

Country Economic Report 2001:9

Mozambique

The Poverty Reduction Strategy Process in Mozambique

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SWEDISH INTERNATIONAL DEVELOPMENT
COOPERATION AGENCY

This country economic report on Mozambique is part of a series of annual studies, which are undertaken by the departments of economics of three Swedish universities in collaboration with the regional departments of Sida, under an agreement with the Division for Policy and Socio-Economic Analysis. The purpose of these studies is to improve Sida's economic analysis and knowledge of the programme countries for Swedish development cooperation in order to enhance the effectiveness of programme as well as project support.

This report has been prepared by Hans Falck, Lund University Sweden, and Kåre Landfald, M4 Network Oslo Norway with assistance of Pamela Rebelo, Maputo.



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***PRSP Institutionalisation Study:
Final Report***

**Chapter 7:
The Poverty Reduction Strategy
Process in Mozambique**



An independent study commissioned by Norad and Sida as part of
the study of PRSP processes in eight African countries, prepared for
the Strategic Partnership with Africa

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Photographs: Kåre Landfald

PREFACE

This report is the result of a study of the PARPA-process in Mozambique carried out in two phases, the first during October-November 2000 and the second during May-June 2001, commissioned by Norad and Sida. It also forms part of an eight-country study of PRSP-processes in Africa, organised by the Overseas Development Institute on behalf of the Strategic Partnership with Africa. The terms of the reference for this study were, however, broader than for the other SPA country studies, including additional items related to the content of the PARPA and the plan's potential for leading to poverty reduction.

Starting from 2000, PRSP was made a requirement for WB/IMF concessional loans and HIPC debt relief. Since Mozambique had already prepared an *Action Programme for the Reduction of Absolute Poverty 2000-2004* (PARPA), this could qualify as an Interim PRSP. The PARPA 2000-2004, with an addition spelling out the planned process of preparing a full PRSP, was endorsed by the WB/IMF Boards as an Interim PRSP in April 2000.

Consultations were carried out during the preparation of the PARPA 2000-2004. A further consultation process was, however, required by the WB/IMF for the full PRSP. This was carried out in the context of the preparation of a new version of the PARPA, the PARPA 2001-2005. The PARPA 2001-2005, which is an expanded version of the PARPA 2000-2004, was endorsed by the Mozambique Council of Ministers in April 2001. It is expected to be submitted to the WB/IMF Boards for endorsement as a PRSP during the second half of 2001.¹

The PARPA² contains the key elements of sector strategies integrated into a macroeconomic and fiscal framework. In addition, it includes a description of the consultation process and a monitoring and evaluation strategy. The approach of the PARPA is that of a broad development plan with a poverty focus, which encompasses most of the budgetary resources of the government. This seems reasonable, considering that 70 per cent of the population is defined as absolutely poor and a majority of the non-poor are only marginally richer.

This study seeks to identify important issues related to the PARPA, particularly regarding institutional change. Since the PARPA process is young but institutional change takes time, no firm conclusions, however, can be reached. Instead this study seeks to identify some trends, point to some strengths and weaknesses of the process so far, and present some hypotheses about likely future developments.

As it is a summary of sector strategies, besides its comprehensive approach the PARPA does not introduce any major new policies or initiatives that could constitute the focus of this study. An analysis of the PARPA in practice means an analysis of the overall development efforts of the government. This provided a challenge for the study team, as it was difficult to establish clear limits as to what does and does not constitute part of the PARPA process, and thus of this study. A pragmatic approach was chosen. Those aspects considered of the greatest importance for the strategy process received the strongest attention, although time constraints dictated a fairly broad view of the issues covered.

The study is based on a review of the literature, including government strategy and policy documents, interviews with a wide range of stakeholders, and seminars to discuss preliminary findings with various stakeholders (further described in Appendix 1). The authors have tried their best to balance the sometimes widely divergent views of different stakeholders, and to avoid letting their own bias influence the conclusions. A purely "objective" view of the matter is, of course, not possible, due to the complexity involved and methodological constraints in terms of the limited number of

¹ The presentation to the Boards awaits resolution of other key issues, particularly relating to the banking crisis.

² In this report, "PARPA" refers to the most recent version, the PARPA 2001-2005.

interviewees and possible self-interest influencing interviewee responses, and the amount of interpretation required by the research team. The findings of this report are thus not of an exact scientific nature, but must be understood as a modest input to the ongoing debate surrounding the PARPA/PRSP process.

A further comment on method is warranted. Any assessment of the likely future effect of the PRSP process will depend on assumptions concerning the likelihood of succeeding with a comprehensive rational planning approach to development. Rational planning models have weaknesses in any context, not least in sub-Saharan Africa. Our overall assessment, which is on the optimistic side, is based on the understanding that there are severe constraints on what can be achieved in terms of rationalistic planning, particularly in the short to medium term, but that the processes established around the *attempt* to increase rationalistic planning are also likely to have an overall positive effect. The effects of these processes are often not systematically planned for, and thus not "rationalistic" in the traditional sense, but instead emerge from the processes in varied and often unpredictable ways. Through meetings, improved analyses, improved statistics, debate, and so forth, new opinions about key challenges, new values, greater shared understanding, new goals and new and improved approaches are created, which feed back into the various formal and informal systems and contribute to their improvement in various ways. When making an overall assessment of the PRSP process, it is thus not a question of merely comparing rational planning aims in the form of a PRSP with the forces working against it, which are significant, but rather of making an assessment of the likely total effect of formal and informal aspects related to the PRSP process. This is of course largely a matter of conjecture, especially at this early stage of the process, and the standards and criteria for making such an assessment are not of an "exact" nature and thus difficult to make fully explicit. It should also be noted that this study has not gone sufficiently in depth into the real-world politics of Mozambique to be able to make a proper assessment of what are the "real" or deeper incentives driving the actions of the key political actors in Mozambique. The standards and criteria implicitly used in this study should emerge from the entire report, which attempts to "tell a story" in a way which seems reasonable based on the information presented.

