

Technical Assistance to the Ministry of Planning and Finance in Mozambique

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Department for Africa

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Sida Evaluation 99/33

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Preface

This evaluation report represents a mid term review of the programme of technical assistance to the Gabinete de Estudos (GE) in the Mozambique Ministry of Planning and Finance (MPF). Harvard Institute of International Development (HIID) is implementing the programme of technical assistance, and the financing of the programme is shared by the development agencies of Norway, Sweden and Switzerland. The technical support project has been ongoing for a little over 2 years and the contract between the Government of Mozambique and HIID is for a period of 5 years. The purpose of the evaluation is to provide a basis for the dialogue between the Government of Mozambique, HIID and the three donor countries on the next phase (second half) of the 5-year project.

The mid term review is carried out on the basis of a Terms of Reference agreed between the three donors. The review team has consisted of economists Svein Jørgensen and Dag Aarnes from Nordic Consulting Group, Norway. The team visited Maputo in the period 4th to 12th of October 1999, and had interviews with the Minister and Vice Minister of the Ministry of Planning and Finance, the National Directors and a number of staff members in the MPF, including all the staff in the GE. The team further met with representatives of Bank of Mozambique, the University of Eduardo Mondlane (UEM), UNDP capacity building programme and donor organisations. The team has also used written questionnaires to interview a number of people who either have worked in or collaborated with GE.

During the course of the evaluation the team was assisted by the economists at the Embassies of Sweden, Norway and Switzerland, who acted as resource persons.

The review team would like to thank all the people met for their kind and valuable assistance.

1. Summary of findings

Strong local ownership of project

The main important conclusion regarding the establishment of the GE is that the project was not donor driven or the result of outside pressure. GE was established as a result of a well defined and felt need on the part of the Mozambique government. The Government expresses strong ownership in the project and is committed to maintaining the role of the GE. The GE was established due to political and economic developments in Mozambique in 1995 and 1996. In particular it seems that the Government was motivated by the need to be better prepared in the dialogue and negotiations with the donor community, IMF and World Bank, but also by the wish to give more thrust to medium term policy formulation, fiscal management and structural reforms in the economy.

Important contributions to core economic policy functions

The review team finds that the GE has contributed to a number of very important processes in the conduct of economic policy in Mozambique. The improvements in policy formulation is already recognised by the donor community. The unit has adapted to changing needs and responded quickly. All the beneficiaries of GE underline that the work carried out has been of high quality and delivered timely. Particular mention is made of the HIPC process and the drafting of the Policy Framework Paper (PFP). In this connection it is important to bear in mind that a project like this can be very useful for the country since the potential benefits of improved economic policies easily can outweigh project costs.

Lack of strategic organisational planning in MPF

GE is set up as an independent advisory unit within the ministry. It is directly responsible to the minister and the director of GE holds the same formal rank in MPF as the National Directors who head the main departments. There are no concrete plans for a more formalised organisational set-up of the GE. The ministry is of the opinion that a free advisory role is a better platform to carry out the functions. The argument is that the GE should not be “bogged down” by day-to-day tasks.

The review team finds that the organisational set-up will inevitably reduce the longer-term capacity building potential of such a project. The political leadership in the MPF has understandably focused on the immediate policy issues. The Ministry itself has not addressed the issues of defining the role of the GE as a permanent unit in the Ministry. The ministry does not have a central administrative leader in the form of a permanent secretary who could advise the minister on strategic organisational issues.

Lack of results in capacity building

The main weakness of the project is clearly the lack of capacity building and training achievements. There are two important reasons for this. The first is the lacking ability to recruit new staff. The second is the ad hoc nature of much of the work. Important links to other core policy institutions have not been institutionalised and very little effort has been made to document for later routine use the analytical tools that have been developed. Output has been a series of single research documents, not a cost effective and structured regular production of economic policy documents that could involve and train more regular ministry staff.

The project has managed to build local capacity in terms of:

- A professionally recognised and functioning GE office (physical installations etc) with improved routines, policy management systems and analytical tools,
- Two senior Mozambican economists and the HIID TA team who have addressed urgent macroeconomic policy issues,
- Two young economists who mainly have been working on their licentiate since their arrival 1 1/2 years ago,
- One young female economist recently employed.

The number and qualifications of Mozambican staff in the GE have fallen significantly short of the planned numbers when the project was initiated. This is both due to the general lack of skilled economists in the country¹, the low salaries offered by the Government and the initial prospects of a “topping up” of salaries to attract senior economists to the GE (which delayed recruitment of young professionals). But even given these serious constraints, the activity lists presented in progress reports and the interviews carried out clearly show that more concerted and systematic capacity building in the GE could have been carried out by the GE management and HIID team. Apparently the main interest and focus of both the GE manager and his HIID counterpart have been to address challenging and interesting macroeconomic policy issues, and not to the same extent the task of recruiting and training young professionals. Such priorities also fit naturally into the urgent needs of the political leadership of the MPF.

Although the donors have underlined the need for capacity building as the main issue and concern in the progress meetings, they have clearly not succeeded in this respect. This is also reflected in the annual work plans and progress reports which focus more on tasks to be performed than staff to be recruited and training to be carried out. Quantitative targets for recruitment and time to be set aside for training could possibly have helped in this respect. But the team also feel that more strict and demanding monitoring by the donors could have been carried out.

Undoubtedly the two senior Mozambican staff in the GE have benefited daily from the interaction with the HIID advisors and with each other. At this level joint preparation and discussions of papers, comments to each other's work, etc is a conducive way of capacity building. But in addition to the almost complete lack of on-the-job training of young professionals (even when they had someone to train), also the number of workshops/seminars and training activities actually carried out fall clearly short of the planned level of such training each year.

¹ The lack of qualified economists in Mozambique and the low output at the Faculty of Economics at UEM is a fundamental problem that needs to be addressed strongly. It will not only be a limiting factor for the recruitment and capacity building in the GE, but for the growth of the economy in general.

With the recent arrival of the new HIID team leader there appears to be a clear change in attitude towards long-term capacity building. Through discussions with the review team and in his proposed Directions for Development of the Gabinete de Estudos, it is clearly demonstrated that much more long-term capacity building will be carried out. Even though this will occupy capacity to address short-term tasks, it will hopefully be supported by the GE management and political leadership of the MPF. In this respect donors will have to follow-up the activities through a much more stringent monitoring through progress reports and meetings.

Very limited output from the involvement with the university

The assistance to enhance the research capacity at the Faculty of Economics at the UEM ran into a number of problems:

- there are very few people at the Faculty that do research both because of the general lack of qualified researchers and because the senior staff need to carry out consulting work, etc to supplement their income,
- the working conditions at the faculty were very difficult including serious differences between different groups of the faculty and the university,
- there was no reconciliation of the TA by HIID person with the TA provided by a number of Italian professionals
- the HIID staff did not speak Portuguese which apparently was a major hindrance for his lecturing (the lecture series had to be stopped),
- the work carried out by the advisor, namely to assist in the preparation of the Project Document for a Centre for Applied Economic Studies, and later assist in its implementation, was stopped due to disagreements within the Mozambican side as to its organisational location and degree of independence.

But even when taking these hampering factors into consideration, it appears that the output of the HIID advisor was much less than could be expected.

2. Recommendations

The review team will recommend that the financial support for the TA to GE is continued. However, further support should be made contingent upon an improved follow-up of the original intention of the project which was to build lasting capacity. This intention is spelled out in the project document and the contracts between MPF and HIID. The review team finds that the contracts and agreements pertaining to the project are adequate. What has been missing is the implementation of the agreement. The responsibility would here fall on all involved parties.

Essentially, the proposals aim at strengthening capacity building in two ways. The first is to institutionalise GE and give it a robust and clearly defined role in the ministry as a regular department. The second is to recruit and train more personnel through changed work practices and more formalized training. This main recommendation of the review is further dealt with in Proposal 4 below.

Proposal 1. Carry out a full organisational study of MPF with the view to strengthen and institutionalise economic policy functions

The review team would recommend that a study is commissioned to look at a more integrated organisational set-up for the GE. To have GE more integrated in the Ministry would have three advantages. First, it would, in our view make the organisation more robust to political and other changes. Second, since capacity building is not only training of personnel, but also the establishment of institutionalised work practises and work programmes, we believe capacity building would improve. Third, the tasks performed by an economic policy unit can be more cost effective if it is linked to an institution performing routine tasks. Some of the papers produced by GE could clearly have been made more cost effective if the work had been organised in a more regular way.

