks approach' in which budget support and sector support go hand-in-hand towards a future in which both are integrated into a national financial management system. The concern of these second subgroup is that too rapid a commitment to budget support will stretch the capacity of the government and present problems of fiduciary risk (Batley, 2005: 423)

<sup>19</sup> Donors, line ministries, the Ministry of Finances etc.

working procedures. As result of these efforts, the education sectors partners agreed to delegate the coordination team the mission to interact in more regular base with the sector. This team provides reports about the meetings for the partners consult and can also offer briefings related to their activities.

Next, the analysis proceeds by look at the text on position of the education sector on external support (Annex 6). This text was extracted from the ESSP II.

**Figure 8: Education Sector positions on external support. Part1- Analysis**

TEXT	COMMENTS ON MEANINGS	POSSIBLE REFORMULATIONS, CONCLUSIONS, ASSUMPTIONS
1.The preparation of ESSP has involved considerable reflection an intensive dialogue of government and external partners on the central policy issues.	Governments and donors was at sector a long practice of cooperation	UA: The partnership at the education sector started with the first strategic plan 1999-2003.
Yet progress has not been as expected in that many cooperating partners, NGO's and other agencies continue to use project modalities as a means to circumvent capacity problems.	Project modalities are not helpful for the development of the sector	UA: partnership did not bring together partners into a programme based modality.  SC: agencies continue to use projects to solve capacity problems.
Although it is recognized that the projects can make a valuable contribution - under specific circumstances and for specific purposes – they often do not enough to strengthen government systems and staff.	Certain projects can be accepted for specific reasons.  Projects do not build capacity to government and staff	SA: Certain projects are essential for the sector specific purposes  SC: Projects are not building capacity at sector  AC: Projects must be eliminated
2.The same problem occurs with respect to external technical assistance, which often takes over government responsibilities rather than strengthening them	Technical assistance is hinder the capacity building of the sector  Limits sector process of ownership.	UA: Actual practice in technical assistance is limited reduce sector autonomy UC: Technical assistance limits sector process of ownership. SA: Technical assistance takes over government responsibilities rather strengthening them.
3. In this respect, there is still lack of coordination of where inputs are needed the most and how to ensure that the use of technical assistance leads to sustainable changes in capacity.		UC: coordination is needed to effective technical assistance and sustainable changes in capacity.  SA: lack of coordination is needed to effective technical assistance and sustainable changes in capacity.

4. It is the government intention to pursue and further intensify the SWAp processes during the implementation of ESSP II. ESSP II is a comprehensive sector development program fully "owned" by the government.	ESSP II will consolidated the Swap approach  'Intensify SWAP process' full use of this process, means more leadership of the sector.	UA: ESSP will assure ownership by government.  SA: ESSP II is a comprehensive development programme with ownership for the sector.  UC: the swap is the base for cooperation with the sector.
Detailed investment, expenditure and implementation plans will be developed as the next step in the planning process.		UA: Not clear notion of amount of resources needed for finance SWAP
5. The challenge now is to increase the number of partners who support the SWAp through a more intensive partnership arrangement involving general budget support or support through FASE..	Move to sector budget support or GBS will be better than relay in projects	UC: Sector budget support is preferable than GBS  SC: increase the number of partners support the FASE. UA: number of partners in FASE is limited.
6. The government recognizes that for several partners this kind of arrangements are not yet feasible.		UA: There are partners who will not be part of swap, and would prefer to work using projects
These partners will be of course be welcome to participate in the SWAp process assuming their support is consistent with the ESSP II objectives, national reform policies and investment program priorities.	These partners must respect the sector policies and priorities.	SC: These partners must following sectors plans and priorities
A memorandum of understanding will specify the commitment of government and the external partners in the SWAp	Commitments of government and partners must be specified	SA: Partners must subscribe the memorandum of Swap
7. It will also be important to review and strengthen the management of technical assistance provided by the development partners, which often takes over government responsibilities rather than strengthening them.	Necessary to review the mechanisms and conditions of technical assistance	SA: Need to review and strengthen the management of technical assistance
External support, both in financial resources and technical assistance will need to continue and grow. Moreover, for effective	Demand for partners increase support to sector  Coordination and harmonization	SA: Increases of financial resources are necessary and also the technical assistance.  SA: external assistance must be

planning, this assistance will need to flow in a stable, predictable form through coordinated and harmonized procedures that minimizes transaction costs.	e predictability are conditions for ESSPII	predictable and harmonized to reduce transactions costs.
MOEC and its external partners are committed to this type of partnership, and its growth and strengthening is a key assumption.	Partnership is fundamental	
MOEC therefore intends to explore with the external partners the possibility of creating a technical assistance fund, possibly as part of FASE, which would be available to fund external technical assistance interventions with terms of reference that are jointly agreed by the government and the cooperating partners and –to the extent possible– included in the annual work program and budget.		SC: creation of technical assistance fund as part of FASE with jointly agreement by the government.