Hans Falck and Kåre Landfald have had the main responsibility for the study. During phase II of the study the team was strengthened with the addition of a national consultant, Pamela Rebelo, who participated full time in the research. With her extensive knowledge of the history of Mozambique and of the workings of government institutions and donor agencies she could provide essential background information to the study as well as contribute significantly to the interviews and literature review.

We would like to thank staff both inside and outside of the government for their generosity in giving of their time and insight to this study. We would also like to thank the staff of the Norwegian and Swedish embassy as well as staff of Norad Oslo and Sida Stockholm for their help in arranging for the study.

We would also like to thank Per-Åke Andersson, Bruce Bolnick, David Booth, Maimuna Ibraimo, Arnim Schwidrowski, Marit Strand, and Maude Svensson, for valuable comments and suggestions on earlier drafts of this manuscript.

Hans Falck and Kåre Landfald
August 2001



New high-rise building, Maputo



Niassa village house

ACRONYMS

AR	Assembly of the Republic
BA	Banco Austral
BM	Bank of Mozambique
DNPO	Department of Planning and Budget, Ministry of Planning and Finance
GE	Gabinete de Estudos
GOM	Government of Mozambique
INE	The National Statistics Institute (Instituto Nacional de Estatística)
I-PRSP	Interim PRSP
MPF	Ministry of Planning and Finance
MTFF	Medium Term Fiscal Framework
OE	State Budget
PAO	Provincial Annual Plan and Budget
PARPA	Action Plan for the Reduction of Absolute Poverty
PDG	Government Five Year Programme
PES	Economic and Social Plan
PP	Provincial Plans
PRS	Poverty Reduction Strategy
PSR	Public Sector Reform
PTIP	Triennial Public Investment Plan
SP	Sector Plans
QUIBB (CWIQ)	Basic Well-Being Indicators Questionnaire

EXECUTIVE SUMMARY

Overall conclusions - national ownership and institutional change: Overall, it is the view of the research team that national ownership of the PARPA/PRSP process in Mozambique must be considered quite strong, and that the process will continue after HIPC completion. It is also our assessment that the PARPA is likely to contribute positively to the poverty reduction efforts of Mozambique, and to facilitate more efficient and effective relationships between internal and external partners.

Recommendations: The main recommendations are for the government to follow through with its intentions of making PARPA a rolling plan strongly linked to the budget, and to broaden the support base for the PARPA through a deeper participatory process. Mozambique's external partners should support the government in developing the PARPA, base their support on the PARPA, and use the PARPA as an opportunity for greater collaboration and simplification of procedures.

Governance: The governance system of Mozambique has been significantly strengthened in recent years, but is still marked by political tensions, severe financial shortfalls and capacity constraints. There remains a large gap in capacity and a significant psychological distance between the central level and the provincial/district level.

Limitations of rational planning models: The overriding government concern for political stability and national reconciliation and unity limits the degree to which a purely rationalistic-technocratic approach to planning is feasible in Mozambique. Decisions are also strongly influenced by connections and relationships of mutual support.

External finance situation: The government is heavily dependent on external support, currently constituting about 17 percent of GDP. In recent years, 50 percent of government spending and 75 percent of public investment have been financed by external aid. The authorities' objective of increasing revenue substantially over the coming years is a crucial complement to external aid in supporting poverty reduction spending while consolidating the fiscal position.

Key challenges: Mozambique has made major progress in the past few years, but is facing major challenges in implementing existing strategies and plans, sustaining growth and reducing poverty.

History leading up to the PARPA/PRSP in Mozambique: The requirement of a PRSP does not involve a radical departure from what was already being done in Mozambique.

The PARPA 2001-2005: The process leading to the PARPA 2001-05 started with a national household survey in 1996/97. The concept of "poverty reduction strategy" has evolved and been broadened during this period. The PARPA is now a broad development plan with a poverty focus, encompassing most of the government's budgetary resources, rather than a strategy focussing narrowly on a few sectors considered of particular importance for poverty reduction. This seems the appropriate approach, since 70% of the population is living in absolute poverty.

The PARPA 2001-05: The PARPA 2001-05 was approved by the Council of Ministers in April 2001. It will be presented as Mozambique's full PRSP, completing one of the prerequisites for reaching completion point for the enhanced HIPC. The intention is to make the PARPA an annual rolling plan.

Changes in conditionality: There seems to be no perception among key stakeholders that the introduction of PRSP implies any substantial change in the external requirements that come with aid.

Both the IFIs and government representatives point to a clear and positive change of emphasis, however, in basing IFI support on a government-prepared strategy document.

Approach to participatory process: The government considers consultations carried out under sector planning processes to be an integral and even key element of the PARPA participatory process. Nevertheless, there was a fairly comprehensive round of consultations on the PARPA itself. However, this cannot yet be considered a full participatory process involving civil society in the planning process.

Political debate and parliamentary involvement: Neither the parliament nor the political parties have been brought into the PRSP process. The PARPA was, however, brought to the Council of Ministers for approval. The lack of parliamentary involvement reflects political sensitivities as well as the as yet unclear formal status of the PARPA in relation to other government planning instruments, and this may be considered a significant weakness in the PRSP process so far.

Civil society participation: Participation by NGOs, the private sector and religious bodies in the PARPA process as such has been fairly limited, although there is considerable dialogue and involvement at the sectoral and provincial levels.

The media: There has been limited media focus on the PARPA. This is an indicator of the limitations in the public debate on the PARPA, as well as in government procedures for disseminating information on the PARPA. In the future, a specific media strategy should probably form part of the overall participatory system.

Accessibility of the PARPA document: Due to the complexities and technicality of the PARPA, its content is not fully accessible to most of the persons who are consulted. It would therefore be desirable to produce a more 'popular' and accessible version of the PARPA.

Poverty concept and updated thinking on poverty: The basic poverty concept used in the PARPA is that of insufficient consumption. Even though PARPA 2001-05 uses a consumption-based poverty profile, it includes extensive discussions of both non-consumption indicators of well-being and also qualitative perceptions of poverty. Future versions of the PARPA can be expected to make more active use of these alternative poverty definitions.