Consequently it would be beneficial to study the possibility of carrying out a reorganisation of the MPF with a view to include the functions of the GE as a regular macroeconomic policy unit (Economics Department) with a regular institutional set-up as a department (national directorate) in the ministry. The main benefit would in our view be to improve the prospects of lasting capacity building and cost effective operation. In such a position the Department would have the same freedom as the GE to carry out research and advise independently since only a few tasks such as drafting and co-ordinating the Policy Framework Paper, CG-meeting reports should be institutionalised.

The issue is not whether an Economics Department becomes bogged down by day-to-day tasks, but to assign the responsibility for defining and analysing longer term policy issues to a regular and properly staffed unit. The proposal is to institutionalise economic policy making and to relieve senior staff in other departments of the policy and research functions. The budget implementation and the tax administration deserve the full attention of the departments assigned to these tasks.

Such a organisational study of the MPF would also have to bring up other issues pertaining to the tasks of a finance ministry. Several of these issues are outside the scope of this study. But an issue that needs to be addressed is whether a tax department should be both responsible for tax policy formulation and tax collection. Several countries in the region have come to the conclusion that it is beneficial to separate those two functions and leave the objective administrative task of collecting the taxes to a unit which is formally independent from the ministry in its day-

to-day operations. What it all boils down to is that the MPF needs to institutionalise its role as a policy unit and rethink its organisation of administrative (day-to-day) tasks.

Proposal 2 Develop GE into an institution that links economic policy and statistics institutions into formalised co-operation on economic analysis.

GE should develop stronger links to other institutions by holding regular meetings and co-produce regular reports on data issues, macroeconomic modelling and assessment of economic developments. Experiences from other countries indicate that limited personnel resources are more effectively used if different institutions link up and co-operate on economic policy analysis on a regular basis.

It would be particularly important to link up closely with INE and Bank of Mozambique but also with the other departments of the ministry. Given the limited access to qualified personnel in Mozambique it is of outmost importance to use available resources in a more efficient manner. The country can ill afford to have a fully staffed and relatively large research department in its central bank when it is unable to staff the economic policy unit in the ministry of finance.

Proposal 3. GE should become more involved in work aimed at improving data quality

Proper economic policies must be based on reliable and timely data on economic developments. GE has had an ad hoc approach to data needs and only been involved in data issues as and when needs have arisen. Such a mode of work does not build capacity and is not cost effective. The GE should actively address the issue of regular upkeep of the production and dissemination of data. This would benefit GE itself and also INE. A World Bank trust fund is financing a programme for improved statistical production in INE. GE should co-ordinate and work with that and other statistical development projects in order to ensure that the country's need for improved economic statistics is being met.

Proposal 4. More emphasis on capacity building through concerted training

In order that the project may achieve its long term capacity building targets, namely to create an effective national capacity that will allow for greater autonomy in the future, concerted recruitment and training of young economists in the GE will have to be carried out. A realistic Programme for Capacity Building should therefore be developed and included in the Annual Report for 1999 (which includes work plan for year 2000). The Programme should cover the remaining TA period, and be based on a careful balance between short term needs of the Ministry and enhanced medium-term capacity building. The capacity building programme should be based on or take into consideration the following:

- recruitment/retention of junior staff for dedicated training and career development with aim that there are about 10 junior staff and 5 senior staff in the GE by the end of 2001²,
- emphasis on recruitment of female economists to balance the present male dominance of the GE
- assignment of about two junior staff to each senior in the GE who act as their individual training advisor

² The team fully recognises the difficulty in such a recruitment given the present lack of qualified economists in Mozambique, the low output at the University, the low salaries and benefits in the Government as compared to the rising demand and competition from the private sector, donors, etc. But the team feels it is important that such ambitious targets are set in order that a significant increase in GE's professional capacity can be achieved. The realism of the targets and cost-effective ways and means to reach them should be elaborated by the GE.

- allocation of specific time budget for training (say about 30% of total time), either as tutor or as trainee, which is regarded as an obligation/ right of the senior/junior staff
- development of career plans for each junior staff including the possibility of university courses/training abroad,
- active involvement of junior staff in specific tasks during which dedicated on-job-training is carried out
- active advertising of the capacity building and career development programme in the GE to the economic community in Mozambique in order that it becomes well known as an attractive work place for young economists
- when feasible, involvement of staff from the national directorates and other government bodies (including the Faculty of Economics) in the training activities (mainly seminars and courses) carried out by the GE.

As basis for monitoring of the capacity building the future quarterly and annual progress reports should include specified training and capacity building targets for the coming period and progress during the past period. In order that the progress reports and meetings can serve as a tool for enhanced capacity building, it is also important that the donors play an active part in monitoring of the progress.

Proposal 5. Reorientation of the assistance to the Faculty of Economics

It is recommended that the HIID position as Lecturer and Researcher at the UEM is discontinued, and that the replacement of the advisor also be involved in economic policy work and capacity building at the GE. In order to compensate for this it is recommended that also other senior staff of the GE are involved in teaching and research supervision at the UEM as found appropriate.

The GE should contract out research activities to the faculty based on own need for deeper analyses, pay for the research and supervise it.

Possible technical assistance to the establishment of a Centre for Applied Economic Studies should only be resumed when the Mozambican side has reached full agreement on the organisational location and independence of the centre, and the African Capacity Building Foundation has agreed to fund it.

The fundamental issue of improving the working conditions, the teaching, the research and the output of students at the Faculty of Economics needs to be addressed by GOM and donors as a separate project based on a full review of the situation.

3. Economic and political background

The peace agreement signed in 1992 ended a long period of civil war in Mozambique. In 1994 the first multi-party elections were held, and the country now enjoys peace and relative stability. Mozambique faces enormous development challenges and it will take years to rebuild the economy and the infrastructure after the long war period and economic mismanagement. Poverty is pervasive in Mozambique. GDP per capita is still one of the lowest in the SSA region. Life expectancy at birth is as low as 45 years, primary school enrolment and access to basic services are all well below SSA average.

Mozambique is, however, endowed with vast untapped natural resources, which can be turned into exports of agricultural commodities, wood products, fish, and energy. The country's location is also ideal for trading with other countries in the region.

The economic reform program, away from the state controlled economy started already in 1987. Exchange rate, interest rates have been freed, quantitative and other restrictions on trade have been lifted and a very active privatisation programme was started.

Economic developments in Mozambique have been relatively favourable since the beginning of the 90ties. Economic growth, albeit from a very low level of production, averaged almost 7 percent in the 1993–96 period, rose to more than 11 in 1997 and continued at this level into 1998 and 1999. A tight monetary policy has reduced inflation to single digit levels and the metical has been relatively stable for the last 5 years. Mozambique is now the fastest growing nation on the African continent.

The public sector in Mozambique is faced with enormous challenges. Overall the capacity to implement reform programmes is low due to inefficient organisation and lack of incentives in the public service. The salary structure has been compressed and there are great difficulties in recruiting and retaining professional staff to most ministries, including the core economic institutions.

Table 3.1 Main characteristics of the Civil Service (Central Government). Mozambique.

	Mozambique	Sub-Sahara average
Number of civil servants	105 000	
Percentage of population	0,8	1,0
Wage bill as percentage of GDP	3,7	5,8
Wage bill as percentage of revenue	20,9	35,4
Wage bill per employee as a multiple of GDP pr. Capita	5,4	7,6

The central government wage bill is considerably lower as a percentage of GDP than the SSA average. Efforts to improve the performance of the civil service has therefore not centred as much on cuts in the number of staff, but more on improving the incentive structure and decompressing the salary structure and general capacity building.

The government of Mozambique appears to attach political priority to its program of public administration reform, consisting of civil service reform, decentralisation, and capacity building.

The ratio of the highest to the lowest salary has been increased and a new system of career streams and remuneration has been introduced. The government has also announced that it intends to set transparent regulations regarding the “topping up” of civil service salaries in the context of the reform.

There are a number of technical assistance programmes in the area of financial management, budgeting, statistics and economic policy in Mozambique. A high number of donors are involved and there appears to almost be a competition among donors to be allowed to take part in these kinds of programmes. The table below lists some of the main donor involvement.

Table 3.2 Donors involvement in technical assistance programmes in Mozambique.

