

EURODAD / CAFOD / Trócaire Research on the Effectiveness of External Aid:

The case of Mozambique

Submitted to: EURODAD, Trócaire and CAFOD



Mozambique



An independent analysis of ownership and accountability in the development aid system

January 2008



Inovando, Promovemos Desenvolvimento

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Whatever mistakes, omissions or personal emphasis present in this report are our total responsibility. The opinions expressed in this report do not necessarily represent those of EURODAD and its members, or representatives of the GoM, donors and CSOs interviewed.

IPAM Ltd

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Abbreviations and acronyms

	Portuguese	English
AOD	Ajuda Orçamental Directa	Direct Budget Support
AR	Assembleia da República	Parliament of the Republic of Mozambique
AT	Assistência Técnica	Technical Assistance
BAD	Banco Africano de Desenvolvimento	African Development Bank
BdPES	Balanço do PES	Balance Sheet (Annual Report) of the Social and Economic Plan (PES)
BM	Banco de Moçambique	Bank of Mozambique
CAFOD	Agência Católica para Desenvolvimento Internacional	Catholic Fund for Overseas Development
CIP	Centro de Integridade Pública	Centre for Public Integrity
CEDE	Centro de Estudos de Democracia e Desenvolvimento	Centre for Democracy and Development Studies
CFMP	Cenário Fiscal de Médio Prazo	Medium Term Fiscal Framework
CTA	Confederação das Associações Económicas de Moçambique	Confederation of Business Associations of Mozambique
CSOs	Organizações da Sociedade Civil	Civil Society Organisations
CSP	Documento de Estratégia do País	Country Strategy Paper
DAC	Comité de Ajuda ao Desenvolvimento (do OCED)	Development Assistance Committee (of the OECD)
DED	Serviço Alemão de Cooperação Técnica e Social	German Development Service
DEG	Banco Alemão de Investimento e Desenvolvimento	German Investment and Development Bank
DFID	Departamento para Desenvolvimento Internacional (Reino Unido)	Department for International Development, (United Kingdom)
DNEAP	Direcção Nacional de Estudos e Análise de Políticas	National Directorate of Studies and Policy Analysis
DNP	Direcção Nacional de Planificação (MPD)	National Directorate of Planning (MPD)
DNPC	Direcção Nacional de Planificação e Cooperação (MISAU)	National Directorate of Planning and Cooperation (MISAU)
EC	Comissão Europeia	European Commission
EU	União Europeia	European Union
EURODA D	Rede Europeia da Dívida e Desenvolvimento	European Network on Debt and Development
GBS	Apoio Geral ao Orçamento do Estado	General Budget Support

GDP	Produto Interno Bruto	Gross Domestic Product
GMD	Grupo Moçambicano da Dívida	Mozambican Debt Group
GoM	Governo de Moçambique	Mozambican Government
GTZ	Agência Alemã de Cooperação Técnica	German Agency for Technical Cooperation
G19	Grupo de 19 Parceiros Apoio Programático (actualmente são de facto 20)	Group of 19 (the 19 donors providing GBS – PAPs)
G20	Grupo/Rede de Organizações da Civil (inicialmente eram 20 organizações)	Group of Civil Society Organizations / umbrella organization)
HIPC	Pais Pobre Muito Endividado	Heavily Indebted Poor Country
IMF	Fundo Monetário Internacional	International Monetary Fund
INE	Instituto Nacional de Estatística	National Institute of Statistics
IDS	Instituto de Estudos de Desenvolvimento, Universidade de Sussex (Reino Unido)	Institute of Development Studies, University of Sussex (UK)
InWent	Instituição Alemã de Capacitação Internacional	Capacity Building International, Germany
JR	Revisão Conjunta	Joint Review
MASC	Mecanismo de Apoio à Sociedade Civil	Civil Society Support Mechanism
MDG	Objectivo de Desenvolvimento do Milénio	Millennium Development Goal
MEC	Ministério da Educação e Cultura	Ministry of Education and Culture
MF	Ministério das Finanças	Ministry of Finance
MINAG	Ministério da Agricultura	Ministry of Agriculture
MINEC	Ministério dos Negócios Estrangeiros e Cooperação	Ministry of Foreign Affairs and Cooperation
MISAU	Ministério da Saúde	Ministry of Health
MoU	Memorando de Entendimento	Memorandum of Understanding
MPD	Ministério da Planificação e Desenvolvimento	Ministry of Planning and Development
MPF	Ministério do Plano e Finanças (extinto)	Ministry of Planning and Finance (“no longer in existence”, “superseded by MPD & MF”)
MTFF	Cenário Fiscal de Médio Prazo	Medium-Term Fiscal Framework
MTn	Meticais	Meticais – Mozambican currency
MYR	Revisão Semestral	Mid-Year Review
NGO	Organização não Governamental	Non-governmental Organisation
ODA	Ajuda Oficial para o Desenvolvimento	Official Development Assistance

ODAMOZ	Base de Dados da Ajuda Oficial para o Desenvolvimento em Moçambique	Official Development Assistance Database for Mozambique
OE	Orçamento do Estado	State Budget
OECD	Organização para Cooperação Económica e Desenvolvimento	Organization for Economic Cooperation and Development
PAF	Quadro de Avaliação do Desempenho	Performance Assessment Framework
PAMS	Grupo de Trabalho de Análise da Pobreza e Sistemas de Monitoria	Poverty Analysis and Monitoring Systems Working Group
PAP	Parceiro de Apoio Programático	Programme Aid Partner
PAP's PAF	Quadro de Avaliação do Desempenho dos Parceiros para o Apoio Programático	Programme Aid Partners' Performance Assessment Framework
PARPA	Plano de Acção para Redução da Pobreza Absoluta	Action Plan for the Reduction of Absolute Poverty
PES	Plano Económico e Social	Social and Economic Plan
PFM	Gestão de Finanças Públicas	Public Finance Management
PIB	Produto Interno Bruto	Gross Domestic Product
PNUD	Programa de Desenvolvimento das Nações Unidas	United Nations Development Programme
PO	Observatório da Pobreza	Poverty Observatory
PQG	Programa Quinquenal de Governo	Government's Five Year Plan
PROAGRI	Programa Governamental de Apoio ao Desenvolvimento do Sector da Agricultura	Agriculture sector SWAp
QAD	Quadro de Avaliação de Desempenho	Performance Assessment Framework
QUIBB	Questionário de Indicadores Básicos de Bem-Estar	Questionnaire on Basic Well-Being Indicators
SBS	Apoio Sectorial ao Orçamento	Sector Budget Support
SDC	Agência Suíça para Desenvolvimento e Cooperação	Swiss Agency for Development and Cooperation
SISTAFE	Sistema de Administração Financeira do Estado	Integrated Financial Management System
SWAp	Abordagem Sectorial de Apoio	Sector-Wide Approach
UEM	Universidade Eduardo Mondlane	Eduardo Mondlane University
UNAC	União Nacional de Camponeses	National Peasants Union
USAID	Agência Americana para o Desenvolvimento Internacional	US Agency for International Development

Executive summary

The objective of this document is to present research results on ownership and accountability in the aid system to Mozambique. EURODAD (the *European Network on Debt and Development*), CAFOD and Trócaire commissioned the research as one of the case studies to contribute to the High Level Forum on Aid Effectiveness, which will take place in Ghana in 2008.

Mozambique is referred to as being a success story after 17 years of civil war and economic and social decline. The country is highly dependent on external aid. Long before the Paris Declaration on Aid Effectiveness, the Government of Mozambique (GoM) and a group of donors made efforts to coordinate and harmonize external aid. Therefore, it is interesting to study the evolution of external aid mechanisms to the country.

The general objective of the research is to contribute to the agenda, discussion and results of the Ghana High Level Forum on aid effectiveness, reporting on progress and concerns regarding the implementation of the Paris Declaration. In the specific case of Mozambique, the research aims to examine critically the aid system and the implications of the Paris Declaration, especially concerning ownership and accountability in the external aid system. Recommendations will be made to improve the ownership and accountability of the aid system in the country based on the results of the analysis.

Five donors were selected for the research (Germany, Ireland, United Kingdom, United States of America and the World Bank) and the following main questions were addressed and analysed, using the analytical framework prepared by EURODAD:

- 1 Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?
- 2 Has the Paris Declaration increased the space for governments to determine their own policies?
- 3 Key question: Has the implementation of the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policies?
- 4 Key question: Who assesses and is able to assess whether aid is effective?

In 2000, a group of donors involved in budget support began a process of promoting government ownership, alignment and harmonization of aid, aiming to establish a sophisticated, and to a certain point, innovative system of dialogue between GoM and the Programme Aid Partners (PAPs) about General Budget Support (GBS) in particular, and aid effectiveness in general. To some degree, this also informed the processes surrounding the Paris Declaration on Aid Effectiveness.

In the development of policies by bilateral and multilateral donors in Mozambique, the Action Plan for the Reduction of Absolute Poverty (PARPA) is considered a fundamental reference document, around which donors orient themselves. The Memorandum of Understanding (MoU) on the provision of Direct Budget Support and Balance of Payment Support, signed

by the GoM and the Programme Aid Partners (PAPs) in 2004, expresses donor commitment in terms of improving the quality of development cooperation and provision of programmatic support.

We briefly reflected on issues such as the nature of political economy and power relations, as well as the discrepancy between discourse and reality, in order to situate the question of external aid effectiveness appropriately in the context of Mozambican society, and to be able to assimilate current challenges and tendencies. This reflection permitted a better glimpse of the challenges of the Paris Declaration in the concrete reality of Mozambican society, and to indicate some contradictory situations.

With reference to *strengthening the role of the GoM in aid negotiations*, it was noted that the GoM and the PAPs had begun a process of harmonization and alignment of external aid long before the Paris Declaration. The Paris Declaration increased opportunities to strengthen the role of the GoM in negotiations on aid with donors. The GoM had influence regarding the structuring of mechanisms and procedures of General Budget Support. However, GoM capacity is still insufficient to assume effective leadership in aid negotiations, and the aid coordination mechanisms are not evidence of increased aid effectiveness. On the other hand, donors still hope that the GoM will assume effective leadership in the negotiations. According to GoM representatives, the process of ownership is underway, nevertheless it still requires time and increased technical capacity. However, it seems highly improbable that recipient countries, with an enormous level of aid dependency, like Mozambique, will really manage to assume 'de facto' leadership and effectively have space to determine the type and conditions of aid.

It is in the interest of the GoM that the volume of General Budget Support (GBS) increases. The increase in volume of General Budget Support is not only related to the leadership capacity of GoM, but above all the interest of donors in this aid modality in the general context of external aid paradigm change. While there has been some progress, the administrative burden of coordination mechanisms between the GoM and donors still remains heavy.

The *general research conclusion* is that Mozambique was a pioneer in the establishment of coordination mechanisms between government and donors. It achieved impressive advances regarding the implementation of the Paris Declaration on Aid Effectiveness in a relatively short time, above all in aspects of harmonization, alignment and predictability of aid. Nevertheless, the internal accountability of the GoM to Parliament and Civil Society Organisations, as well as the sustainability of results and impacts on the poorest levels of society, are still cause for concern. The Paris Declaration offers a platform for coordination, as well as some space for ownership by the GoM. However it is still insufficient as internal accountability to Parliament, citizens and civil society is not placed at the top of the agenda. It also does not take the political economy and power relations into consideration, which places the improvement of aid effectiveness at risk in terms of positively impacting on national development and poverty reduction.

With reference to the *power of the GoM to make decisions on its policies*, we concluded that the Paris Declaration contributed to a certain degree to increasing space for the determination of its own policies. However, a qualified analysis needs to be carried out regarding the political economy, questioning if it is reasonable in the current context to assume that GoM has the capacity to determine and defend broad development policies and strategies with donors, as some fundamental principles of the Paris Declaration are still not entirely observed.

We also noted that scrutiny of development policies and relevant programming instruments by Parliament could increase the level of ownership. However, Parliament currently has limited capacity to influence decisions on aid allocation given that it does not have access to detailed information, nor sufficient technical capacity. In addition, donors are not paying attention to the need to strengthen the role of Parliament regarding decisions on external aid, which could put aid effectiveness at risk.

The *implementation of the Paris Declaration opened space for parliament and civil society* to be more involved in the process of GoM and donor accountability and to influence public policies, yet this space is still not fully capitalised upon. This is a result of various factors, namely the weak technical capacity of Parliament and CSOs, lack of CSO interest, conflict of interest for CSO service providers to GoM, cooperation agencies and international NGOs, and the co-opting and instrumentalisation of CSOs by the party in power.

A few interested and engaged CSOs and academic institutions are involved in the debate, formulation, monitoring and evaluation of macro-economic policies, such as GMD, G20, Cruzeiro do Sul, UNAC and CIP. Nevertheless, these institutions still need substantial support in terms of financial and technical resources, organisational development, as well as greater rootedness of their structures at a decentralised level, and establishment of collaboration networks to strengthen their capacity for analysis, research, advocacy and lobbying.

With reference to *information, monitoring and evaluation*, one notes a significant effort by GoM and donors to increase access to and quality of information on donor commitments and disbursements, and to improve the GoM monitoring and evaluation systems. However, gaps remain, above all with regard to data collection and analysis on poverty at the local level. There is also a deficit in the dissemination of information through adequate channels which can reach citizens and CSOs. The independent performance assessment of the PAPs is a valuable instrument, the conclusions and lessons of which are contributing to improving the coordination mechanisms between GoM and donors. The Performance Assessment Framework of the PAPs (PAPs' PAF) is a valid experience in the context of strengthening mutual responsibility between GoM and donors.

Significant advances exist, such as achieving some of the goals of the Paris Declaration, active relationships between the GoM and donors, willingness to improve aid modalities, alignment of aid, increase in financial predictability, improvement in public finance management (PFM), improvement in planning and budgeting, as well as independent

information and evaluation, and inclusion of the Performance Assessment of the Partners (PAPs' PAF).

Nevertheless, *serious concerns* continue to exist which could jeopardise the effectiveness of external aid to the country, such as the increased level of aid dependence and the risks of deterioration of the processes of internal accountability, the narrow focus on systems and procedures instead of strong concentration on the observance of basic principles of the MoU and of the Paris Declaration, weak articulation of preferences regarding aid modalities, weak participation of other actors (Parliament, local municipalities, civil society) and the role of technical assistance.

Recommendations

Some of the study's *principal recommendations* are presented below, addressing each of the key areas in the analytical framework for the research:

Leadership capacity of governments: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?

- 1 GoM and donors should capitalise upon the review of the MoU in order to improve its content beyond the Paris Declaration regarding basic principles (ownership, leadership, mutual responsibility between governments of recipient countries and donors, but above all accountability of governments to Parliament and citizens).
- 2 GoM and donors should ensure that actors from provincial and district/municipal level are included in coordination mechanisms between GoM and donors in order to ensure that change to aid modalities with General Budget Support and Sector Budget Support does not put the interests of lower levels of Government and State at risk.

Capacity of governments to define their policies: Has the Paris Declaration increased the space of governments to determine their own policies?

- 1 GoM, with donor support, should strengthen genuine accountability of the GoM to Parliament and civil society in order to increase ownership and leadership of aid processes; and develop a single strategy and planning instrument encompassing the Five Year Plan and the PARPA. This should be approved by Parliament and used as the basis for negotiation of external aid.
- 2 GoM and donors should strengthen high-level political dialogue based on the basic principles of the MoU, as well as those of the Paris Declaration, addressing issues such as decentralisation, governance, corruption etc.
- 3 GoM and donors should pursue a multi-faceted approach to external aid, using different aid modalities, given that the country still finds itself in the initial phase of consolidation of mechanisms of channelling aid.

Capacity of parliaments and civil society: Has the initial implementation of the Paris Declaration made civil society more or less able to hold governments and donors and influence policies?

- 1** GoM, with donor support, should expand the base of political support for reforms and the aid system, with greater support for Parliament, CSOs and the media. Ownership and accountability must go beyond GoM at central level, and include other actors (Parliament, CSOs, Private Sector) and other levels of Government (provincial, district and municipal).
- 2** GoM, with donor support, should strengthen the role of Parliament and citizens in defining the aid agenda through the establishment of better linkages between Parliament and citizens in the processes of budget preparation and approval.
- 3** GoM and donors should clarify that the concept of mutual responsibility between GoM and donors, established in the Paris Declaration, must be based on the real existence of accountability of GoM to Parliament, Mozambican citizens and civil society. For CSOs, that may involve advocacy campaigns in the country with national actors, but also with parliaments of donor countries and other institutions from these countries, involving Parliament and national and foreign NGOs in networks such as EURODAD.
- 4** GoM and CSOs, with donor support, should drive forward the participation of civil society through the Poverty Observatory and other networks so that it is active and relevant. The need for the Poverty Observatories at provincial and district level should be re-examined.
- 5** CSOs should seriously address the weakness, co-option and instrumentalisation of civil society. CSOs must strengthen their organisational structure, leadership, communication strategies and knowledge management, technical capacities, transparency and internal and external accountability, etc.
- 6** Donors should promote independent mechanisms of support to CSOs, such as the Civil Society Support Mechanism (MASC) and the Civil Society Development Facility (CSDF).
- 7** Donors should examine the viability of support directed to Parliament to increase technical capacity for monitoring/scrutinising policies, as well as to promote cooperation networks between the Mozambican Parliament and parliaments of donor countries, thus conferring a new quality to the principle of mutual responsibility, established in the Paris Declaration.
- 8** Donors should increase their support to institutions that strengthen accountability and transparency such as the Administrative Tribunal, the Finance Inspectorate General, CSOs (e.g. CIP, GMD) and the media, also giving importance to aspects of performance assessment of the GoM and donors.
- 9** GoM and donors should increase capacity for research and analysis on economic and social policies, including on external aid effectiveness in the national context.

Independent information and assessment: Who assesses and is able to assess whether aid is effective?

- 1** Donors should provide increased support to the GoM, Parliament and CSOs to strengthen their capacity for monitoring and assessing aid, as the tools for this work in Mozambique are in an embryonic phase.
- 2** GoM and donors need to invest more in the development of systems for the dissemination of information on coordination mechanisms for external aid, established in the context of the Paris Declaration.
- 3** GoM and donors should develop and use indicators and goals in the PAPs' PAF which have a greater degree of articulation and comparability with the OECD/DAC indicators and goals.
- 4** GoM and donors should compile the experience of the independent performance assessment of the PAPs, enrich it with contributions from civil society and disseminate it at an international level.

1 Introduction

1.1 Background and Terms of Reference

EURODAD, the *European Network on Debt and Development*, is comprised of 53 Non-Governmental Organisations. EURODAD aims to contribute to the Ghana High Level Forum on aid effectiveness and related processes among donors, recipients and civil society organisations, due to take place in September 2008. EURODAD and its members will produce a synthesis report, entitled "*Making aid more effective*", with the view to consolidating its advocacy work.

In this context, it was decided to conduct research, including case studies on aid effectiveness in several countries, Mozambique being one of the chosen countries.¹ Mozambique is referred to as a success story after 17 years of civil war and economic and social decline. However, the country is highly dependent on external aid. Long before the Paris Declaration, the GoM and a group of donors made efforts to coordinate and harmonize external aid in order to increase its effectiveness, so as to help reduce poverty and achieve the Millennium Development Goals. What challenges are faced today? How has the Paris Declaration been implemented? How do the main actors participate in processes of decision-making, implementation, monitoring and evaluation?

To contribute to the research at an international level, CAFOD and Trócaire, as members in charge of leading the research process in Mozambique, commissioned a short term consultancy with a view to examining the Paris Declaration on Aid Effectiveness and its impacts concerning ownership and accountability in the Mozambique system.

The Terms of Reference for the case study are annexed to this report (*Annex 2*).

This report is comprised of six chapters. This introduction is the first chapter. In this chapter, besides the background, the general and specific research objectives are presented. In the following chapter the methodology applied in the research is explained. The country context is presented concisely in the third chapter. In chapter four the context of aid is described, the evolution of the aid system, the volume and structure of aid, as well as the contributions and structure of aid of the donors selected for this case study. The interests, paradigms and uncertainties that determine aid effectiveness are also briefly addressed in this chapter. The research findings are presented in the fifth chapter. Research conclusions and recommendations are presented in the sixth and final chapter. Several annexes are included in the report, namely the bibliography used, terms of reference, analytical framework, a brief summary of external aid to the country and data on the total volume of aid.

¹ The aid recipient countries chosen for the case studies are: Ghana, Sierra Leone, Mozambique, Niger, Mali, Sudan, Nicaragua, Honduras, Cambodia and Afghanistan.

1.2 Research objectives

The general objective of the research is to contribute to the agenda, discussion and results of the Ghana High Level Forum on aid effectiveness, informing progress and concerns related to the implementation of the Paris Declaration.

In the specific case of Mozambique, the research aims to examine critically the aid system and implications of the Paris Declaration, especially concerning ownership and accountability in the external aid system. Recommendations to improve ownership and accountability in the aid system to the country will be made, based on the results of the analysis.

The research focuses on 4 key questions, to be addressed in detail in chapter 5, namely:

- 1 The Paris Declaration intends to put developing country governments “in the driver’s seat”. But what is happening in reality?
Key question: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?
- 2 If governments are to be accountable to their citizens, they must be able to choose how they spend their aid money and budgets more widely.
Key question: Has the Paris Declaration increased the space for governments to determine their own policies?
- 3 Accountability to citizens and civil society is crucial in order that aid money reaches citizens and contributes to development. This aspect was significantly neglected in the Paris Declaration. The research will analyse the impact that changing aid relations is having on civil society organisations.
Key question: Has the implementation of the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policies?
- 4 Accountability requires measurement of results and evaluation.
Key question: Who assesses and is able to assess whether aid is effective?

In the research, other issues need to be considered, such as the verifiable changes as a result of the Paris Declaration, the implications of these changes on issues of accountability described above, the reasons for the occurrence or lack of changes and implications for advancing the Paris agenda.

Mozambique, being one of the countries with a developed system of donor coordination, is of great interest to document how relations between the main actors in this system have developed and are developing.

Besides analysing how donors make aid available to the Mozambican Government (GoM), it will be necessary to address in greater detail how GoM articulates its needs in the name of its citizens. It is interesting to examine if these needs are articulated and appropriate, and how the GoM performs its role in the receipt of aid to the country. In this context, the analysis will explore whether the needs expressed by GoM have been appropriate in terms of aid to

the poor in the country, and if citizens and civil society have access to information in a transparent and opportune manner, so that they understand this process.

In this case study, we will address the issue of accountability more broadly, seeking to analyse GoM accountability to its citizens and not only concentrating on GoM accountability to donors.

2 Methodology

The point of departure is the analytical outline developed by EURODAD, having been improved with the inclusion of questions that allow the specificity of the process in Mozambique to be captured better. Five donors were selected, namely Germany, Ireland, United Kingdom, United States of America and the World Bank. The need to have a representative sample regarding volume, modalities and mechanisms of external aid was taken into consideration in the selection of these donors, as well as the level of harmonization achieved. (see ToRs, annex 2).

