

## DONORS AND GOVERNMENT BOTH CRITICISED

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Mozambique has failed to meet almost any of its targets for governance, justice or corruption control, but its performance over the past year was still "satisfactory", according to a joint donor-government statement issued Thursday 12 May. But speaking for donors, Swiss ambassador Adrian Hadorn said that the government would have to act on rights and on corruption if it expected to continue to maintain donor confidence.

An accompanying independent report was highly critical of donor performance. It also criticised the government for being "passive", for failing to provide leadership, and for being subservient to donors.

The reports come from an apparently unique joint donor-government process which has involved an exceptional degree of collaboration among donors themselves and between donors and government, as well as an unprecedented degree of transparency. The process is so new, and the results sufficiently unexpected even to the participants, that it will take some time to evaluate.

There are now 17 donors who provide some of their aid as budget or balance of payments support; \$250 million, or one-third of total aid and one-fifth of the government budget, comes in this form. These donors formed a group known as the G17 or Programme Aid Partnership (PAP). It even has a website <http://www.scm.uem.mz/pap/> which lists membership, financial commitments, and the joint memorandum of understanding signed last year. The joint annual government-G16 meeting was held on 12-13 May and an agreed Aide Memoire published. (Spain joined at the meeting, pushing the number up to G17.)

The process is immensely complex. There were 23 working groups which involved perhaps 200 people from donor and government sides and who worked intensively over two months before the meeting. The reports are nearly all public. The agreed aide memoire has 134 detailed "recommendations" to be carried out by government and donors over the next year, plus a "performance assessment framework" (PAF).

The aide memoire, agreed by government and the 16 donors, said that performance on "key governance-related targets ... has not been satisfactory", particularly:

+ "Procurement reform, where considerable delays are noted". This is an issue because government buying systems do not meet international standards, are wide open to kickbacks and other abuses, and have been an

important way in which officials have siphoned off money.

+ "Little progress was noted in the area of the justice sector reform". The backlog of cases continues to increase and targets to decrease the number of detainees were not met. "Stronger government commitment is essential;" and

+ "Corruption, with specific concerns raised about the ongoing delay in the release of the report of the corruption survey and the low ratio between concluded investigations and reported cases".

On corruption, the government has failed to issue regulations for the anti-corruption law, has failed to create the High Authority to Combat Corruption, is failing to investigate corruption cases well enough and quickly enough to gain convictions, and failed to publish its corruption and governance study. Government needs a comprehensive anti-corruption strategy "with strong political backing and clout".

A confrontation was avoided when the government finally told donors two weeks ago that it had agreed to a forensic audit of Banco Austral, which went bankrupt with several hundred million dollars in bad debts, many involving the Frelimo elite. The head of banking supervision for the central bank, Siba Siba Macuacua, was assassinated when he tried to investigate the frauds. Donors demanded a forensic audit but this was resisted by the government for more than two years and now has been reluctantly accepted.

On the positive side, the aide memoire cites continued "buoyant" economic growth of more than 7% per year in real GDP, and with generally good progress in health, education, water, electricity and roads. Monitoring of poverty and spending on poverty reduction is improving.

But even here there is criticism. Budgeted investments for poverty reduction "were substantially underspent" and the government did not reach its target of 65% of its spending being on "priority sectors", and actually spent a smaller percentage in 2004 than in 2003. Levels of chronic malnutrition (stunting) remain "very high", at 41% of children 6 to 59 months old.

The document also notes that "in public sector reform, preparatory work has been done but there is yet limited discernible impact on service delivery". The roll out of the new state accounting and budgeting system, SISTAFE, has been severely delayed.

The government is criticised for lack of attention to gender equality in official documents such as the PARPA (poverty reduction strategy paper), budget and plan. "None of the sectors has progressed much in institutionalising and mainstreaming gender. Gender inequalities are evidence in primary education indicators; the health sector information systems cannot provide data to measure gender disparities; and gender inequality is one of the driving forces behind the HIV/AIDS epidemic".

The report is caustic on HIV/AIDS. "The national response is still not commensurate with the scale of the epidemic". "The development and

implementation of sectoral HIV strategies has been negligible. In addition, the national HIV response has suffered from a lack of strong political leadership at all levels and across all sectors". The board which should lead the HIV/AIDS programme did not even meet in 2004.

Donors criticised the split of the Ministry of Planning and Finance into a Ministry of Finance and a Ministry of Development and Planning, on the grounds that this will make it harder to link the monitoring of spending and of outcomes. In his statement, Adrian Hadorn said they watched this split "with apprehension". "Plan and budget must be like twins" and there is a danger that by separating them "all attempts at reform will be put at risk".

#### **DONORS ALSO FAILED TO MEET TARGETS**

Perhaps most unusually, donor performance was also evaluated, both in the aide memoire and in a specially commissioned independent study "Perfect Partners?" by Tony Killick, Carlos Castel-Branco, and Richard Gerster. The aide memoire says the study will be posted on the PAP website.