Small changes in expenditure pattern as the result of PARPA: The poverty focus of existing Government plans implies that there is no major shift in expenditure patterns as a result of the PARPA 2001-05, which targets "traditional" poverty areas. The PARPA 2001-05 differs from earlier plans in its explicit acknowledgement of the importance of macroeconomic policy and governance. Another difference is that social action is not included among the "fundamental areas", motivated by PARPA's focus on structural poverty.

Growth and inflation targets: PARPA targets growth at eight per cent and inflation at five to seven per cent in the medium term. MPF admits that the targets are ambitious but is confident that the necessary investments and productivity increases will be achieved. The IFIs show more concern with respect to the growth target and the possibilities of achieving broad-based growth.

Threats to growth scenario: The achievement of the growth target, and thereby also the outcome of the entire PRS process, is also dependent on factors such as political developments in Mozambique and in neighbouring countries, the working of the financial system, natural disasters, and HIV/AIDS. There is, however, limited risk analysis in the PARPA.

Attention given to HIV/AIDS in the PARPA: The HIV/AIDS challenge is given little emphasis in the PARPA, when compared to the major impact HIV/AIDS will have on poverty in Mozambique over the next decade. The impact of HIV/AIDS illustrates the need to go beyond consumption-based indicators of poverty.

Gender and environment issues in the PARPA: With PARPA 2001-05 there has been an improvement with respect to gender issues, particularly in the education and health areas. Even so, the potential for medium-term poverty reduction through adult female education seems to warrant larger resources than budgeted for. Areas other than education and health do not, or only to a very limited extent, include the gender perspective. Environmental issues are covered, but are not given much focus in the PARPA.

The World Bank and IMF: It seems that the World Bank and IMF have supported the PARPA-process without undue intrusion, and are seen by the government to have had a constructive and helpful role.

The UN: The UN has played a significant role in sector strategic planning, but has had little involvement with the PARPA document as such. There is a perception among UN agencies that the PRSP is a World Bank driven initiative, and a critical view of the fact that the PRSP has to be endorsed by the IMF/WB Boards. There is a clear need to clarify the comparative advantages of the UN vis á vis the World Bank, and their respective roles as advisors to the PARPA process.

Bilateral partners: Bilateral partners are gradually becoming more involved in the PARPA process, and donor coordination, including joint donor budget support, has started to benefit from the shared focus that the PARPA offers. It is, however, still too early to judge whether bilateral donors will use the PARPA as an opportunity for major changes in their own approaches.

Government Policy and Management Instruments: In terms of policy orientation, the government is seriously committed to poverty reduction. The Government's overall development framework consists of a number of policy and management instruments that share the overall purpose of reducing poverty. It must be seen as a matter of concern that the public management instruments most decisive for Mozambique's medium-and long term development efforts are not subject to constitutional debate.

Integration of PARPA with other Government instruments: While the 5-year government programme presents the intention and guidelines for Government policy, it is the PARPA and the MTFF that are the major implementation tools in the medium-term. These programming instruments set the overall framework within which the annual planning and budgeting takes place. The PARPA is supposed to be directly linked to the annual Economic and Social Plan (PES) and indirectly to the State Budget (OE).

Implementation of PARPA/PRSP facilitated by existing plans: The poverty focus of the existing public management instruments made it easier to integrate PARPA into the overall development framework. The ongoing process of preparing sector plans benefited and speeded up the PARPA/PRSP process.

Added value of PARPA in relation to previous poverty plans: The fact that the PARPA is based on firm poverty analysis and its integration with other public financial management instrument in a macroeconomic and fiscal framework provide favourable conditions for PARPA to be a viable and sustainable tool for Mozambican development efforts.

Policy reform content of the PARPA/PRSP versus PFP: The PARPA/PRSP will have a much clearer focus on poverty reduction than the PFP, which only explicitly addressed poverty reduction to a limited extent. Implementation, monitoring and capacity issues will be the main factors determining whether the PARPA/PRSP leads to a significant change in approach - and hence more effective poverty reduction - from the PFP. Government ownership of the policy proposals of the PARPA/PRSP can also be expected to be stronger than that of the PFP.

Co-ordination of the poverty reduction strategy process: Due to the size and comprehensiveness of the poverty reduction strategy process, from the start the Ministry of Planning and Finance was appointed to lead and co-ordinate a team consisting of ministries and technical units. Within the MPF

responsibility for the preparation of the PARPA has been shared principally by DNPO and the Gabinete de Estudos.

Capacity requirements for PARPA planning and implementation: The PARPA will require increased management and monitoring capacity within the government. It is, however, increasingly difficult for central Government ministries to attract and retain highly qualified staff, due to salary levels. Capacity constraints may be the single most critical issue in the effectiveness of the PRS approach in Mozambique.

Possible Overlap of Government Plans: There is need to 'market' the PARPA in the government machinery at all levels and establish procedures to link it with decentralised budgeting/planning processes to avoid an overload of poverty reduction and development plans. There is, however, no indication that any of the existing management instruments is considered superfluous on the basis of overlapping functions.

Adequacy of the financial management system: Budgetary procedures make it difficult to determine whether the Government's commitment as presented in the PARPA will actually be reflected in relevant budget allocations.

The need for PARPA-consultations: While many of the consultation needs may be covered in the planning in the sectors, there is a role for strong PARPA-consultations as well.

Nature and quality of consultations: The PARPA-consultations were quite extensive and led to broad discussions on many important policy issues, but a more comprehensive approach will have to be established in the future to secure a full participatory process in the design and monitoring of the PARPA.

PARPA planning contributes to improved government consultation processes: As part of the PARPA process, the government is working to introduce a more systematic and integrated consultation process, and probably also greater involvement by the political system. This process will probably encompass not only PARPA consultations, but also sectoral and provincial planning consultations.