Figure 9: Education Sector positions on external support. Part 2- Synthesis

<i>I CLAIM</i>	<i>GIVEN THIS DATA</i>	<i>AND THIS PRINCIPLE/ WARRANT</i>	<i>UNLESS (REBUTTAL)</i>
1.AC: Projects must be eliminated	<p>UA: The partnership at the education sector started with the first strategic plan 1999-2003</p> <p>UA: partnership did not bring together partners into a programme based modality.</p> <p>SA: agencies continue to use projects to solve capacity problems.</p>		

2. AC: Technical assistance limits sector process of ownership.	<p>UA: Actual practice in technical assistance is limited reduce sector autonomy</p> <p>SA: Technical assistance takes over government responsibilities rather strengthening them.</p>		Technical assistance build capacity
3. UC: coordination is needed to effective technical assistance and sustainable changes in capacity.	SA: lack of coordination is needed to effective technical assistance and sustainable changes in capacity.		Partners keep using projects to replace capacity.
4. UC: ESSP will assure ownership by government.	UA: the swap is the base for cooperation with the sector.	<p>SA: ESSPII is a comprehensive development programme with ownership for the sector.</p> <p>SA: Partners must subscribe the memorandum of Swap</p>	Projects still exist
<p>5. SC: increase the number of partners support the FASE.</p> <p>UC: Sector budget support is preferable than GBS</p>	UA: number of partners in FASE is limited.		



6. SC: These partners must follow sectors plans and priorities	UA: There are partners who will not be part of swap, and would prefer to work using projects.		Their actions will threat the sector autonomy.
7. SC: creation of technical assistance fund as part of FASE with jointly agreement by the government.	SA: Need to review and strengthen the management of technical assistance  SA: Increases of financial resources are necessary and also the technical assistance.  SA: external assistance must be predictable and harmonized to reduce transactions costs.		

#### 4. donors support to education sector

In terms of financial support to the sector, 60% of the total sector budget comes from the OE including on that amount not just the state owned resources and the contributions of the partners through GBS. The remaining 40% is supported by external resources, and then 60% of that amount is supported by the FASE, that at moment is composed by 8 partners. This is to support the sector in implementation of their plan. The funds are not earmarked. This fund had to support the functionality of the sector, like construction of schools, distribution of school books, direct support to the schools, and teachers but cannot be used to pay salaries. The remaining 40% of the contribution of the partners are the loans provided by the WB, ABD (African Bank of Development) and Islamic Bank. This amount supports investment on infrastructures and in the case of WB is involved in financing the higher education and technical and professional training. Apart of that, there have some big projects with some partners, like Japan and also small projects with the UN (United Nations). All partners have different forms of finance the education sector.

Some donors balance their support to education sector; by looking first the amount of resources government will give through the budget to the priority sectors. Normally, if the amount allocated to the education is higher than to the health, is expected that donors

will give more attention to health sector. This is possible because during the joint review process under the GBS, the dialogue at sector level also take place simultaneous. As a result a donor can easily decide their strategy for the country, by set the amount he wants to direct to GBS, the amount to this specific sector and for the projects. One advantage for the donor strategy is that he can balance support to the sector, special those donors who see education as their darling. For the sector, if during the negotiation at ministries council they could not get enough resources as part of public investment supported by the state own resources, the bargain at sector level will almost to complete the resources they need. Yet, the execution of budget in country does not normally match with the planned or defined. The level of resources allocated to sector in the last 4 years was a little above 50% of the total budget planned. Therefore, the sector relies more on the possibility of the direct dialogue with donors. Most of these funds allocated by sector come as off budget. It is clear that different strategies and modalities of aid allocation have their advantage and disadvantage, if we only consider the technical aspect of with or their intended beneficiaries. But for the main actors in policy making process (donors and government), they judge according to their interest.

