INTRODUCTION

Reducing absolute poverty in Mozambique has been a key government objective ever since the first days of independence. Following on from the Action Guidelines for the Eradication of Absolute Poverty (1999) and the Action Plan for the Reduction of Absolute Poverty (PARPA) 2000–2004, in April 2001 the government adopted the 2001–2005 version of PARPA, whose ongoing results and level of execution are analyzed in this evaluation report.

Conceived as a rolling and dynamic medium-term intersectoral planning instrument, PARPA is integrated into the normal planning and implementation cycles as an expression of priorities in the fight against poverty established in the 2000–2004 Government Program. It is materialized through the annual Economic and Social Plan (ESP) and the State Budget (SB).

A monitoring and evaluation strategy was devised to accompany and oversee PARPA implementation, using mechanisms that exploit existing instruments, such as the ESP Balance Sheet and SB Execution Reports. Nonetheless, the current phase of monitoring and evaluation requires supplementary analytical data to be produced, to afford a more in-depth view of the implementation of government plans and programs—hence this supplementary document, which is based on currently available information.[1]

The document is structured as follows: section I presents the national macroeconomic setting and describes the main economic policy measures for 2001 and 2002; section II evaluates the process of integrating PARPA into annual planning instruments and the monitoring and evaluation process. Section III, divided into two parts, focuses on PARPA implementation: subsection III.1 considers the government's performance in the fundamental action areas, namely Education, Health, Agriculture, Infrastructure and Good Governance. After describing the trends of the main sectoral indicators, it compares the results obtained by these sectors in relation to the corresponding PARPA targets, and describes the key activities carried out. The conclusions of this evaluation suggest lines of action to improve sectoral performance. Subsection III.2 evaluates the use of public resources in the fundamental action areas, comparing data on annual planning and budgetary execution with the corresponding PARPA commitments. The final part of the document contains the main conclusions on each of the issues discussed, ending with a set of recommendations for PARPA review.

I – THE NATIONAL MACROECONOMIC FRAMEWORK

Despite devastation from flooding in the central and northern regions, the Mozambican economy performed well in 2001, posting a GDP growth rate of 13.9 percent, falling average inflation (9.1 percent compared to the previous year's 12.7 percent), and export growth in a context of import restraint. Following the previous year's pattern, in 2001 there was another major inflow of funds in connection with the external debt relief program, and also as a result of international partners' response to the government's appeal for emergency reconstruction assistance following the floods (Donors Conference, Maputo, 2001). It was these efforts to replace destroyed infrastructure, together

[1] This document was produced using the following main sources: ESP and SB balance sheets for 2001 and 2002; data on the execution of actions contained in the PARPA 2000–2004 and 2001–2005 operational matrices; data from INE and various ministries; and consultations with sectors directly responsible for implementing activities in the fundamental action areas.

with the recovery of agricultural production, that made it possible to relaunch the economy in 2001–2002. A growth rate of around 7 percent is forecast for 2003.

Table 1: Macroeconomic indicators – 2000-2003

(Percentages)

Indicator	2000	2001	2002	2003
Rate of growth of GDP	1.6	13.9	10.0	7.0
Annual average inflation rate	12.7	9.1	16.6	7.5
Cumulative inflation during the period	11.4	21.9	8.0	7.0
Merchandise imports	-4.0	-8.5	31.9	15.5
Merchandise exports	28.3	93.3	5.2	0.8
Gross capital formation (FBKf)	-9.5	10.3	75.4	8.4

The government also persisted with its efforts to maintain macroeconomic balance in 2001, by controlling public expenditure and persevering with realistic fiscal, monetary and exchange-rate policies. This boosted public revenues in 2001 (13.3 percent of GDP compared to PARPA goal of 12.4 percent) and narrowed the fiscal deficit in line with the government's announced target.

A broad set of regulatory and disciplinary measures were adopted or took effect during the reporting period, including the following: entry into force of the Fiscal Benefits Code; creation and implementation of new Special Tax Offices; strengthening of tax inspections and audits; consolidation of VAT; and implementation of the State Financial Management Act (Law 9/2002), which was passed by the Assembly of the Republic in 2001. The latter increases transparency requirements in budgetary actions, and strengthens the principle of program budgeting in the priority sectors.