Monitoring action strategy: The monitoring strategy is based on three principles: the integration of PARPA monitoring into existing Government monitoring mechanisms, differentiation between process and impact indicators, and the use of monitoring for the regular revision of PARPA targets and plans

Collection and monitoring of poverty data: The National Statistics Institute (Instituto Nacional de Estatística) INE and the MPF are responsible for collecting and monitoring most poverty data. Even though the PARPA acknowledges the desirability of civil society participating in the monitoring process, no mechanisms for such participation are presented. Capacity constraints constitute a major challenge to the success of the overall monitoring strategy.

Statistical tools: QUIBB is the major annual tool for poverty monitoring. It will be complemented with a recurrent household survey and a population census every fifth and tenth year, respectively. The limited administrative and technical capacity of INE recommends an ongoing discussion and analysis of what should be the main responsibilities of INE, in order to allow for an efficient prioritisation between its many different activities.

Indicators of poverty reduction: The PARPA process has led to the establishment of more relevant indicators for measuring poverty reduction outcomes. With a focus on intermediate and final indicators, and an increased focus on impact measurement, PARPA 2001-05 is a considerable improvement on its predecessor.

THE COUNTRY CONTEXT

KEY INSTITUTIONAL FEATURES

Governance: The governance system of Mozambique has been significantly strengthened in recent years, but is still marked by political tensions, severe financial short-falls and capacity constraints. There remains a large gap in capacity and a significant psychological distance between the central level and the provincial/district level.

Government at the subnational level in Mozambique consists of ten provinces which are divided into 33 independent municipalities (*autarquias*), each with its own budget, and 124 districts that come under the central government. The reform currently underway to disengage the state from the economy has clarified the role of the central government and its relationship with the private sector by liberalising markets and prices and giving greater autonomy to state enterprises.³

Under the current Constitution the President is the Head of Government, with the power to convene and preside over sessions of the Council of Ministers, or to delegate this to the Prime Minister. He is the main political force and the key to political stability in the country. According to the Constitution the Prime Minister should "assist and advise" the President. The potential for confusion in the roles of the President and Prime Minister is generally considered to be one of the key issues to be addressed in a reform of the Constitution.

The Assembly of the Republic (AR)⁴ has two ordinary sessions per year, starting in February and October, each lasting 45 working days. Sessions only function in the morning. Many of the MPs chosen by the political party machine have little or no prior contact with the constituencies they are purported to represent. Constituency visits and contact with grassroot levels and civil society in general is irregular. For historical reasons and due to capacity constraints in Parliament, the Executive tends to dominate the Assembly. The Parliament is, however, slowly but gradually improving its capacity to function as a proper legislative body.

Central ministries are subdivided into National Directorates, with provincial and sometimes district branches. Ministries meet at least once a year in Coordinating Councils that bring together national and provincial staff to discuss key issues. Management tends to be orthodox top-down, with limited co-ordination across ministries.

While the individual ministries carry out sector strategic planning, the Ministry of Planning and Finance (MPF) is responsible for integrating sector plans into overall development plans and budgets. The Ministry of Planning and Finance was already responsible for preparing poverty reduction strategies, based on inputs from the sectoral ministries, before the introduction of the PRSP, and the PRSP has not introduced any changes in this respect. The Central Bank, Bank of Mozambique (BM), sees its role as that of a discussion partner with the MPF concerning the macroeconomic framework.

While planning and resource allocation is largely done at the centre, the key "ownership" level in terms of implementation and thus development impact is the province. The provinces, however, are facing major human capacity constraints.

This situation can be illustrated using Niassa province as an example. The estimated population of Niassa is 890,000, or 5% of the total population of Mozambique. In 2000 its 17 Provincial

³ *Report on the Observance of Standards and Codes*, IMF, February 2001

⁴ Law 1/95 of 8 May "Regimento da Assembleia da República"

Directorates had a total staff of 600, of whom only 29 (5%) were graduates and 169 (28%) were middle level technicians⁵. Some 43% of provincial government staff had only primary education.

Some 80% of the population of Mozambique live in rural areas or, in other words, in the districts, which have a very small degree of urbanisation. The fact that District Administrators often have little more than primary education and operate with minimal budgets and staff support is a major constraint to the national development efforts, and limits decentralisation potential. Capacity constraints are aggravated by major communication problems due to large distances between provincial and district capitals and the poor state of the roads.

Mozambique has few means and little tradition for sustaining NGOs solely on voluntary contributions. Still, there are some 400 NGOs in Mozambique, with roughly half located in the capital. Most, however, have a very limited scale of operations and are heavily dependent external donor funds. Few have achieved national prominence. The various kinds of NGO umbrella organisations, however, have proven very effective when combining their efforts in national campaigns, as shown in the "Land Campaign" to inform people about their rights under the new Land Law, and an "All Against Violence" campaign on domestic violence.

There is a wide spectrum of media, but the written press has limited reach outside Maputo and the provincial capitals. Radio coverage has improved significantly in recent years, although not yet covering the whole country. There is considerable press freedom, although last year's murder of the country's most tenacious investigative journalist, Carlos Cardoso, clearly demonstrated the danger involved in pressing too hard on sensitive issues.

The Protestant and Catholic churches work through hands-on development work, in public education and in mobilisation on issues such as AIDS, weapons collection and election civic education. The Muslim community is often active on issues that they feel affect them directly, such as in the drafting of laws in areas considered of particular relevance for the community.

Businesses/employers have specialist associations such as industry, agriculture and provincial associations, and national umbrella organisations. There are two big unions with provincial subdivisions. Both tend to lobby/work within their specific interest areas. Both regularly negotiate minimum wage and other issues with the Ministry of Labour.

Beyond financial and organisational limitations, availability of qualified staff poses the most serious challenge to government capacity. It will take time before the education system will be able to supply sufficient number of qualified staff. To service a population of some 17 million, of which 45% are under 15 years of age, there are around 7,000 primary schools (grades 1-5), dropping to 554 schools for grades 6 and 7, 94 schools for grades 8 to 10 and just twenty schools for grades 11 and 12.⁶

THE POLITICS OF POVERTY REDUCTION IN MOZAMBIQUE

Limitations of rational planning models: The overriding government concern for political stability and national reconciliation and unity limits the degree to which a purely rationalistic-technocratic approach to planning is feasible in Mozambique. Decisions are also strongly influenced by connections and relationships of mutual support.