Policy Area	Technical assistance from:
Fiscal policy and public sector reform	IMF, World Bank, EU, Sweden, Norway, UK, France, UNDP, Switzerland
Improvement in the budgeting process	DFID
Accounting and auditing	Sweden, Switzerland, Portugal, France
Monetary and exchange rate policies	IMF, AfDB, Denmark, UK
Financial sector reform	IMF
Statistics	World Bank, Norway, Sweden, UNDP

4. The Ge – HIID Project

4.1 The establishment of GE

The establishment of GE is linked to political and economic developments in Mozambique in 1995 and 1996. The country faced enormous challenges in reformulating its economic policies after the peace agreement and the elections, and lacked capacity to carry out the many tasks. The Government of Mozambique recognised the need to improve the quality of economic planning and increase the capacity to formulate and implement the economic reform programme. In particular the establishment of GE was motivated by the wish to be better prepared in the negotiations with the IMF, the World Bank and the donors.

The establishment of GE was also meant to meet the demand for medium term economic planning with a particular reference to the issue of resource allocation in the public sector, the handling of foreign debt obligations and the timing and design of structural reforms in the economy. Main such issues were the formulation of an economic growth strategy which would include a redesign of the tax system, privatisation and regulatory reform and the development of improved systems for government borrowing and the development of better functioning financial markets.

There is very little disagreement among observers of economic and political developments in Mozambique regarding the need to improve the advisory and technical functions for which the GE was given responsibility. There is also little disagreement that the tasks carried out by GE are not of a temporary nature. They are regular policy functions that will need to be continued indefinitely. Furthermore, it is also a fact that the tasks performed by GE formally lie in other existing units of the ministry, in particular in the Budget and Planning Department.

The main question arising from the process of establishing GE is therefore not the rationale as such but rather the reason why it was given its particular role and institutional set-up. GE was from the outset designed to be an advisory body with as few regular day to day tasks as possible, and it was set up in competition with other units in the ministry. The reason for this was linked to a number of issues and concerns:

- According to a several of the interviewed, one possible explanation is the fact that there is a tradition in the Portuguese system of government to set up such advisory technical groups as the GE. This is meant to be a think tank for all departments in the ministry.
- It also appears that it was a matter of convenience for the staff that was chosen for the GE. The independent status gave them a degree of freedom and ability to move in and out of issues as it appeared interesting and academically challenging.
- Creating a regular department or directorate would have entailed a long process of negotiation of the sharing of responsibilities with the other departments. As ministries in Mozambique do not have a permanent secretary, carrying through such reorganisations is a cumbersome process which can easily be stopped by existing department heads.

Direct contact between the Minister of Finance and the Harvard Institute for International Development (HIID) was established in early 1996, and several bilateral donors was contacted in order to find funding for the programme. The contract for the programme was signed in March 1997. The review finds that the establishment of GE was not what is usually referred to as donor

driven, but that the project appears to have emerged because of a clearly identified and felt need on the part of the Mozambique government.

4.2 Organisational set-up and role

The GE is directly responsible to the Minister and its manager has the title of National Director. This position is at the same level as the heads of the 6 National Directorates of the Ministry, namely:

- Treasury (5%)
- Planning and Budgeting (80%)
- Accounting (5%)
- Taxation and Auditing (10%)
- Customs
- Assets Management.

The Director of GE is a full member of the Technical Board of the Ministry (highest co-ordinating body in the Ministry), a body which also participates in joint weekly meetings with Bank of Mozambique.

The GE acts as an advisory body to the Minister (staff position) and works closely with the National Directorates which are responsible for the day-to-day work. It has no “institutionalised” tasks. Although it is responsible directly to the Minister, a lot of the work carried out by GE are initiated directly in collaboration with the directorates involved. However, all major tasks to be carried out are clarified with the Minister.

The percentage distribution of GE’s work with the national directorates is shown in brackets above. GE’s fairly independent role and location within the Ministry was discussed with GE, the directorates and the Vice Minister. Two different alternatives were discussed:

- to make it an independent macro economic policy unit completely outside the Ministry
- to make it into a “National Directorate of Economics” within the Ministry.

During the initial interviews about the organisational position of the GE in the Ministry, all respondents wanted it to stay in an independent advisory position within the Ministry, as the case is today. They maintained that it was an advantage to keep it in a position free of day-to-day work in order that it could focus on central issues in the medium to long-term perspective.

One National Director, however, would like to assign more specific tasks into the TOR for the GE since the present ones are very general (study and review of economic policy documents, preparation of memos, research, etc). Nobody wanted it to become an independent unit outside the Ministry. In this connection it is worth mentioning that Bank of Mozambique already has a Department for Economic Studies and Statistics with a professional staff of 23, and that a Centre for Applied Economic Studies is proposed to be created at or linked to the University. The economic studies section of the BOM Department (over 10 professionals) is mainly engaged in short-term studies required for immediate management decisions and regular reports.

Despite that the GE has no “institutionalised” tasks, there were no fears among the national directors or political leadership that it would disappear given changes in the political environment, staffing/TA or donor funding. The reasons for this are both that the Ministry expresses

strong ownership to the GE, not at least the Minister and the Vice Minister interviewed, and that its work is highly appreciated by the directorates and the political leadership. Clearly the policy functions carried out by the GE are badly needed and appreciated within the Government, and also by units outside the Ministry.

During the week of review the Team explained more fully the concept of a possible “Economics Department”, *inter alia* that it only would have a few regular tasks most of which already are carried out by the GE (and most likely a few macro tasks now the Planning and Budget Department). Thus there would be ample time for ad hoc tasks, studies and more in-depth analyses as required by the circumstances.

The tasks of an “Economics Department” would centre around an annual (or bi-annual) economic policy document that would be used in the economic policy debate in Mozambique and in the dialogue with the donors. The government needs to state its economic policy objectives and analysis of the economic situation in a co-ordinated way both as it presents its budget and its plans for medium term growth strategy and structural reforms to parliament and to the international community who is financing much of the programme. This single document would both cover the issues in the present “Economic and Social Plan”, the Policy Framework Paper and various other CG-reports. The point is that these are three interrelated processes which need to be co-ordinated.

In the case of the MPF in Mozambique this would clearly have to involve a transfer of tasks from the Budget and Planning Directorate to the new directorate. In addition to this, an economics department should produce and distribute as widely as possible, regular (monthly or quarterly) reports on the core economic development issues. This would have to be done in close collaboration with the central bank and the statistical office, INE, and could be the result of monthly meetings between representatives of the institutions. The point is that capacity to understand and analyse an economy can only be built gradually and by actually following developments on a regular basis. The techniques used to, for example, analyse inflation and exchange rate developments must be documented by the senior personnel who develop them so that more junior staff can take over and produce the regular reporting.

A good example of how this could be done is found in the reporting on inflation developments in Mozambique. The INE produces a monthly report with a formalised and not commented presentation of last month’s figures (*Índice de Precos no Consumidor*). The GE, on the other hand has, in the course of this year produced a detailed and analytical paper on inflation. Capacity building in this regard would be to report monthly on inflation developments using the GE-paper analytical approach and the figures from INE. If it could also be combined with a monthly discussion with the central bank, who also monitors inflation closely, it would be even better. This type of “day to day” work provides cost effective training and capacity building, and it does provide a basis for policy making.

Other regular tasks of an economics department would be the use and development of the macroeconomic model and the models used in the medium term fiscal planning. In addition, such an institution would be required to maintain close contact with professional economists and specialists in Mozambique and abroad in order to establish task forces that could produce proposals for things like tax policy changes or a new system of government borrowing in the money market etc. The point is all along to use available analytical resources cost effectively, to document and institutionalise analytical work and build capacity in the MPF.

In addition to “cementing” the main regular functions carried out by the GE, it would also enhance GE’s productivity of performing these tasks. The main reason for this is that the tasks can be assigned to designated people within the unit who would perform them quicker and better both due to experiences gained and work procedures developed. At the end of the review the team felt that there was more positive response to the idea of creating an “Economics Department” than in the beginning.

In MPF there is an on-going capacity building programme sponsored by the UNDP. The review team found that the two projects are not as well co-ordinated as would have been desirable. The two technical assistance programmes have similar and over-lapping objectives, but appear, in fact, to be competing to carry out some of the core advisory functions in the ministry. This is caused both by design and planning of the two projects and by the way they are implemented. The initiative to start a process of pooling resources from the two projects and co-ordinating the work must come from the Mozambique government, but there is clearly a need for the donors also to address this problem. It has, however been beyond the scope of this study to point out the concrete solutions to this problem.