##### *5. Final Remarks*

This chapter focused on the nature of the policy process at sector level to see whether the introduction of PRSP and GBS come to change sector practices regard planning and implementation. The main conclusion of the chapter is that in education sector policy practices contrast with the overall idea of PRSP and GBS. Results achieved in the sector are not yet evidence the influence of PRSP process. In fact the sector dialogue with partners shows different pictures. Some partners approach the sectors through projects, there is a group that subscribe the sector budget support, and some partners are no longer involved with sector and moved to GBS The interesting point is that both donors and government are not clear about the implications of PRSP and GBS.

One aspect that that becomes clear is that the sector is clear that project based cooperation is representing a threat to their capacity and autonomy. The sector is call for more sector budget support because. This modality supposes to offer more guarantee to

them for implementing their goals. Although the country dependence put the government at all levels to not discard any form of aid.

Finally, it is important to reflect on the achievements of the swap approach in education sector, to see to what extent the PRSP process impact on education practices. This is an aspect that can only be access in long term.

## **Chapter VII**

### **Conclusion and recommendations**

This research aimed to understanding how development assistance under the new mainstream international development cooperation addressed the issue of aid effectiveness. The study focused on the case of Mozambique. The main research question centered on the understanding the case of the introduction of PRSP and GBS in the national policy process.

The focus of the study was on the interactions between governments and donors in policy processes. The study captured two dimensions of policy process in Mozambique. First the process of PRSP and GBS at national level and second, brings the case of education sector with purpose of focus the analysis. Therefore the conclusions are guided by the sub questions and informed by the theoretical framework.

Donors delivery aid take into account there own interests, practices and views of development, in this regard PRSP represent once again another 'blue print' development solution.

Ownership of the reform programmes contains a paradox. In attempt to bring a solution that put recipient countries in 'drive seat', donors become dipper involved in national policy process.

Mozambique case show how PRSP come to dispute previous practices and almost compete with other process. Swap approaches is still a preferred modality for dialogue among the line ministries. The PRSP complete ignored the role of parliament. PRSP is not linked with the idea of a strategy based in local context, culture and politics of the

local institutions and their particular conditions. PRSP results in imposition of several reforms at financial management system that exposed the weakness of state institutions. Perform in terms of financial management is now condition for improve the amount of aid through GBS.

GBS claims on possibility of harmonisation and alignment practices in aid deliverance remain as uncertainty. Policy process context and institutions were not acknowledged, before the introduction of PRSP. This result was that PRSP was inserted in context of long standing practices regard policy process. Therefore, Mozambique government set a compromise on the document of PARPAII, to not engage in third generation of PRSP, to rationalise the policy planning process. However, only the time will prove this trend.

The country must approach their problems, in more realistic way; short terms solutions are sustainable. It is urgent to open a discussion about policies priorities and strategies. This will make possible and gradually the aid for development become real helpful. Also trends toward move to GBS as the most effective aid instrument, is dependent on changes in practices and procedures, about the mechanisms of accountability and other government procedures of the donor countries. Donors have the challenge to real accept the government be in drive seat of their development. Donors role is to enable and catalyse development and not do development.

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## Annexes

### Annex 1

2007

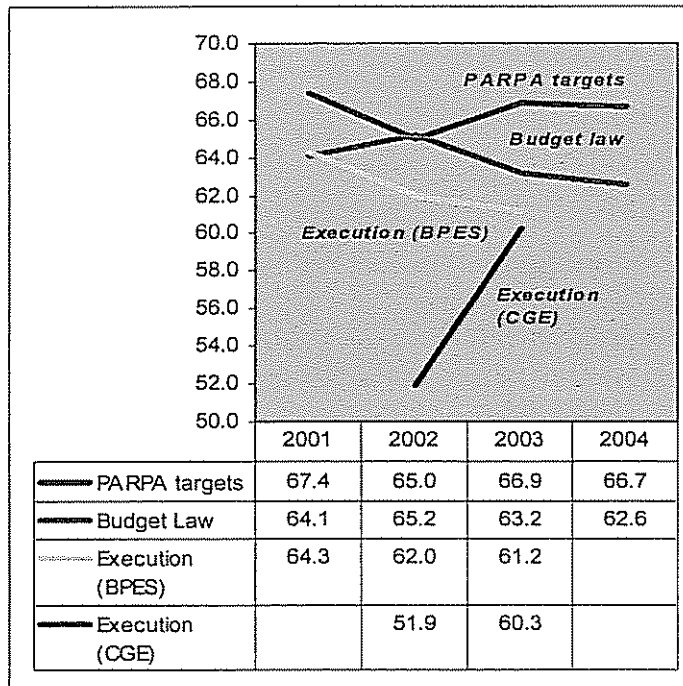
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11. Paulo Deves – Editor of Faz journal “Raio X”
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2006

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Annex 2

Figure 3.2  
 Percentage share of PARPA priority sectors  
 in total government expenditure  
 (including interest payments)



Source: PARPA [MPF, 2001b]; MPF, 2003b.