The country's economy, and particularly the rural economy, was severely damaged during the war. Socially, the initial strong sense of national unity in the immediate post-independence period was undermined by the war, and has suffered further through factors such as increasing focus on

⁵ *Levantamento da Situação dos Recursos Humanos do Aparelho de Estado na Província do Niassa - Relatório Final*. Maria Luisa Sales Lucas, Maria Sílvia da Graça e Costa, August 2000

⁶ Interview with Alcido Eduardo Nguenya, Minister of Education, in *Entrevista*, April 2001

ethnic/language group identities, resentment at uneven development, and isolation caused by poor land communications. Recent years have seen rising crime rates, including an increase in violent crime, and increased linkages to regional crime syndicates. Uneven regional development, with the Maputo area seeing the lion's share of the country's GDP growth, has become a source of strong discontent in the centre and north. The relative strength of the Maputo economy leads to a persistent brain drain from the provinces, and the gap in financial and human resources between Maputo and provincial capitals is large.

The relationship between the ruling party, Frelimo, and the main opposition party, RENAMO, is deeply influenced by their being former contestants in the war. One particular bone of contention is RENAMO's demand to appoint the Governors in the provinces where it had a majority of the votes, but this is not called for under the current "winner takes all" constitution. RENAMO refused to accept the results of the elections in 1999, boycotted the first Parliamentary sessions, threatened to make the country "ungovernable", and organised demonstrations. Strong tension persists which, *inter alia*, negatively affects the working of the Parliament. The political tension also affects the economic outlook through its impact on business confidence and the exchange rate.

Overall, then, the national fabric of Mozambique is fragile, and the government must take great care that its actions in areas such as public sector reform, budgeting processes and public consultations do not contribute to political instability.

The politics of poverty reduction is further complicated by the complex economic and political relationships existing between elites - who are heavily concentrated in the capital - and between them and their various "clients." Mozambique is no exception to the African "economy of affection" phenomenon, where people who become more affluent or politically successful are expected to help out relatives, others from the same region or others who provide an important economic, social or political base. And good connections in Mozambique, as elsewhere, mean significant benefits in terms of influence, economic favours, positions, and easier access to social and financial facilities.

On top of these challenges to rationalistic planning, the government needs to satisfy the multitude of donor priorities, approaches, procedures and requirements. This places a significant burden on the government and makes long-term strategic planning exceedingly difficult.

Corruption is a growing concern, from high level to petty corruption. Petty corruption directly affects the lives of ordinary people through systems such as under-the-table charges by teachers and health staff, police corruption and abuse, and dubious fees levied on small-scale economic activity. Many of these systems are inevitable given the very low salary levels of government staff.

THE EXTERNAL FINANCE SITUATION

External finance situation: The government is heavily dependent on external support, currently constituting about 17 percent of GDP. In recent years, 50 percent of government spending and 75 percent of public investment have been financed by external aid. The authorities' objective of raising significantly the revenue effort over the coming years is a crucial complement to external aid in supporting poverty reduction spending while consolidating the fiscal position.

The government is heavily dependent on external support, currently constituting about 17 percent of GDP. In recent years, 50 percent of government spending and 75 percent of public investment have been financed by external aid. The authorities' objective of raising significantly the revenue effort over the coming years is a crucial complement to external aid in supporting poverty reduction spending while consolidating the fiscal position. Close attention will be needed to ensure that spending in other

areas, including wages, remains prudent, and that the efficiency of all spending continues to be enhanced.⁷

Dependence on external support leads to competition for these resources among the ministries, and to a desire, and need, to maintain central control of the funds. With provincial taxes providing only a very small income to the provinces, they are highly dependent on transfers from the centre, leaving little room for autonomous sub-national planning and decision making. Donors generally work with the central ministries, which does not necessarily support the decentralisation efforts of the government. This is slightly mitigated by some donors targeting resources to a given province.

KEY POVERTY CHALLENGES AND PREVIOUS POVERTY PLANS

Key challenges: Mozambique has made major progress in the past few years, but is facing major challenges in implementing existing strategies and plans, sustaining growth and reducing poverty.

Mozambique has been unable to share fully in the benefits of globalisation. Inadequate infrastructure, weak tax administration, poor communication facilities, insufficiently developed financial services, and a weak judiciary are constraints to fuller engagement in the international economy. Health and education levels are further constraints in achieving economic growth and poverty reduction. On top of these challenges, the country is facing a severe HIV/AIDS crisis, the effects of which will hit the country hard over the next decade.

On the positive side, Mozambique has achieved major progress since the war in national reconciliation, governance, economic management, growth and institution building. It has been able to secure international investments for a number of mega-projects. The country has a vast area of unused land suitable for agricultural production. Progress is being made in expanding educational opportunities and provision of health services. The key challenge in Mozambique is how to sustain growth and ensure that the growth benefits the poor majority.

History leading up to the PARPA/PRSP in Mozambique: The requirement of a PRSP does not involve a radical departure from what was already being done in Mozambique.

Government policy has for many years focused on poverty. Even though the PARPA may be the first document with a comprehensive view on policies for poverty fighting, during the last decade several other documents and policies have addressed the issue. The Social Dimension of Adjustment project (SDA) and the Office for the Support to Vulnerable Population Groups (GAPVU) was formed in 1989 and 1990, respectively. In 1990 the poverty issues were further raised in the Economic and Social Rehabilitating Program (PRES) and a Poverty Alleviation Strategy was initiated. The Strategy for Poverty Reduction in Mozambique from 1995 presented the first peace-time, explicit poverty reduction strategy. The Five-Year Program of the Government for 1995 to 1999 incorporated the main objectives of this strategy (GOM 1999).

The different sector policies that have preceded the PARPA and which now constitute its basis have also had a poverty focus. Limited ownership of the plans at provincial and district level may partly explain the implementation problems which characterise most of these plans.