The methodology used consisted of the following:

1 Bibliography review

On the one hand, this activity consisted of the review of available information such as several documents concerning external aid (Monterrey Consensus, Rome Declaration on Harmonization, Paris Declaration on Aid Effectiveness, Marrakesh Action Plan on Management of Development Results, reports on monitoring of external aid, etc.), and the abundant bibliography (including academic articles) on the diverse aspects of external aid. On the other hand, a review was carried out of official policy documents and national strategies (Agenda 2025, PARPA, Government Five-Year Plan, Social Economic Plan, etc.), as well as the Memorandum of Understanding between the Mozambican Government and the Programme Aid Partners (PAPs) in the provision of Direct Budget Support and to the Balance of Payments, the Aide-Mémoires from the Mid-Year and Joint Reviews of the GoM and PAPs and the performance review reports from the PAPs. The basic documents for donor policy orientation were analysed (country strategies), as well as evaluation reports on some programmes and studies carried out or recommended. Besides this, other documents with additional information were analysed (for instance, reports from CSOs on related themes).

2 Preparation and discussion of the inception report

The consultant prepared an inception report, which was presented to the Reference Group, comprised of representatives from Trócaire, CAFOD and CIP, as well as the consultant Paolo de Renzio, involved in research support, supervision and quality control. In the inception report, we addressed the main methodological issues, identified additional documents to be subjected to a thorough analysis, presented the list of donors to consider in the study, proposed the list of people and institutions to contact and interview, as well as suggested the research timetable.

3 Interviews with relevant actors

As primary sources, the data collected through semi-structured interviews with main actors was used, namely GoM representatives, representatives and officials from donors and cooperation agencies (Germany, Ireland, United Kingdom and the World Bank)², and representatives of civil society organisations, such as G20, GMD, CEDE, CIP and UNAC, and private sector representatives, a total of 31 people.

4 Analysis of data and editing of draft report

The information collected was analysed, interpreted and discussed, having extracted the principal findings and produced preliminary recommendations.

5 Workshop for the presentation and discussion of preliminary findings and recommendations

The preliminary findings and recommendations were presented in a workshop with participants representing Mozambican civil society organisations and some donors and cooperation agencies, who offered valuable contributions which enriched this report.

The research had several limitations, such as the availability of informants, high pressure in terms of time available for information collection and conceptual questions related to modalities of external aid. The consultant endeavoured to reduce the implications of these factors on the quality of the findings, conclusions and recommendations.

3 Country context

Mozambique has a population of approximately 19.5 million inhabitants, of which 62% live in rural areas. Economic growth rates in the last 15 years have reached significant levels. According to data from the Household Survey (Inquérito aos Agregados Familiares (IAF)), between 1999-2003, 69.4% of inhabitants of the country lived below the poverty line, while the index for the poverty incidence in the period 2002-2003 was 54.5% (República de Moçambique 2006a: 10)³.

The national income per capita remains low, comprising 310 USD (World Bank 2007d: 289). According to the Human Development Report 2006, published by UNDP, Mozambique remains in the category of the lowest 5% of countries, occupying 168th place of 177 countries (UNDP 2007: 294)⁴, according to the Human Development Index (HDI). The challenges faced by the Mozambican population in the political, economic and social spheres are still enormous and complex.

² Unfortunately it was not possible to interview USAID representatives and officials, which limited the process of information collection and discussion with this cooperation agency.

³ It is to be noted that according to the Household Survey (o Inquérito aos Agregados Familiares (IAF)), the index of poverty incidence is conceived as the proportion of the population considered poor, that is to say, people whose consumption is lower than the defined poverty line (República de Moçambique 2006a: 10).

⁴ http://hdr.undp.org/hdr2006/statistics/countries/country_fact_sheets/cty_fs_MOZ.html

3.1 Political context

Mozambique is known as a “good example of reconciliation and economic reconstruction”, a “success story” in terms of economic growth.⁵ The signing of the General Peace Accord in Rome in 1992 ended a long civil war that erupted soon after independence was proclaimed in 1975. The multiparty presidential and parliamentary elections in 1994, 1999 and 2004, and electoral challenge by RENAMO, the largest opposition party, contributed to political stability in the country. Improvements in the political climate, reduction of political distrust, and consolidation of democracy through continued reform and strengthening of political institutions, remain significant challenges.

Agenda 2025 and the Government Five-Year Plan 2005-2009 set out the consolidation of peace, national unity, justice, democracy and good governance, as well as administrative decentralisation, as main elements for the development of the country and poverty reduction (see República de Moçambique 2003: 162 ff.; República de Moçambique 2005: 5 ff.). The central objective of the GoM is the reduction of absolute poverty, which has been emphasised in the Action Plan for the Reduction of Absolute Poverty (PARPA I and II). As a result, intervention areas (pillars)⁶ were established in PARPA II to attack the main causes of poverty. According to PARPA II, good governance, administrative and financial decentralisation are considered fundamental conditions for the success of the poverty reduction strategy (República de Moçambique, 2006a: 2 ff.).

Nevertheless, corruption, especially in the public sector, is considered one of the greatest obstacles to the economic development of the country. The GoM has adopted reforms to strengthen public finance management and increase efficiency, transparency and accountability in the public sector. With reference to justice, difficulties remain to be overcome regarding system reform, access to justice and the fight against corruption.

The relationship between the GoM, on the one hand, and civil society organisations and the private sector on the other hand, is still weak, although indications of improved dialogue exist. Various platforms for dialogue were created (namely, the Poverty Observatory (PO), the Annual Conference of the Government with the Private Sector, etc.). The GoM has favoured strengthening the role of CSOs, however the space available has not been used effectively, due to lack of interest and weak technical and organisational capacity of Mozambican CSOs, especially at local level. Also, the tendencies for co-option and instrumentalisation by the party in power, the dependence of CSOs as a result of their role in service provision to GoM, along with official donors and international NGO programmes, are issues.

⁵ “Mozambique is a success history in Sub-Saharan Africa, benefiting from substantial large foreign aid inflows, strong and broad-based growth and deep poverty reduction.” (IMF 2007: 4).

⁶ Macro-economics and Poverty, Governance, Human Capital and Economic Development, and Cross-Cutting Issues (Gender, HIV/AIDS, Environment, Food and Nutritional Security, Science and Technology, Rural Development, Disasters, Demining).

3.2 Economic context

Mozambique reached annual economic growth rates greater than 7% in the last 15 years and managed to reduce and control the inflation rate through a rigid monetary policy (see Table 1). This evolution came about because of the end of the armed conflict, political stability, relaunch of productive activity, as well as reforms conducted by GoM. The policies for public spending management introduced by GoM contributed to macro-economic stability. However, in terms of financial management in general, GoM continues to be involved in the improvement and strengthening of programming, budgeting, accounting, reporting and auditing.

Table 1 Mozambican macro-economic data

Indicator	2000	2001	2002	2003	2004	2005	2006
GDP							
(nominal; millions of USD)	3,719	3,697	4,094	4,789	5,912	6,823	7,738
Real growth rate (%)	1.9	13.1	8.2	7.9	7.5	6.2	8.5
Inflation, Annual average (%)	12.7	9.1	16.8	13.5	12.6	6.4	13.2
Exchange rate (Average MZM/USD)	15.7	20.7	23.7	23.8	22.6	23.1	25.0
Exports (goods) (millions of USD)	304	703	679	1,044	1,504	1,745	2,391
Imports (goods) (millions of USD)	1,046	957	1,216	1,672	1,850	2,242	2,616
Trade balance (goods) (millions of USD)	-682	-254	-536	-628	-346	-497	-225

Source: MPD

A large part of GDP growth is the result of the mega-project activity financed by direct foreign investment (e.g. the MOZAL aluminium foundry and the SASOL gas pipeline to South Africa)⁷ and the service sector, as well as international aid programmes. However, the *trickle-down* effect of these projects for the population is still not being felt in terms of employment and income generation. In particular, since 2003, the mega-projects have had significant impact on exports from the country, contributing to the reduction of the trade balance deficit. The involvement of micro, small and medium businesses in the Gross Domestic Product (GDP) growth remains weak.

Performance of the agrarian sector, which constitutes the main source of income and survival for most of the Mozambican population, remains a cause for great concern. The agrarian sector offers opportunities for economic activities and employment for 80.5% of the economically active population, of whom 60% are women. However it contributes scarcely 26% of Gross Domestic Product (GDP), due to the low level of production and productivity

⁷ See World Bank 2007:13

(República de Moçambique 2007: 10). Public investment in agriculture is not sufficiently targeted towards the poor (World Bank 2007b: ix). Their productivity and, consequently, their incomes are low, and food security reduced. In this context, the challenges are the increase of production and productivity of the sector, rural extension, improvement of access to agricultural markets and to credit, reduced vulnerability to natural disasters and plagues, the increase in human resource capacity and improvement of public services.

The HIPC initiative (*Heavily Indebted Poor Countries*)⁸ permitted a significant reduction in the external debt of the country. The enormous sum of external aid contributed to the reduction of the current deficit, although this is still high. The country, however, remains significantly dependent on external aid. For more than 25 years more than 50% of the State Budget has been financed by external aid; in 2007, 60.4% of the State Budget was financed by external aid.⁹

The gains achieved in the economic sphere are considerable and should not be underestimated. It raises the question, however, of whether the current model of Mozambican economic growth will be able to respond effectively to the issue of poverty reduction and inequality. Could the current model of growth eliminate chronic poverty in rural and urban areas? What degree of sustainability does the current growth model offer in terms of results and impacts on poverty reduction?

3.3 Social context

As we have seen, more than 60% of the Mozambican population live in rural areas and are extremely dependent on local natural resources, and 80.5% of the economically active population depend on activities in the sectors of agriculture, forestry and fisheries. Even in the urban areas, approx 40.7% of the economically active population is dependent on activities in these sectors (INE 2004: 4;). Official national statistics show that the incidence of poverty reduced from 69.4% in 1996-97 to 54.1% in 2002-03¹⁰ and that the highest levels of poverty are found in the rural areas (República de Moçambique 2006a: 10 ff). There is also indication that even with the high GDP growth rates malnutrition rate is increasing, and the poorest are not managing to feed their children adequately, becoming even poorer: that is to say, the trickle-down effect is not reaching these levels (UNICEF 2006: 4; Hanlon 2007: 8). In urban areas there are also segments of the population, especially in informal settlements, seriously affected by poverty (World Bank 2007b: xiii). This being the case, in terms of evolution of inequality, Mozambique is not that different to the scenario foreseen in Sub-Saharan Africa, characterised by an increase in inequality (World Bank 2007c: 78)

⁸ Initiative for the Alleviation of the Debt of Severely Indebted Poor Countries, conceived in 1996 by the World Bank and International Monetary Fund, to reduce the high onus of external debt on some of the poorest countries.

⁹ In the review of the State Budget, presented to the Parliament on 01.11.2007, the total receipt was cited as 2.018.587,49 mil MTn, of which 800.000,00 mil MTn comes from the increase in receipts from the State and 1.218.587,49 mil MTn comes from financial donations (Jornal Notícias, 2.11.2007).

¹⁰ Data of this magnitude are, however, contested by various authors (for instance, Hanlon 2007).

Mozambique is one of the countries severely affected by the HIV/AIDS pandemic. The national prevalence rate of HIV amongst the adult population (15 to 49 year olds) continues to increase, estimated to be 13.6% in 2002 and 17.0% in 2006 (República de Moçambique 2004: 15). The magnitude of the impact could be disastrous, as it is estimated that by 2020 the country will have lost 20% of its agricultural labour force. Evidence from various countries indicates that with HIV prevalence rates of between 15% and 17%, GDP growth per capita is reduced by nearly 0.8%. As a result, Mozambique is vulnerable to a substantial decline in its development process.

In terms of income, there are still enormous inequalities between some population groups. These inequalities also have a regional dimension. An increase in the gap between standards of living could provoke a higher risk of an increase in the crime rate, and, as a result, of insecurity in urban and rural areas. Added to this, the high rate of unemployment and underemployment of the urban population could create enormous development problems.

Meanwhile, with reference to achieving the goals referred to as the Millennium Development Goals (MDGs), the progress report on the MDGs reveals that the country has the potential to achieve part of the goals by 2015, however it does not question the current standard of growth (GoM & UN 2005).

4 External aid context

4.1 Evolution of the external aid system

In general, the introduction of the Poverty Reduction Strategy (PRS) approach, based on the commitments of aid recipient countries and donors in the context of the Monterrey Consensus and the Rome Declaration, stimulated the search for new ways of interacting and coordinating between governments of recipient countries and donors and among the donors themselves. In the case of Mozambique, by 2000 a number of donors had already committed to supporting the Mozambican government's strategy for poverty reduction. In this context, the group of donors involved in budget support initiated a process of promoting government ownership, alignment and harmonization of aid, aiming to establish a sophisticated, and to a certain degree innovative, system of dialogue between the GoM and the PAPs around Budget Support in particular, and aid effectiveness in general. This process, in some respects, also informed the Paris Declaration on Aid Effectiveness processes.

At the beginning of the 1990s, the GoM was already receiving coordinated and unconditional direct budget support. However, the issue of the creation of a coordination platform emerged at the beginning of 2000, based on a recognition that

- a** delivery of Official Development Aid by means of Direct Budget Support is more advantageous than sectoral programmes and fragmented aid projects,

- b** there is a need to increase government ownership of its programmes for economic and social reform,
- c** there needs to be greater planning and resource allocation coherence,
- d** a greater focus is needed by donors to overcome government constraints in the various sectors,
- e** Government accountability needs to be strengthened in the eyes of internal and external actors, and
- f** harmonization of conditions needs to be restricted to a limited set of actions and priority indicators (see Harding & Gerster 2004).

The Action Plan for the Reduction of Absolute Poverty (PARPA) is considered the fundamental reference document for setting out policies of bilateral and multilateral donors in Mozambique, which donors must use to orient themselves.¹¹ The harmonization process of external aid partners began with efforts around the PARPA I (2001-2005), which was strengthened within the PARPA II (2006-2010). As a result, a group of donors, initially comprised of 13 bilateral donors, the European Commission and the World Bank, known as Programme Aid Partners (PAPs), which were providing Programmatic Aid to the country, adopted the PARPA as the basis for their engagement with the GoM. In this way, the provision of Direct Budget Support is seen as one way of increasing available resources for public spending in terms of contributing to poverty reduction and achieving the objectives of the Millennium Development Goals. In this context, budget resources are directed to the priority sectors, assuming that these sectors have an impact on poverty reduction (see *Table 2*). This process drove forward the preparation and signing of a new Memorandum of Understanding (MoU) between GoM and the Programme Aid Partners on Direct Budget Support and Balance of Payments (GoM & PAPs 2004).¹²

¹¹ See sub-chapter 5.2.1 on how the PARPA is integrated in the set of planning and monitoring instruments.

¹² Currently the Group of the PAPs is comprised of 19 donors (G19), namely: African Development Bank, Belgium, Canada, Denmark, United Kingdom, European Commission, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, World Bank, and Austria which together formed the PAPs in April 2007. As observers are: United States of America, Japan and the International Monetary Fund.

Table 2 Distribution of Expenditure by Priority Sectors (PARPA) (in %)

Priority Sectors	1999	2000	2001	2002	2003	2004	2005	2006
Education	16.1	19.8	23.3	18.0	17.8	20.9	19.9	20.1
Health	13.4	12.9	9.9	12.6	14.9	10.5	12.7	14.7
HIV/AIDS	0	0	0.5	0.8	0.3	0.4	0.7	1.5
Infrastructure	13.3	15.7	17.4	16.5	11.8	13.2	18.7	16.0
Agriculture and Rural Development	5.2	6.3	3.4	5.5	6.9	4.4	3.9	3.3
Governance and Judicial System	8.9	7.8	7.7	7.7	8.9	9.7	8.9	12.6
Other priorities (Social Action, Employment, Mineral Resources and Energy)	5.0	5.6	3.6	4.5	5.1	3.9	2.2	1.5
Total	61.9	68.1	65.8	65.6	65.7	63.0	66.3	69.5

Source: IMF

The MoU expresses donor commitment in terms of improving the quality of cooperation for development and the provision of Programmatic Support. The objective of the PAPs is to support the implementation of the PARPA, through

- a** dialogue on the PARPA, Economic and Social Plan (PES), State Budget, Medium Term Fiscal Framework and the Performance Assessment Framework (PAF),
- b** making finance available in the context of the Programmatic Support to Poverty Reduction, and
- c** making aid available in accordance with the Rome Declaration on the Harmonization of Development Aid and the Paris Declaration on Development Aid Effectiveness (see GoM & PAPs 2004).

The MoU included the Performance Assessment Framework (PAF), with indicators and goals, through which the performance of the GoM is evaluated annually and the GoM priorities are identified. The PAF indicators have been taken from the matrix of PARPA indicators. The performance of the PAPs is also evaluated, through a team of independent consultants (see Ernst & Young 2006; Killick, Castel-Branco and Gerster 2005; Castel-Branco 2007). It is to be noted that a certain similarity exists between the set of PAF indicators, and the indicators used in the progress reports from the Paris Declaration (see *Annex 4*).

The structure of the PAPs for dialogue with the GoM is comprised of the Head of Mission Group (HoMs), Heads of Cooperation (HoCs), Economists Working Group (EWG), as well as the PAF Coordination Group, comprised of heads of the Sector Working Groups and headed by a Troika of Heads of Cooperation. In addition, as fundamental elements of the PAF process, thirty Sector Working Groups exist, distributed across five thematic areas (Macro-

economy and Poverty, Governance, Human Capital and Economic Development), including cross-cutting issues (Gender, HIV/AIDS, Environment, Food and Nutritional Security, Science and Technology, Rural Development, Disasters and De-mining). It is these groups which are comprised of representatives of GoM, PAPs, other donors and, also for the last two years, by representatives of civil society and private sector. This mechanism is assisted by a secretariat (Secretariat of the PAPs), which provides support services and facilitates the circulation and sharing of information.

The dialogue between GoM and the PAPs has the Mid-Year Review (MYR) and the Joint Review processes (JR) as a forum. These processes are considered long, complicated and onerous, absorbing a significant part of GoM capacity. It is hoped that the ongoing process of harmonization and alignment with the Government processes of planning and budgeting will reduce the transaction costs incurred by the Mid-Year Review and Joint Review (GoM & PAPs 2006).

In the main sectors, such as agriculture, education, health and communication and transport, joint programmes were established with GoM and donors, with joint financing mechanisms (e.g. PROAGRI, PROSAUDE, FASE, etc.). Similar mechanisms are being planned for other areas, for instance decentralisation, municipal development and rural water.

GoM and the Programme Aid Partners (PAPs) have undertaken efforts to improve the aid system. As the current Memorandum of Understanding between the GoM and the PAPs is about to come to an end, discussion about this mechanism has been initiated, along with discussion on the formulation of a National External Aid Policy and External Aid Strategy. As a result, this is an opportune moment to evaluate the role, results, effectiveness and challenges of external aid. It is proposed to discuss (in this paper) the Paris Declaration on External Aid, in the case of Mozambique, with particular focus on the role of civil society, in order to compile lessons learned and contribute to future advocacy and lobbying initiatives in the formulation, implementation, monitoring and evaluation of public policies.

4.2 Volume and structure of external aid

Various bilateral and multilateral donors, financial institutions and foreign NGOs are operating in Mozambique. In 2005, the country received 1,286 million US Dollars in Official Development Aid (ODA)¹³, and the ten largest donors were the World Bank, the European Commission, USA, African Development Bank, Sweden, United Kingdom, Denmark, Norway, the Netherlands and Ireland (see *Table 3* and *Annex 6*).¹⁴

¹³ The amount after the deduction of debt cancellation amounts.

¹⁴ http://www.oecd.org/countrylist/0,3349,en_2649_34447_25602317_1_1_1_1,00.html

Table 3 The 10 largest donors of Official Development Aid (average 2004-05)

	Países	Milhões de US\$
1	IDA	231
2	EC	162
3	USA	103
4	ADB	84
5	Sweden	74
6	UK	73
7	Denmark	66
8	Norway	65
9	Netherlands	60
10	Ireland	49

Source: OECD. http://www.oecd.org/countrylist/0,3349,en_2649_34447_25602317_1_1_1_1,00.html

Mozambique continues to be dependent, to a significant degree, on external aid. In 2004, external aid represented 23% of national income (de Renzio & Hanlon 2007: 2); more than 50% of the State Budget is financed by external aid. The ODA per capita was 49 US\$ in 2000, and increased to 65 US\$ in 2005 (see Table 4).¹⁵

Table 4 Mozambique and aid dependency

	Unit	2000	2005
ODA (liquid)	Millions US\$	876	1.286
ODA per capita	US\$	49	65
ODA / GNP	%	24.7	69.1
ODA / Gross Capital Formation	%	69.1	95.2
ODA / Imports Goods & Services	%	49.7	38.4
ODA / Budget Expenditure	%	58.9	54.4
ODA / GDP	%	15.3	12.4

Source: World Bank Development Indicators. <http://www.odamoz.org/mz>

With reference to the structure of external aid from PAPs, in terms of modalities used to make the aid available, 45% of aid is provided through projects, and only 33.7% of aid is channelled through General Budget Support (see Table 5).

¹⁵ http://siteresources.worldbank.org/DATASTATISTICS/Resources/table6_11.pdf

Table 5 Modalities for direct aid from the PAPs to the GoM, 2006

Aid Modality	US\$ Millions	%
General Budget Support	355.1	33.7%
Approach of Sector Aid	181.2	17.2%
Common Sectoral Fund/ Basket Funds	22.0	2.1%
Technical Assistance	14.8	1.4%
Support to Programmes	8.3	0.8%
ODA via Projects	473.6	44.9%
Total	1,055.0	100.0%

Source: MPD

By 2003, the United Kingdom, Ireland, the Netherlands and the European Commission achieved proportions of Programmatic Aid of 60% to 75%, (General Budget Support, Balance of Payments Support, Sector Budget Support and Basket funds) near to or superior to the PAF goal (70%), while the corresponding proportions from Germany and the World Bank were between 33% and 50%. In 2004, the number of donors which exceeded the PAF goal increased from four to seven. The United Kingdom, Ireland, Canada, Denmark, Finland, France, the Netherlands and Switzerland achieved between 60% and 90% while Belgium, the European Commission, Norway and Italy were between 40% and 55% (Gerster & Harding 2004: 8; Killick, Castel-Branco & Gerster 2005: 5).

4.3 The contribution of selected donors

In the context of this research, a limited number of donors were selected with specific profiles in order to obtain a balanced view and to compare approaches. This followed EURODAD criteria in terms of including European donor countries, a non-European donor, as well as a multilateral institution. In this way, five donors were selected for the research, namely Germany, Ireland, United Kingdom, United States of America and the World Bank, following the criteria proposed by EURODAD (see ToRs, Annex 2).

The structure of the aid envelope from countries selected in the research context is set out in *Table 7*.