The review team has reviewed cost effectiveness of the project and tried to compare it with other similar projects. The 1999 budget reveal that the short term consultants is planned to cost about 160 dollars per hour and the resident advisors about 100 dollars per hour, all costs included. In view of the competence of the staff and the nature of the work this is not excessive. However, the team feels that it is somewhat unclear what the actual value of the backstopping work in HIID head-quarters actually brings to the project. The numbers of short term consultants sent out and the actual involvement from HIID appears to have been relatively low in this project.

4.3 Staffing and mode of work

The GE is informally organised with a Director (MPhil) and the HIID team leader as his counterpart and de facto second in command. The staffing of the GE from its start is shown in table 2.1.

Table 4.1 Staffing of GE Jan. 1997 – Oct. 1999. Effective Person months

Name	Position	1997	1998	1999	Total
P. Couto	Director	11	11	9	31
A. Sousa Cruz	Macro Economist	11	11	7	29
L. Matsinhe	Agro Economist		9	10	19
F.J. Mafambisa	Agro Economist		9	10	19
M. Ibraim	Dev. Economist			3	3
Total Mozambican person months		22	43	36	101
T. Buerher	Team Leader HIID	6	11	6	23
T. Valentine	HIID/UEM TA	4	11	7	22
P.A. Andersson	HIID	3	11	8	22
A. Franco	HIID	2	11	8	21
B. Bolnick	Team Leader HIID			3	3
	HIID backstopping	3	3	3	9
	HIID consultants	0	1		1
Total HIID person months		18	48	35	101

As seen from the table the number of person months by staff employed by GE equals exactly the number of HIID person months since the inception of the GE. This balance has in general been so for each year till now, even though the HIID team only arrived in autumn 1997 while the two senior Mozambican staff worked all that year. In addition to the person months given in the table, one senior economist from the Planning and Budget Department works at present half time with the GE. Moreover, Mr Valentine worked mainly with the University where he had the Assistant Dean as a full time counterpart, and the HIID backstopping worked mainly in the USA. Thus in terms of person months used directly for GE tasks in Mozambique, there have been more local inputs than from HIID.

For the first two and half years GE had two senior Mozambican economists while at the at present there is only senior economist, the Director. The other senior economist, Mr Sousa Cruz, is currently taking a PhD at the University of Purdue. Since April 1998 two young agronomist who had not completed their licentiatura at the UEM joined the GE, of whom one is currently on a short university course in the USA after completion of the licentiatura, and the other one is about to complete his degree (and will shortly be heading off for a course in macro modelling at IFPRI). Three months ago also a young female economist joined GE. During the review team's stay in Maputo another young economist joined GE but resigned after one week.

The professional staff is assisted by a administrator and a secretary.

The number and qualifications of Mozambican staff fall significantly short of the initial ambition of the Project Document, namely to have 2 technicians with PhD, 4 with Master's degree and 3 junior staff with BSc or similar. Initially it was also specified that the GE would have 3 non-permanent technicians from the National Directorates on temporary assignments "to ensure a tight integration of the GE with the activities of the National Directorates". The serious shortage of Mozambican staff in the GE is mainly due to the general lack of qualified economists in Mozambique and the competition for such people (also by donors) which drives up salaries beyond what can be offered by the Ministry. Another factor contributing was the fact that a "topping-up" of the salaries in the GE was initially envisaged but never came through. This made GE Director wait too long before junior staff was recruited.

In addition to the HIID team leader, there are two senior HIID staff working in the unit. The HIID staff member assigned to work with research at the Faculty of Economics at the University just left. The HIID members in the GE work in "normal" staff position, and apart from the two leaders there is no counterpart system. A change of the HIID team leader took place in July 1999. At the moment only the HIID team leader is from Harvard, and the two others hired on a project basis. In order to strengthen the links to Harvard it is recommended that the replacement of Mr. Valentine be a member of Harvard.

Work is assigned to the staff members based on qualifications and availability. There are few formal work procedures within GE. The staff members co-operate on a task-by-task basis as in any type of consulting business. Names of the responsible staff members are given on each paper prepared, and the papers have to be controlled/signed by the Director before they are submitted to the Minister/directorates. In this connection it is important to note the papers do not appear to be "institutionalised" in a way that they are the "official" report or opinion of the GE as an institution. Rather they are the opinion/results of work carried out by individual persons within the GE.

Apparently staff meetings are mainly held in conjunctions with professional discussions of work carried out. Transfer of knowledge/capacity among staff members in the GE and between GE

staff and the directorates is almost exclusively done on-the-job. It takes the form of normal exchange of views, discussions and comments among the Mozambican and HIID participants in an activity. Apart from this, hardly any dedicated or planned/programmed transfer of knowledge/capacity is carried out by the HIID staff in conjunction with the daily work on specific tasks/papers. A few workshops/seminars have been arranged, also with participants from people outside the GE.

The GE produces quarterly and annual progress reports (including planned activities) which are presented to the Minister and the donors financing the programme. Two meetings per year have been held between the GE and the donors and one annual meeting with the Minister and the donors based on the progress reports. At these meetings the staffing situation, capacity building and work programmes have been discussed, and the shortcomings in recruitment and capacity building has been the core issue. The work plan for 1998 was delayed because the donors required a better documentation on how the capacity building targets could be achieved. But despite these efforts by the donors, the programme has clearly not succeeded. This is also reflected in the annual work plans and progress reports which focus more on tasks to be performed than staff to be recruited and training to be carried out. Quantitative targets for recruitment and time to be set aside for training could possibly have helped in this respect. But the team also feel that more strict and demanding monitoring by the donors could have been carried out.

There are no records from the quarterly meetings, only from the annual meetings where also the Minister has been present.

The financing of the programme both by GOM and the donors has functioned according to schedule. Apart from the salary level in the government the financing seems to have functioned satisfactorily. The accounts of the GE have been audited by Ernst and Young and found satisfactory.

5. Economic policy functions of GE

Gabinete de Estudos as an institution and its individual staff members have been active in a number of areas related to formulation of the government's economic policy and the economic analysis which has been the basis of the policy. The unit has adapted to changing circumstances and needs of the government and it has been able to quickly respond to the government needs for background analysis on a number of different topics. There are two notable features of the GE as it has operated over the last two years. The first is the lack of formal responsibilities. The formal responsibility of the handling of the issues that the GE has been involved in has all along rested with other departments in the ministry, in particular with Directorate for Budget and Planning (DNPO). The second feature is the ability to move in and out of subject matters areas and respond quickly to the needs of the Government.

The most relevant overall description of the GE would probably be that it has the core functions of what in most countries would be called an Economics Department in a Ministry of Finance. The unit, however, lacks the institutional connection that is normally associated with such a department both in terms of formal annual routine functions, such as for example the drafting of an annual economic report to Parliament, and in terms of reporting procedures.

5.1 Drafting of studies and reports

GE has produced a number studies (reports and memos) relating to development strategy and economic policy. These studies cover a range of topics and vary considerably in terms of analytical content and empirical work. The general quality of the reports is felt to be good by the institutions and person who have received them.

Subjects in the reports are diverse and indicate that the Gabinete is used both as an economic policy adviser and as a general secretariat for the minister and vice minister. GE has for the last 6 months produced papers on matters as diverse as "Challenges for Governance in Mozambique", speech by Vice Minister via "The Effects of IMF Gold Sales" to "Analysis of Inflation Performance, briefing paper to Minister". The majority of the papers and memos, however relate to economic subjects, and they appear to be produced on demand and for a specific purpose.

The review team did note, however, that some of the reports are quite informal in their presentation and it might be concluded that they would benefit from more formalised layout and presentation. Ministerial memos are usually characterised by a formal presentation of facts, assessments, different views on the subject matter and a concluding advice to the minister.

This issue was discussed both with the GE and the recipients of the memos and reports. The GE staff underline that they value academic freedom and the possibility to present different views on subjects. Recipients of the reports and memos also underlined the value of being presented different opinions. The argument seems to be that the GE helps the debate by expressing different view on subjects.

The problem with this reasoning is that it also means that opinions and views presented by the GE can just as easily be dismissed. This issue is linked to the more general question of how robust the institution GE actually is to changes in the government structure and political changes.

5.2 Work related to on-going negotiations

GE has been active in assisting the Government in various ways in responding to requests from IMF, World Bank and donors. In particular GE played an active role in the monitoring of the completion of the HIPC debt relief finalisation for Mozambique, and contributing to the Policy Framework Paper and other papers presented to the CG-meeting. According to both the political leaders in the Ministry of Finance and the heads of the Ministry's directorates, this role has apparently been handled well by GE. The contributions in this area is by many seen as the main achievement of GE.