Legend

BPES- Balance of Economic and Social Plan

### Annex 3 : Partners in GBS to Mozambique

#### GOVERNMENT FINANCE MANAGEMENT SYSTEMS (data in US\$)

PAP's	2005			2006		
	ODA to GoM reported in the budget	ODA to GoM included in the treasury payment system	ODA to GoM using public procurement systems	ODA to GoM reported in the budget	ODA to GoM included in the treasury payment system	ODA to GoM using public procurement systems
African Development Bank	44,584,500.0	44,584,500.0	44,584,500.0	58,772,400.0	58,772,400.0	58,772,400.0
Belgium	6,348,228.2	6,348,228.2	2,514,149.8	6,033,959.5	6,033,959.5	3,771,224.7
Canada	18,266,682.4	16,013,659.3	3,024,606.3	24,222,489.4	20,987,064.4	34,196,569.7
Denmark	21,540,960.4	10,097,325.2	28,440,799.3	17,838,607.9	2,524,331.3	24,906,735.5
DFID	55,301,019.9	55,301,019.9	65,251,592.4	75,999,730.8	74,156,363.5	74,156,363.5
European Union	0.0	78,881,449.9	78,881,449.9	0.0	64,538,225.3	64,538,225.3
Finland	12,350,760.9	12,350,760.9	12,350,760.9	20,601,291.7	20,601,291.7	20,601,291.7
France	12,006,489.6	4,399,762.1	7,228,180.7	14,367,621.9	4,228,096.0	6,514,402.2
Germany	5,028,299.6	4,399,762.1	4,399,762.1	28,787,015.2	12,570,749.0	29,792,675.1
Ireland	29,850,500.6	16,612,095.2	3,997,246.8	40,686,116.6	33,689,607.3	38,202,506.2
Italy	11,559,976.5	8,045,279.4	8,461,382.5	13,475,873.1	0.0	23,022,884.3
Netherlands	39,815,333.3	39,815,333.3	39,815,333.3	43,494,791.5	39,355,495.3	39,355,495.3
Norway	21,202,018.6	17,954,503.1	17,954,503.1	34,887,422.4	20,516,614.9	20,516,614.9
Portugal	1,479,491.7	1,479,491.7	1,479,491.7	1,494,383.0	1,494,383.0	1,494,383.0
Spain	4,989,901.0	3,771,224.7	8,510,535.3	6,722,988.7	3,771,224.7	9,313,607.6
Sweden	49,797,570.9	18,893,387.3	20,917,678.8	64,777,327.9	32,388,664.0	32,388,664.0
Switzerland	11,812,659.1	8,460,418.0	8,460,418.0	9,451,038.0	7,125,435.9	7,125,435.9
World Bank	253,270,000.0	66,500,000.0	66,500,000.0	249,950,000.0	63,990,000.0	63,990,000.0
<b>Total</b>	<b>599,204,392.7</b>	<b>413,908,200.4</b>	<b>422,772,390.9</b>	<b>711,563,057.5</b>	<b>466,743,905.8</b>	<b>552,659,478.8</b>