Table 7 Structure of the aid envelope from the countries selected (2005)

	Germany	Ireland	UK	USA	World Bank	Total G17
% of Programme Support in Aid to GoM	35.04	92.86	79.05		42.46	59.14
% of Sector Support in Programme Support	61.02	76.43	14.53		42.95	47.17
% of Sector Support in Aid to GoM	21.38	71.43	11.49		18.24	27.89
% of Support to Projects in total Aid	56.77	5.51	20.44		56.23	36.34
% of Support to Projects in Aid to GoM	64.96	7.14	20.95		57.54	40.86
% of General Budget Support in Programme Support	38.98	23.08	85.47		57.05	52.83
% of General Budget Support in Aid to GoM	13.66	21.43	67.57		24.22	31.25

Source: Ernst & Young 2006: 29.

Notes: Progr Support = General Budget Support + Balance of Payments Support + Sector Support; GoMSupport = ProgrSupport + ProjectSupport

G17 was comprised of Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, Norway, Portugal, Spain, Sweden, Switzerland, the Netherlands, United Kingdom and World Bank.

The analysis identified that, in general, the proportion of external aid delivered through the State Budget - 31.25% in 2005 – did not achieve the level established in the Matrix of the PAF (40.0%). The proportion of Support to Projects in relation to the total sum of Support to the GoM (40.86%) continues to be the largest within the different aid modalities.

4.3.1 Germany

Since the 1980s, Mozambique has received aid from Germany, initially from the ex-Democratic Republic of Germany. With the end of the civil war, aid from Germany, then already reunified, increased substantially. Mozambique is one of the main partners for Development Cooperation from Germany. The programmatic conception of German Cooperation for Development is based on the German Government's Programme of Action 2015, the Millennium Declaration and the MDGs, as well as the Paris Declaration (BMZ 2001: 7). On this basis, Germany is aligned with the PARPA, and provides budget support to the Mozambican State Government.

German Development Cooperation concentrates on the following main sectoral areas: education, rural development and economic reform and promotion of the market economy. Since 2005, the main area of rural development was replaced by decentralisation. In regional terms, German Cooperation has the provinces of Inhambane, Manica and Sofala as geographical areas of intervention. In addition, German Cooperation has supported interventions in the fight against the HIV/AIDS pandemic. In 2003, with the commitment of 7.5 million EUROS, Germany became part of the Donor Group that grants Direct Budget Support, with a view to implementation of PARPA.

Germany presents a mixture of cooperation instruments (aid envelope), including Direct Budget Support, Sector Support Approach and Technical Assistance. In Mozambique, Germany is operating with various governmental organisations (KfW, GTZ, DED, InWent, DEG), NGOs, political foundations and churches, as well as through multilateral organisations (European Commission, World Bank, ADB, UNDP, etc.). German Cooperation supports interventions at national, provincial and district / municipal level.

Currently, the volume of aid commitments reaches 92.5 million EUROS, of which 71.0 million EUROS (76.8%) is Financial Cooperation and 21.5 million EUROS (23.2%) is Technical Cooperation. Commitments to Direct Budget Support reach 34.0 million EUROS, or more than 36.8% of the total aid commitment. Besides this, Germany participates in financing through multilateral and regional organisations, such as the European Union, World Bank, African Development Bank and the United Nations.¹⁶

4.3.2 Ireland

Ireland established its bilateral cooperation programme with Mozambique in 1996, and is currently one of the largest donors to the General State Budget, with a total of 24 million EUROS in the present year.

The central objective is to support the GoM in the implementation and monitoring of the PARPA, thus guaranteeing alignment with GoM policies and programmes. The foundation for this was set out in the *White Paper on Irish Aid*, which points to partnership, public ownership and transparency, effectiveness and quality, coherence and long term sustainability as the fundamental principles of Irish Cooperation (Government of Ireland 2005: 9).

Ireland is one of the donors that demonstrate good performance in relation to the PAF matrix of the PAPs (Castel-Branco 2007: 28). Within the *Country Strategy Paper 2004-2006 (CSP)*, 106 million EUROS were made available; approximately 70% of the budget was destined for central government support, in the form of budget support, and to sectors, in the form of support to SWAPs. Ireland also provides direct support to the provincial governments of Inhambane and Niassa, with the aim of supporting government activities, as well as promoting other civil society projects (Irish Aid 2007: 14).

¹⁶ http://www.maputo.diplo.de/Vertretung/maputo/pt/05/Wirtschaftliche_Zusammenarbeit/WZ__unterbereich.html

Ireland's new Country Strategy Paper, Mozambique 2007-2010 has a fund of 208 million EUROS for a four year period.¹⁷ The general objective is *"to contribute to the reduction of poverty by supporting the development, implementation and monitoring of pro-poor policies in Mozambique."* (Irish Aid 2007: 20).

Ireland makes clear its intention of maintaining a *"mixture of complementary modalities and instruments"* in the availability of aid, making the most of the advantages and lessons that each of the modalities offer (Government of Ireland 2005: 72; Irish Aid 2007: 7). The commitment to the current sectors will also be maintained, *"but will change its emphasis to promote the changes and capacities required in order to guarantee that national and sectoral policies are implemented locally"* (Irish Aid 2007: 15). Consequently, support to provincial programmes in Public Finance Management, Public Sector Reform and Decentralisation will be maintained.

The capacity of government and of civil society partners will be strengthened so that policies and programmes will be implemented that favour the poor. Strengthening civil society participation is seen as one area that needs support. In this context, Ireland together with the United Kingdom/DFID, will contribute to strengthening civil society in advocacy and monitoring governance through the Civil Society Support Mechanism (MASC). Support to the private sector is also foreseen and it is hoped that their commitment to this sector will be consolidated during the period of the CSP.

A strategic objective of the Irish CSP is *"to improve aid effectiveness through strengthening relations between donors and Government, improving the quality of dialogue, partnership and programme management."* Therefore, within the Paris Declaration, Irish Aid, as Coordinator of the Troika+ from April 2007 to March 2010,¹⁸ will work to improve the mechanism of General Budget Support and reduce transaction costs through orientation processes of the Mid-Year and Joint Review. Still with reference to coordination and harmonization, Ireland emphasises the importance of accountability to donors in order to guarantee funds are spent correctly, while supporting greater coordination and harmonization of donor efforts, to reduce transaction costs and duplication of efforts and increase aid effectiveness, within the terms of the Paris Declaration. The Government of Ireland recognises that this could reduce the visibility of the Irish contribution, creating new challenges in presenting the programme to the public.

4.3.3 United Kingdom

The United Kingdom is a member of the G19 (PAPs), providing Direct Budget Support to the GoM since 2001 in the implementation of the PARPA. In 2006, budget support granted by the donors reached 300 million US\$, with the United Kingdom having contributed 65 million US\$ or 21.7% through the UK Department for International Development (DFID).

¹⁷ In this way Mozambique will become the largest recipient of Irish aid.

¹⁸ Troika+ is a group of three bilateral donors, plus two multilateral donors, which together represent the G19.

Consequently, the United Kingdom is one of the largest donors to the budget, jointly with the World Bank, European Commission and African Development Bank.

The portfolio includes the areas of education, health, infrastructure, finance management and public sector reform. With an aid envelope of 100 million US\$ for 2006, the dominant aid modality is budget support. From the total amount of aid made available, General Budget Support comprises 65.0%, Health and HIV/AIDS 12%, Education 6.0%, Governance 6.0%, Infrastructure 4% and Civil Society 2%.

The basis of DFID's aid to Mozambique is the certainty that *"the GoM gives sufficient priority to poverty reduction and has open and transparent financial systems"* (DFID, 2006). Given that good governance is seen as the foundation in the fight against poverty, DFID supports the GoM in improving the public finance management system, as well as the formulation and implementation of initiatives in the context of public sector reform and the fight against corruption. DFID supports civil society in various forms with a view to improve ownership and accountability in Mozambican society. Therefore, DFID, together with Irish Aid, supports the conception and implementation of the Civil Society Support Mechanism (MASC), the purpose of which is to improve the capacity of CSOs to engage in advocacy, dialogue on policies and monitoring governance. DFID supports the Centre for Public Integrity in its role as an independent observatory on corruption. DFID also supported the participation of civil society in the electoral law reform.

DFID also provides support for the creation of a suitable environment for growth, by promoting participation of disenfranchised people and private sector in the market. In this context, DFID supports the construction and rehabilitation of the road network, increase in access to land and security of land rights, as well as measures to facilitate regional trade.

DFID places great importance on the constant improvement of capacity to analyse and monitor the environment for the development of the country in order to guarantee solid interventions. In this context, DFID has used various means, for instance carrying out or commissioning studies and evaluations on different subjects relevant to the implementation of its programme.¹⁹

In Mozambique, as in other parts of the world, DFID abandoned the Support to Projects approach, to focus on Programmatic Support, and received criticism from various bodies and people as a result. For example, Robert Chambers advocates that aid effectiveness suffered due to the abrupt abandonment of projects in progress and in an advanced stage of preparation (Chambers 2007).

Early in their CAP 2002-2007, DFID recognised the importance of the harmonization of donor efforts, as there was a risk of duplicating efforts, inconsistency and incoherence, apart from overloading the Government with a group of donors operating in the country (DFID 2001: 15). DFID decided to increase the proportion of Direct Budget Support, which makes

¹⁹ For example: Strategic Conflict Assessment (Vaux et. al. 2006), Political Governance in Mozambique (Macamo 2006) e Country Governance Analysis (DFID 2007a).

predictability and transparency very important. Obviously, with this, the issues of identification and demonstration of the value added of donor aid increased, while those of monitoring and evaluating activities takes on another dimension. DFID was very clear that the model of giving aid through projects is very weak, and that the approach of sector support, while presenting serious weaknesses, represented progress in terms of donor coordination and sectoral planning of the GoM, in relation to the project support approach. In this way, DFID aimed to “*maximize aid effectiveness by channelling aid through the central government system*”, which presupposed the strengthening of mutual responsibility, with obligations both for GoM and donors (DFID 2001: 18).

Two relevant issues arise which are the following: first, DFID aims to guarantee support to the budget in the context of the PAF, in which the GoM ensures that spending commitments are executed in the priority areas identified in the PARPA; second, aid effectiveness also assumes the existence of transparency and accountability, not merely between GoM and donors, but also between GoM and citizens, through various institutions, such as Parliament, the Administrative Tribunal and civil society participation mechanisms.

The changing context with regard to the development of the country and the increase in aid effectiveness, as well as lessons from implementation of the CAP 2002-2007, indicate that this last question is becoming rather evident and crucial, requiring adequate responses from DFID and other donors. In this regard, an effort to respond to this concern is noted, for example through support for the conception and implementation of the Civil Society Support Mechanism (DFID 2007b: 26). Already this question has gained a notable place within the process underway for the formulation of the Country Assistance Plan 2008-2012.

DFID’s intention to meet GoM goals regarding efficiency and aid effectiveness, so that by 2010, 75% of Total Aid from DFID will be Budget Support, and by 2008 100% of aid provided to the GoM will be *on-budget*, provides new challenges to DFID and to the work of partnership with other donors, given the general weakness of accountability mechanisms (especially, parliament and civil society) (DFID 2007b: 7). Therefore, it is necessary constantly to analyse and understand the complexity of the aid environment in the country, so that aid management is in fact efficient and effective. This is a clear example of the type of challenges that the Paris Declaration could face in the country in the future.

4.3.4 United States of America

The *White Paper on U.S. Foreign Aid* affirmed that in the perspective of the long-term interests of the US, from among the various objectives, “*the goal of transformational development*” represented the best investment.²⁰ In this document, the North American Administration also emphasises the importance of increasing effectiveness and coherence of external aid policies. External aid is effective when local leadership, ownership and participation exist. In this context, various measures are suggested to improve effectiveness

²⁰ Five core operational goals of US foreign assistance: a) Promoting transformational development, b) Strengthening fragile states, c) Providing humanitarian relief, d) Supporting U.S. geo-strategic interests and e) Mitigating global transformational ills (U.S. Foreign Aid 2004; USAID 2004).

of aid from the US, such as: clarification of the objectives of aid and alignment of resources with these objectives; allocation of aid between countries and in countries with recourse to greater selectivity; emphasis on the strengthening of institutional capacity building; greater emphasis on internal partnership, ownership and participation; increase in absorption capacity; improvement in coordination between donors and better graduation from traditional development assistance and development aid effectiveness (U.S. Foreign Aid 2004).

In this context, in March 2002 the President of the USA, George Bush, launched the “*new compact for global development*”, and proposed the creation of an implementation mechanism, the *Millennium Challenge Account* (MCA), the objective of which is to reduce poverty through economic growth. The coordination and complementarity of the available instruments and portfolios - USAID and *Millennium Challenge Corporation* (MCC) – seem to be crucial aspects to guarantee a greater effectiveness and coherence of aid.

In May 2004, Mozambique became eligible to request assistance from the MCA. In the current year, the Board of the MCC approved a total of 506.9 million US\$ for support to the *Compact* programme to reduce poverty and strengthen economic growth in the North of Mozambique.²¹ *Compact* has four components, namely the Water and Sanitation Project (203.6 million US\$), Transport Project (176.3 million US\$), Land Services Projects (39.2 million US\$) and the Support to Agricultural Income Project 17.4 million US\$). *Compact* also includes 70.5 million US\$ for programme management, supervision, inspection, financial auditing, monitoring and evaluation.

In 2002-2004 the US was the third largest donor of Official Development Aid to Mozambique. The US is a member of the G19 with observer status, since it does not contribute financially to General Budget Support. However, it contributes with its knowledge and experience.

USAID has now approved the new Country Strategic Plan 2004-2010 (CSP). This document recognises and praises the high degree of coordination within the vast donor community. The CSP foresees spending 45.0 million US\$ each year up to 2010. The distribution of funds is as follows: rural incomes (35%), labour intensive manufacturing (23%), municipal governance (4%), HIV/AIDS (20%) and child survival (18%). USAID's Strategic Plan aligns its priorities with those of the GoM, namely increasing rural incomes, promotion of labour intensive industry, increasing child survival, reproductive health services, fight against HIV/AIDS, promotion of gender equality and improvement of local level democratic governance, support to development of human capacity and anti-corruption.

The main modality for making US aid available is project assistance. USAID also participates in the PROAGRI, a Sector-Wide Approach (SWAp) comprised of various donors to support agriculture (increase incomes in the rural areas), allocating funds for technical assistance to the Ministry of Agriculture, private sector and NGOs.

²¹ <http://www.mcc.gov/countries/mozambique/index.php>

As one of the largest donors, USAID emphasises the need to observe local priorities, coordination with other donors, the formulation of programmes in collaboration with Mozambican partners, as well as impact on poor rural populations.

4.3.5 World Bank

The PARPA I (2001-2005) was approved by the Council of Ministers of the Republic of Mozambique in April 2001. The Board of Directors of the World Bank and the IMF approved the document in August of the same year as the first complete *Poverty Reduction Strategy Paper* (PRSP). The World Bank, in its *Country Assistance Strategy* (CAS) 2003-2007, recognises the fight against poverty as the main objective, and emphasises that, for this, Mozambique needs rapid economic growth, as well as a redistribution of public spending for those sectors with high poverty reduction potential.²² Starting from the principle that PARPA I identified problems and proposed appropriate actions in response, the CAS 2003-2007 supported its implementation focusing on three areas (CAS pillars): (i) improvement in the investment climate; (ii) expansion of service provision; (iii) development of capacity of the public sector to improve responsibility, accountability, and regulation of activities of the private sector (Bank 2003: ii).

The Country Portfolio Performance Review (CPPR), carried out by the World Bank in April 2003, extracted the following lessons in relation to the issues of alignment, harmonization and coordination of donor efforts:

“Partners need to work harder to align their support with the PARPA and to build the Government’s own systems, whether or not they are able to support the joint funding mechanisms. They also need to ensure that increased attention to donor harmonization (the means to an end) does not result in decreased attention to development impact. Improved donor coordination, pursued as an end in itself, may fail to deliver tangible results. In parallel to the PRSC work with the MPF, the Bank will continue to provide technical assistance, analytical and advisory services to strengthen Mozambique’s experience with financial pooling arrangements. Agriculture, education and health will continue to be the focal sectors, and the Bank will also work closely with the G11 donors,..”

The CAS 2003-2007 is followed by the Country Partnership Strategy 2008-2011 (CAP), which will continue to support the efforts of the GoM in implementation of PARPA II 2006-2010, and increase its effectiveness. The CAS 2008-2011 contains 3 pillars, namely (i) to increase public responsibility and participation; (ii) equitable access to main services; and (iii) sustainable and broad growth (World Bank 2007a: 27 ff.).

²² “To reduce poverty, Mozambique needs rapid growth sourced in agriculture and labor-intensive manufacturing and services. To improve agricultural productivity, the Government should promote yield-improving inputs and improved technologies and rehabilitate essential rural infrastructure in Nampula and Zambezia, Mozambique’s breadbasket. To expand manufacturing and services, it should improve the investment climate” (World Bank 2003: i).

The World Bank is a member of the G19, and is the largest donor in the country, having contributed ca. 20.5% of total aid in 2004-2006. The composition of the aid envelope is quite varied, encompassing General Budget Support, support to large public infrastructure projects and projects in the area of public sector reform, decentralisation, etc. However, only 27% of the aid is allocated through the public financial management system, with the largest part of aid being made available through projects.

4.4 Effectiveness of external aid: interests, paradigms and uncertainties

We suggest a brief reflection on the issues of political economy and power relations, as well as the discrepancy between discourse and reality in order to situate the issue of aid effectiveness appropriately within the context of Mozambican society, and thus be able to frame current challenges and tendencies. This reflection will allow us to go beyond the aspects contained in the analytical framework proposed by EURODAD. The suggested reflection explores the specific developments of the external aid system in Mozambique more critically in the analysis and discussion of the findings. In this way, the research conclusions can be extracted and explained with recourse to a more solid theoretical layer. In this way, it will be easier to see the challenges of the Paris Declaration faced with the concrete reality of Mozambican society and to indicate some contradictory situations.

- 1** It is important to note that the relationship between GoM and donors is also determined by interests of a political nature. It would be quite simplistic if we assumed that the GoM, as well as the Mozambican State, are in themselves homogeneous regarding interests and that the GoM always expresses a consensual position pertaining to the relevant segments of society on the role of aid. Our notion of political economy obliges us to view the GoM not as a homogeneous institution, but as trying to capture and structure various interests and forces in the different levels of Government and State.
- 2** The Mozambican State continues to be quite dependent on interests of a party political order, which do not always allow it to act as regulator between private or short-term political interests and the interests of society in general. The lack of clear distinction between the State and the party in power, FRELIMO, makes the process of formation and articulation of State interests difficult. This affects the relationship between the State and Citizen in particular, and Society in general. Consequently, external aid remains dependent on interests which are not subject to scrutiny and inspection. In these conditions, external aid can be viewed by some sectors of society as a type of income worth capitalising upon, which has nothing to do with the reflection on aid effectiveness which the Paris Declaration seeks to explore and promote.
- 3** The situation described above, allied to the high level of dependency on external aid, suggests that questions of leadership and ownership of the aid provision process by the GoM must also be analysed in light of the existing real space for manoeuvre for the GoM, and in the contexts of interests represented within it.

- 4 In Mozambican society, with a recent history of a single-party political regime and a highly centralised political-administrative State structure built on a weak socio-economic base, it is important to analyse implications that the Paris Declaration could have, in case the basic principles underlining this Declaration are not sufficiently taken on board. It is very probable that in these conditions the Paris Declaration would have a centralising effect that, in the final instance, could put the effectiveness of aid at risk. Therefore, it is necessary to discuss the quality of progress under these conditions. It is important to analyse to what point, under these conditions, the centralising character of the GoM, at central level, weakens other levels and institutions, such as the local municipalities, CSOs and private sector, regarding their role and contribution to the improvement of external aid effectiveness.
- 5 When external aid is negotiated between GoM and donors, and Parliament, citizens and CSOs do not actively participate in the discussion and approval processes, the relationship between the GoM and citizens can be negatively influenced. This being the case, the dialogue between Government and donors overrides Parliament and citizens' role of inspection and scrutiny. Parliament, citizens, civil society, private sector, local municipalities and even lower level State institutions would have little space to articulate their interests. The Paris Declaration does not appear to respond to this issue.
- 6 Weak country context analysis in the application of the Paris Declaration could lead to the predominance of mere dialogue on procedures and mechanisms, at the expense of necessary dialogue on the policies and principles on which the Paris Declaration is based. Evaluation of aid effectiveness must underlie the idea that the benefit of aid must be tangible to the citizen, which presupposes that one cannot lose sight of these principles.
- 7 It is also important to analyse the implications of the planning paradigm manifested principally in lower levels of the State, but also in some academic circles. In the name of harmonious planning and development of the country, there are indications that some of the concepts and procedures are based on the erroneous idea that *"it is possible to plan everything and involve everyone"*. Would it be sensible to expect that every type of activity by individuals or even groups of individuals be included in the global planning process? The idea seems to prevail, or is being revived, that there is no place for other interests or activities outside the global plan.²³ For example, it does not seem to make sense, and could be counterproductive, to interfere in or dictate to the local municipalities

²³ The process of participatory district-level planning, without doubt crucial for local development, has sometimes been undermined by tendencies that divert the purpose of the plan, the strategic concept of the plan and dialogue between District level Government, Community, Civil Society and Private Sector to set out the district development strategy and the operation of the annual planning cycle. This can lead to an excessive control of the population's activities, blocking the population's initiative, even having cases where demands are totalitarian in nature, such as how *"all the activities of CSOs and the private sector must be included in the District Plan"*. Therefore, someone questioned *"for what reason do the activities of a group of pigeon breeders in their spare time need to be included in the District Plan?"*.

²⁴ *"A giant and monstrous dam is not always better than one thousand and one small dikes and dams"* (Words of a Chinese farmer who lost his land as the result of the construction of the gigantic dam "Three Gorges Dam").

and NGOs – even if it is on the basis of projects – since they are different entities from the GoM and follow the interests of their respective populations and constituencies.

- 8** Criticism of the Project Support Approach has increased in current discourse. This is also true to a certain extent in the arena of donor volatility to paradigm change, pulling representatives of GoM, CSOs, academic and research institutions with them. This has happened in a process which emphasises the disadvantages of this approach, but also loses sight of, or ignores its eventual advantages (see Killick, Castel-Branco & Gerster 2005: 46; OECD 2006: 12; Hodges & Tibana 2005: 58). The criticism of the Project Support Approach is above all based on arguments of administrative burden and transaction costs and, to a lesser degree, on low impact sustainability. However, it does not provide evidence to show that other external aid modalities are absolutely superior to the Project Support Approach. For example, advantages that can come from projects are not debated, such as encouraging innovation in certain areas when assistance is well directed and has well defined areas of impact and risks. The existence of projects outside Central Government is considered negative in itself, alleging that these projects make coordination extremely difficult (OECD 2006: 12). Therefore, under the shield of the Paris Declaration against the “*proliferation of projects*”, it is forgotten that society is composed of other entities which are different from Central Government, like local municipalities, civil society, private sector and independent media, which are not subject to subordination from Central Government, but that can require and benefit from external aid. In our opinion, this aspect referring to the specific nature of entities involved and levels of intervention must be included in analysis of the effectiveness of each one of the modalities, and not only in the analysis of administrative burden and transaction costs.²⁴ It seems legitimate that Support to Projects deserves to exist and can even assume a place of distinction with the preferred aid modalities in the case where the management and accountability systems of recipient countries do not exist, are not owned or are still in evolution.
- 9** The involvement of other countries, like China, India and Brazil, in increasingly larger volume and diversified cooperation with Mozambique, offering other options in terms of aid principles, volume, modalities and conditionalities, raises questions on their positioning in relation to the Paris Declaration. The Paris Declaration has no relevance for these donors, and it seems improbable that these countries will follow the Paris Declaration explicitly. Also, we believe that the GoM would not be interested in involving all donors, in particular China, India and Brazil, in an MoU, since that could even reduce the possibilities of choice for the country. Effectively, by stating this we wish to say that having all the donors within the Paris Declaration would reduce the GoM’s space for manoeuvre. In this context, the real benefit of a national external aid policy and/or strategy seems to be reduced.