⁷ Comment by Shigemitsu Sugisaki, Deputy Managing Director of the IMF, during IMF Board meeting discussing the Mozambique PRGF, December 19, 2001

BASIC FACTS ON THE PARPA/PRSP PROCESS

The PARPA 2001-2005: The process leading to the PARPA 2001-05 started with a national household survey in 1996/97. The concept of "poverty reduction strategy" has evolved and broadened during this period. The PARPA is now a broad development plan with a poverty focus, encompassing most of the government's budgetary resources, rather than a strategy focussing narrowly on a few sectors considered of particular importance for poverty reduction. This seems the appropriate approach, since 70% of the population is living in absolute poverty.

The PARPA 2001-05 is the result of a process that started with the "National Household Survey of Living Conditions 1996/97" (MIAF). The MIAF was followed by the poverty assessment "Understanding Poverty and Well-being in Mozambique: the first National Assessment" (1998). This constitutes the basis for the poverty reduction strategy of the Government as expressed in the "Action Guidelines" of 1999. The PARPA operationalises these guidelines. The Action Guidelines state that the global objective of Mozambique for the period 2000-2009 is to reduce the incidence of absolute poverty from the present level of almost 70 percent to 50 percent and lists a number of prerequisites to reach this goal.

The PARPA 2000-04 was prepared by several government ministries under the lead of Ministry of Planning and Finance, and is considered to be the first attempt to provide a comprehensive policy instrument with the explicit purpose to fight poverty. To the global objective of reducing poverty from 70% to 50% in ten years, the PARPA 2000-2004 adds the intermediate objective to reduce the incidence level to around 60% by the year 2004. This first PARPA was in April 2000 approved as the interim PRSP (I-PRSP), as a result of which decision point for the enhanced HIPC initiative was reached.

The PARPA 2001-05: The PARPA 2001-05 was approved by the Council of Ministers in April 2001. It will be presented as Mozambique's full PRSP, completing one of the prerequisites for reaching completion point for the enhanced HIPC. The intention is to make the PARPA an annual rolling plan.

After the approval of PARPA 2000-04 as Mozambique's I-PRSP, the work of preparing the PARPA 2001-05 started. In this process four different drafts have been presented (see table 1). The first draft, presented in two versions in November 2000, was a rough outline by the MPF that did not include budget or costing, with the main purpose of initiating discussions about the PRS process. This draft was used for nation-wide consultations in December 2000 and January 2001 and was also commented upon by the IFIs and the bilateral donors.

The second draft, which was completed in February 2001, was not presented to the public. It included the result of the first round of consultations and took into account comments from the IFIs and bilateral donors. This draft was in turn commented upon by the line ministries (education, health, agriculture, etc.) and by the MPF itself. The third draft, which was presented at the end of February, included a budget and an operational matrix and was again commented upon by the IFIs and the bilateral donors.⁸ The fourth and final draft was completed in March and was subsequently presented on 25 April to the Council of Ministers, which approved it with minor corrections. This draft will, after editing, be presented to the board of the IFIs as the Mozambican full PRSP.

The original intention was to present the PARPA as the full PRSP to the IMF/World Bank Boards in April. This was postponed because Mozambique had not completed the performance criteria for the PRGF. A new date for Board presentation has yet to be announced, but expectations are that it will

⁸ The operational matrix was not released until some time after the presentaion of the third draf.

take place in the period July/August. Ultimately, however, the date depends on resolution of issues related to benchmarks agreed with the IMF/WB.

Table 1 The PARPA 2001-2005 process

Draft	Date	Commented /consulted by:
1 st draft 1 st version	2000-11-16	
1 st draft 2 nd version	2000-11-28	NGOs, the private sector, IFIs, bilateral donors
2 nd draft	2001-02-10	MPF, line ministries
3 rd draft	2001-02-19	IFIs, bilateral donors
4 th draft	2001-03-19	Council of Ministers

THE PRSP IN MOZAMBIQUE: THE PROCESS AND THE RESPONSE

THE NEW CONDITIONALITY: STAKEHOLDER VIEWS

Changes in conditionality: There seem to be no perception among key stakeholders that the introduction of PRSP implies any substantial change in the external requirements that come with aid. Both the IFIs and government representatives point to a clear and positive change of emphasis, however, in basing IFI support on a government-prepared strategy document.

The requirement of a PRSP for access to HIPC / IFI resources has given an extra boost at the policy level to the already existing government focus on poverty. The PRSP does not, however, introduce any significant shifts in government policies or expenditure patterns, but instead confirms the present course of the government. For many stakeholders in Mozambique, the quality of policies and plans are in any case not the key issue. The key issue is how to secure implementation of existing policies and plans.

In terms of discussions on macro-economic targets with the IMF, the government does not consider the PRSP to introduce any major new way of "doing business". The main difference is that the government is itself summarising its reform programme and macro-economic targets in an internal strategy document, instead of negotiating this through an externally-produced PFP. This is a significant shift in principle, but not one that can be seen to have any immediate consequences for the aid relationship in Mozambique.

The government does not see, for example, why the nature of macro-economic benchmarks would change as a result of replacing the PFP with the PRSP. In principle, agreed reform measures should in the future form a subset of the measures spelled out in the PRSP. They might, however, be made more specific in discussions with the IFIs, or other issues not part of the PRSP may also be included in such discussions, if considered necessary.

The PRSP is thus not seen by those interviewed as a dramatic "new form of conditionality" in terms of discussions and agreements on macro-economic and structural reform measures. These must in any case be discussed and agreed on a regular basis in connection with loan arrangements through the IMF or WB.

For the World Bank, agreements on reform measures will continue to be negotiated in the context of individual loans. While these may be drawn from the PRSP, the PRSP will likely not form a sufficient basis for such agreements. As for HIPC and PRGF, an endorsed PRSP is one of several requirements, and not sufficient for debt relief. In the medium term, the PRSP requirement thus does not mean doing away with the "old system" of lists of requirements to be satisfied for access to external resources.