Observation: This source does not include data from Austria

Source : Mozambique: Program Aid Partners Performance 2007

## Annex 4

### I. INTRODUCTION, AND RELATIONSHIP BETWEEN PARPA AND OTHER PLANNING DOCUMENTS

1. The Government of Mozambique's Action Plan for the Reduction of Absolute Poverty for 2006-09 (PARPA II) is intended to reduce the incidence of poverty from 54 percent in 2003 to 45 percent in 2009.
2. This document is a successor to PARPA I (Government of Mozambique, 2001). It shares the same priorities in the areas of human capital development through education and health, improved governance, development of basic infrastructures and agriculture, rural development, and better macroeconomic and financial management.
3. This PARPA differs from the previous one in that its priorities include greater integration of the national economy and an increase in productivity. In particular, it focuses attention on district-based development, creation of an environment favorable to growth of the nation's productive sector, improvement of the financial system, measures to help small and medium-size companies to flourish in the formal sector, and the development of both the internal revenue collection system and the methods of allocating budgeted funds.
4. This plan links its specific priorities with allocations of funds for the five-year period.
5. Although PARPA II calls for an increase in internal revenues for 2006-09 in real terms, the Mozambican government expects to continue to rely on the contribution of its cooperation partners to finance about 49 percent of the State Budget every year during this period.
6. Owing to the extent of poverty in Mozambique, reducing it challenges both the State and the elements of civil society, and the cooperation partners, to dedicate their efforts. It is vital that there be clear dividing lines between the functions of each of these parties so that coordination and alignment among all of them can be more effective and efficient. It is the responsibility of the Government of Mozambique to coordinate these activities.
7. A summary of the principal vision for PARPA II is presented in Chapter IV (Principal Vision, Objectives, and Essential Actions).
8. PARPA II centers attention on ways to raise the low standard of living of the least favored population groups whose current situation corresponds to absolute poverty.
9. During the process of planning, executing, monitoring, evaluating and adjusting PARPA II, strategies, programs, and sectoral and cross-sectional programs and plans were also used as basic documents. Regional, African and international agreements, including the Millennium Development Goals (MDG), New Partnership for the Development of Africa (NEPAD) and the Southern African Development Community (SADC), were respected.
10. Because of the importance that the Government of Mozambique attaches to participation by civil society and appropriate use of the contributions from the cooperation partners in the achievement of the objectives defined here, the drafting of PARPA II took into account the opinions of both groups.
11. PARPA is flexible, and is adjusted and updated annually using the Medium-Term Fiscal Framework, the Economic and Social Plan, and the State Budget, which are tools used to implement the Government's Five-Year Plan. What remains constant throughout its life are the two general objectives (Chapter IV, section 2).
12. During the subsequent five years, 2010-2014, specific key components of PARPA will be incorporated into the Government's Five-Year Plan.

13. The combination of the two processes and instruments has the advantage of rationalizing the public planning exercise. This will enable efforts to be channeled toward implementation of the government's plan from the very beginning of its term of office.

14. The new government will easily be able to align the priorities, debated throughout 2009, with the objectives stated in the Electoral Manifesto.

15. Over the long term, the objective on which Mozambican society has reached a consensus is the improvement of the standard of living and welfare of its citizens. Long-term objectives also include the following: (i) a balanced economic and social development; (ii) reduction of absolute poverty; (iii) consolidation of the peace, national unity, and democracy; (iv) widespread application of the rules of justice; (v) improvements in education and health; (vi) encouragement of work, honesty, zeal, and enthusiasm; (vii) the guarantee of individual freedoms and social harmony; (viii) the imposition of laws against criminal acts; the guarantee of sovereignty, and (ix) the guarantee of sovereignty and the strengthening of international cooperation.

16. The government took these objectives into consideration, in both letter and spirit, when it defined its Five-Year Plan for 2005-09 and in the subsequent preparation of this PARPA II.

17. PARPA II is presented with reference to three pillars: governance, human capital, and economic development. The pillars approach enables us to focus attention on the functions of social organization via the State, the development of individual abilities, and the creation of wealth to improve the well-being of the citizens. It also makes it possible to examine the connections among the three functions that are necessary if the central objectives are to be achieved.

18. The governance pillar seeks to make the apparatus of the State a means of sparking the development of human capital and the economy. The government will give special attention to improving the quality of policy analysis and design, in order to obtain fully the expected results of their implementation. Officials will be guided by the principles and laws of a government ruled by law, thus ensuring transparency and accountability and combating the diversion and improper use of public funds and resources. Also included is active enforcement of the laws against criminal acts and corruption.

19. The human capital pillar provides continuity to the plans for developing work-related technical and scientific skills, good health and hygiene, and access to basic resources, especially food and water, and reducing the incidence of diseases that affect the most vulnerable population groups, focusing particularly on the battle against HIV-Aids, malaria, and tuberculosis. A special part of the resources in the state budget will be used to finance classic social services that cover a huge proportion of the population, including the poorest.

20. The economic development pillar concentrates on conditions basic to the pursuit of productive activity, such as improvement in infrastructures that promote the creation of wealth and ensure the availability of natural resources, a reduction in bureaucratic obstacles, and the enactment of legislation that safeguards citizen rights and encourages gains in productivity, and innovation. It will also give priority to intersectoral connections in order to ensure higher productivity in agriculture and related sectors. Additional priorities are the development of the banking and financial systems so that they may fulfill their duties in retention of savings and active financing of production, particularly production by small and medium-sized companies.