These concerns should be considered in the discussion of the findings using the proposed analytical framework, as well as in the conclusions and recommendations.

5 Findings

5.1 Leadership capacity of governments: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?

5.1.1 Choice of modalities and terms of aid

Mozambique still does not have a *National Development Aid Policy and/or Strategy*. Information provided by some interviewees indicates that the Ministry of Foreign Affairs and Cooperation (MINEC) initiated consultations with the sectors in order that they could contribute to strategy formulation. According to interviewees, Parliament, CSOs and private sector still have not been involved in the process. Some of interviewees even responded that they were unaware of such a process or the possibility of involvement.

A significant part of representatives interviewed from sectors of the GoM and CSOs expressed doubts about the relevance of such a strategy, with some interviewees having pointed out that this indicates “a mentality of aid dependency” prevalent in many sectors of Mozambican society. Other interviewees indicated that documents such as the Five-Year Government Plan already contain some guidelines on the cooperation policy and external aid strategy promoted by GoM. It seems that the expression of need for an external aid policy and/or national strategy is more a donor concern and demand, than a real need from GoM and other Mozambican actors.

However, regarding *the modality and terms of aid*, the GoM at central level has revealed in various negotiations and interviews that its preference and requirement is the availability of aid through Direct Budget Support, without conditionalities from each one of the donors. At this level, firm support seems to exist for the increase in the proportion of aid made available through Direct Budget Support, following the principles and procedures of the MoU (Killick, Castel-Branco & Gerster 2005: 33; Ernst & Young 2006: 13). A discourse also exists within the sectors that supports this position. However, this appears partly to be rhetorical, since mechanisms such as the Basket Funds are also presently seen as adequate instruments in the approach to sector support. The argument is that “*we have had a good experience with sector support to the budget and have had a reduction of administrative burden, and the essential thing is that the aid reaches the target groups... but we cannot demand this*”. In some cases, doubts seem to persist around the allocation of funds in adequate volume to sectors and speed of availability of funds through the Treasury. The government is not structurally monolithic in terms of interests related to aid. Along with multi-dimensional aid dependency, a certain fragmentation of government exists regarding aid (see Castel-Branco 2007: 20 ff.). In his text confirming the risks of General Budget Support, Gerster states that “*the view of the Ministry of Finance in partner countries is not frequently congruent with the way the sectoral ministries see General Budget Support*” (Gerster 2007: 2).

It is to be noted that both GoM representatives and CSO representatives have not questioned the possible risks of a high level of Direct Budget Support. However, representatives of Parliament have pointed to the possible implications of a high level of dependency of the country on external aid. In this context, a high level of dependency on external aid results in limited linkage between citizens and State, given the limited weight of their tax contributions (as a percentage of national income) within the totality of resources available to the State, as these largely originate from external aid.

Some donors seem still not totally convinced by the effectiveness of Programmatic Support, in particular General Budget Support. They prefer to increase Sector Budget Support and maintain a high proportion of Project Support, where there is a certain level of choice and influence, and seek to limit the eventual risks of increased expansion of General Budget Support. Some donors, while being strongly involved in General Budget Support (e.g. Germany and Ireland²⁵), reveal a preference for a certain “*mixture of aid modalities*” in their country strategies. However, it seems to us that this preference is not explicit and openly articulated to GoM. This mixture of modalities and instruments to deliver aid is important in the opinion of donor representatives interviewed as it enables one to take advantage of each modality and instrument, and their complementarities. They also suggest that it could be part of a containment strategy for eventual risks. That being the case, it would be important to explicitly debate this and negotiate with GoM.

The Monterrey Consensus recognises the need to improve aid delivery modalities in order to improve the quality of aid, that is, to make aid more effective. It points to the availability of non-tied aid and the use of mechanisms that respond to the needs of recipient countries, including the budget of recipient countries, when appropriate (Monterrey Consensus 2002, Paragraph 43). The Rome Declaration emphasises ownership and leadership of recipient countries, harmonization and alignment of donor policies to the policies, systems and procedures of recipient countries and recognises the different aid modalities, such as engagement of civil society and the private sector.

The Paris Declaration recognises all these aspects; however it is in some respects, ambiguous and/or neglectful regarding aid modalities and the involvement of civil society and private sector. The Paris Declaration does not seem to be sufficiently clear regarding aid modalities because on the one hand it states “*We recognise that improving aid effectiveness is possible and necessary, whatever the modalities may be. For us to determine the most effective modalities of aid delivery, we will be guided by the development strategies and priorities established by partner countries.*” This emphasises ownership and leadership of recipient countries. But, on the other hand, just afterwards it adds: “*Individually and collectively, we will choose and elaborate adequate and complementary modalities, so as to optimise their global effectiveness*”, which effectively limits such ownership and leadership of recipient countries (High Level Forum 2005). The most problematic issue is still the

²⁵ See Irish Aid 2007: 15; http://www.maputo.diplo.de/Vertretung/maputo/pt/05/Wirtschaftliche_Zusammenarbeit/WZ_unterbereich.html

application of these presuppositions in practice, as many people believe that theoretically and effectively the recipient countries (better still, the recipient governments,) could also determine the most preferred aid modalities on the path of ownership and leadership. As we have already seen, this space for manoeuvre is quite reduced in practice.

This subject is not clearly addressed in the relationship between GoM and donors. As a result of this, there seems to be a grey area regarding the power of GoM to define preferred aid modality(ies). Many donors do not always explicitly refer to their own preference to maintain a combination of modalities in front of the GoM (although they have done so in their policy documents on aid to the country), in relation to fully embarking on the aid modality preferred by GoM, that is, in General Budget Support.

Until recently, there were few cases of *refusal of aid or aid terms* according to interviewees from the GoM and donors. According to a Trócaire and Christian Aid report, in 2005 one donor needed to follow their own rules and techniques for disbursing funds and tried to get out of an aid delivery agreement in the health sector. The Ministry of Health (MISAU) refused and insisted that the donor fulfil the multi-donor sectoral agreement. The donor in question raised the issue directly with MINEC/ Department for International Cooperation. As a result, MISAU suffered considerable pressure to accept a modification of the original multi-donor agreement. Other donors vigorously challenged the new direction of the original agreement, but left the final decision with MISAU, which finally agreed with the modification (Trócaire & Christian Aid 2005: 24). Equally, in 2006, MISAU initiated a change in the hiring process for experts in the sector, introducing new aspects, such as for example regular performance assessment of the contracted experts.

Nevertheless, donor representatives and cooperation agencies responded that in other cases where GoM did not agree with the aid terms, the GoM did not express this, but opted not to fulfil the agreement, that is to say, "*when the Government does not want something, it does not refuse openly, it simply does not do it*". Still, there are instances where GoM, private sector and CSOs openly demonstrate their disagreement with specific terms and conditionalities but the donors have not changed their position, leading to disastrous situations (e.g.: the case of liberalisation of the exportation of cashew nuts) (see Castel-Branco 2007b: 27 ff.; de Renzio & Hanlon 2007: 11 ff.). Moreover, a more prominent example in which GoM took clear a position contrary to donors (and to certain circles within FRELIMO), is the land issue. GoM clearly refused to introduce private land title. Examples also exist in areas such as the fight against corruption and enhanced justice, where a "pathological equilibrium" prevails, as Paolo de Renzio and Joseph Hanlon characterise the situation in which GoM, just as much as the donors, remain tied to its own interests. Therefore donors accept a certain level of corruption in exchange for a policy of tolerance and continue pressuring to reduce corruption and improve governance; whereas groups from FRELIMO who have captured the State, firmly resist and defend their position (de Renzio & Hanlon 2007: 12 ff.). A similar situation occurs with donors and GoM in their position on the poor functioning of the judicial system, in which the necessary reforms are not implemented. Therefore, de Renzio and Hanlon conclude that in areas where the

FRELIMO leadership has fundamental interests of a political nature or personal interests, GoM is prepared not to accept the aid terms and conditions.

In summary, the Paris Declaration opened some space for GoM to express its opinion on the choice of external aid modalities. However, this space is effectively reduced given the country's high level of aid dependency, although there is some space not to accept certain terms of aid. Bearing in mind this space is ultimately determined by factors other than external aid, such as economic potential, partner diversity, innovation capacity and consequently geo-strategic importance, it seems that the simple formulation of an external aid policy and/or strategy could not bring much added value, beyond that established in the political and global national development policy and shaped in documents such as the Government Five-Year Plan. Therefore, in general, the first only has an instrumental character in relation to the second, possibly even being of marginal importance.

Representatives of GoM sectors consider the approach of Sector Budget Support as a good experience, although this has some deficiencies. According to some interviewees, *“the essential thing is that aid does not result in enormous administrative burden and reaches the beneficiaries”*.

5.1.2 Power of Government to influence donors and demand the fulfilment of their commitments

The improvement of external aid to Mozambique is also explained by the establishment and functioning of a *coordination mechanism between GoM and donors*. In this context, a Memorandum of Understanding was signed in 2004 between GoM and the Programme Aid Partners (PAPs). This is a coordination mechanism currently involving 19 signatories who provide Direct Budget Support to the Mozambican State.²⁶ The GoM and PAPs established principles for this partnership and defined commitments in order to improve the quality of programmatic aid.²⁷

²⁶ Actually they are the following: Austria, African Development Bank, Belgium, Canada, Denmark, United Kingdom, European Commission, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and World Bank. The observers are: United States of America, Japan and IMF.

²⁷ Detailed information on the structure and functioning of the coordination mechanism is provided in sub-chapter 4.1.

According to Article 13 of the MoU, the PAPs commit themselves to provide Programmatic Support so that

- a** it is aligned with the Mozambican financial management instruments and processes (including dialogue about the PARPA, PES, Medium Term Fiscal Framework and the State Budget),
- b** it increases the predictability of funding flows from donors,
- c** it guarantees the transparency of financing conditions,
- d** it improves harmonisation to eliminate bilateral administrative conditions and requirements,
- e** it reduces the administrative burden of assistance to GoM through the execution of more joint missions and analyses and the use of joint procedures, and
- f** it strengthens the capacity of GoM to fulfil its commitments through the provision of technical assistance and appropriate capacity building (GoM & PAPs 2004).

The Paris Declaration aimed to strengthen the negotiation process already initiated, in particular to increase the space for manoeuvre of GoM, through the alignment of national policies and strategies, accountability, use of planning tools, etc. Still, it must be recognised that the country, on the basis of its own experiences, the Monterrey Consensus and the Rome Declaration on Harmonization, had already made determined efforts to improve the external aid system before the Paris Declaration. This in turn, was inspired by the experience of GoM and donors in Mozambique up to a certain point. Without doubt, the Paris Declaration aimed to strengthen the position of the main actors in Mozambique, concerning their objectives and procedures to increase aid effectiveness.

Regarding *coordination of aid*, the representatives of the GoM pointed out that a clear division of responsibilities exists between the Ministry of Foreign Affairs and Cooperation, Ministry of Planning and Development (MPD) and Ministry of Finance (MF) The MPD assumes the technical coordination functions of dialogue with donors, although the Ministry of Foreign Affairs and Cooperation deals with formal aspects, and the MF plays an important role in control and information on financial aspects. However, some donor representatives have said that the role of one of these institutions regarding the coordination of aid is not always clear. The separation of MF and MPD is seen by some interviewees as problematic for coordination. However, other interviewees applauded the separation but think that the Budget function should have been assimilated by the Ministry of Planning and Development, leaving the Ministry of Finance with the functions of Treasury, Public Accounts and Inspection and Control.

Referring to the *presidency of consultative groups*, the interviewees affirmed that GoM has assumed the leadership in the last two years. An example provided in this context was the fact that since 2005, reports from the pillar and sector working groups were done by GoM technicians and not technicians from donors, which was frequent in the past. The donors hope that GoM will assume the position of leadership with more vigour and clarity.

There are diverging opinions regarding the *balance of powers in the consultative groups*. While GoM representatives believe that a certain capacity already exists on the part of GoM, donor representatives, cooperation agencies and CSOs believe that although the technical capacity of GoM in the technical working groups is increasing (e.g. in the sector groups on education and health), it still needs to increase significantly. Representatives of sectors of GoM pointed out that the sector working groups need to bring together more technical capacity, and that donors do not always send specialists in the area, which reduces the substantiveness of the dialogue. Civil society representatives indicated that the agenda is not influenced by CSOs. Therefore, themes discussed are not proposed by CSOs but instead by GoM and donors. This is due to weak technical capacity of CSOs, and sometimes the late circulation of information on the agenda and timing of sessions, which makes it difficult for CSOs to prepare for and participate actively in the working groups. It is still hoped that civil society will start to participate in the education sector working group.

GoM has already assumed leadership of monitoring instruments for implementation of the PARPA, as well as the processes for the Mid-Year and Joint Review, where reports, in most cases, have already been prepared by GoM functionaries, and not by donor officials.

The *capacity to implement aid management strategies* has increased owing to the coordination mechanism. Therefore, this permits greater dialogue and increases confidence and predictability of disbursement. However some difficulties still continue related not only with the capacity of government itself, but also with the fact that some donors continue to use different aid delivery mechanisms to that of Direct Budget Support. In fact, a larger portion of external aid is delivered outside the Direct Budget Support system.²⁸

Examples exist of some situations in which GoM has adopted policies that do not always have *donor consent*. One obvious case is the introduction of the Fund for Expenditure of Local Initiative Investments, now known as the Local Initiative Investment Budget, (commonly designated by “7 billion MT”, today “7 million MTn”),²⁹ having caught many donors and cooperation agencies by surprise. Another quite recent example is the fact that GoM, through the President of the Republic, emphasised the need to create a development bank as a solution for the lack of agricultural financing. However, that has still not found resonance among donors.

With reference to the *balance of power between GoM and donors*, representatives of CSOs indicated that GoM demonstrates great skill in avoiding fulfilment of some commitments, for example, regarding its weak performance in the area of governance, owing to: a delay in the approval of legislation for the justice sector to improve citizens’ access to justice; lack of

²⁸ See sub-chapter 4.3.

²⁹ Fund for the Costs of Local Investments Initiative (7 million MTn), introduced in the context of the Law of Local State Organs (Law 8/2003, 19 May) to direct public funds to the District Governments to use for small and medium sized activities among local populations (República de Moçambique 2006d: 1). Also known as the Local Initiatives Investment Budget (Orçamento de Investimento de Iniciativas Locais (OIIL)), and loosely interpreted, its purpose was subject to alteration, in the context of the declarations of the President of the Republic during his visits this year, being directed to financing income and employment generating activities for the population and local economic development. The OIIL constituted 3.8% of the State Budget in 2006.

progress in implementation of the Anti-Corruption Strategy; lack of approval of the decentralisation policy; few advances in municipal governance; and the low proportion of allocations to municipalities in relation to the State Budget (GoM & PAPs 2006b: 6 ff.; GoM & PAPs 2007b: 4; GoM & PAPs 2007c: 45 ff.). As we saw in sub-chapter 5.1.1., there is a “*pathological balance*” between GoM and donors in some of these cases.

GoM has recently increased its negotiation capacity regarding the *content of the PAF*. Initially GoM seems not to have had negotiating power (or even interest) in establishing the content of the Performance Assessment Framework. However, since 2005 GoM has achieved modifications to some indicators/goals in the joint review exercises. For example, the inclusion of new indicators for the evaluation of progress in the area of justice, legality and public order, as well as reduction of goals that were considered quite ambitious (GoM & PAPs 2006b: 19).

With reference to the *implication of these mechanisms for an increase in aid effectiveness*, analysis carried out indicates that the MoU between the GoM and the PAPs, as well as the different coordination platforms and working groups established, have permitted significant progress in relationships between GoM and donors, and in aid delivery. However, it is important to emphasise that it deals with an improvement regarding the mechanisms and procedures of the aid system, and not an improvement in the quality of political dialogue between GoM and donors. In this context, implementation of the Paris Declaration is not being accompanied by a real improvement in the quality of dialogue on issues that touch the underlying principles of the MoU between GoM and PAPs, and the Paris Declaration itself.

Nonetheless, the possibility of GoM influencing the donors and holding them to account regarding their promises has increased. An increasing number of donors embarked on the MoU (e.g. Austria, Spain), and a significant number of PAPs increased the amount of Direct Budget Support. The Partners’ Performance Assessment has been an instrument with positive implications for the fulfilment of donor commitments, since it makes the degree of fulfilment of each donor country public, and to a certain point, creates an environment of group pressure on the donors that do not fulfil their commitments (see Castel-Branco 2007a). However, voices from civil society and the private sector indicate that the improvement in the coordination mechanisms for external aid still have not constituted sufficient evidence that aid effectiveness has increased. They even question if the aid is, in fact, having any impact on poverty reduction and inequalities, increase in growth, development of capacity and acceleration to achieve the MDGs (High Level Forum 2005: 1).

Box 1 Monitoring of Donors: PAPs' Performance Assessment Framework

The aid effectiveness system in Mozambique includes an instrument whereby donors' performance is monitored annually against a set of targets agreed with the GoM. These targets are outlined in a donors' Performance Assessment Framework (PAPs' PAF).

The PAPs' PAF is comprised of 25 indicators and goals, grouped in four areas:

- Portfolio Composition (% of aid allocated for GBS/programmatic support);
- Predictability (commitments and timely disbursements, and % of aid that is *on-budget*);
- Harmonization and Alignment (harmonization of conditionality and adherence to Government systems);
- Capacity strengthening (number of parallel Project Implementation Units and coordination of Technical Assistance)

The indicators and goals are agreed between GoM and G-19 and each indicator is attributed a weight relative to its importance. The donors are assessed individually and as a group. The results are presented to GoM in an annual independent evaluation report.

Three independent evaluation reports have been produced to date: T. Killick, C. Castel-Branco and R. Gester 2005; Ernst & Young 2006 and C. Castel-Branco 2007. Each report underlined a certain number of substantial issues that are important not only in exerting peer pressure on donors who fail to live up to commitments, but for identifying weaknesses that persist in the overall aid effectiveness system in Mozambique.

However, the tool has some weaknesses, identified by Castel-Branco (2007). Nonetheless, this evaluation presents clear recommendations for both donors and GoM, many of which seem to have been implemented in a relatively short time. This fact demonstrates the real impact of an instrument of mutual accountability, that is implemented regularly, is easily understandable and is accessible to the public.

The PAPs' PAF and the three evaluation reports are accessible to the public. It can be downloaded on the PAPs' website at the following address: www.pap.org.mz.

5.1.3 Conclusions

The GoM and the PAPs had already initiated a process of harmonization and alignment of external aid before the advent of the Paris Declaration. On the one hand, the Paris Declaration has increased opportunities to strengthen the role of GoM in negotiations about aid with donors, the GoM has greater influence regarding the structuring of mechanisms and procedures of General Budget Support and it has managed to reduce demands in terms of reports, though the number of missions (213) in 2006 was higher than the goal established (167). However, GoMs' capacity is still not sufficient to assume effective leadership in negotiations on aid. Also, aid coordination mechanisms (MYR, JR, Working Groups, etc.), are still not evidence of an increase in aid effectiveness. On the other hand, donors are still waiting for GoM to assume effective leadership in the negotiations. The ownership process is ongoing according to GoM representatives, however it still requires time and increased

technical capacity. In the meantime, in our opinion, it seems to be improbable and logically flawed that recipient countries, with an enormous level of aid dependency, like Mozambique, could manage to assume “*de facto*” leadership and effectively have the space to determine the kind of aid conditions they prefer.

It must also be stressed that the increase in Direct Budget Support does not necessarily signify that GoM has greater choice in the allocation of resources,³⁰ since Sector Budget Support is largely in agreement with donor preferences (Ernst & Young 2006: 11). This being the case, it is in the interest of GoM that the volume of General Budget Support increases. The increase in volume of General Budget Support is not only related to the leadership capacity of GoM, but above all the interest of donors in this aid modality in the general context of external aid paradigm change. This is determined, in some cases, by donors’ need to reduce their operational costs.

Although there has been some progress, the administrative burden of the coordination mechanisms between GoM and donors still remains heavy. GoM has also recently declared that the burden on its functionaries needs to be significantly reduced.

5.2 Capacity of governments to define their policies: Has the Paris Declaration increased the space for governments to determine their own policies?

5.2.1 GoM space to determine its own development strategies

With reference to *development strategies*, analysis indicates that the National Agenda 2025 (Vision and Strategy for the Nation), adopted in June 2003, is cited as an inclusive and participative instrument that outlines the main consensual guidelines to drive the development of the country (Advisers Committee 2003). However, Agenda 2025 seems to have little relevance to the set of instruments defining strategies for the development.

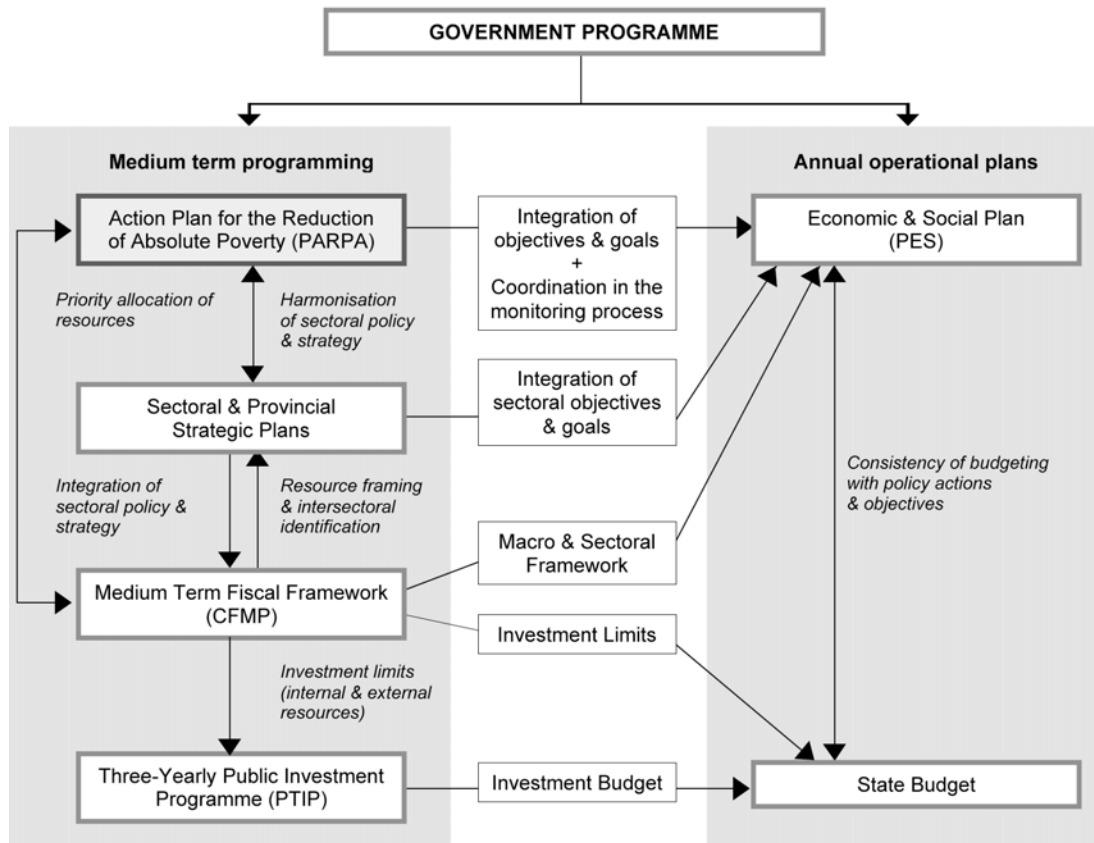
The Government Five-Year Plan (PQG), Social Economic Plan (PES), Balance of the PES (BdPES) and the State Budget (OE), as well as the Medium Term Fiscal Framework, are instruments of greater relevance to the setting out and execution of GoM policies. However, the Action Plan for the Reduction of Absolute Poverty (PARPA) is understood as a mere instrument of operationalisation of the Government Five Year Plan. In our opinion, the PARPA is not genuinely a planning and monitoring instrument. In fact, ultimately, the PARPA is an instrument to attract financing from the international community, that is to say, a negotiation tool between GoM and donors.