Mozambique is one of the most heavily aided countries in the world at the moment and a large number of donors are very active in the country. The tasks associated with the negotiations with all the donor organisations and governments would be daunting for any government, in the case of Mozambique, the task must appear overwhelming. The overwhelming character of the task has two sides. The first is the sheer bulk of the paperwork and the high number of meetings that has to be attended. The second part of it is the high number of technically difficult issues that has to be dealt with.

Many finance ministers in third world countries have said that the one of the most frustrating features of the negotiations with the IMF and the World Bank in particular has been the feeling that the other side possesses information about core issues in your own country that you, as a finance minister does not have access to. One example of this is the IMF's use of data (bank statements) from the central bank to say that the fiscal policy "went off track last month" when the minister himself has had no indication of that being the case and no way of quickly finding out.

Therefore, it becomes politically important in a country like Mozambique, to be able to analyse and understand the same issues as the bi- and multilateral donor organisations, and be as well or, preferably, better informed. To do this you need a level of technical competence and actual knowledge about, for example, the rather specialised fiscal policy indicators used by the IMF. To report to CG-meetings on the policy matrix and to follow the HIPC process you also need a unit that is able to draw information from several government bodies and present them in a convincing manner.

GE has managed to fill this role. It has had the technical knowledge to understand and interpret the technical sides of conditionalities and it has had the ability to assemble the right kind of information and present it to the consultative process.

5.3 Macroeconomic model

GE has spent a considerable amount of time and resources on the development and test use of a macroeconomic model. The model is referred to as a CGE-model which is a Computable General Equilibrium Model. There are basically two schools or traditions in macroeconomic models. The CGE models are generally considered to be best suited for medium term growth projections and analysis of structural policy options.

This work has included updating of the core accounting matrix in the model. One of the HIID staff members is assigned specifically to this task. In the terms of reference for the position is stated:

“The adviser on economic modelling will guarantee that the required modelling of the economic policy proposals, strategies and measures is effective. Adequate and manageable models for policy analysis and planning are intended output.”

It is very often found in institutions like the GE that the development of a macroeconomic model is included in the original terms of reference. It is considered a must, but very often too little consideration has gone into the planning of the actual use of the model, and the possibility of producing a model that is relevant based on the limited set of reliable data that is available in a country like Mozambique.

Experience from other countries has shown that the potential use of a macroeconomic model for training of young economists is often more valuable than the output from the model itself.

The primary use of the model is to develop a medium term macroeconomic scenario that is used for tax revenue projections and, based on that the establishment of medium term public expenditure frames. There is still need for further development of the model, and the development is hampered by lack of reliable national accounts data and of course a rapidly developing and changing economy. The main observation concerning the model work is that the potential use of the model for training of economist does not appear to be fully utilised.

5.4 Medium term fiscal framework

Development of a medium term fiscal policy framework. This work is based on the modelling work and is carried out in co-operation with the Budget and Planning Department.

The main issue in a medium term fiscal framework is to realistically project both tax revenues and the actual flow of donor funds. An important reason for the chronic tendency to have large budget deficits in countries like Mozambique is a tendency to be too optimistic in projecting the revenue side of the budget. Competent work on a medium term framework can be very helpful in avoiding this but the task is hampered by the inherent high degree of uncertainty both as regards tax revenue and donor flows.

The medium term fiscal framework is seen by many observers as a key reform that has helped economic policy making in Mozambique. The actual contribution from the work on the medium term fiscal framework is difficult to measure, however. Mozambique had total public expenditures of around 22 percent of GDP in 1998. Domestic revenue covered 11,5 percentage points and donor flows amounted to 10,6 percentage points. Total expenditures are projected to increase considerably in 1999 and most of this increase will be covered by increased grants from donors. The point is that the real fiscal policy challenge in Mozambique will come when or if donor flows are reduced.

6. Capacity building achievements

6.1 Objectives

According to the TOR for the evaluation team:

“The overall aim of the current joint evaluation by the donors is to assess whether the support is building up domestic capacity for qualified economic policy analysis, design and assessment, and whether it is sustainable.”

The objectives of the TA is specified in the Project Document:

“.. two main objectives are assigned: a) increasing the technical competence and improving performance of GE (filling gaps) and, b) training, intended to create an effective national capacity that will allow for greater autonomy in the future.

Training will be mainly carried out on-the-job. Hence, the permanent assignment of tasks to all technical personnel (both Mozambican and provided under TA) will be pursued.”

Clearly it is the aim of the TA that sustainable capacity be built (1) in the GE itself, (2) in other departments of the MPF, and (3) at the UEM. For this purpose the TA project was designed for a five-year period which should be regarded as the minimum period required to achieve any enhanced sustainable capacity at all. Representatives of the UNDP supported Economic Management Capacity Building Programme indicated that realistically 15–20 years would be required for sustainable capacity building in Mozambique.

It is further evident that sustainable capacity can only be built if (1) there are Mozambicans of relevant number and qualifications to be trained, (2) the TA team puts effort into this activity.

It is not stated in the TOR for the HIID team how much time should be allocated to capacity building and how much should be used to carry out tasks specified for the GE. But by judging from the title of the whole program: “CAPACITY BUILDING PROGRAM FOR THE GABINETE DE ESTUDOS OF THE MINISTRY OF PLANNING AND FINANCE”, a substantial part of the HIID team inputs (but not a majority of their time) were intended for concerted capacity building in the GE. Such capacity building includes the creation of:

- a professionally recognised and functioning GE office (physical installations etc) with improved routines, policy management systems and analytical tools,
- short-term capacity to address urgent macroeconomic policy issues through “gap filling” by the TA team,
- long-term capacity through training of Mozambican professionals.

6.2 Capacity building in Gabinete de Estudos

Sufficient technical/administrative capacity has been installed in the GE which has a functional office, transport and computer system. The office has sufficient space to accommodate more

staff. For its current small staff, however, the methods of work and routines would normally be informal, but could benefit from “institutionalisation” of some tasks (see 4.2).

The GE’s capacity to address urgent macroeconomic policy issues has evidently been seen as priority number one both for the Minister/Ministry and the Mozambican/HIID staff. The project has responded appropriately to these challenges and produced good results. This function of the HIID TA should not be underrated, and within the Mozambican environment with a critical shortage of qualified economists, the review team fully understands that a considerable part of the HIID work is allocated to the actual tasks. But in comparison with the objectives of the GE and the TOR for the TA, too much attention has been put on gap filling at the cost of long term capacity building.

Based on the activity lists presented in progress reports and the interviews carried out with staff of the GE and other departments of the MPF, it can be concluded that very little concerted and systematic long-term capacity building has been carried out by the HIID team. Undoubtedly the three senior Mozambican staff (including the senior economist and a few other staff from the Planning Directorate) have benefited regularly from the interaction with the HIID advisors and with each other, and they have become better economists. At this level joint preparation and discussions of papers, comments to each other's work, etc is a conducive capacity building process. But it has limited scope and effect due to the few Mozambicans involved.

The Annual report for 1997 does not list any training activities as results of the GE work, apart from one line under “Avaliacao” that training is “em progresso” and “continuo”. The main reason given for the lack of training is the government salary level which did not permit recruitment of personnel as originally scheduled. However, in the same section it is stated that programme for 1998 will include a series of training activities:

- iii) Organize dois workshops formais para quadros do Governo com temas a ser escolhidos
- iv) Organize na Faculdade de Economia .. seis seminarios por semestre para estudantes a tres outros por semestre para o corpo docente, dirigentes das institucoes publicas e outros interessados ..
- v) Organize ocasionalmente seminarios a nivel provincial para os dirigentes das Direccoes Provincial do Plano e Orcamento durante as eventuais deslocacoes de trabalho..”

However, no training activities at all were listed in an earlier memo to the Minister by Tim Buehrer and Pedro Couto (Annexed to the Annual Report) which had the title: “Proposed Work Program for the Gabinete de Estudos”. This memo seems to be symptomatic for the focus of the TA, namely primarily to carry out number of tasks/studies.

During 1998 11 specific training activities were organised or attended by staff of the GE. Of these 7 seminars/workshops were related to capacity building within the GE/Ministry.

None of the provincial seminars and only a few of the six seminars per semester at the university were conducted.

In the work plan for 1999 the following training activities were included:

1) University:

- teaching
- assist in the development of curricula and research
- training of the faculty members
- supervise research by teachers and students at the university

2) GE:

- short courses for junior staff.