21. The element common to the three pillars is the building of the Mozambican nation, consolidating national unity, developing each citizen's human potential, creating a functioning institutional system, and increasing the ability to create national wealth.

22. A fundamental condition for success in the formation of this Nation is ensuring that investments are made in basic infrastructures and maintenance thereof. We need to foster efficient communications from north to south of our territory and between rural and urban areas for people, goods, and information. Improving these communications will facilitate the integration of farmers and the other rural and urban residents.

23. The multisectoral coordination among the different State institutions, organizations in civil society, the business community, and other development partners is the touchstone that will ensure the harmonious and multifaceted development of this country.

24. The integrated and balanced development of this nation is an imperative that is a determining factor and has multifaceted historical, political, social, anthropological, and even economic implications. The priorities associated with each pillar will necessarily reflect this concept.

25. Since national development is a priority, PARPA II is also mindful of the need for Mozambique to gradually and progressively integrate itself into the community of neighboring countries, the rest of Africa, and the world.

26. After recovering production capacity in agriculture, construction, and services, the trend in economic growth may begin to depend increasingly on productivity gains and the ability to create, retain, and productively use domestic savings. These two factors present an enormous challenge for the coming years.

27. Growth in productivity is another element that connects the three pillars, and it is something that all three are focused on. The governance pillar will help achieve this objective if the quality of services, analyses, government policies, and monitoring improves, along with government's ability to make adjustments. This role of the State needs to be buttressed by political quality and quality leadership, as well as the technical quality of its staff. The benefits to the economy will be felt in terms of a reduction in bureaucracy and an increase in quality, strategic investment in infrastructures, as well as incentives for growth of the private sector. Investments in education and health and sanitation services should be oriented so as to mold citizens into a more effective production force that enjoys a higher standard of living.

28. Chapter II, which follows, explains the methodology used in preparing PARPA II. Chapter III reports on the trend in the indicators of absolute poverty. Chapter IV presents the strategic vision, the objectives and the priority actions. Chapter V discusses the basic macroeconomic and fiscal scenario. The absolute poverty reduction scenarios are presented in Chapter VI. The principal objectives and actions on cross-sectional matters are discussed in Chapter VII, and the objectives and actions are addressed in detail, by pillar, in Chapter VIII. Chapter IX explains the factors that will determine the success of the implementation of PARPA II. Chapter X reports on monitoring and evaluation procedures, and the Annex presents the summarized matrix of the indicators to be used in monitoring and evaluation.

## Annex 5

### The Government's Position on Assistance from the Cooperation Partners

602. Given the major importance of external funding in bringing the PARPA actions to fruition, it is essential that there be a clear, comprehensive strategy in the minds of both the government and the cooperation partners that will make it possible to direct, systematically organize, and re-stabilize the flows of foreign aid into Mozambique. This is because coordination among government agencies with respect to the management and subsequent channeling of these funds to priority areas is so important. It is in this spirit that the government is committed to drafting the National Cooperation Policy.

603. The government intends to develop an external assistance system that is led by the State and reflects its priorities, in a coherent and comprehensive partnership with the cooperation partners. This will minimize the macroeconomic distortions associated with sizeable inflows of outside financing. And so in this section of this document, we will establish the general principles that will form the basis of the government's strategy toward foreign aid. (However, this section does not address the public debt; that topic will be included in Mozambique's Debt Strategy.)

#### *Analysis of the Situation*

604. In the context of its efforts to reduce absolute poverty in Mozambique, the government receives financial and technical assistance from various cooperation partners. In recent years, external assistance has financed about half of the State Budget and, on average, about 15 percent of GDP (average for the five-year period 2000-2004, General Account of the State. Figures may have been underestimated due to exclusion of off-budget funds). This confirms World Bank figures (2005b) that show that, worldwide, Mozambique is one of the countries that is most dependent on foreign aid. (See Table 6.10 - Aid Dependency, in World Development Indicators 2005, published by the World Bank.)

605. Substantial assistance from cooperation partners is significant in the war against poverty. However, such a high percentage of external financing has two important (and closely linked) implications. First, there are macroeconomic implications. For example because of the high level of dependency, any shock in the volume or form of external financing could create substantial macroeconomic volatility (see Chapter V, part c.).