It is to be noted that the PARPA is not disaggregated at local level (provincial/ district/ municipal). Its indicators and goals do not have geographical disaggregation, nor do they attempt to capture the difference and interdependencies between the rural and urban environment, which makes the activity of monitoring and evaluation at local level extremely complicated. This is therefore one further weakness of the PARPA. It is not surprising that the Annual Poverty Report, produced by the G20, also cannot yet serve as a trustworthy

³⁰ Compare with analysis made in sub-chapter 4.3.

instrument for monitoring and evaluating the PARPA, although it is a praiseworthy initiative. Thus the contributions in this area are almost non-existent, both from civil society and from independent institutions/researchers.

Public planning system: Articulation of instruments



Source: MPD

Various interviewees pointed out the deficient alignment of policies and lack of harmonization, integration and coherence between the various planning and budgeting instruments, e.g. between the Medium Term Fiscal Framework, the Social Economic Plan and the PARPA. Nevertheless, the effort being made to make improvements is recognised, for example in the case of the Medium Term Fiscal Framework (see also: Lawson, de Renzio & Umarji 2006: 2). Also a disaggregation of indicators and goals in these reports (PARPA, PES, BdPES) still do not exist at provincial, district and municipal levels.

In the opinion of parliamentarians interviewed, the PARPA is an internal Government document, accompanied by a framework of indicators that the Government Five-Year Plan (PQG) does not have; in this sense, the PARPA complements the PQG. Meanwhile, it is hoped that the PARPA will be gradually integrated into the PQG, “so as not to confuse and avoid dispersal of Government attention, bearing in mind that institutional capacity is limited”. As a result, donor efforts should be directed towards the PQG, approved as soon as the Government takes office.

According to GoM representatives, the process of harmonization and alignment of external aid at sector level advanced significantly in those sectors that managed to elaborate

Strategic Sector Plans (e.g: health and education). In some cases they already possessed their own memoranda of understanding or codes of conduct at sectoral level, which facilitates negotiations with donors. For example, “*The commitment of Kaya Kwanga: A Code of Conduct to guide the Partner for Health Development in Mozambique*”, was already signed in 1999 in the health sector, with the view to guide coordination between GoM and partners involved in the health sector (República de Moçambique 1999)³¹. More partners joined these pre-existing initiatives and aid coordination mechanisms after the signing of the Paris Declaration.

Regarding the *debate and support for these instruments by Parliament and citizens*, it is necessary to refer to the fact that while the Government Five-Year Plan, Social Economic Plan, State Budget, Balance of the Execution of the State Budget and General State Account are presented, debated and approved by Parliament, the PARPA I and II were not subject to approval by the Parliament.³² Agenda 2025 had civil society participation as part of its formulation and was presented to the Mozambican Parliament. However, the competence and technical capacity of Parliament to analyse, scrutinize and formulate policies and strategies are still weak or not used. Various sources indicate that the role of Parliament is also weak owing to the strong impact of party interests and party polarisation in Parliament (see Hodges & Tibana 2005). This aspect also negatively influenced the relationship between Parliament and donors, with the dominant view being that “*Parliament does not negotiate with donors*” (Killick, Castel-Branco & Gerster 2005: 36). Some researchers suggest that parliament should not negotiate with donors, but should duly fulfil its role in a democratic context, as the involvement of Parliament in this process would mean accentuating institutional weakness.

Civil society and the private sector were not duly involved in the formulation of the PARPA I, only having had four consultation meetings at the regional level and at national level. The process was characterised by weaknesses, such as lack of an institutionalised mechanism for the participation of civil society and the private sector, time pressure in order to avail of HIPC II resources, a consultation process highly determined by the agenda of ministries and lack of mechanisms to determine the quality of participation or consultation. There was participation of these development actors in the formulation of PARPA II.³³ They have also been involved in monitoring and evaluation of the PARPA II through the Poverty Observatory, a mechanism created in April 2003 by GoM, involving GoM, donors and CSOs, including CSO networks, economic associations, trade unions and religious bodies. These CSOs organised themselves into a network entitled G20, initially formed by 20 CSOs.³⁴

³¹ Donors and cooperation agencies that signed the Kaya Kwanga Code of Conduct were: DFID, WHO, the Netherlands, SDC, NORAD, World Bank, Denmark, Finland, France, Italy, Ireland, Norway, EC, UNFPA and CIDA.

³² The PARPA II was only presented to Parliament, however it was not subject to discussion and approval.

³³ For more details see AFRODAD (2007b), “The Second Generation of Poverty Reduction Strategy Paper”.

³⁴ The fundamental objectives of the G20 include: a) To facilitate the participation of civil society in the Poverty Observatory, b) To coordinate the process of the elaboration of the Annual Poverty Report, c) To facilitate the engagement of CSOs in the analysis

Although the opening of GoM and donors to involve civil society through the Poverty Observatory is recognised, it is necessary to recognise that this platform reveals large weaknesses.³⁵ The main criticisms of the Poverty Observatory centre on the lack of legal basis and institutional solidity, lack of technical capacity, lack of strategic plan, risk of co-optation and instrumentalisation of the G20 by the party in power, GoM or donors, and the reduced acceptance and insertion of civil society contributions in the final documents by GoM. Poverty Observatories were created at the provincial level, frequently as replicas of the Poverty Observatory at national level. However, according to various sources, their role was not always clear, they function poorly and there is weak inter-linkage between the Executive Secretariat and the focal points in the provinces. There is therefore a necessity to rethink these aspects so that the Poverty Observatories become efficient and effective mechanisms (see Francisco & Matter 2007; G20 2007: 12).

Some representatives of CSOs and the private sector expressed their disillusionment regarding the participation processes in the formulation and monitoring of the PARPA, through the Poverty Observatory, stating that *“it only deals with consultation, has no deliberative power and this only helps the conscience of GoM and donors”*.

It is necessary that CSOs increase their technical capacity to analyse public policies, elaborate adequate methodologies for participation in processes and seek to have greater access to information in order for effective civil society participation to exist in debates on development policies and strategies, beyond simple consultation and involvement. In this way CSOs will be able to make the most of and increase the space opened by GoM and donors (see de Renzio & Krafchik 2007).

CSO representatives interviewed are of the opinion that *the strategies stated in the Government Five-Year Plan and Social Economic Plan reflect the priorities of GoM*. However, doubts exist in the area of the allocation of resources of the State Budget for such priorities and in implementation of actions. For example, while the crucial role of the household agricultural sector is recognised for income generation and survival of the majority of the Mozambican population, public investments for promotion of this sector are relatively insignificant. The already small proportion of expenditures for the agricultural and rural development sector, as one of the PARPA priority sectors, has constantly been reduced in the last years (see *Table 2*). All donors say in their official documents that their cooperation strategies with the country are aligned with the main national policy instruments, in particular the PARPA.³⁶ In fact, the PARPA involves a vastness of areas and activities, to such a degree that almost all donor areas and activities find a place in the PARPA. A more

and debate of public policies (principally, PARPA), and d) To contribute to capacity building on the issue of advocacy, negotiation with State powers.

³⁵ On the weakness of the Poverty Observatory, see Hodges & Tibana 2005: 67 ff.; Tamele 2007: 5 ff.; Francisco, A. S. & Matter, K. 2007; G20 2007: 12 ff.

³⁶ See the description presented above in this same sub-chapter on the positioning of GoM and Parliament concerning the role of the PARPA as a planning and monitoring instrument.

detailed analysis on this aspect would be necessary to extract firm conclusions on the alignment of these donor cooperation strategies.

The representatives of CSOs interviewed are of the view that *the main focus for influencing decision-making* is GoM. However, with reference to donors, a large number of civil society representatives are of the opinion that one should work with more persistence to influence the decision-making processes of GoM, but also donor policies. In some cases, it will be necessary to act jointly with donors in order to influence GoM decision-making. Therefore, with reference to where the focus of action should be placed and how partnerships should be, the answers are not homogeneous, and in fact, CSOs hope to establish alliances, case by case.

There have been improvements regarding *conditionalities put in place by donors* for budget support (in the MoU and PAF). While in 2003, 5 of 15 PAPs maintained bilateral conditionalities (including exceptions from Annex 10 of the MoU) (66.6%); in 2005 8 of 17 PAPs had exceptions from Annex 10 (47.0% compared to the goal of 55%); by in 2006, 6 of 18 PAPs had exceptions from Annex 10 (66% compared to the goal of 72%) and only 1 (Denmark) of 18 PAPs did not adhere to the jointly agreed conditionalities. Until the 2006 Review, the World Bank maintained exceptions in the said annex, but it was already in the process of formal elimination. However, the World Bank still needs to harmonize the bilateral agreement for support to the budget and MoU. (see Gester & Harding 2004: 22; Ernst & Young 2006: 4 ff.; Castel-Branco 2007: 7).

GoM was not involved in the elaboration of the first PAF (for 2004), as a result, this was not taken on board by GoM, as it had not been negotiated, and MPF had not been involved. Indications exist that in the case of some goals, there were doubts from the beginning about GoM's capacity to achieve these goals, for example the formulation of a decentralisation policy (public sector reform), number of case solved within 24 hours (justice, legality and public order). In any case, the PAF has helped to increase transparency regarding partners' conditionalities and disbursements.

Conditions imposed by donors and international financial institutions obstruct development of the country, according to CSO representatives, since they reduce the efficiency and effectiveness of external aid. This position was also expressed in a document on World Bank conditionality, prepared in August 2007 by a group of Mozambican CSOs, and presented in an event promoted by the World Bank to discuss the issues of conditionalities with different actors. The criticisms involved issues such as the limitation of Mozambican State's sovereignty and space to manoeuvre in setting out their development policies and strategies, evaluations for the deliberation of assistance, acquisition rules for assets and services applied in projects supported by the World Bank, as well as the requirement for co-participation of the Mozambican State in projects financed by the World Bank, role of technical assistance and issues of the transparency, communication and access to information for civil society (See GMD 2007).

Representatives of CSOs are of the opinion that the donors continue to have enormous influence on formulation of national policies, taking into account the enormous dependence

of the country on external aid, even with the increase in the proportion of Direct Budget Support. Different interviewees declared that *donors have a significant influence on the budget, on definition of national policies*, and that, to a certain degree, they obscure and dilute the role of Parliament.

5.2.2 Decision-making capacity of GoM on aid allocation through budget discussions and negotiations

A lack of coherence seems to exist between the setting of priorities and the allocation of resources. A large part of the allocation of the budget is for the national component of the budget, while the provinces, districts and municipalities receive a smaller portion (see *Table 8*).

Table 8 Distribution of Budget by level of the Government, 2005

Level of Government	Investment			Running Cost			Total		Goals PAF 2007
	Execution	Execution	% Budget	Execution	Budget	% Budget	Budget	% Budget	
Central	81.3	15,277,134	88.0	93,8	13,883,196	54.5	29,160,330	68.0	
Provincial	58.4	1,004,777	5.8	98,1	10,859,696	42.5	11,864,473	27.8	24.0 %
District	81.3	1,105,020	5.2	87,5	525,432	2.0	1,630,452	3.8	3.0 %
Municipal	100	171,223	1.0	100,0	260,091	1.0	431,314	1.0	0.8 %
		17,352,002			25,528,415		42,880,417		

Source: MPD

The level of concentration was even greater in 2005 in priority sectors like governance, agriculture and health, namely 79%, 78% and 70%. That seems to constitute a contrast to the discourse, according to which the district is the development pole and base for economic, social and cultural development planning in the Republic of Mozambique. However, this aspect deserves deeper analysis.

Following the recommendations of the last joint review, an initiative already exists in the ambit of the Group for Poverty Analysis and Monitoring Systems (PAMS), to examine the issue of designating public resources to achieve the objectives of the PARPA II in the most efficient manner (GoM & PAPs 2007b: 6).

According to interviewees, among donors, a significant amount of external *“off budget”* aid still exists, which makes GoM planning and budgeting processes difficult.

Regarding the budget formulation process as an important aspect of setting out policy and policy implementation, only a reduced number of CSOs (namely G20, GMD and UNAC) consider *the process of formulation and State Budget discussion an area of influence in the formulation of policies*. There are indications that this is not only due to lack of technical capacity, but to other deeper reasons, such as simple lack of interest, dependency of CSOs due to their work as service providers in different sectors for the State and donors, and to increasing tendencies for co-option and instrumentalisation of CSOs by the party in power, in

an environment in which “*checks and balances*” are still weak in the political system (see Hodges and Tibana 2005: 11; Vaux et. al. 2006: 2).

5.2.3 Predictability of aid

The quality of information on aid improved significantly because of the coordination mechanisms between GoM and donors. However, lower levels of Government continue not to have exact information on aid amounts and modalities. Since 2004, without doubt, a significant improvement in aid predictability has been evident. More than 75% of donors improved predictability of the response mechanisms and predictability of disbursements according to the agreed calendar. All donors have multi-annual agreements, covering two to four years. Donors such as the European Commission, Belgium, Canada, Denmark, Ireland, Italy, the Netherlands, Norway, Switzerland, Portugal, UK and World Bank demonstrate a high level of predictability (all have three or more years); only the ADB, Germany, Finland, France and Sweden demonstrate predictability of less than 3 years (Castel-Branco 2007a).

The issue of predictability in the sectors is varied, according to GoM representatives. In education, predictability is not a problem, while in the health sector there was a small delay in relation to one of the joint funds this year (GoM & PAP 2007a).

The Paris Declaration, the MoU mechanisms between GoM and the PAPs and Performance Assessment of Partners, contributed to the predictability of aid, however only within a two or three year period. GoM representatives continue to be concerned with the predictability issue. Effort has been made to make disbursements earlier, in the first six months of the year. In fact, the introduction and consolidation of the Integrated Financial Management System would contribute to donors formulating disbursement calendars that are more realistic and appropriate to the budget cycle and the national treasury, and therefore, more appropriate to the financial needs of GoM.

The predictability of funding disbursements related to commitments to Direct Budget Support has improved. In 2006, only Denmark and Italy did not disburse what they had promised in accordance with the chronogramme, but promised to conduct a financial exercise (see Castel-Branco 2007: 7)

Representatives of GoM, Parliament and CSOs agree that low aid predictability negatively influences the implementation of institutional activities, thus reducing impact of the programmes. According to GoM representatives, *the (potential) impacts of local predictability* of aid flows lead to reduction of quality and impact of interventions.

The *reasons that influence low predictability of disbursements* are varied. As causes for unsatisfactory levels of disbursement, constraints are identified related to the capacity of GoM and complicated donor systems and procedures. Civil society representatives identified conditionalities as a relevant constraint in the case of the World Bank. (GMD 2007; Assistance 2007).

5.2.4 Donor support for strengthening Government capacity, institutions and systems

The PAPs' PAF reveals that regarding the *use of government systems* (Public Finance Management, procurement, etc.) there had been improvement in the use of public finance management system. In 2006, 67% of aid flows from the PAPs to government were mentioned in the Budget (goal set by GoM, 80%), 44% of aid flows from the PAPs to government were mentioned in the Budget Execution Report (goal 45%) and 52% of flows referred to were included in the Treasury payment system (goal 45%). However, there is still much more work to do by GoM and donors, as a significant part of aid is not made available through the national systems of financial management and acquisition of assets and services (Castel-Branco 2007a: 8; KPMG 2006: vi). In the different sectors (education, agriculture, governance, municipal development), even the most advanced in the sectoral approach, there are still several programmes and projects with their own systems and procedures.

According to interviewees, there are donors and cooperation agencies that continue imposing unilateral rules, their own procedures, their own monitoring and evaluation matrixes, not involving themselves fully in the process of harmonisation and alignment, which has to do with the policies of the donors (e.g.: USAID, World Bank).

There are various *reasons given as to why specific donors have not disbursed part or all of the aid money* through the government systems (see Table 6).

Table 6 Reasons for reduced use of government systems

Reasons	Opinions of Representatives/Interviewed		
	GoM	Donors	Civil Society / Private Sector
Donor Constraints	<ul style="list-style-type: none"> • Aid policies not aligned to GoM priorities • Lack of clarity on harmonization • Restrictive procedures and requirements • Weak management • Delays due to uncertainties in electoral periods 	<ul style="list-style-type: none"> • Restrictive procedures and requirements regarding administration and reports • Need for mixture of appropriate instruments 	<ul style="list-style-type: none"> • Aid policies not aligned to GoM priorities • Restrictive procedures and requirements • Need for employment of people from donor countries
Government Constraints	<ul style="list-style-type: none"> • Weak technical capacity • Deficiency of public finance management system 	<ul style="list-style-type: none"> • Lack of technical capacity • Lack of absorption capacity • Deficiency of public finance management system • Weak M&E system • Corruption 	<ul style="list-style-type: none"> • Lack of technical capacity • Deficiency of public finance management system • Corruption

Even recognising the non-use of government systems for channelling funds, representatives interviewed from GoM, CSOs and private sector believe that, in current conditions, *“the most important thing is that donor support reaches the beneficiaries, and guarantees the impact of the interventions.”* They also recognise that there are improvements in government systems, but stress that there is still a lot to do to guarantee that funds allocated and disbursed arrive

at the institutions and beneficiaries in good time, and are applied in accordance with principles of efficiency and transparency.

Regarding donor missions to the country, “*while the total number of evaluation and monitoring missions carried out by officials from the donor countries and involving meetings with government officials has reduced significantly, the proportion of joint missions has increased significantly.*”³⁷ (Castel-Branco 2007a: 8)

Technical Assistance continues to represent a significant part of aid to Mozambique. The GoM and civil society representatives recognise the relevance of Technical Assistance, even to guarantee greater impact of Direct Budget Support and other aid modalities. However, there is a certain level of criticism with regard to the form of contracting, impact and sustainability of activities and results, assessment of performance, as well as ownership by national entities and transparency by donors. According to representatives of government and civil society, in certain situations doubts exist about the effectiveness of the Technical Assistance provided, as it does not leave sustainable results and impacts, in terms of training national personnel and the effective transfer of capacities. In other cases, Technical Assistance is, to a certain degree, imposed, often accompanying the financial contributions from donors. Interviewees indicated that there are also situations in which funds made available to governmental institutions for Technical Assistance are not used, or are applied for other ends, so the importance of Technical Assistance is not always duly recognised.

According to some GoM representatives interviewed, the improvement of Technical Assistance depends in the first instance on the Mozambican authorities, through the formation of local capacity and increase of absorption capacity for knowledge and experiences. In this context, the Ministry of Health highlighted the transfer of knowledge from contracted experts to national personnel as a priority and instituted the periodic evaluation of contracted experts. The expectation of GoM representatives in relation to Technical Assistance is that international partners leave the beneficiary of the assistance to identify the type of support needed. The representatives of GoM stress the importance of institutional capacity building and development.

Regarding the improvement of the form of delivery of Technical Assistance, doubts continue about the visibility and the potential added value of the creation of a Joint Fund of Technical Assistance and even its integration into a broader MoU (entitled *Super-MoU* by Killick, Castel-Branco and Gester) (Killick, Castel-Branco and Gester 2005: 54).³⁸ Probably, this will

³⁷ The use of the “missions” indicator as a measure of administrative burden and transaction costs is questioned considerably (Ernst & Young 2006: 19 ff.). Castel-Branco stresses that the data on missions is extremely doubtful and what is meant by “mission” is still not very clear.” (Castel-Branco 2007a: 8).

³⁸ According to Killick, Castel-Branco and Gester, the *Super-MoU* would be a Memorandum of Understanding between GoM and donors, with greater reach than the current MoU, and would be based on a national external aid policy/strategy. It would involve other aid modalities, above all the Support to Technical Assistance, SWAps and Special Funds. It is presumed that this instrument would lead to strengthened accountability of GoM to the citizens (Killick, Castel-Branco & Gester 2005: 54). However, this instrument has risks which need to be well weighed up (e.g.: increase in lack of transparency, lack of involvement of other actors such as provincial government, local municipalities and civil society). Besides that, in the present situation, it is not clear what the real increased value of the *Super-MoU* would bring.

be an issue that needs to be debated more deeply. Still, it is worth mentioning that, after analysing the nature of the aid system in Mozambique, the general impression one has is that a national technical assistance policy or strategy should be established, not in the context of the aid system per se, but more in the context of national science and technology policy, i.e., addressing the issue through the potential of innovation and innovative knowledge transfer, and not through finance. In a scenario of increased General Budget Support, the issue becomes wider, one of Capacity Development, which also surely requires Technical Assistance contributions, in a context of participation within a knowledge economy.

5.2.5 Conclusions

Regarding the power of GoM to be able to make decisions on its policies, we conclude that the Paris Declaration has contributed, to a certain degree, to increased space for GoM to determine its own policies. However, this process is not simple or linear. It is necessary to carry out a qualified analysis of the political economy. It must be questioned if it is reasonable, in the present context, to assume that GoM has the capacity to determine and defend broad development policies and strategies to donors, so some fundamental principles of the Paris Declaration are still not entirely observed.

The scrutiny of development policies and relevant programming instruments by Parliament would increase the level of ownership. Parliament has limited capacity to influence decision making on the allocation of aid, given that it does not have access to detailed information, nor sufficient technical capacity. And the donors are not paying attention to the need to strengthen the role of Parliament regarding decisions on external aid, which could put aid effectiveness at risk.

5.3 Capacity of parliaments and civil society: Has the implementation of the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policy?