In the monetary and exchange-rate domain, measures are being adopted that aim to combine the goals of economic growth with low inflation, while maintaining sufficient international reserves to finance five consecutive months' imports of goods and services. Measures include: active monitoring of commercial bank liquidity; computerization of data exchange in the interbank money market; introduction of consolidated supervision of financial institutions, and an expansion of the Treasury bill market.

The measures indicated above, along with others already implemented and/or in preparation (e.g. the practice of reporting quarterly budgetary execution; and issuing Treasury bills for sale to the public, to mop up surplus liquidity in the national economy (M1) and prevent and/or ease future inflationary pressures), together with reductions in debt service stemming from the relief provided by the HIPC initiative, are, and will continue to be decisive elements in the government's poverty reduction strategy, as embodied in PARPA. Also aimed in the same direction are ongoing studies to create a tax authority, together with preparation (2001) and implementation (as from January 2002) of the new organic, economic and functional classifiers for State expenditure and financial operations. The new breakdown will facilitate more detailed analysis—even down to the sectoral and intra-sectoral level—of the utilization of resources distributed by the various government agencies.

The Government of Mozambique, acting through the Ministry of Planning and Finance (MPF) and the Bank of Mozambique, has begun preparations for a fast-executing post-HIPC debt strategy; and a domestic public debt strategy is also currently being developed.

II – INTEGRATION OF GOVERNMENT PLANNING, MONITORING AND EVALUATION INSTRUMENTS

PARPA was conceived as an instrument within the public planning system that makes the government's five-year program operational. Its implementation involves annual planning of its proposals, objectives and actions in the Economic and Social Plan (ESP) and the State Budget (SB). Consistent with these proposals, monitoring and evaluation mechanisms prioritize and make the most of existing instruments linked to the ESP Balance Sheet and SB Execution Reports.

The conceptual framework described above requires adjustments to be made to current planning practices (including monitoring and evaluation). This section reviews efforts made in that direction, highlighting the constraints encountered. The corresponding conclusions and recommendations are set forth in the final section of the document.

II. 1. Issues relating to the Economic and Social Plan (ESP)

Annual planning needs to adhere more strictly to the proposals set out in the government's five-year program and medium-term planning instruments, in order to contribute to their implementation. Medium-term instruments include: PARPA 2001–2005; strategic sectoral and provincial plans; and the Medium-Term Fiscal Scenario. It is therefore important for each year's ESP to establish explicit objectives, actions and targets for that year, consistent with the effective implementation of PARPA and other medium-term instruments. Such instruments must unequivocally become foundation documents for the annual planning process.

Accordingly, in 2001 the methodology used to prepare the 2002 ESP named PARPA as its basic planning instrument.

An evaluation of the current state of integration and consistency shows the following:

The 2001 ESP did not explicitly achieve the required level of consistency between actions to be undertaken and PARPA proposals. This was partly due to the length of time taken in reviewing the final approved version and its publication, which dragged on until September 2001, by which time the 2002 planning cycle had already begun. In the 2003 cycle, which has just started, intersectoral discussions are now being based on PARPA and other medium-term instruments, so integration and consistency are likely be greater and more explicit.

Planning proposals at the central and provincial levels remain out of step with each other. Activities at the provincial level, reflected in the provincial ESP, are not explicitly consistent with PARPA and strategic sectoral plans. A major effort needs to be made to regionalize (by provinces) the targets adopted at the sectoral level, to ensure they are considered in the provincial planning process. This is important for the decentralization of resource allocation, and for the implementation of plans, oversight and evaluation. The sectors need to take the initiative on this, and it is the job of the MPF to promote and monitor the process. Actions taken by MPF in this direction thus far were included in the 2003 planning cycle: the document *Orientações para a preparação do PES e do OE* ("Guidelines for preparing the ESP and SB") made it compulsory to explicitly establish the targets and resources to be assigned to the provinces, in the light of priorities defined in the government's program and in PARPA. Teams sent by MPF to assist the provinces in preparing their budgets informed provincial