The PRSP requirement itself, however, places quite heavy *additional* demands on the government compared with the earlier system, both in terms of content and process. These demands are easier to accept than other specific policy and reform requirements, since in the case of PRSP it is clearly the government itself which prepares the document and carries out the consultations, and since, in Mozambique, it was possible to base the PRSP on the already developed poverty reduction action programme of the government.

Satisfaction of IFI requirements for HIPC relief and concessional loans – and by implication donor support in general – is still a major motivating force for the government in preparing the new PARPA. Indeed, WB/IMF "endorsement" of the PRSP is paramount to the financial survival of the

government. The relationship between the government and the IFIs in Mozambique is driven by a common interest and with no great divergence in views on key policy issues (with some notable exceptions, especially relating to the cashew and sugar industry.) Critics of this relationship, however, have little confidence in the liberty of the government to determine national policies that are not in line with the prevailing Washington views.

It therefore comes as little surprise to those outside the government interviewed for this study that the key items deemed necessary for IFI endorsement of the PRSP are included in the PARPA, and that the (donor-) required consultations on the overall plan have been carried out. And while neither the parliament nor the political parties have been involved in the consultation process, the bilateral donors and the WB/IMF have been provided with all necessary information and have in return provided extensive comments on consecutive drafts of the plan.⁹ This does not in itself imply lack of ownership to the strategy within the government, but it does point to the attention key donors are being given in the process. The substantial implicit threat to national finances of a possible unfavourable PRSP Joint Staff Assessment is one likely reason that donors and civil society have received more attention than the elected representatives of the people in the planning process. This, of course, is not something donors would encourage in principle, even if, by the nature of the aid relationship and the present emphasis of donors on civil society involvement, they do so in practice.

"National ownership" is seen by external partners as the means whereby the PRSP is to be protected from becoming another elaborate planning system driven more by the need to secure external resources than to improve national policy, shift public expenditure patterns or improve the quality of public service delivery. The very nature of institutionalised aid dependencies, however, work against ownership in this sense. The PRSP is not exempt from well-known weaknesses of other aid instruments¹⁰, while introducing some new on its own¹¹.

There is clearly a danger that donors both implicitly and explicitly will exercise too much influence on the PARPA process, endangering the very ownership that is supposed to be the cornerstone of the "new" approach of the PRSP. It is not clear in Mozambique what the PARPA will mean in terms of how much room for manoeuvre and learning through trial and error the donors will be willing to accord to the government before significant pressure will be applied. The answer to such difficult questions will be the main test of what donors mean by "national ownership" of the PARPA, as shown not through official donor statements but in actual donor practice. It is too early to judge the effect of a PARPA on these issues.

STAKEHOLDER PERCEPTIONS OF THE ACTORS AND THE PROCESS

Approach to participatory process: The government considers consultations carried out under sector planning processes to be an integral and even key element of the PARPA participatory process. Still, a fairly comprehensive round of consultations have been carried on the PARPA itself. However, this can not yet be considered a full participatory process from civil society in the planning process.

⁹ But notably not the UN organisations, which are not linking their support strongly to the PRSP (see separate discussion on the role of the UN)

¹⁰ Of which the following can be mentioned: short time-frames influenced by donor schedules, externally imposed conditions, and insufficient attention paid by donors to the complexities and constraints of national institutions and political and cultural realities (i.e. the role and limit of technocratic-rationalistic planning in developing countries)

¹¹ The lack of clear principles in the promotion of "civil society democracy" can be considered one such weakness, although this may change as experience is gained and the roles and responsibilities of various stakeholders are clarified

In spite of the above considerations, an ambitious participatory strategy was drawn up for the PARPA 2001-2005 process. The original plan was, however, considered too ambitious and only partially implemented. The main activity carried out was a quite extensive series of meetings held with civil society and government officials in Maputo and two of the country's ten provinces (Sofala and Nampula) during December 2000 – January 2001. The focus on Maputo, the short notice and the general time constraints of this schedule of meetings, however, had the consequence that they offered substantially less than full civil society participation in the process, although they offered opportunities for public discussion. They are nonetheless a promising start for a new and strengthened government approach to consultations. Further issues related to the consultation process are presented under the chapter "Potential for Institutionalisation", below.

Political debate and parliament involvement: Neither the parliament nor the political parties have been brought into the PRSP process. The PARPA was, however, brought to the Council of Ministers for approval. The lack of parliamentary involvement reflects political sensitivities as well as the yet unclear formal status of the PARPA in relation to other government planning instruments, and may be considered a significant weakness in the PRSP process so far.

Representatives of the main opposition party expressed concern that they had not been brought into the PRSP process at all. However, they also pointed out that they did not find this treatment very surprising, but instead symptomatic for the Government's disregard of the parliament and opposition. According to these politicians the information and transparency with regard to Government plans and actions were minimal.

Frelimo politicians also seemed to be of the view that it would have been desirable to have some discussions about the PARPA in the AR. Senior government officials agreed that the political system had not been much involved, and that in the future the PARPA should be discussed by Parliament. One explanation given for not involving the opposition in the consultation process is the political deadlock that have persisted since December 1999 due to the discord about the election result. The situation deteriorated after the riots in November 2000, with the result that the possibilities for political dialogue during the last half year have been limited. Political interest seems to have been more focused on the right to appoint provincial governors, leaving little time and space for debate on the poverty reduction policy.

Civil society participation: Participation of NGOs, the private sector and religious bodies in the PARPA process as such has been fairly limited, although there is considerable dialogue and involvement at the sectoral and provincial levels.

Generally, awareness among civil society institutions about the content and role of the PARPA is low. At the provincial level, knowledge of the PARPA is particularly weak. For example, a group of representatives from 8 national NGOs in Zambezia consulted for this study had not heard of the PARPA at all. In Niassa, there was some knowledge among the NGOs about the PARPA, due to information that had been presented in connection with a meeting about debt rescheduling arranged by the Mozambican Debt Group (Grupo da Divida) and Progresso in December 2000.