5.3.1 Effectiveness of donor aid to civil society

There is no trustworthy data on the *amount of aid delivered to civil society organisations*. A study by KPMG indicated that “*aid given to NGOs absorbs two thirds of the aid flows not destined to GoM, leaving aid sent directly to the private sector as the smallest and least significant parcel of the batch*” (KPMG 2006: vii). However, this amount seems to be quite exaggerated. Ernst & Young estimate that in 2005 support to NGOs reached ca. 7% of total aid to the country (Ernst & Young 2006: 8).

The change in aid modalities, in particular the increase in Direct Budget Support, is not perceived as a *change and/or reduction in support to CSOs*, although CSOs have not carried out analyses in this regard. Regarding possible repercussions on financing of NGOs, the interviewees pointed out that low financing of CSOs principally results from the lack of capacity of CSOs and increase in CSOs competing for the same portion of aid. Therefore, they maintain that there is no evidence that the *increase in Direct Budget Support and Programmatic Support* is leading to a reduction in support to civil society. Also they have not established a link with the implementation of the Paris Declaration. However, some

representatives of civil society are attentive to this development, and call attention to the need to monitor this issue. It is necessary to mention that knowledge of the Paris Declaration is quite weak within Mozambican civil society. Some civil society representatives, only after persistence, and deepening the interview questions within the research, were aware of the possibility of reduction of donor support to CSOs and an increase in dependency of CSOs on GoM and donors as a result of a mechanistic and unreflective implementation of the Paris Declaration.

Regarding the increase of Direct Budget Support by donors and its implications on financing to CSOs, there is evidence that support to CSOs remains reduced. Different donors have provided *support to increase capacity of civil society* for specific purposes, for example, the promotion of dialogue between CSOs and GoM on development policies. All donors involved in this research have support programmes for civil society. The most recent initiative is the Civil Society Support Mechanism, supported by DFID and Irish Aid.

The perception exists among CSOs that most of donor support to CSOs is in the context of sector service provision (above all in agriculture, health and HIV/AIDS), and that CSO support in the areas of governance and citizen participation in political processes is insignificant. This not only results from the level of funds available, but from the fact that work in the area of governance requires third generation CSOs,³⁹ in other words advocacy, lobbying and political pressure.

One notes that some programmes of civil society support through government systems were recently developed (e.g.: European Commission Programme for Support to Non State Actors, the management of which will be carried out by MPD). This approach is not problematic in societies with consolidated democratic institutions, as through scrutiny, inspection and control, one can guarantee the segregation of interests between Government and CSOs, and the independence of these in relation to Government. However in Mozambique, for obvious reasons, it seems premature to head for vast programmes of support to CSOs through Government/State mechanisms.

In fact, an erroneous perception still predominates on the role of different development actors (Government, State, Local Municipalities, Parliament, Political Parties, Civil Society and Private Sector). A large part of Mozambican CSOs are involved in service provision at the request of GoM, donors and cooperation agencies, as well as international NGOs. There are few Mozambican CSOs that assume *advocacy and watchdog roles*. On the one hand, there is a certain dependency on CSOs as service providers from the State and/or donors and international NGOs (in various areas, e.g. water supply, rural extension, health, etc.). On the other hand, a tendency towards co-option/ instrumentalisation of CSOs exists among the party in power, which constitutes an obstacle to the effective participation of civil society, as well as for private sector groupings, economic associations, unions and media (Hodges &

³⁹ Classifying CSOs arose in the emergency context as first generation CSOs, providers of development services in various sectors as second generation CSOs, and those involved in the area of governance (human rights, justice, public sector reform, anti-corruption and monitoring public policies) as third generation CSOs.

Tibana 2005: 11, Vaux et. al. 2006: 19). However, many civil society interviewees do not see that as a significant risk in the present phase of development, and argue that CSOs are able to achieve proper segregation of interests.

5.3.2 Ability of citizens to hold government to account for their policies and service delivery

The role of Parliament in the *inspection of the State budget*, as well as of *external aid contracts* is still weak. According to Nuvunga, *“Direct Budget Support has still not yet resulted in more democracy in Mozambique, apparently because Parliament (still) does not do a good job in the budget arena, particularly scrutinising it, not living up to the expectations which existed on Direct Budget Support”* (Nuvunga 2007: 1). An important portion of support made available by donors is not publicly accountable, therefore not appearing in the General State Account, thus not verified by parliament.

In fact, the legal space that Parliament has to involve itself in budget issues is extremely limited. Even so, parliamentarians are still not using the space that they have and their position to have access to relevant information, and their capacity to exercise the power of scrutiny, as well as available resources is limited. Parliamentary commissions established do not have technical capacity and support teams in research and analysis, so that the quality of debate is negatively affected. As well as this, the amount of time available for study and debate on budget themes is limited (see Nuvunga 2007: 4). In addition, the nature of the political system and block voting does not facilitate a quality technical discussion on the subject.

Interviewees point to the need to support Parliament in terms of capacity building. However, a certain reluctance exists by donors in terms of interventions to strengthen Parliament, alleging the ostracisation of this institution and difficulties faced with similar interventions in the past. However, there appears to exist a greater openness of Parliament towards donor interventions within current legislation (in areas of capacity building, technical assistance, exchange of experience), *“since these interventions are well planned and coordinated with Parliament, and result in increased technical capacity when they come to an end”*.

In general, the *accessibility, quality and timeliness of information made available* by Government has improved. However there are still gaps, as, according to interviewees, even GoM functionaries and CSO representatives are unaware of, or make little use of, information made available by GoM and donors, for example through ODAmoz.⁴⁰ Besides this, it must be stressed that most of the population do not have access to information on governance, in particular the budget and external aid. Therefore, the main documents on government policy and principal legislation are still insufficiently disseminated to the population. Some interviewees stated that even among representatives of Government and State at the local level, knowledge regarding national legislation, Government Five-Year Plan, PES and PARPA often *“is more rhetorical than deep knowledge”*. Besides that,

⁴⁰ ODAmoz was created in the context of the Paris Declaration, is a database of information on the programmes and projects of donors and cooperation agencies in Mozambique. The ODAmoz page can be found at: <http://www.odamoz.org.mz>

deputies from Parliament reported that, especially in the last two years, GoM has not provided detailed information on external aid. CSOs receive more information from donors, for example, the World Bank, as a large part of the information is in English. Representatives of CSOs also reported that the Paris Declaration is not known by members of their organisations. However, the issue of improved accessibility, quality and opportune information made available must remain on the agenda of all actors (GoM, Parliament, CSOs, Private Sector and cooperation agencies).

Citizens and CSOs have weak capacity to *monitor/scrutinise budget receipts and budget expenditure*. The involvement of civil society in dialogue on policies about public finance management issues, including budget processes, is almost non-existent. Only some organisations, like GMD, G20 and CIP are active in this area. Several factors exist that explain the situation, namely: lack of interest and vocation; lack of technical capacity; co-optation by the party in power, etc. A large part of the economically active population make their living in the smallholder agrarian sector, some in remote rural areas, and activities in the informal sector. In addition, Mozambican parliamentarians do not have an effective bond with their electoral circles and voters so it is obvious that there is little interest and knowledge of participation in discussions on such supposedly complex issues such as public finance management and the formulation, execution and monitoring of the State Budget. Interviewees reported that even a significant part of Mozambican academics distance themselves from discussions, public positions and criticism of these issues, “*some owing to incapacity and alienation and others due to an established culture of fear*”. Even the Mozambican Association of Economists (AMECON) does not fill this gap. In the case of the media, there is a lack of technical knowledge and sometimes self-censorship. In an environment of increased Direct Budget Support volume, the poor involvement of Parliament and civil society is a cause of great concern. The lack of qualified engagement of Parliament and civil society also limits their contribution to democratic accountability.⁴¹

It is noted that an important portion of GoM expenditure is still *off-budget*,⁴² which signifies that this expenditure is not duly subject to the procedures of the national audit nor the scrutiny of Parliament, and not all donor contributions are declared to Parliament. With the increase in the volume and proportion of Direct Budget Support, more aid is made available *on-budget*, and that requires better scrutiny and accountability.

Signs exist that certain donors, such as the United Kingdom and Ireland, are prepared to dedicate more attention to strengthening civil society for engagement in debate on public policies. This is partly as a result of recognised risks of an excessively centralised approach in Direct Budget Support, without improvements to scrutiny and accountability of GoM to

⁴¹ Studies indicate that the CSOs can have a significant impact on the improvement of accountability regarding the budget (See de Renzio & Krafchik 2007).

⁴² See Report and Opinion on the General State Account (Tribunal Administrativo 2006: IV-4) and Aide-Mémoire from the Joint Review 2007 (República de Moçambique & PAPs 2007).

Parliament and citizens. However, a limited number of international NGOs are involved in supporting their national partners to increase their capacity to monitor public policies.

5.3.3 Ability of citizens to hold donors to account regarding their commitments

The donors provide *quarterly information on their aid envelope* to the Ministry of Foreign Affairs and Cooperation (Department of International Cooperation) in a more standardised form since 2004. However, it seems that some are still not convinced that this information is used and disseminated. There is also a requirement to report the flows of *on-budget* and *off-budget* in their own financial management systems (Killick, Castel-Branco & Gerster 2005: 8).

Representatives from GoM and CSOs continue pointing out the need for greater transparency by donors regarding detailed information on types and amounts of aid made available. However, donor representatives affirm that donors have made more detailed and timely information available, for example through reports sent to MINEC and ODAmoz database, conceived and developed in the context of the PAPs to provide accessible, transparent and complete information. It is hoped that ODAmoz serves as the first source of information on commitments and disbursements in the external budget component and contains relevant information on joint funds. However, there are still great challenges to overcome. On the one hand, not all donors are integrated in ODAmoz. On the other hand, GoM officials point out that information contained in the database is still inadequate for macro-economic and budgetary analysis, and it is still not reflected in the Medium Term Fiscal Framework and State Budget. In addition, GoM still has not created the conditions to receive, absorb, manage and develop the database (Ernst & Young 2006: 17 ff.)

Regarding *accessibility, transparency of and timely information made available by donors*, there used be problems of classification of correspondence in donor reports and in budget categories of the GoM. There continues to be a lack of information with respect to off-budget support and technical assistance. With reference to analytical work, the availability of specific reports in Portuguese has improved, and there is more sharing and dissemination of studies.

Citizens and CSOs are still not able to *monitor flows of aid funds and expenditure of these funds*. Information on donor aid is still insufficiently known. Citizens and CSOs are still not in a position to monitor donors regarding aid commitments (in terms of quantity and quality). The CSOs interviewed are still not making use of information on aid made available by donors. For example, few CSO representatives interviewed had knowledge of the existence of the database on Official Development Aid to Mozambique (ODAmoz).

5.3.4 Capacity of CSOs to influence policies

Regarding the *mechanisms of dialogue with civil society*, the concern exists that with greater attention and more resources dedicated to Government, the relationship between Government and donors could limit Government accountability in relation to internal actors. Various mechanisms were introduced in order to initiate and drive a dialogue between GoM, donors and civil society. In this context, the integration of the G20 in the Poverty Observatory

can be cited, in the Sector Working Groups, and since 2006 in the Mid-Year and Joint Reviews. There are also initiatives to take dialogue to the local level (provincial and district), instituting the Provincial/District Poverty Observatories.

Mozambican CSOs, such as G20, Mozambican Debt Group (GMD), National Peasants Union (UNAC), Cruzeiro do Sul, Centre for Public Integrity (CIP) and the Confederation of Business Associations of Mozambique (CTA) have undertaken efforts to get involved in monitoring and evaluation of government policies and strategies. Evidence exists that these actors have managed to get relevant issues into debate and, to a certain degree, influence the formulation of GoM and donor policies. G20, integrated into the Poverty Observatory, was involved in the consultation process on PARPA II and carried out an independent evaluation of the poverty reduction issue. It was also involved in the Working Groups in the GoM and donor Mid-Year and Joint Reviews.

In fact, the interest of CSOs to be involved in processes with a view to influence policies is growing. The big challenge remains the weak capacity of CSOs. Training and capacity building efforts need to be undertaken to overcome this weakness.

Regarding *how government and donors respond to civil society contributions*, it is necessary to stress that the process is still new, and CSOs still do not have adequate technical capacity to present their contributions in a sufficiently refined form and make the most of open space. Still, in the formulation of PARPA II, UNAC made relevant contributions related to food security and rural development, which were partially considered by GoM (see UNAC 2005).

Regarding the *degree of influence of these fora/mechanisms*, CSO representatives interviewed are of the opinion that their involvement in these fora/mechanisms is already an important gain. The present challenge is raising their technical capacities and organisational level improvements (e.g. strengthening networks), and increased CSO presence at local level. However, some CSO representatives stated that CSOs run the risk of only being used to legitimise preconceived policies, as frequently their positioning is not duly considered, discussed and integrated into policies.

5.3.5 Conclusions

The implementation of the Paris Declaration opened space for parliament and civil society to get more involved in holding GoM and donors to account and in influencing public policies. However this space is still not fully utilised, due to various factors, namely weak technical capacity of Parliament and CSOs, lack of interest from CSOs, conflict of interest for CSOs who are service providers to GoM, official donors and international NGOs, and co-option and instrumentalisation of CSOs by the party in power.

The capacity of parliament and civil society to influence Government policies and hold GoM and donors to account is still weak. Besides this, CSOs are still weak in terms of technical and institutional capacity and maintain weak linkages with their roots at local level. Meanwhile, serious risks of dependency on the State exist for CSOs and/or donors as service providers (in various areas: water supply, rural extension, health, etc.) and of co-option / instrumentalisation of CSOs by the party in power.

Parliament continues to be weak in terms of technical capacity to have quality discussion on policies and strategies presented by GoM. Besides, Parliament is still a long way from thinking about fully using its competency in terms of legal initiatives and deliberations. Since the skills of Parliament and CSOs to influence public policies remain weak, donors still have a role to play in strengthening these institutions.

Few CSOs and academic institutions such as GMD, G20, UNAC, Cruzeiro do Sul and CIP are interested and involved in the debate, formulation, monitoring and evaluation of macro-economic policies. However these institutions still need substantial support in terms of financial and technical resources, organisational development, and greater rootedness of their structures at the decentralised level and the establishment of collaboration networks to strengthen capacity for analysis, research, advocacy, lobbying and pressure. The issue of strengthening civil society to intervene in formulation, monitoring and evaluation of public policies still requires a careful approach with consideration for the reality, interest, technical and institutional capacity of Mozambican CSOs.

5.4 Independent information and assessment: Who assesses and is able to assess whether aid is effective?

5.4.1 Change of mechanisms and real improvements

All representatives of GoM, CSOs and donors, when questioned on the *impact of changes of mechanisms and real improvements*, agreed that above all there had been positive impacts regarding the change of mechanisms. In this context, there is greater discussion on aid options and problems of availability. One special aspect is the increase in the predictability of disbursements. Since donors make more information available on aid flows, it improves the macro-economic programming of the country.

5.4.2 Possibility of monitoring and evaluating aid

With reference to accessibility and transparency of information provided by donors and government, interviewees are of the opinion that it has improved, having increased the space for monitoring and evaluating aid. The National Statistics Institute (INE) is providing useful data for monitoring and evaluating the impact of aid, produced through surveys such as the Household Survey (IAF), the Questionnaire on Basic Well-Being Indicators (QUIBB) and the Demographic and Health Survey, as well as statistics on national accounts and sectoral statistics.

The possibility to obtain information that serves to evaluate the results of aid has also increased. Various internet pages already make useful information available (Government of Mozambique, MPD, INE, ODAMOZ, PAPs, Administrative Tribunal, OP). These pages contain documents like PARPA, Agenda 2025, PQG, PES, BdPES, OE, General State Account, etc. However, the dissemination of information at the level of provinces, districts and municipalities remains limited.

GoM monitoring and evaluation systems are in an embryonic phase. In the context of monitoring and evaluation, problems persist with respect to the linkage of indicators from

PARPA, the Millennium Development Goals (MDGs) and PES, the timely flow of information between the different levels of government, avoiding duplication and the over laying of information. In addition, a deficient institutional organisation, structure and linkage exist of entities responsible for planning, budgeting, execution and monitoring. Their strengthening will contribute to accelerate harmonisation efforts of donor systems with those of GoM. The decision-making process on resource allocation in the context of PARPA, PES and OE has a weak foundation with appropriate information and analyses. The collection and analysis of information at local level needs to be improved (above all at district and municipal levels) so that monitoring and evaluation of aid is appropriate.

5.4.3 Quality of aid monitoring and evaluating mechanisms

A crucial element for implementation of commitments agreed in the context of the MoU and review sessions is the PAPs' PAF. In this context, the fulfilment of commitments of the PAPs is evaluated, as well as what is not fulfilled. Weaknesses are demonstrated with the intention of strengthening accountability of the PAPs in relation to GoM. The performance assessment of donors is carried out by an independent team of experts (Gester & Harding 2004, Killick, Castel-Branco and Gerseter 2005, Ernst & Young 2006, Castel-Branco 2007a). The case of Mozambique is a good example that shows that the process of improving aid effectiveness must include establishment of monitoring mechanisms for the performance of recipient countries and donor countries. This process of performance assessment has produced lessons, which can serve to improve the aid system.

5.4.4 Conclusions

On the basis of the research carried out for this report, a significant effort on the part of GoM and donors to increase the access and quality of information on donor commitments and disbursements is noticeable. GoM monitoring and evaluation systems are in an embryonic phase, with some gaps, above all with respect to collection and analysis of data on poverty at the local level. There is also a deficit in dissemination of information through adequate channels so it reaches citizens and CSOs.

The independent performance assessment of the PAPs is a valuable instrument, the conclusions and lessons of which have contributed to improve the coordination mechanism between GoM and donors. The PAPs' PAF is a valid experience in strengthening mutual accountability between GoM and donors.

6 Conclusions and recommendations

6.1 Conclusions

The *general conclusion* that the research reaches is that Mozambique was a pioneer in the establishment of coordination mechanisms between government and donors, and in a relatively short time obtained impressive advances regarding implementation of the Paris Declaration on Aid Effectiveness, above all in harmonisation, alignment and predictability of aid. However aspects related to internal accountability of GoM to Parliament and civil society, as well as the sustainability of results and impacts on the poorest sectors of society, are still cause for concern. The Paris Declaration offers a coordination platform (joint mechanisms, simplified procedures and information sharing) and impetus for alignment (country policies and use of national systems), as well as some space for ownership by GoM. However it is insufficient since internal accountability of GoM to Parliament, citizens and civil society in general is not placed at the top of the agenda. It also does not take into consideration important factors of political economy and power relations, and their risks, generating concerns regarding improvement of aid effectiveness in terms of positive impacts on national development and poverty reduction.

The fundamental assumption is observance of the principles of good governance, transparency and participation of development actors. The current MoU between GoM and the PAPs contains basic principles, the fulfilment of which should be monitored.⁴³ In order to achieve the development objectives, including increase in aid effectiveness, the fundamental issue is not the relationship between GoM and donors within the Paris Declaration, but the relationship between GoM and citizens, Parliament and civil society.

Next we present the specific conclusions, for each one of the main issues.

⁴³ "The Mozambican government and Programme Support Partners which give Direct Budget Support consider the obligations of peace, promotion of free, credible, democratic processes, independence of the Judiciary, Rule of Law, human rights, good governance, and honesty in public life, including the fight against corruption (with regard to constitutional obligations, NEPAD and international agreements) as being the basic principle of governance for the availability of Budget Support."
(GoM & PAPs 2004: 5).

- 1 The Paris Declaration intends to put developing country governments “in the driver’s seat”. But what is happening on the ground?

Key question: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?

The Paris Declaration has increased opportunities to strengthen the role of GoM in negotiations on aid with donors. The GoM had influence on the structuring of mechanisms and procedures for General Budget Support. It managed to reduce demands regarding reports but the administrative burden is still heavy in this initial phase. However, the capacity of the GoM is still insufficient to assume effective leadership in negotiations on aid and aid coordination mechanisms. It seems improbable and unrealistic that recipient countries with an enormous level of aid dependency like Mozambique, could manage to assume “*de facto*” leadership and effectively have the space to determine the modality of and conditionality around their external aid. The increase in volume of General Budget Support is not only related to the leadership capacity of GoM, but above all the interest of donors in this aid modality in the general context of external aid paradigm change. This is determined, in some cases, by donors’ need to reduce their operational costs.

- 2 If governments are to be accountable to their citizens, they must be able to choose how they spend their aid money and their budgets more widely.

Key question: Has the Paris Declaration increased the space for governments to determine their own policies?

The Paris Declaration has contributed to a certain degree in increasing space for government to determine its own policies. However, this process is not so simple or linear. It is necessary to carry out a qualified analysis of the political economy. It must be questioned if it is reasonable, in the present context, to assume that GoM has the capacity to determine and defend broad development policies and strategies to donors, so some fundamental principles of the Paris Declaration are still not entirely observed. The scrutiny of development policies and relevant programming instruments by Parliament would increase the level of ownership. Parliament has limited capacity to influence decision making on allocation of aid, given that it does not have access to detailed information or sufficient technical capacity. Donors are not paying attention to the need to strengthen the role of Parliament regarding decisions on external aid, which could put aid effectiveness at risk.

- 3 For aid money to reach citizens and contribute to development, accountability to citizens and civil society is crucial. This aspect is largely overlooked in the Paris Declaration. This research looked at the impact that changing aid relations is having on civil society organisations.

Key question: Has the implementation of the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policy?

The implementation of the Paris Declaration opened space for Parliament and civil society to get more involved in holding GoM and donors to account, and influencing public policies. However this space is still not fully utilised, due to various factors, namely: weak technical capacity of Parliament and CSOs, lack of interest from CSOs, conflict of interest for CSOs who are service providers to GoM, cooperation agencies and international NGOs, and co-optation and CSO instrumentalisation by the party in power. The capacity of parliament and civil society to influence Government policies and hold GoM and donors to account is still weak. Besides this, CSOs are still weak in terms of technical and institutional capacity and maintain weak linkage with their roots at local level. Meanwhile, serious risks of State and/or donor dependency exist for CSOs as service providers (in various areas: water supply, rural extension, health, etc.) and of co-optation /instrumentalisation of the CSOs by the party in power. Both Parliament and CSOs need support to grow stronger.

- 4 Accountability requires measurement of results and evaluation:

Key question: who assesses, and can they assess, whether aid is effective?

On the basis of this research, a significant effort on the part of GoM and donors to improve the situation is noticeable, creating possibilities for an increase in access to information on commitments and disbursements of donors. However, there is also a deficit in the dissemination of information through adequate channels so it reaches citizens and CSOs. The independent performance assessment of the PAPs is a valuable instrument, the conclusions and lessons of which have contributed to improvement of the coordination mechanism between GoM and donors. The PAPs' PAF is a valid experience in the context of strengthening mutual responsibility between GoM and donors.

Significant advances exist in various aspects.