According to the quarterly reports and activity reports there have only been in-service training of Budget Department staff and one 1-day session on the CGE model during 1999. No short courses for junior staff have been conducted.

It should be noted that there is no comparison in the progress reports between planned activities for a period and the actual achievements during the same. The reports and the meetings taking place based on them would definitely benefit from such comparison and explanations of differences between planned and actuals for the same period.

The interviews with the Mozambican and HIID staff within the GE, and the National Directors confirm that long-term Mozambican capacity building has not been a major priority of the TA or the management of GE. It can rightly be said that the GE faced and faces serious problems in recruiting highly qualified Mozambican economists both due to general dearth of such people in Mozambique and the comparably low salaries offered by Government. The prospects of a “topping up” of salaries discussed with donors never materialised and added to the late recruitment of young professionals.

It is also understood that the Management made series efforts in trying to recruit such personnel without any success. But GE has managed to recruit a few junior staff, two of whom have worked there for the last 1 1/2 years. Apparently they have hardly received any type of direct training by the HIID staff, say in a one-to-one learning situation. They have participated in a few seminars/workshops and commented on a few papers. But even when they have supplied inputs to a paper/task they have not been involved in a broader discussion of the work or results. The minimal or non-existence of training can only to a certain extent be explained by the fact that they were allowed to devote a considerable portion of their time to the preparation of the licentiatura.

The recently employed female staff with Masters degree, however, has been involved in a much broader way. But she would definitely wish to have a time budget for individual tuition by the advisors and be involved in the work in a much broader way. Despite the efforts and problems in recruitment, the review team would like to emphasize that the long-term capacity building carried out by the HIID team and the Management of the GE has been far less than could have been expected given the objective of the project. On the other hand the GE should be credited for its transfer of knowledge to other departments, in particular the Planning and Budgeting Department.

The new HIID team leader clearly demonstrated in interviews that he is willing to change the direction of the work towards more concerted capacity building. In a memo of September this

year (Directions for Development of The Gabinete de Estudos) the HIID team leader writes: “In view of the recent turnover in personnel and the imminent arrival of the external evaluation team, it makes sense to reconsider our goals and activities”. Judging from this paper there is clearly an understanding and a will to change the past neglect of capacity building, which also is due to the anticipated criticism in this respect by the current evaluation. So in that respect the evaluation had an impact before it started. The memo includes a series of steps to be taken under the heading Agenda for Capacity building:

1. Establish clear and active links between the advisors and technical officers to strengthen on-the-job training.
2. Prepare training manuals and organise training seminars on the major technical activities of the Gabinete
3. Recruit more staff to the Gabinete, including junior officers who can be trained on-the-job for two to three years and then sent for master’s degrees.
4. Strengthen working relationships with appropriate units of the Ministry and the Government in conjunction with particular activities.
5. Leverage our staff constraints by engaging local and international consultants to work in collaboration with members of the Gabinete and other officers of the Ministry.
6. Develop internships for Harvard graduate students to work on specified issues, in collaboration with members of the Gabinete and other officers of the Ministry.
7. Establish a regular program of seminars on policy analysis, possibly in conjunction with UEM or BM.
8. Organise and sponsor practical short-courses that are tailor-made for economists in the government, with participation from economists from the university, the private sector, NGOs, and even the donor community.
9. Develop a dissemination plan for Gabinete outputs, to add value to our work by widening the distribution of our studies, including establishment of a Working Paper series, to which each officer should be expected to contribute (at least two) papers per year.
10. Establish a programme for library resources for the Gabinete.
11. Identify candidates for the Mason Programme at the Kennedy School of Government at Harvard, also, sponsor MPF officers to attend external short-courses, including workshops at HIID.
12. Organise a study of professional resources within the Ministry, in co-operation with the Human Resources Department, to establish a training plan and identify training demands that might be addressed by the Gabinete.

The above Agenda is very comprehensive and would require a major reallocation of HIID inputs order to be fully implemented. No doubt the important tasks of policy analysis and advice would suffer in the short run, and most likely to an extent which would not be acceptable given the present and expected demand for such work. Thus, the Agenda needs to be carefully reviewed and strict priorities for capacity building established. It is recommended that such priorities be established now in order that a realistic programme for capacity building can be implemented. Such a programme should have the main focus of creating Mozambican capacity within the GE during the next three years (remaining contract time for the TA).

The above suggestion is based on the review team's assessment of a few fundamental issues related to the programme:

- The tasks carried out by the staff of the GE are of high national priority and importance. They are urgently required by the Minister and the National Directorates, and the demand will not diminish during the coming years. Thus, there is a clear conflict of interest between short-term “gap filling” and long-term capacity building. A major reallocation of TA time towards training and long-term capacity building will therefore meet resistance even though it is a stated goal of the TA. It does not make it easier that the main interest and preoccupation of the TA and GE Director so far has been execution of tasks, not training. In this respect the review team would, however, like to stress that training and involvement of junior staff in concrete tasks would enhance the medium term capacity of the GE. But to achieve this senior staff of the GE would need to consciously allocate suitable portions of each task to the junior staff, manage their work and dedicate appropriate time for on-the-job training. The review team is not in a position to assess whether the present senior staff of the GE have such management abilities.
- There is a serious shortage of Mozambican economists at all levels today, and this problem will take many years to solve. Basically the output from the UEM will have to be enhanced, a problem that needs to be addressed by the Mozambican Government, UEM and donors in a profound manner. Apparently the present faculty management and its instability, the lack of teaching staff and their poor motivation (including incentives/remuneration) and the current TA are unlikely to yield the needed results. Thus, expatriate economists will be needed for a long time span to assist Mozambique in economic reform and growth generation.
- The salaries offered by the Government are not competitive and there are currently restrictions on government recruitment (which apparently can be suspended by the Minister). A Civil Service Reform is under way, but it might take some time before it is implemented and more competitive salaries are offered to higher grades. Thus it cannot be expected that the GE will be able to attract people with, for example, a PhD, but mainly junior staff. And even this might be difficult given the keen competition for economists in Mozambique. It is therefore essential that junior staff are offered additional incentives in terms of a specific and realistic career programme including:
 - interesting and challenging tasks,
 - clear and active links to highly competent advisors for task performance and on-the-job training,
 - short-term seminars and courses, and
 - the possibility of taking a master's degree abroad.

In respect of the Agenda for Capacity building presented by the HIID team leader, these fundamental issues would imply focus on points 1, 2, 3 and partly 11. If they could be managed well, capacity building within the GE will take place. To what extent and in which scale would be difficult to project. But, given that GE manages to recruit and retain in total two junior staff for each senior, the GE would have a professional staff of 15 people (provided that the replacement of Mr Valentine also will work directly in the GE and thereby contribute to gap filling and capacity building). This is a substantial economic task force in the Mozambican environment. A professional staff of 15 people would, however, require formalisation of work procedures, etc within the GE, and more time will have to be set aside for management of the unit. As indicated earlier improvement of work procedures, etc should normally also lead to higher productivity.

In order to facilitate capacity building it should also be considered to allocate senior staff members of the GE as training advisors to each junior staff (one senior to two junior). In addition each junior staff could be allocated a certain time budget for training which would be an obligation of the GE and a right for the junior staff. This would hopefully facilitate that the training commitment of the GE is better fulfilled even when there is strong senior and a weak junior relationship.

Given that the suggestions above is followed the GE should appear as an attractive working place for young economists. This should of course be actively advertised to the economic community in order that good economists seek employment. It is the opinion of the review team that the asset of working together and being trained by highly qualified Harvard professionals so far has not been capitalised, and that active marketing of it should be vigorously carried out.

A much more narrow focus on capacity building within the GE does not exclude that “economies of scale” in training could be achieved. Such benefits should of course be reaped in conjunction with the seminar programmes proposed under point 2, 7 and 8 in the Agenda. For such seminars and training Government staff from outside the GE should also participate to the extent this does not lead to unreasonable increase in the time and preparatory work of senior GE staff (scarce resource). In this connection the review team fully supports that papers from the GE get a much wider distribution than at present, and thus benefit more people. Actually it was initially a problem for the review team to get access to relevant GE papers unless they were read inside the GE.