606. Second, there are some significant challenges with respect to the quality/effectiveness of foreign aid: (i) a risk that government institutions may become more accountable to the cooperation partners than to the Mozambican people; (ii) an absence of transparency due to sources of financing outside the State Budget (see *Estudo sobre os Off-Budgets no Sector Saúde*, Cabral et al. 2005); (iii) coordination and systematization of flows of information among the cooperation partners, the MINEC [Ministry of Foreign Affairs and Cooperation], the recipient sectors, and other State agencies (in the areas of planning and finance); (iv) the administrative burden represented by the variety of information requested, the differing methods of evaluation, and other demands made by the cooperation partners; (v) the emergence of distortions within the public sector owing to a proliferation of projects; and (vi) coordination and appropriation of technical assistance/training.

607. Examples of best practices exist and can be studied in order to improve the effectiveness of aid to Mozambique. For example, the system of direct support to the State Budget with Program Aid Partnerships (Parceiros de Apoio Programático - PAP) has improved the quality and ownership of foreign aid, based on a Memorandum of Understanding used as guidance, according to the declaration by the 2005 Paris High-Level Forum for Developing Countries and Donors ([www.aidharmonization.org](http://www.aidharmonization.org)). This declaration laid down specific goals for improving the quality of external aid in terms of predictability, ownership, alignment, harmonization, and preferred modes. Initiatives now under way by the cooperation partners and aligned with these principles are welcome, and the government expects further progress in this regard. In order to more actively lead the coordination of external assistance, the government will approve a new National Cooperation Policy, and has implemented reforms in the management of public finances.

### *General Principles*

608. In light of global initiatives to increase the flows of foreign funds to developing countries, it will be especially important to ensure that flows to Mozambique are channeled into priority areas that have sufficient institutional capacity, or, alternatively, to bolster that capacity. Therefore, the focus of foreign aid needs to take into consideration the ability to manage macroeconomic impacts and the need to improve the quality/effectiveness of external assistance.

609. In order to consolidate the macroeconomic management of the impacts of outside financing, the government proposes adoption of the following general principles: (i) increase the predictability of aid flows; (ii) gradually reduce dependence on external financing by achieving economic growth and improving internal revenues; (iii) increase both the quality and distribution of information on foreign aid; and (iv) improve the understanding of the interactions between foreign aid and the macro-economy in the Mozambican context.

610. As regards improvement of the quality/effectiveness of external assistance, a structure oriented around the following general principles is proposed: (i) increase governmental "ownership"; (ii) ensure the sustainability of the activities financed through external aid; (iii) strengthen the alignment and harmonization of foreign aid with government priorities and procedures; (iv) improve accountability, both of the government and of the cooperation partners; and (v) proceed with reforms in a comprehensive and participatory manner.

### *Strategic Objectives*

611. Based on the general principles outlined above and with the support of the cooperation partners, the following objectives are proposed as a means of enhancing the positive impact of the foreign aid:

- Formulation and approval of the National Cooperation Policy that will govern cooperation activities.
- In order to facilitate achievement of the goals of the Five-Year Plan and PARPA II, the government appeals to the cooperation partners to implement their respective commitments, as included in the Paris Declaration. For example, they would decentralize both the authority and the responsibility for fulfilling established concrete goals to the local offices of the cooperation partners. These commitments include a pledge that 85 percent of foreign aid would be included in the State Budget (i.e., that no more than 15 percent would be off-budget), and that at least 75 percent would be disbursed on a timely basis. For its part, the government will continue its efforts to strengthen its management of public finances, in particular as regards integration of offbudget funds into the State Budget, in the reports on execution, and in the General Account of the State (i.e., in both budgetary programming and in financial execution). Improve the quality and frequency of data available on external financing, and improve its circulation between government agencies and the relevant cooperation partners.
- Improve the understanding of the impacts on the Mozambican economy by taking into account aid flows as they are expected to occur in the medium and long term.
- The government will establish a strategy for handling the allocation of funds to sectors in ways consistent with its priorities. In particular, the government will examine: (i) the ideal balance between the weight of domestic funds (tax revenues) and external aid as regards State expenditures; (ii) the volume of financing that is desirable and can be absorbed, total and by sector, keeping in mind the capacity for absorption and the influence of the State on the economy; and (iii) the ideal balance among types of financing;
- Although the ideal balance among types of assistance will probably contain a mixture of these, the government would like the proportion of the funds that is channeled through the Public Treasury Accounts, mainly through direct support of the State Budget (known internationally as General Budget Support, or GBS.), to be increased, because of its consistency with the general principles defined above. At present, within the context of direct support to the State Budget, it would be



preferable if all PAPs would adopt multi-year commitments (i.e., commitments for at least three years, on a rolling basis) in order to facilitate the programming of government activities (within the CFMP [Medium-Term Fiscal Framework], for example).