On the donor side, the aide memoire says "weaknesses are most pronounced in the area of transparency". Only a few donors comply with government reporting requirements. Furthermore, donors have failed in attempts to reduce the government's administrative burden. For example, of the G16 group there were 143 donor missions in 2004, not counting the World Bank which was unwilling to tell its G16 partners how many missions there were. Denmark had 23 missions, Britain 20, and Germany 17. That means 2.5 missions a week from the G15 plus nearly one a week from the World Bank -- and the number is increasing rather than decreasing because donors are reluctant to cooperate on missions.

There is also a problem that aid flows remain late and unpredictable. The Killick study points out that the donors think they are more predictable than the government thinks they are. The government says that very little aid was released in the first two-thirds of 2004

The other big issue cited by Adrian Hadorn is that "60% of aid is off budget, which is neither efficient nor transparent". This is money which does not go through the state budget but instead goes directly to projects or to ministry programme support, often without a clear accounting.

"A large proportion of total assistance coming into the country is made up of a multitude of uncoordinated, often donor-driven, development and technical assistance projects, which do not add up to a coherent whole, do not necessarily promote the GOM's [Government of Mozambique's] priorities and of which the GoM has incomplete knowledge," the "Perfect Partners?" report says. It calls on the government to "turn down low-priority offers of 'assistance' [and] be willing to say 'no' to donors promoting their pet projects and schemes".

Of 14 donor indicators set in the 2004 "performance assessment framework (PAF) matrix" for the donors, they "underperformed" on half of them. The Killick report sets a donor aid effectiveness ranking, with a possible 16 points. The United Kingdom does best with 15, followed by Netherlands with

10, and Norway, Ireland, Switzerland and Denmark with 9. At the bottom are Belgium, the World Bank and Portugal with 5.

"Perfect Partners?" also makes damning comments about a number of sectoral programmes:

+ Agriculture (ProAgri): It has had positive impact only on financial management and accountability but not on what the Ministry of Agriculture actually does. It has had "no effect on the development of agricultural capabilities and had little impact on the Ministry's performance delivering core services".

+ Education: "Education seems to sum up many of the weaknesses of the traditional approaches to the provision of aid. No less than 26 donors work in the sector [and] there remains a large plethora of individual donors projects".

+ Roads: Faces major problems of "rivalries between donors" which makes coordination unsatisfactory.

After looking at four sectors where there is a SWAP or basket fund, the report concludes: "If the situation in those covered above is generally unsatisfactory, we can only assume it is as bad or worse in other sectors, where few attempts have been made to harmonise donor and ministry priorities and systems."

#### **QUESTIONING THE MECHANISM**

The rapid expansion of what was a small group of budget support donors to now 17 has suddenly made it the most important donor group in Maputo. The aide memoire point to the "risk of greater donor coordination leading to a worsening of the already unequal bargaining power between Government and donors".

"Perfect Partners?" points to the danger that the very wide spread of donors with very disparate attitudes and lacking in a common view will make it increasingly hard to reach agreement. The report also notes that some donors seem to want to "buy a seat at the table" so as to participate in the discussions, even though they are not committed to budget support and only provide a small amount of aid that way. Canada and Portugal, for example, give less than 10% of the aid as budget support, but are members of the G17.

#### **AID DEPENDENCY DOES NOT MEAN SUBSERVIENCE**

Having castigated the donors, the Killick report is especially critical of the government for "weak" leadership and lack of involvement, both at central and sectoral levels. The government was "hardly involved" in setting up the first PAF matrix last year. "We are uneasy about the extent to which the PAPP [Programme Aid Partners Performance Assessment] processes are seen as largely matters for the donors, with the GoM somewhat passive."

Apparently the government feels its aid dependence "means it is not in a

position to insist on its priorities. ... We would like to stress that aid dependency does not have to entail subservience and that boldness by the government can go part way to redressing the asymmetry."

"Donors will be anxious to maintain active and substantial programmes of assistance to Mozambique, a fact which gives the government genuine bargaining strength. A related factor is that aid agencies approve specific budget lines for utilisation in Mozambique. The existence of such provisions generates an imperative to spend because agencies defend their future budgets by making sure they spend their current ones."

"In our view, stronger leadership from the top levels of the GoM is essential for making major progress toward more effective aid" the report concludes.

#### **PUTTING DOWN MARKERS**

Two items not in the formal recommendations were also mentioned, apparently to put down a marker on issues to be raised later. Adrian Hadorn in his statement pointed to the "shortcomings [fraquezas] of the electoral process" and the importance of parliament's decision to move quickly on this.

And the aide memoire contains a reference to "tradability of land-use titles" which is not included in the recommendations; this suggests on-going low level pressure for land privatisation from some donors, but not widespread donor support for the idea.

#### **FULL TEXT OF AIDE MEMOIRE**

All the documents should eventually be on the Programme Aid Partners Website: <http://www.scm.uem.mz/pap/>