- 1 With reference to indicators established in the context of the Paris Declaration, Mozambique has already achieved or is just about to achieve the goals defined, and is considered a success story. This favours the current dynamic of the Mozambican aid system, where there is a relationship between GoM, donors and international financing agencies that allows donors to increase Programmatic Support in its various forms (General Budget Support, Sector Budget Support and Balance of Payments Support), above all General Budget Support.⁴⁴ Both GoM and donors wish to safeguard the reputation of Mozambique as a success story, though this may be an assumption rather than the reality.⁴⁵
- 2 The power and willingness of donors is recognised, on the one hand, to improve their performance in certain areas, such as in their choice of aid modalities and increased predictability and alignment of aid. The GoM, for its part, has improved Public Finance Management (SISTAFE, Procurement), planning and budgeting exercise, as well as information and independent evaluation.
- 3 The inclusion of the PAPs' PAF is an innovative initiative that constitutes a significant contribution to achieving objectives established in the Paris Declaration. However, it would be ingenuous to expect that the failure of one or more donors to fulfil their commitments would result in consequences or sanctions. A clear analysis on the processes around aid and power relations between the actors involved, and the political, economic and social interests of donor and recipient countries/governments is necessary, rather than adopting a technical or romanticised approach to these aid relations.⁴⁶
- 4 Taking ownership as a starting point in determining legitimacy and convenience, and at a certain point it is necessary to make a choice about policy options regarding aid. If the development and governance model were open, external aid could be a driving factor for development and well-being. However, attention needs to be given to the quality and impact of aid and not only the preference to maintain high levels of aid flows as a survival strategy (see Castel-Branco 2007: 15).

⁴⁴ For example, for the indicator "proportion of Programmatic Support out of the Total Support for the country", the Paris Declaration establishes 66% in 2010. Mozambique reached 57.9% in 2005. However, it is important to be cautious about these indicators, given that their values are susceptible to significant changes when a limited number of big donors make variations to the volume and structure of their aid envelopes (see Ernst & Young 2006: 12).

⁴⁵ "This strengthened the impression that donors were willing to turn a blind eye on corruption in order to safeguard Mozambique's reputation as a "success story" (de Renzio & Hanlon 2007: 8). "... Mozambique is seen as a success story and this success needs 'sustaining'. (Nuvunga 2007: 3)

⁴⁶ The GoM appears to be clear about this issue of asymmetry in favour of the donors (See Killick, Castel-Branco & Gerster 2005: 35)

However, *serious concerns* still exist regarding aspects that can put the effectiveness of external aid at risk:

- 1 The degree of dependency of the country on external aid is high. The risks that could come from this situation and obscure the success story need to be examined. It seems that aid could reach a level at which the added value of greater volumes of aid in terms of providing an impetus for national development is in question. The high level of dependency can have negative macro-economic implications, besides leading to a disconnection of GoM from its voters, Parliament and civil society, undermining internal accountability processes and scrutiny (de Renzio & Mulley 2006b: 2).
- 2 If the basic underlying principles of the MoU and Paris Declaration, such as good governance, transparency in public finance management, accountability and participation are not promoted, development aid flows do not manage to be productive and effective. Therefore, the desired impact on national development and poverty reduction will not be produced as a result. In a situation in which these principles are not respected, the aid modalities promoted by the Paris Declaration and preferred by GoM, such as General Budget Support, can *“undermine the democratisation efforts, giving an unfair advantage to the party in power”* (see Elísio Macamo 2006: 5).
- 3 It seems that donors are not sufficiently clear with GoM in the articulation of their preference for the mixture of modalities and instruments, even with the significant increase of programmatic support. It is noted that Government recognises the need for a mixture of modalities, although there is a preference for budget support (GoM & PAPs 2007b).
- 4 Harmonization and alignment appear to be seen only from the perspective of Central Government: sectoral, provincial and district/municipal levels are not addressed. General Budget Support includes a significant risk of undermining decentralisation efforts, and marginalisation of parliament and civil society as agents of scrutiny, inspection and control.
- 5 The fact that GoM and donors occupy themselves above all with the mechanisms and procedures of the MoU and Paris Declaration, relegating basic principles underlying the MoU and policy dialogue to second place, could create an environment that favours the *“pathological equilibrium”* between GoM and donors, rather than contributing to increasing the effectiveness of external aid.
- 6 The expansion of the proportion of General Budget Support and reduction in proportions of Sector Budget Support, Support to Projects⁴⁷ and Technical Assistance should not be seen mechanically. This evolution must presuppose a significant improvement in public finance management and an improvement in accountability of Government in relation to Parliament and civil society; that is, the underlying principles to the Paris Declaration

⁴⁷ It is to be noted that not all projects are at the initiative of the donor, but at the request of the GoM (ex.: Projecto da Caixa Escolar).

must be remembered and strengthened. It is necessary to go beyond the mutual responsibility between the recipient government and donors. Only in these conditions, would a *Super-MoU*⁴⁸ that includes all aid be considered a mechanism for driving forward a real improvement in aid effectiveness.

- 7 A period of consolidation of the gains achieved and maturing of the processes is needed, as well as reflection on the strong points and challenges of current mechanisms, and underlying principles of the MoU, Paris Declaration and others (improvement in public finance management, good governance, transparency, participation, decentralisation, creation of an environment favourable to the Private Sector, etc.). This will facilitate a better decision on modalities and terms of external aid from among the different possible options.
- 8 Making the Paris Declaration a reality presupposes clear leadership by GoM at central level, but also an internal negotiation capacity on the most appropriate modalities of external aid involving sectors and other levels of government (provincial, district), local municipalities and other actors such as Parliament, civil society and Private Sector. The involvement of these actors is fundamental to obtain ownership and accountability in the external aid system with a broad base in Mozambican society. Without the involvement of these actors, progress for more complex forms of aid coordination that imply a greater proportion of Direct Budget Support and establishment of a Super-MoU involving all aid modalities, appears not to be appropriate in the near future.

6.2 Recommendations

Unless otherwise stated, these recommendations are directed at both GoM and donors, particularly, but not exclusively, those donors providing Direct Budget or Balance of Payments Support.

Leadership capacity of governments: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?

- 1 Since the current MoU expires in 2009, the review of the MoU should be taken as an opportunity to improve its content, beyond what is established in the Paris Declaration. However, it needs to be emphasised that some substantial improvements can only result from high level dialogue that allows a better discussion on the basic principles that should guide Official Development Aid (ownership, leadership, mutual responsibility between governments of recipient and donor countries, but above all accountability of government to Parliament and citizens).
- 2 The inclusion of actors at provincial and district/municipal level in coordination mechanisms between GoM and donors is recommended, with a view to ensuring that the change to aid modalities such as General Budget Support and Sector Budget Support does not put the interests of the lower levels of Government and State at risk.

⁴⁸ On the Super-MoU see Killick, Castel-Branco & Gerster 2005: 2, 45, 50 ff.

- 3 The process of improving harmonization and alignment of external aid, which is aimed at increased aid effectiveness, does not necessarily presuppose the existence of a specific external aid strategy. A clear and broad development strategy for the country seems to be sufficient and appropriate. In the context of policy dialogue, efforts could be made so that other donors embark on supporting a development strategy approved by Parliament.
- 4 It is recommended that the necessity, added value and risks from an expanded and hurried MoU, and other aid modalities (e.g.: in the context of a *Super-MoU*) be re-examined cautiously in the light of the actual degree of dependency and real capacities of GoM. A phase of maturity of the MoU, in which more attention is given to the fulfilment of underlying principles within the MoU and Paris Declaration, would be a more appropriate solution.

Capacity of governments to define their own policies: Has the Paris Declaration increased the space for governments to determine their own policies?

- 1 Genuine accountability of GoM to Parliament and civil society must be strengthened in order to increase the ownership and leadership of aid processes. An initial step must be to support efforts to develop a single strategy and planning instrument, encompassing the PARPA and Government Five-Year Plan, which can be discussed and approved by Parliament and which would also serve for the negotiation of external aid.
- 2 High level policy dialogue must be strengthened on the basic principles of the MoU and Paris Declaration, addressing issues such as decentralisation, governance, corruption, etc. in order to ensure that both the MoU and Paris Declaration maintain their basic principles. The fulfilment of these principles is ultimately the main way to guarantee improved aid effectiveness and the sustainability of its impacts.
- 3 The country is still in an initial phase of consolidation of mechanisms for channelling aid, in the context of the Paris Declaration, and these require maturity. It is therefore recommended that a multifaceted approach is adopted and maintained, using different modalities of aid available, taking into account the capacity of GoM and the distinct nature of actors (e.g. local authorities /municipalities, CSOs, Private Sector, etc.).

Capacity of parliaments and civil society: Has the initial implementation of the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policies?

- 1 There is a necessity to extend the base of political support for reforms and for the aid system, through greater support to Parliament, CSOs and Mozambican media. In other words, the construction of ownership and accountability must go beyond GoM at central level, and include other actors (Parliament, CSOs, Private Sector) and other levels of Government (provincial, district and municipal). This could improve the robustness of the current aid coordination mechanisms, and would be a big contribution to implementation of the Paris Declaration, improving the accountability of GoM to Parliament and citizens organized in CSOs. External aid with greater involvement of Parliament and CSOs to strengthen aspects of governance would allow donors to have more confidence and

support more effective aid modalities, such as Direct Budget Support. It would allow them to escape from the currently existing dilemma around increasing Programme Support in a situation in which the basic principles of the MoU between GoM and the PAPs, as well as underlying principles of the Paris Declaration (good governance, independence of the judicial system, the fight against corruption, etc.), are still not rooted and consolidated.

- 2** Strengthening the role of Parliament and citizens in defining aid requires the establishment of better linkages between Parliament and citizens in processes of budget preparation and approval. This also presupposes that the fiscal contribution of citizens to State revenue is secured and explored to provide a basis for the interests and energy of citizens to participate with responsibility in processes of budget formulation, discussion, decision making, monitoring and control. A substantial strengthening of the linkage achieved between Parliament and citizens could be achieved with improvement of the electoral system. This leads to the situation in which parliament has a more direct link with the electorate, even with the prevalence of the ruling party.
- 3** The participation of civil society through the Poverty Observatory and other networks needs to be driven forward in order that civil society can in fact be active and functioning. The issue of the need for the Poverty Observatory at provincial and district level should be re-examined. It appears problematic to make a simple transplantation of the national model to provincial or district level. For this reason, we recommend a deeper analysis of this issue.
- 4** The question of the weakness of CSOs, their co-option and instrumentalisation, and the implications for effectiveness and the impact of interventions in the context of external aid needs to be approached seriously. CSOs must strengthen their organisational structure, leadership, communications strategies and knowledge management, technical capacity, transparency and internal and external responsibility, etc. The promotion of independent mechanisms of support to CSOs, such as the Civil Society Support Mechanism (MASC) and the Civil Society Development Facility (CSDF) is recommended (see also: Boyd and Ilal 2006).
- 5** It must be clarified that the concept of mutual responsibility between GoM and donors, established in the Paris Declaration, needs to be based on the real existence of accountability of GoM to Parliament, citizens and Mozambican civil society. For CSOs, that will involve advocacy campaigns in the country jointly with national actors, but also jointly with parliaments of donor countries and other institutions from these countries, involving Parliament, national and foreign NGOs, in networks like EURODAD.
- 6** Increase the capacity for information and dissemination on the Paris Declaration together with CSOs, as well as GoM policies and plans.
- 7** Examine the viability of strengthening support to CSOs and interested media for analysis and monitoring of activities of Parliament.
- 8** Increase the capacity for research and analysis on economic and social policies, including the effectiveness of external aid in the country.

- 9 Donors should specifically: examine the viability of strengthening support to Parliament to increase their technical capacity to monitor/scrutinise policies, as well as promoting cooperation networks between the Mozambican Parliament and parliaments of donor countries, thus granting a new quality to the principle of mutual responsibility, as established in the Paris Declaration.
- 10 Donors should also look at increasing support to institutions that strengthen accountability and transparency, such as the Administrative Tribunal, the Finance Inspectorate General, CSOs (e.g. CIP, GMD) and media, also giving importance to aspects of performance assessment of GoM and donors.

Independent information and assessment: Who assesses and is able to assess whether aid is effective?

- 1 Donors should provide increased support to the GoM, Parliament and CSOs to strengthen their capacity for monitoring and evaluating aid effectiveness, at various levels of national administration, as the tools for this work in Mozambique are in an embryonic phase.
- 2 GoM and donors must invest more in the development of systems for the dissemination of information on external aid coordination mechanisms, established in the Paris Declaration, above all between parliaments, representatives and members of CSOs, economic associations and religious institutions.
- 3 Regarding the PAPs PAF, the conception and use of indicators and goals with a greater degree of articulation and comparability with the indicators and goals of the OECD/DAC is recommended.
- 4 The independent performance assessment of the PAPs is a valuable instrument for the improvement of coordination between government and donors. It is recommended that the experience be compiled, enriched with contributions from civil society and disseminated at international level.

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Tribunal Administrativo (<http://www.ta.gov.mz>)

Instituto Nacional de Estatística (<http://www.ine.org.mz>)

Poverty Observatory (<http://www.op.gov.mz>)

PAP – Programme Aid Partnership (<http://www.pap.org.mz>)

ODAmoz (<http://www.odamoz.org.mz>)

Cruzeiro do Sul (<http://www.iid.org.mz>)

Centro de Integridade Pública (<http://www.integridadepublica.org.mz>)

Confederação das Associações Económicas de Moçambique (<http://www.cta.org.mz>)

Annex 2: Terms of Reference

Terms of Reference for Eurodad Aid Effectiveness research: Country case studies

Information required	To be completed
Title and author (s): (working title)	X country: An independent analysis of accountability and ownership in the aid system
Type of paper (campaign report/ briefing paper/internal paper):	Country case study based on multi-stakeholder research process
Expected page length/page length:	15-20 pages.
Purpose: Why is this being commissioned, and why now?	To influence the agenda and outcomes of the Ghana High Level Forum on aid effectiveness and associated processes among and between donors, recipients and CSOs. To feed into the Eurodad plus member synthesis report "Making aid more effective".
Audience: For whom is it being written? Who are we trying to influence? What kind of tone/style will the paper adopt? What level of knowledge on its topic will the paper assume?	<p>This report is being written to inform decision-makers (in X country) of progress and concerns regarding aid effectiveness issues. This research will take a multi-stakeholder perspective including those of developing country governments, donors and particularly civil society organisations.</p> <p>The tone will be authoritative and balanced but will make clear recommendations and proposals for change. It will use clear and accessible language, avoiding donor "jargon" and overly technical terminology as much as possible. However it will assume a base – level knowledge of the issues.</p> <p>The paper should aim to influence both donors and actors in the recipient government. It should also aim to raise awareness amongst civil society organisations of the issues. The process for carrying out the report will be particularly important to facilitate this. See below in Research methods and time section.</p>
Proposition: What is the paper's core argument and policy recommendation(s)?	<p><i>See annex for detailed analytical framework</i></p> <p>The core argument of this paper is that accountability is essential to aid effectiveness (and development) - strong aid accountability mechanisms are vital to enable poor people, the intended beneficiaries of aid, to hold donors and their own governments to account for fighting poverty and inequality and delivering results on the ground. Poor accountability in the aid system also has a negative impact on democratic accountability in recipient countries.</p> <p>The report will look at the steps, which donors and recipient governments are taking to improve the effectiveness of aid. There will be a particular focus on how these changes affect accountability (accountability as an outcome which is valuable for its own sake), and analysis of how increased accountability can improve aid effectiveness (accountability as an input which is sought in order to make aid more effective for poverty reduction).</p>

Poverty and inequality can only be reduced in the long term if governments in Southern countries are accountable to their citizens, but aid can often skew domestic accountability towards donors 'crowding out' local accountability, between states and their citizens. In order to be accountable to their citizens, governments must have the space to make their own policy decisions – donors must not dictate policy. They also need to be able to make informed decisions about aid, and to hold donors to account for their commitments. CSOs have a crucial role to play in holding both governments and donors to account for the effectiveness of aid. Finally, accountability at all levels requires accurate information about the impact and effectiveness of aid.

The research will be focused around the following four key questions:

- 1** The Paris Declaration intends to put developing country governments "in the driver's seat". But what is happening on the ground?
Key question: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?
- 2** If governments are to be accountable to their citizens, they must be able to choose how they spend their aid money and their budgets more widely.
Key question: Has the PD increased the space for governments to determine their own policies?
- 3** For aid money to reach citizens and contribute to development, accountability to citizens and civil society is crucial. This aspect is largely overlooked in the PD. This research will look at the impact that changing aid relations is having on civil society organisations.
Key question: Has the initial implementation of the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policy?
- 4** Accountability requires measurement of results and evaluation:
Key question: who judges, and can they judge, whether aid is working?

Important questions to bear in mind throughout the research will be:

What has changed as a result of the PD?

What does the change mean for the accountability questions outlined above?

Why has change occurred/ not occurred?

What implications does this have for the Paris agenda going forward?

Working hypotheses:

- 1** In some cases, the Paris Declaration has contributed to a change in relationships between donor and recipient governments from a patron-client relationship to one more based on dialogue and trust. It works best where there is most trust between donor and recipient governments. Country context is important, but there are still significant variations in the quality of the relationship in any one country between different donors and the government.
 - 2** However there has been very mixed progress in terms of accountability in the aid system. Recipient governments have only limited ability to influence donors and hold them to account for their aid delivery. The Paris Declaration has not yet provided governments with more 'policy space' – donors still play a key role in policymaking. The ability of CSOs to hold governments and donors to account has also not been expanded and there is a lack of independent information about the effectiveness of aid.
 - 3** In fact, accountability (both from governments to citizens in developing countries and between donors and recipient governments) could be negatively affected as a result of some changes in donor practice which have taken place under the banner of "aid effectiveness".
 - 4** However, implementation of the Paris Declaration has the potential to remove some of the barriers to accountability by empowering governments to hold donors to account for their performance, reducing the role of donors in country policymaking and providing more information on the quality of aid.
 - 5** This said, the Paris Declaration alone cannot actually promote accountability – donors, recipients and CSOs need to work together to ensure that civil society can hold governments and donors to account and that independent information on aid's impact is available at all levels.
-

Research methods and time

How will this report be produced?
(Desk research, interviews, on the ground investigation, statistical analysis).

Research days (see below)

Desk-based research

This is an indicative guide of key documents to be consulted.

- Government/ Donor: National development strategy, Monitoring frameworks – i.e. Joint assistance strategies, Performance assessment framework, Memorandums of Understanding
- Donor: Donor country strategy papers, other donor aid related documents for country
- Other: Relevant other academic, CSO or official research on aid relationships in the country.

(See attached research matrix of some other case-study research that has been completed which may be useful. This is not exhaustive and there may be other more relevant documents)

Interviews/ focal group meetings (6/7 days)

Given the multi-stakeholder nature of this research it will be important to interview a mixture of government, donor and civil society representatives. Overall it is expected that about 20 interviews will be made.

- Government representatives (especially; Ministry of Finance / Budget division; Poverty Reduction Division / Department / Unit; representatives of at least one line ministry where donor sector support is particularly important);
- a representative of Parliament (especially member/s of budget committee);
- donor community - particularly donors from list below/ plus other influential donors;
- civil society representatives (especially from those networks or organisations working on donor politics, EC aid, budget support, PRS processes);
- academia;
- others as appropriate.

Quotes

Where relevant direct quotes should be used to illustrate issues and where possible these should be accredited to named respondents. However the researcher should verify at the time of the interview the willingness of respondents to be named and devise a system for reporting anonymously supplied quotes.

NB Afrodad has already done case study research examining aid management systems and donor harmonization in Kenya, Ghana, Liberia, Mozambique, Uganda and Malawi. Cordaid has also produced a very useful paper based on field research in Ghana, Uganda and Zambia. Both the Afrodad and Cordaid research will be invaluable to inform the studies that are done in those countries and these should reduce the research time required.

Scope of case studies:

Eurodad will draw up a list of donors active in the case study countries (as part of background work) so that a limited number of donors can be identified for donor profiles. The country case studies will be somewhat flexible in the donors that are examined. From some qualitative information it may be relevant not to exclude any donors. However for the donor profiles we will select a smaller group of donors and as far as possible we will look at the same group in all the different countries. As a European network initiative we propose to focus on a number of European donors plus one multilateral institution, namely the World Bank and Japan and the US as two large non-European donors. We will not examine the EC, particularly as CIDSE has recently published its EC Footprint report which addresses some similar questions. We will moreover draw on the findings of this report to inform our research.

However in order not to spread ourselves too thin we need to limit the number of donors included. Each country case study should select *at a minimum three European donors from the list below plus the World Bank and the USA.*

Donor	Why
UK	Funding the research, large donor, generally seen as a “good, progressive” donor but practice varies. Big supporter of PD and budget support
France	Will have EU presidency in second half of 2008. Mixed messages and progress. Somewhat engaged in PD (because OECD is in Paris?), but little implementation. Important in West African countries
Denmark	Engaged in PD. Are meeting their 0.7
Spain	Very “projectised” aid, generally unengaged in discussions on PD
WB	Large donor, conditionality problems, yet provides substantial money on budget. Controversial
Ireland	Small donor but with diverse funding mechanisms.. BS, SS, project funding
Germany	Heavy focus on TA
US	Very tied aid, weak implementation of PD
Japan	Largest donor in a number of case study countries. G8 presidency in 2008

How many person days is the research and writing expected to take? (guidance only)	<p>17 days</p> <p>3 for preparation, 6/7 for data collection through interviews and possibly focal group meetings, 4/5 for draft report writing, 2/3 for finalizing draft.</p> <p>NB – this guide is an indication only. This may vary according to amount of information already available in the country and depending on if the particular case study includes extra elements in their TORs</p>
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Where/ Who will be responsible for/ carry out the research	Country	Lead Eurodad member	Research
	1 Ghana	Ibis	SEND foundation
	2 Sierra Leone	Eurodad	Eurodad with CGG
	3 Mozambique	Trócaire	Trócaire/CAFOD
	4 Niger	CNCD	?
	5 Mali	CNCD	Fonge
	6 Nicaragua	Trócaire/CAFOD	Trócaire/ CAFOD partners
	7 Honduras	Trócaire/ CAFOD	Trócaire/CAFOD partners
	8 Cambodia	Actionaid UK	Actionaid Cambodia
	9 Afghanistan?	Oxfam America	Oxfam America
	10 Sudan	Care International (non Eurodad member)	?