- Develop a joint strategy that is well integrated with the government's priorities in order to coordinate external assistance that is channeled through programs in support of the development of technical assistance and the institutional capacity of the government in a coherent manner (based on an initiative already in progress and supported and coordinated by the cooperation partners).

612. To facilitate the implementation of these objectives, an Action Plan will be established in 2006 (led by the government, in cooperation with the cooperation partners) that takes into account the initiatives already under way and the principles, priorities, and objectives laid down in this document (particularly, the importance of implementing the Paris Declaration) in order to improve the quality of assistance being given by all cooperation partners. For example, consideration could be given to introducing a Comprehensive Memorandum of Understanding, to be signed by all the cooperation partners and by the government.

(Extract from PARPA II 2006-2009 English Version pages 148-151)

**Annex 6**  
**Education Strategic Plan 2006-2010/11**

**1.4 Coherent external support**

During ESSP I a sector wide approach to supporting education was initiated. The central objective of the SWAp process is the development and implementation of a comprehensive sector development program that is sustainable and supported by all major stakeholders. Donor coordination improved through regular joint meetings and exchange of information. A joint account FASE was established and is after some start up problems becoming an increasingly effective conduit for channeling external support to the education sector. The preparation of ESSP has involved considerable reflection an intensive dialogue of government and external partners on the central policy issues. Yet progress has not been as expected in that many cooperating partners, NGO's and other agencies continue to use project modalities as a means to circumvent capacity problems. Although it is recognized that the projects can make a valuable contribution - under specific circumstances and for specific purposes – they often do not enough to strengthen government systems and staff. The same problem occurs with respect to external technical assistance, which often takes over government responsibilities rather than strengthening them. In this respect, there is still lack of coordination of where inputs are needed the most and how to ensure that the use of technical assistance leads to sustainable changes in capacity.

It is the government intention to pursue and further intensify the SWAp processes during the implementation of ESSP II. ESSP II is a comprehensive sector development program fully "owned" by the government. Detailed investment, expenditure and implementation plans will be developed as the next step in the planning process. The challenge now is to increase the number of partners who support the SWAp through a more intensive partnership arrangement involving general budget support or support through FASE. The government recognizes that for several partners this kind of arrangements are not yet feasible. These partners will be of course be welcome to participate in the SWAp process assuming their support is consistent with the ESSP II objectives, national reform policies and investment program priorities. A memorandum of understanding will specify the commitment of government and the external partners in the SWAp.

It will also be important to review and strengthen the management of technical assistance provided by the development partners, which often takes over government responsibilities rather than strengthening them. There is still lack of coordination of where inputs are needed the most and how to ensure that the use of technical assistance leads to sustainable changes in capacity. External support, both in financial resources and technical assistance will need to continue and grow. Moreover, for effective planning, this assistance will need to flow in a stable, predictable form through coordinated and harmonized procedures that minimizes transaction costs. MOEC

**Features of the Sector Wide Approach**

**Comprehensive Sector Development Program**

- Sector wide in scope, covering all programs and projects
- Based on policy objectives for the sector and strategies to achieve them over the medium to long term
- A program of specific interventions and expenditure plans in the nearer term

**Investment Expenditure Framework**

- Links with the macro framework and PRS for integration with the overall expenditure program
- Has an intra sectoral spending plan derived from program priorities

**Country Ownership**

- Government takes the lead, sets priorities, coordinates the donors and consults broadly with local stakeholders

**Donor Partnership**

- Donors support the country in its role, and align their support to the same Government program

**Donor Harmonization**

- Donors adopt common implementation and management structures, preferably those of the Government

MOEC and its external partners are committed to this type of partnership, and its growth and strengthening is a key assumption. MOEC therefore intends to explore with the external partners the possibility of

creating a technical assistance fund, possibly as part of FASE, which would be available to fund external technical assistance interventions with terms of reference that are jointly agreed by the government and the cooperating partners and –to the extent possible- included in the annual work program and budget.