Capacity building at the GE is a difficult task, in particular since it entails a balance between the need for immediate outputs and long-term development. This task has not been made easier by the comparatively low priority given to long term capacity building by the GE management/HIID team leader in the past. The review team, however, observed a distinct change in this attitude with the arrival of the new HIID team leader. So given that young economists are attracted to the GE, it is believed that much more capacity building will take place during the remaining part of the contract period. This would of course need to be followed up by the donors in the quarterly and annual meetings. In the progress reports presented at these meetings both specified/quantitative training and capacity building targets and achievements should be presented, including explanation of possible deficiencies. In fact a prioritised and time specific capacity building programme for the remaining TA period should be presented in the coming annual report. In order that the progress reports and meetings can serve as a tool for enhanced capacity building, it is also important that the donors play an active part in monitoring of the progress. This can be done through clear directions in the meetings from which there should be made proper records (missing from quarterly meetings today). If necessary donors should specify conditions to be fulfilled.

Capacity building is also a very long-term task. The review team would in this respect state that it does not believe that a fully functional Mozambican staffed GE will be in operation in three years from now. No doubt further TA from abroad would be needed both for “gap filling” and further training.

The review team briefly assessed whether the TA to the GE and the UNDP TA to the national directorates overlap or complement each other. The UNDP TA is mainly directed towards capacity building in regular day-to-day tasks in the directorates. Thus in principle they do not overlap but rather complement each other.

6.3 Faculty of Economics at the UEM

The HIID TA includes an important component of assistance to the Faculty of Economics at the UEM, to strengthen teaching, research and publication in macroeconomics, international economics and finance. One main aim of this assistance is to alleviate the acute shortage of skilled economists in Mozambique, while enhancing the quality of economic policy research relating to the work carried out by the GE.

The throughput of economists at the UEM is extremely small, both because of the small number and poor academic background of the students completing secondary school and because of the poor performance of the higher education system. The five-year course in economics has turned out on average 12 students per year during the last five years, of whom only two per year have obtained a licentiatūra. To obtain a licentiatūra the students in the fifth year have to undertake and defend a short thesis. It is therefore estimated that there are no more than 100 economists today with a licentiatūra, and there appear to be only five Mozambicans with economics doctorates in the country. While the output of economists remain small, the demand for them have grown rapidly. This imbalance in supply and demand will remain in particular a serious problem for the public sector due to fiscal limits on salary increases.

The national teaching staff for economics and management at the Faculty comprises about 10 staff on full time and about 30 part time. One additional reason (to those given above) for the low output of students is that most faculty members, including those who are officially full-time, spend very little time on campus and contribute minimally to teaching, supervision of students' thesis or research because they are mainly engaged in consulting. This problem has been aggravated by the instability of the faculty's leadership, i.e. there was no dean between 1994 and 1996 followed by a change of dean in each of the subsequent three years. Also differences within the faculty leadership and within the university add to the problem. Although the situation is said to be improving since the appointment of the new dean in 1998, subsequent reorganisation of the faculty, return of staff members from overseas training and the ongoing technical assistance programme (World Bank; Italy), the problems will most likely continue unless dramatic changes are introduced (motivation, staff attitude, remuneration, etc). The low output of qualified economists is bound to be a constraint on rapid economic reform and growth of the country.

The HIID advisor was placed in this environment with TOR mainly to:

- contribute with elements for the elaboration of the GE programme
- contribute to the implementation of the GE programme, in particular, concerning its training and research activities
- facilitate the links between the GE and faculty, in particular involving the GE in teaching activities
- lecture at the faculty
- introduce improvements in standards of macroeconomic, international trade and finance teaching at the faculty
- undertake research and launch a sustainable research programme at the faculty involving other lecturers and students
- organise a systematic publication of the results of research towards the creation of a Journal of Mozambican Economists.

These TOR were revised mainly by reducing the lecturing part.

The HIID advisor was assigned the Assistant Dean of the faculty, who is head of research, as counterpart. According to the Assistant Dean the advisor worked about 90% of his time at the faculty during the first year and only 10% with the GE. During the second year, however, it was said that this split was 50/50 (NB! the review team has tried to get verification of this and other questions through an email to the respective advisor but has received no response).

The main achievement of the advisor was his work in the preparation of a Project Document for a Centre for Applied Economic Studies to be funded by the African Capacity Building Foundation (point (f) in the TOR). The actual preparation of this document was done in close collaboration with a British consultant and the Assistant Dean. According to the Assistant Dean the advisor put about three man months into this work, although the actual write-up of the document took only three weeks (according to the Dean). As assessed by the review team three weeks of work by two highly qualified expatriates and the Assistant Dean should be sufficient for such a document.

Due to internal disagreement at the university and within the government regarding the organisational location and independence of the Centre, and lack of interest by the current University leadership, the work was put at a halt in late 1998. Undoubtedly this impasse eroded the main foundation for the advisor's work, namely to promote research. But given the situation the advisor could have initiated research on his own, and completed papers that could have been the basis for further research work at the faculty.

The advisor also did some formal seminars on research methodology and teaching but the latter series had to be stopped after three weeks, among others, due to language problems. Apart from the development of the research proposal, very little, if any, research was undertaken. In addition a series of lectures and assessments/examinations were performed by other members of the GE.

After the halt of the work on the Research Centre, the advisor was appointed head of the Scientific Committee in October 1998. All the PhD staff of the faculty is represented in this Committee which is the main forum for discussion of policies for research (including the concept for the Centre), thesis and lecturing. Thus it would have been an appropriate means of pursuing the TA objectives in the absence of further work at the Centre. But, unfortunately, according to the Dean, nothing happened in the Committee till January 1999 when he therefore was replaced.

Apparently little tangible results have come out the TA to the faculty, and the review team has not seen one paper signed by the advisor.

Clearly the HIID team leader and the advisor did not manage the situation at the University well, and the TA must in general be rated as a failure.

In a memo to the Director of the GE, dated September 29 (CBEDM support for UEM, Revised draft), 1999 the HIID team leader clearly states that "the results have been disappointing". It is further stated that "the UEM and the MPF share a common interest in enhancing the throughput of well-trained economists and strengthening research on economic policy; and second, the Gabinete de Estudos can offer valuable resources, both human and financial, to the University in pursuing these mutual objectives." ... "Although the mechanism of posting an advisor within the faculty has not produced satisfactory results, we still have an important responsibility under the CBEDM program to work with FE/UEM to help strengthen teaching and research." For this purpose the memo offers a menu of potential mechanisms for support. The menu for

teaching includes 10 different mechanisms while the one for research comprises 7 different types of support actions. In view of the limited capacity within the GE, and as clearly stated in the memo, the actions need to be prioritised. That will have to be done in close co-operation with the UEM. The review team will only offer a few suggestions:

- The review team fully supports the proposal that the replacement of Mr. Valentine will not be posted full time at the university, but will also be involved in economic policy work at the GE. Although the review team appreciates that one **HIID** advisor should be the main link to the UEM, it appears safer that the senior staff of the GE are involved in teaching and research supervision as found appropriate.
- The GE should contract out research activities to the faculty based on own need for deeper analyses, pay for the research and supervise it. This will hopefully lead to better motivation both on the GE and the research side.
- Technical assistance to the establishment of a Centre for Applied Economic Studies should only be resumed when the Mozambican side has reached full agreement on the organisational location and independence of the centre, and the African Capacity Building Foundation has agreed to fund it. This action is not mentioned in the memo.

List of persons met

Name	Institution
Tomaz A. Salamao	Minister of Finance
Louisa Diego	Vice-Minister of Finance
Pedro Couto	GE
Bruce Bolnick	HIID/GE
Antonio Franco	HIID/GE
Per Åke Andersson	HIID/GE
Maimona Ibraim	GE
Faosto J. Mafambisa	GE
Manuel Chang	MPF/Treasury
Domingos Lambo	MPF/Planning and Budgeting
Armando Matos	MPF/Accounting
Amade Aziza	MPF/Taxation and Auditing
Virginia Vieira	MPF/TA Co-ordinator
Maria Eugenia Pirez	MPF/UNDP
Marianne Oumo	UNDP
Mr. Laforte	Ministry of Labour
Antoino Pinto de Abreu	BOM
Adelino J. Pimpao	BOM
Maria Luisa Riberio	UEM/EF
Angelo Mondlane	UEM/EF
Pierre Ardeni	UEM/TA
Maude Svensson	Sida
Telma Loforte	Swiss Dev. Corporation
Rasmus Bakke	NORAD
Sherri Arcondo	World Bank
Mr. Sulaiman	MPF

List of Documents and Background Material

Agreements between the respective donor countries and the Government of Mozambique regarding Assistance to Capacity Building in the Ministry of Planning and Finance, 1997.