<p>Sensitivities: What are the risks in publishing this paper? [Political differences among the network, potential legal problems, etc]]</p>	<p>Case studies will be carried out using a common TORs and a peer review system will be established. Eurodad will support those carrying out case studies to ensure they are as robust as possible but they will ultimately be the responsibility and property of the different organisations. Where Eurodad directly finances a case-study, the relationship will depend on whether the research is carried out by a southern CSO or whether a consultant is contracted. In the case of the former the study will remain the property of the CSO – the relationship will be a partnership. In the case of the latter Eurodad will retain property rights of the research, i.e. it will be a consultancy contract.</p>
<p>Translation requirements: Does the full text need translating? If yes into which language(s)?</p>	<p>Ideally the case study research will be produced in the primary working language of the country so as to be most useful at the country level. If this is not the case, the leading organisation should make provisions to translate the case study into that language.</p> <p>If the case-studies are produced in a language other than English, French, Spanish or Portuguese, they will need to be translated into one of these languages in order to feed into the synthesis report.</p>
<p>Layout and print requirements</p>	
<p>Does the document need professional layout?</p>	<p>Each lead commissioning organisation will decide how the case-study will be published.</p>
<p>Does the document require external printing?</p>	<p>As above</p>
<p>Proposed timeline:</p>	
<p>We recognised that when case study research is done does depend to some degree on capacity and events in country. However it is crucial that all case studies are finalised by December 1st. And we recommend drafts are completed at latest one month before that in order to allow for in-country roundtable discussions. Please inform Lucy Hayes (lhayes@eurodad.org) when you will be doing the case study research so that a peer review plan can be set up.</p>	
<p>By mid August</p>	<p>Eurodad will produce key statistical/ background information on each country plus draft donor profiles.</p>
<p>September</p>	<p>Eurodad will do Sierra Leone case study</p>
<p>By October 31st</p>	<p>Final drafts of all other country case studies</p>
<p>November</p>	<p>Comment period for draft case studies</p> <ul style="list-style-type: none"> • Each case study to be peer reviewed by one other Eurodad member, and to be commented on by Sarah Mulley (UKAN) as primary other commentator for all case studies • Roundtable (or similar) to present and discuss draft with other CSOs and officials in case-study country • Circulate case study to officials (govt/ donor) as appropriate for comment/ fact checking.
<p>December 1st 2007</p>	<p>Final case studies</p>

Dissemination

Dissemination in country will be extremely important. It will be the responsibility of each Eurodad member to facilitate and ensure good dissemination in the case-study country.

We suggest you plan in advance how and when the findings of the research will be disseminated. Please keep Lucy Hayes informed of your plans on this front:

lhayes@eurodad.org

Dissemination strategy

How will the document be disseminated?

What specific opportunities for dissemination exist?

NB These case studies will feed into the *Synthesis Report and Influencing Strategy*. Please see separate overall TORs and dissemination and influencing strategy for more information.

Proposed peer review system

	Country	Lead Eurodad member	Research	Peer reviewer
1	Ghana	Ibis	SEND foundation	Trocaire/ CAFOD
2	Sierra Leone	Eurodad	Eurodad with CGG	Actionaid UK
3	Mozambique	Trócaire	Trócaire	CNCD
4	Niger/Benin	CNCD	Repaoc? Other?	Eurodad
5	Nicaragua	Trócaire	Trócaire/ partners	CNCD
6	Honduras	Trócaire	Trócaire/ partners	Ibis
7	Cambodia	Actionaid UK	Actionaid Cambodia	Trócaire/ CAFOD
9	Afghanistan?	Oxfam America	Oxfam America	To be added once confirmed
10	Sudan	Care International	Care	To be added once confirmed

Annex 3: Analytical Framework

Guiding questions	Research questions	Indicators	Method	Sources/Issues/Comments
A: Background				
1	Government a What kind of political system is in place?	Number of parties, role of parliament, structure of ministries, nature of the executive	Desk study	
2	CSOs a How active are CSOs? In service delivery? In advocacy with government? In advocacy with donors?	Number of CSOs	Desk study/ Interviews with CSOs	Additional questions: Who are the main CSOs working on aid effectiveness issues? What kind of activities do they work on? Can you give some specific examples?
3	Paris Declaration a How wide is knowledge of the Paris Declaration? i Among local donors? ii In government? iii Among CSOs b Has the Paris Declaration been translated into any local initiatives (action plans, monitoring processes etc)?	References to PD in local documents etc	Interviews/ Document search	Assess the GBS MoU and the PAP's PAF as examples of local translations of the Paris Declaration. Find out from both Government (different ministries) and NGOs how much knowledge they have of the Paris Declaration.

Guiding questions	Research questions	Indicators	Method	Sources/Issues/Comments
B: Ability of southern governments to hold donors to account: Has the Paris Declaration strengthened the role of governments in aid negotiations with donors?				
4	Is the government in a position to choose their aid? <ul style="list-style-type: none"> a Has the government got an aid management strategy? i If so, does this strategy set out the kind of aid they would prefer? b Have they ever refused aid/aid terms? 	Existence of aid management strategy	Interviews/ document search	There was a draft development cooperation policy being prepared in MINEC. You need to find out more about it. <i>Additional question: who is in charge of coordinating aid? Is the division of responsibility clear? Can you give specific examples of Govt refusing aid?</i>
5	Are governments able to influence donor behaviour and hold donors to account for their commitments? <ul style="list-style-type: none"> a What are the mechanisms for donors and government to work together? b Who chairs Consultative groups? c What do stakeholders say about the balance of power in consultative groups? d Do governments feel they can effectively implement their aid management strategies? Do donors think so? e Does the government think that it has made its aid more effective? What do donors/ civil society representatives think? 	Regulations/ common practices in aid management		Main reference here is MoU, but it covers only budget support. Joint Review mechanism needs to be described in detail, as it has substituted for Consultative Group meetings.

Guiding questions	Research questions	Indicators	Method	Sources/Issues/Comments
C: Ability of southern governments to set their own policies: Has the Paris Declaration increased the space for governments to determine their own policies?				
6 Do governments have real 'policy space' to determine their own development strategies?	a Does the government have an overarching development strategy?		Document review/	<i>Additional question: Are there clear examples of Govt adopting policies without or against donor consent? Has the Govt been able to negotiate effectively the content of the PAF?</i>
	b Has this strategy been debated and supported by parliament and citizens?		Interviews	
	c To what extent do civil society think this strategy reflects the priorities of the government, vis a vis those of donors?	# of conditions in the PAF		
	d Does civil society perceive government to be the key locus for decision-making, or do they still find it necessary to work directly with donors to influence policy?	Change in # of conditions since last/ last two PAFs		
	e How many conditions do donors put on budget support (in PAF and MoUs) and how have these changed since previous PAF?			
	f How much impact do donors have on the government's wider budget (beyond aid)?			
7 Are governments able to make decisions about spending aid money through normal budget discussions and negotiations?	a Is more aid being spent on budget since 2005? b Do CSOs see the budget process as an important locus for policymaking?		Interviews	Some data available in PAP's PAF reports and Paris Declaration survey for Mozambique.

Guiding questions	Research questions	Indicators	Method	Sources/Issues/Comments
8 How predictable is aid?	<p>a Do governments have accurate information about what aid money they are likely to receive?</p> <p>b What does the government say about the impacts of (potentially) unpredictable aid flows</p> <p>c What are the main reasons affecting the predictability of funding? Government capacity? Conditionality? Donor administrative systems</p>	<p>Money turns up on time.</p> <p>Conditions on aid not delaying aid disbursement</p> <p>Conditions in PAFS</p> <p>Conditions in MoUs</p>	<p>Document search</p> <p>Interviews</p> <p>Paris survey information</p>	
9 How effectively are donors supporting government capacity, institutions and systems?	<p>a What percentage of aid to country uses government systems (PFM, procurement etc?)</p> <p>b What are the reasons for not spending money through systems? What donor constraints? What government constraints?</p> <p>c How many mission-free weeks (if any) are there in the country per year?</p> <p>d What do donors do to ensure technical assistance responds to country needs?</p> <p>e Does the government (representative) think that technical assistance is:</p> <p>i Very useful</p> <p>ii Quite useful</p> <p>iii Not very useful</p> <p>iv Not at all useful</p> <p>f And why?</p>	<p>Donor and government views on what different constraints are for each party</p> <p>% of aid that is TA</p>	<p>Analysis of Paris data</p> <p>Interviews</p>	<p>See Paris Declaration survey for Mozambique</p>

Guiding questions	Research questions	Indicators	Method	Sources/Issues/Comments
D: Ability of citizens and parliaments to hold their governments and donors to account: Key question: Has the Paris Declaration made civil society more or less able to hold governments and donors to account and influence policy?				
10 How effectively are donors supporting civil society?	<p>a How much aid money is going to civil society?</p> <p>b Have CSOs' access to funding/ types of funding changed as a result of shifting aid modalities? (perception/ proof). :</p> <p>i Do CSOs perceive that funding has shifted for the better/ worse? How?</p> <p>ii Can CSOs show there is a link between this and changes as a result of Paris declaration implementation?</p> <p>c Are donors funding shifts to more "budget support" type funding also reflected in their funding of CSOs?</p> <p>d Are donors supporting civil society capacity?</p> <p>e Are CSOs funded in their role as watchdogs and providers of information as well as service deliverers?</p>		Interviews Document search	
11 Are citizens able to hold governments to account for their policies and delivery?	<p>a Do parliaments have full picture of budget revenue and do they approve aid contracts?</p> <p>b Is the information provided by governments accessible/ transparent/ timely?</p> <p>c Are citizens able to track government revenue and expenditure?</p>		Information published on websites, printed, in local/ national media Government response to requests for information	Interviews

Guiding questions	Research questions	Indicators	Method	Sources/Issues/Comments
12 Are citizens able to hold donors to account for their commitments?	<p>a Do donors publish detailed information about how they spend their money?</p> <p>b Is the information provided by donors accessible/ transparent/ timely?</p> <p>c Are citizens able to track aid inflows and spending?</p> <p>d How are citizens able to monitor donors for the aid (quantity/ quality) commitments that they have made?</p>	Information about aid programmes published on websites, printed and distributed to public, in media etc	Interviews	Additional questions: See for example http://www.odamoz.org.mz Are any CSOs making use of such information?
13 Have CSOs been able to influence policy?	<p>a Through which mechanisms is dialogue taking place with civil society?</p> <p>b How do governments/ donors respond to CSO inputs?</p> <p>c What do CSOs say about how influential these forums have been?</p>			
E: Independent information and evaluation: Who judges whether aid is working?				
14 Are changing mechanisms translating into improvements on the ground	<p>a Do (different stakeholders) perceive that there have been positive/ negative impacts on the ground as a result of changing practices?</p>			Please give specific examples
15 Are there effective monitoring and evaluation mechanisms in place?	<p>a Is the effectiveness of aid being monitored and evaluated (at country, donor HQ and international levels)? If so, by whom, and on what terms?</p> <p>b Does information on results feed back into improvements in the aid system?</p>		Interviews Interviews Document search	See, as a starting point, World Bank aid effectiveness review doc (http://siteresources.worldbank.org/CDFINTRANET/Overview/21458871/MozambiqueFINALDecember12006.doc)

Annex 4: Performance Assessment Framework Matrix of the PAPs

Objectives	Activities	No	AGGREGATED MATRIX FOR ALL PAPs	2006	2007	2008	2009	2010 Paris
			Indicators	Target	Target	Target	Target	Target
Portfolio Composition	GBS	1a	Individual PAPs provide at least 40% GBS (as % of ODA to Government)	40%	Yes	Yes	Yes	
		1b	% GBS in PAPs total ODA ⁴⁹	40%	40%	44%	48%	
Predictability	Program Aid	2	% Program-based aid in total PAPs ODA disbursed (Paris Indicator 9)	70%	72%	75%	80%	(66%)
	Commitment	3	% PAPs with multi-year agreements of not less than 3 years.	100%	100%	100%	100%	
	GBS	4	Commitments of GBS for year n+1 made within 4 weeks of the JR in year n	100%	100%	100%	100%	
	Disbursement	5	Disbursement of confirmed GBS commitment in the fiscal year for which it was scheduled, according to quarterly disbursement schedule as agreed with GoM	100%	100%	100%	100%	
All ODA to government	GBS	6	% PAPs ODA that is recorded in the government budget (Paris Indicator 3)	80%	82%	85%	90%	(>85%)
		7	PAPs ODA disbursed as percentage of aid recorded in government budget (Paris indicator 7)	new	To be defined	To be defined	To be defined	(halve gap)
Harmonization and Alignment	Harmonization of	8	PAPs adhere to GBS common conditionality.	95%	100%	100%	100%	
	conditionality	9	Number of PAPs with NO Annex 10 exceptions	13	14	14	15	
		10a	Strict harmonization between new bilateral agreements for GBS and MoU	100%	100%	100%	100%	
Utilization of government systems and reporting	Utilization of government	11	% PAPs ODA using Country Public Financial Management Systems (Paris indicator 5a)					
	systems and reporting	11a	% PAPs ODA disbursed using national budget execution procedures (Paris Indicator 5a)	45%	45%	55%	60%	

⁴⁹ PAPs ODA in this matrix only includes ODA to Government

Objectives **Activities** **No** **AGGREGATED MATRIX FOR ALL PAPS**

		Indicators		2006	2007	2008	2009	2010
		Target	Target	Target	Target	Target	Target	Target
11b	% PAPS ODA disbursed audited using national auditing procedures only (Paris Indicator 5a)	new		40%	42%	45%		
11c	% PAPS ODA disbursed using national financial reporting procedures (Paris Indicator 5a)	replacement		45%	55%	60%		
12	% PAPS ODA disbursed using national procurement systems (Paris Indicator 5b)	45%		45%	55%	60%		(2/3 reduction in non-use)
13	% Sector programmes that comply with indicators 11a, 11c and 12	new		?	?	?		
14a	% of total missions that are joint (Paris Indicator 10a)	20%		30%	35%	40%		(40% joint)
14b	Total number of missions	160		140	120	100		
15	% of analytical work that is coordinated (Paris indicator 10b)	50%		55%	60%	65%		(66% joint)
16	Donors agree "quiet period" with GoM and implement it	Reach agreement and implement		Yes	Yes	Yes		
17	Number of parallel PIUs (Paris indicator 6)	new		27	22	17		(2/3 reduction)
18	% PAPS TC provided through co-ordinated programmes (Paris Indicator 4)	new		50%	55%	60%		(50%)
19	% sector-wide TC as a percentage of total TC	Agreement on guidelines for national capacity development support		13%	16%	20%		

Objectives	Activities	Σ (points)	INDIVIDUAL MATRIX					2010 Paris Target
			2006 Target	2007 Target	2008 Target	2009 Target	2010 Paris Target	
Portfolio Composition	GBS	1a (4)	PAP provides at least 40% GBS (as % of ODA to Government)	40%	Yes	Yes	Yes	
	Program Aid	2 (4)	% Program-based aid of total ODA disbursed by PAP (Paris Indicator 9)	70%	72%	75%	80%	(66%)
Predictability	Commitment	3 (3)	PAP has multi-year agreements of not less than 3 years.	yes	yes	yes	yes	
	GBS	4 (3)	Commitment of GBS for year n+1 made within 4 weeks of the Joint Review in year n	yes	yes	yes	yes	
Disbursement	GBS	5 (4)	Disbursement of confirmed GBS commitment in the fiscal year for which it was scheduled, according to quarterly disbursement schedule as agreed with GoM	yes	yes	yes	yes	
		6 (2)	% PAP's ODA that is recorded in the government budget (Paris Indicator 3)	80%	82%	85%	90%	(>85%)
All ODA to government		7 (2)	ODA disbursed by PAP as percentage of its aid recorded in government budget (Paris indicator 7)	new	To be defined	To be defined	To be defined	(halve gap)
	Harmonization of and Alignment	8 (2)	PAP adheres to GBS common conditionality.	yes	yes	yes	yes	
Utilization of government systems and reporting		9 (1)	PAP has NO GBS MoU Annex 10 exceptions	yes	yes	yes	yes	
		10 (1)	Strict harmonization between PAP bilateral agreement for GBS and MoU	yes	yes	yes	yes	
Utilization of government systems and reporting		11	% PAP's ODA disbursed using Country Public Financial Management Systems (Paris indicator 5a)	45%	45%	55%	60%	
		11a (2)	% PAP's ODA disbursed using national budget execution procedures (Paris Indicator 5a)	45%	45%	55%	60%	
	11b (1)	% PAP's ODA disbursed audited using national auditing procedures only (Paris Indicator 5a)	new	40%	42%	45%	45%	

Objectives	Activities	Σ (points)	INDIVIDUAL MATRIX					2010 Paris Target
			2006 Target	2007 Target	2008 Target	2009 Target	2009 Target	
			Indicators					
		11c (2)	% PAP's ODA disbursed using national financial reporting procedures (Paris Indicator 5a)	replacement	45%	55%	60%	
		12 (2)	% PAP's ODA disbursed using national procurement systems (Paris Indicator 5b)	45%	45%	55%	60%	(2/3 reduction in non-use)
		14a (1)	% of total missions by PAP that are joint (Paris Indicator 10a)	20%	30%	35%	40%	(40% joint)
		15 (1)	% of analytical work by PAP that is coordinated (Paris indicator 10b)	50%	55%	60%	65%	(66% joint)
Capacity Strengthening	Project Implementation Units	17 (2)	Number of parallel PIUs (based on list agreed for OECD/DAC questionnaire) (Paris indicator 6)	new	Zero or number reduced	Zero or number reduced	Zero or number reduced	(2/3 reduction)
Technical cooperation		18 (2)	% PAP's TC provided through co-ordinated programmes (Paris Indicator 4)	new	50%	55%	60%	(50%)
		19 (1)	% sector-wide TC of PAP as a percentage of total TC by PAP	Agreement on guidelines for national capacity development support	13%	16%	20%	

Annex 5: Historical Summary of External Aid

Mozambique	
1975	Proclamation of the Independency of Mozambique
1997	<ul style="list-style-type: none"> • Central planned economy adopted • Creation of the Mozambique National Resistance (MNR) (to become later RENAMO) and begin of the civil war
1978	<ul style="list-style-type: none"> • Creation of the Executive Councils in the Districts and Cities
1983	<ul style="list-style-type: none"> • Economic Crisis and worsening of the war • Start of the change to market-oriented approach. Mozambique is admitted to IMF and World Bank • Start of the Programme for Economic Rehabilitation (PRE)
1987	<ul style="list-style-type: none"> • Start of the Programme for Economic and Social Rehabilitation (PRES)
1990	<ul style="list-style-type: none"> • New Constitution approved
1991	<ul style="list-style-type: none"> • First Seminar on Decentralization and Autonomy of Local Bodies (Maputo, 11/1991)
1992	<ul style="list-style-type: none"> • General Peace Agreement ends the civil war • Start of the Programme for Reform of Local State Bodies (PROL)
1993	<ul style="list-style-type: none"> • Peace keeping operations starts
1994	<ul style="list-style-type: none"> • 1st multi-party Presidential and Parliamentary Elections • Municipal District Law passed (Lei 3/94, 13/09/1994)
1995	<ul style="list-style-type: none"> • Peace keeping operations ends • Banking crisis: WB and IMF condition aid on privatisation of two state owned banks.
1996	<ul style="list-style-type: none"> • Municipal District Law rescinded • Constitutional Revision (Local Government, Municipalities)
1997	<ul style="list-style-type: none"> • Municipal Legislation Package passed (02/1997) • Land Law passed • Heavily Indebted Poor Countries (HIPC) debt relief agreed
1998	<ul style="list-style-type: none"> • Guidelines for District Development Plans • 1st Municipal Elections (30/06/1998) • Regulation of Land Law • NGO Registration and Reporting Decree
1999	<ul style="list-style-type: none"> • 2nd Presidential and Parliamentary Elections • Joint donor reviews in 1998 and 1999 lead to proposal to coordinate budget support.
2000	<ul style="list-style-type: none"> • Decree 15/2000 and Ministerial Diploma 102-A/2000 (interaction OLE and Community Authorities) • PARPA I (2001-2005) approved • Millennium Declaration / Millennium Development Goals (09/2000)

2001	<ul style="list-style-type: none"> • Global Strategy for the Public Sector Reform, 2001-2011, (25/06/2001) • ODA inflows increase from USD 933 millions in 2001 to USD 2,330 millions in 2002.
2002	<ul style="list-style-type: none"> • Monterrey Consensus of the International Conference on Financing for Development (21-21/03/2002) • Law on creation of SISTAF • Regulation of Forestry and Wildlife Law
2003	<ul style="list-style-type: none"> • Rome High Level Forum on Harmonization (22-25/02/2003) / Rome Declaration on Harmonization • Law on Local Organs of the State, LOLE (05/2003) • Agenda 2025 - Visão e Estratégias da Nação. • Guidelines for Community Participation and Consultation in the District Planning, Despacho Ministerial (10/2003) • 2nd Municipal Elections (11/2003)
2004	<ul style="list-style-type: none"> • New Constitution of the Republic (new aspects: local Government, Participation (12/2004) • 3rd Presidential and Parliamentary Elections (12/2004) • Memorandum of Understanding between the Government of Mozambique and the Programme Aid Partners for the provision of Direct Budget and Balance of Payments Support (05/04/2004) (G15 = Belgium, Denmark, EC, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Sweden, Switzerland, UK and World Bank)
2005	<ul style="list-style-type: none"> • Paris High Level Forum on Aid (28/02-02/03/2005) / Paris Declaration on Aid Effectiveness • Regulation of LOLE (06/2005) • PARPA II (2006-2010) discussed with civil society
2006	<ul style="list-style-type: none"> • Guidelines for Economic and Social Plan and State Budget, PESOE (PESOD and PESOP) • PARPA II 2006-2010 approved (05/2006) • Consultancy on Scenarios for Decentralization Policy
2007	<ul style="list-style-type: none"> • Creation of ODAmoz (Database of Official Development Assistance for Mozambique)
2008	<ul style="list-style-type: none"> • Ghana High Level Forum on Aid • 1st Provincial Assembly Elections • 3rd Municipal Elections
2009	<ul style="list-style-type: none"> • 4th Presidential and Parliamentary Elections

Annex 6: Total volume of aid in US\$

Donor	2005	2006	2007
AfDB	168,058,209	125,562,524	62,774,627
Austria	3,993,806	6,975,931	4,538,819
Belgium	11,277,916	12,973,256	14,635,714
Canada	38,100,514	43,669,447	43,802,397
Denmark	45,469,339	42,211,622	46,783,610
EC	186,871,860	171,513,853	251,918,271
Finland	26,856,633	28,905,197	27,015,939
France	18,855,396	48,988,997	34,596,514
Germany	32,205,246	44,947,590	75,565,237
Ireland	28,588,640	29,247,559	53,142,754
Italy	26,378,347	31,953,296	40,296,481
Japan	406,204	13,794,773	28,507,331
The Netherlands	56,725,643	66,809,387	91,853,611
Norway	56,679,716	49,464,052	51,548,786
Portugal	25,916,560	24,695,199	5,545,161
Spain	23,166,330	27,272,416	26,201,759
Sweden	78,971,158	95,688,006	105,369,599
Switzerland	21,883,939	20,804,283	17,713,899
United Kingdom	74,786,941	99,838,380	117,010,225
USA	58,348,343	79,337,636	91,321,037
World Bank	240,820,000	223,405,000	241,070,000
Grand Total	1,224,360,740	1,288,058,404	1,431,211,771
UN Agencies	2005	2006	2007
FAO	4,404,106	8,359,582	9,783,340
UNDP	5,121,052	6,651,592	15,278,856
UNESCO	0	302,917	3,222,560
FNUAP	0	0	14,974,346
UNHABITAT	442,992	161,581	0
ACNUR	0	0	450.75
UNICEF	7,466,660	8,110,257	27,787,296
UNIDO	101,212	1,874,700	0
WFP	27,248,000	28,784,000	13,267,235
WHO	0	2,283,509	7,198,493
Grand total	44,784,022	56,528,138	91,512,577

Source: <http://www.odamoz.org.mz>