Capacity Building Program for the Gabinete de Estudos of the Ministry of Planning and Finance.

Contract for the Provision of Professional Services between the Government of Mozambique and President and Fellows of Harvard College (inclusive annexes), 1997.

Decreto Presidencial No 2/96.

Estatuto Organico do Ministerio do Plano e Financas.

Outputs, reports from Gabinete de Estudos.

Various Policy Framework Papers (inclusive Policy Framework matrixes).

UNDP: Support to the Economic Management Capacity Building Programme, MOZ/95/009, Report of the Evaluation Mission, Sept/Oct 1998.

Regulamento Interno de Gabinete de Estudos, Ministerio de Plano e Financas.

Regulamento Interno de DNPO, Ministerio de Plano e Financas.

Regulamento Interno de Ministerio de Plano e Financas.

Annex 1

Terms of reference for a joint donor evaluation of assistance to capacity building in the ministry of planning and finance of Mozambique

1. Background

In 1987, the Mozambican government launched an Economic Rehabilitation Programme supported by the donor community including Norway, Sweden and Switzerland as well as the International Monetary Fund and the World Bank. The programme involved a shift to market-based economic policies and structural reforms. Major economic reforms undertaken to date include the unification of the exchange rate, liberalisation of interest rates and trade, privatisation, financial and budgetary reforms, etc.

Annual average real GDP growth since 1987 was about 7–8 per cent. During the same period, the inflation rate fell substantially from over 40 per cent during 1987 to 0.6 per cent during 1998. The Government budget deficit decreased and the external balances improved. The reforms together with the end of the war and favourable climatic conditions have contributed to the improvements.

Maintaining the level of strong economic performance over the long term in Mozambique requires establishing and developing domestic capacity for economic policy analysis, design and assessment. For that reason, the Ministry of Planning and Finance decided to establish an economic policy and research unit, namely the Gabinete de Estudos. This advisory unit is organised directly under the Minister of Planning and Finance.

In March 1997 a contract on technical assistance from Harvard Institute for International Development was concluded. In line with the original program design, the Harvard team is charged to assist in capacity building through on-the-job training as well as training and supervising at the University of Eduardo Mondlane over a five-year time horizon. Four technical advisors from HIID will contribute to the capacity for economic problem solving and decision-making of the Ministry of Planning and Finance. The advisors will develop their activities fully integrated with the Gabinete de Estudos of the Ministry. The issues with which the HIID team will assist the Government of Mozambique include:

- Development of a comprehensive and effective strategy for rapid economic growth,
- Helping the Government of Mozambique to respond appropriately to requests and requirements from the International Monetary Fund, the World Bank and other donors,
- Helping the Government to manage, restructure, and reduce its external debt obligations,
- Development of a programme for the sale of treasury bills,
- Tax reform,
- Privatisation and regulatory simplification, Promotion of production for export, Liberalised trade in southern Africa (including tariff restructuring).

The Minister of Planning and Finance will ensure that the Mozambican team at the Gabinete de Estudos will include personnel of sufficient rank and experience as well as newly graduated technicians.

Building effective capacity of a sustained kind takes several years of one-to-one, day-to-day interaction. For Mozambique, HIID has proposed a five year plan and a five year budget. The support is financed equally by Norway, Sweden and Switzerland, initially for a three year period. These three countries wish to make an independent joint evaluation before deciding to continue financing the support after spring 2000. Hence, the findings of the evaluation team will be used for assessing whether performance is on track towards achieving the project's intended objectives within the broader time frame. Recommendations for enhancing the benefits over the full program period will be considered when deciding on further assistance.

2. Objectives

The overall aim of the joint evaluation is to assess whether the support is building up domestic capacity for qualified economic policy analysis, design and assessment, and whether it is sustainable. The evaluation team shall make recommendations on whether the three donors should continue financing Gabinete de Estudos, as well as recommendations on possible improvements for making the support more efficient.

The specific objectives of the joint evaluation are to:

- i) Evaluate the improvements of overall economic management areas supported by the project. Of particular importance to this assessment is the performance of technical and managerial staff involved, especially the locally recruited. As part of the assessment, the benefits to users of information produced by the Gabinete de Estudos should also be taken into account.
- ii) Identify the linkages and co-operation with other projects and departments at the Ministry of Planning and Finance and other government institutions.
- iii) Assess the advisory function of the Gabinete de Estudos and whether it has produced the expected outcomes
- iv) Assess the appropriateness and efficiency of the organisation of the Gabinete de Estudos, the project management set-up and the consultancy arrangements.
- v) Identify areas within the Terms of References and objectives of the Gabinete de Estudos whose likelihood of completion the team considers of doubt. Produce recommendations either to help the Government and the donors ensure that the project's objectives can be attained within the time-frame of the current arrangement, or to modify the objectives (still within the broad framework of the project) so that they can be obtained.
- vi) Identify and make recommendations about areas which the evaluation team perceives as opportunities to improve the results and efficiency of the project.

3. Scope of Work

The scope of work shall include but not necessarily be limited to:

Relevance

To be understood as the degree to which the objectives of the project are valid and pertinent over its period of implementation, under a changing environment. To do so, the evaluation team should need to cover the following:

- Project concept and design. This needs to be evaluated in terms of whether it addressed national issues and its approach used to solve the problems identified. Assess also if there are important areas of competence for such a project that are not covered in the present arrangements (and not covered by other units within the ministry).

- The needs and constraints of the beneficiaries and the users of information and/or advice from the Gabinete de Estudos.
- The relevance to the different Government departments involved.

The relevance of present project management set-up and external technical backstopping arrangements.

Performance

The extent to which the project has progressed in relation to its objectives in terms of the following:

- Effectiveness. The extent to which (or likelihood) the programme achieves its immediate objectives or supports its desired development objective.
- Efficiency. The relationship between objectives, outputs, activities and the inputs in terms of clarity, logic, sufficiency and cost-effectiveness.
- Timeliness. Timeliness of inputs and results.

Quality

This should be assessed in terms of impact, sustainability and contribution to capacity building. To do so, the following aspects should be taken into account:

- The outputs. The evaluation team will assess whether the project is producing, has produced or is likely to produce its outputs effectively and efficiently; their quality and how they are being utilised; and whether the project has achieved, or is likely to achieve its objective and when.
- The effect on target institutions that the project aims at. Any unintended effects should be enumerated. It is important to mention the extent to which women participate and how.
- The effect on negotiations with the International Financial Institutions.
- The significance of the results achieved or likely to achieve for the country.
- Identify any factors that impede the project's results or output.

4. Method of Work

The evaluation shall to a large extent be based on information already available and discussions with relevant parties. In relation to the specific objectives, the review team shall make its conclusions and assessments mainly on the basis of existing documentation and penetrating interviews with relevant Mozambican and foreign parties. The review should pay special attention to support from Norway, Switzerland, Sweden and the UNDP, but also include all other donors' support to the Ministry of Planning and Finance.

The evaluation team could also consider the use of workshops for obtaining information and discussing ideas, specially regarding specific objectives 4 and 5.

5. Output

At the end of the mission, a summary of the mission's findings and recommendations shall be presented and discussed with the Government and representatives from the three donor embassies in Maputo prior to the mission's departure from Mozambique. Recommendations shall include advice on continuation of financing the support as well as proposed improvements in the project's set-up for both the short (up to two years) and long term in order to effectivise the support.

An Aide-Memoire will be prepared and presented to the Government and the three donors before the team's departure from Mozambique. A draft report shall be forwarded to the Government and the donors for written comments not later than two weeks after the mission's departure from Mozambique. The final report shall be mailed within 2 weeks after receiving comments or not later than 4 weeks after the mission's departure from Mozambique. To the extent it is deemed relevant and necessary, more detailed analyses and descriptions should be provided in technical annexes to the report.

All documents prepared under the services shall be prepared in the English language.

6. Composition of Review Team and Timing

The evaluation team will consist of two consultants, one macro-economist and one institutional specialist. Both consultants shall be equally responsible for the outputs of the evaluation.

The following embassy staff will act as resource persons for the evaluation team:

Telma Loforte, SDC/Swiss Embassy

Rasmus Bakke, Norwegian Embassy

Maude Svensson, Swedish Embassy

The representative from the Swedish Embassy will act as co-ordinator for the review.

The mission will take place in Mozambique during 4 to 18 October 1999. The total length of the assignment is estimated to 3 weeks full time work per person.

Recent Sida Evaluations

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