This situation partly reflects the limited scope of dissemination and consultations carried out by the government, but also the limited interest in and capacity for involvement in this form of macro planning among the NGO community itself.

The Zambezia NGOs were, on the other hand, invited to participate in the provincial strategy planning efforts recently completed. This is of more direct interest to them than national planning efforts. The focus of both the Niassa and Zambezia NGOs consulted for this study seem, in general, more related to various community-based projects and on securing funding for these, than in dealing with macro

plans and policy advocacy. National and even provincial plans do not seem to be considered of strong direct relevance for their work.

Even some umbrella NGOs at central level have barely heard of the PARPA. With the exception of the Mozambique Debt Group, no NGOs consulted for this study expressed strong opinions about the *content* of the PARPA. Overall the national NGOs seem more interested in and structured for sectoral and operational work than in advocacy related to the macro plans of the government. With some exceptions, religious bodies also do not seem very active in relation to the PARPA. This strengthens the government's argument that the participatory process should focus on the sector strategies and on decentralised planning rather than on the PARPA document as a whole. This argument does raise the question, however, about who is to provide substantial comments and inputs on inter-sectoral priorities and linkages in the overall plan, outside of the central Ministry of Planning and Finance. This question is all the more important considering the strong verticality of Mozambican ministries and directorates.

There are processes in place where the private sector meets with the government to discuss key issues related to the business environment. Of particular importance are the high-profile Private Sector Conferences, during which lists of priority actions are drawn up and agreed between private sector representatives and the government. Private sector representatives, however, lament the limited ability of the government to carry through with intended reforms. Private sector representatives interviewed for this study were uniformly sceptical about the usefulness of increased consultations with the government, as long as already agreed-upon actions are not better implemented.

The limited involvement of civil society in macro planning efforts also reflects the limited amount of well-organised and sufficiently funded civil society organisations in Mozambique. The sentiment of the private sector that the plans of the government are weakly implemented, and that improved planning therefore does not necessarily lead to improved results, is also widespread among other civil society organisations.

The media: There has been limited media focus on the PARPA. This is an indicator of the limitations in the public debate on the PARPA, as well as in government procedures for disseminating information on the PARPA. In the future, a specific media strategy should probably form part of the overall participatory system.

The degree of media focus can be used as an indicator of information availability, of public engagement and of political interest and debate. So far, the media has paid limited attention to both the process of developing the PARPA and to the content of the plan. The fact that the PARPA was not brought to Parliament for discussion can be seen as a major contributing factor to this. As for the rest of the society, media attention has focused on the constitutional topics that have dominated the Mozambican political scene during last year and on the consequences of the floods. Moreover, no particular effort seems to have been made by the government to engage the media. In the future, a specific media strategy should probably form part of the overall PARPA consultation system.

Accessibility of the PARPA document: Due to the complexities and technicality of the PARPA, its content is not fully accessible to a majority of the persons who are consulted. It would therefore be desirable to produce a more 'popular' and accessible version of the PARPA.

The technical language of the PARPA reduces its accessibility for those who are expected to take part in the consultation process. Some NGOs have declared that they will start to educate themselves about economics in order to be able to follow the PARPA process. The Women's Forum, for example, plans to arrange seminars and courses in economics in order to enable the members to take part in the consultation process. Even though such courses would serve a purpose by increasing awareness about poverty issues, they probably still would be too rudimentary to allow a deeper understanding of the subjects treated in the PARPA. It can be suspected that even for persons with formal education, a

considerable amount of time would have to be put aside in order to be able to assess the PARPA. Combined with the fact that many consider that the PARPA is not directly relevant to their activities, this may explain why so few seem to have made the effort to read the PARPA.

The MPF seems to consider the PARPA in its present format is too complicated to be useful in consultations. Thus both those producing the document and the recipients have expressed the opinion that it would be desirable to produce a “popular” version of the PARPA which would be more easily accessible.

GOVERNMENT PLANS, APPROACH AND CAPACITIES

Poverty concept and updated thinking on poverty: The basic poverty concept used in the PARPA is that of insufficient consumption. Even though PARPA 2001-05 uses a consumption-based poverty profile, it includes extensive discussions both on non-consumption indicators of well-being as well as qualitative perceptions of poverty. Coming versions of the PARPA can be expected to make more active use of these alternative poverty definitions.

PARPA defines poverty as *the inability on the part of individuals to ensure for themselves and their dependants a set of basic minimum conditions for their subsistence and wellbeing in accordance with the norms of society* (PARPA 2001:2). The basic measure of individual well-being, and thereby also of poverty, is per capita consumption. The national head count index indicates that 69.4 per cent could be considered as absolutely poor. The Poverty Assessment concludes that the poverty to a large extent is structural. Provincial poverty profiles indicate that the regional differences of poverty are large and that the differences between the poor and non-poor for many of the analysed variables are quite small.

Besides the use of per capita consumption, the PARPA also states that non-consumption indicators of well-being, such as the illiteracy rate, the infant mortality rate, access to clean water and chronic malnutrition, are important. On the basis of these indicators, a Human Poverty Index is constructed in order to complete the poverty profile. A comparison shows that the prevalence of poverty is lower, 57 per cent, when based on the Human Poverty Index than when based on average consumption per capita (PARPA 2001:14).

In comparison with the PARPA 2000-04, the new PARPA also puts more emphasis on qualitative perceptions of poverty. In January 2001 the MPF and the University (UEM) carried out a series of participatory diagnoses of poverty in seven provinces, which were a follow-up of similar appraisal made in 1995-96. The final results were not ready in time to be included in this year's PARPA; however, the intention is to include them in future poverty plans. This is an important and positive initiative by the government, which may have significant benefit both for the consultation process in the future, as well as for the policy content of future PARPAs.

By including extensive discussions both on non-consumption indicators of well-being as well as qualitative perceptions of poverty, in its conceptual approach to poverty the PARPA 2001-05 is a considerable improvement on the first PARPA. The PARPA 2001-05 also points out three areas of focus for further poverty research: alternative ways of measuring poverty and selecting poverty lines; analysis of the availability and progressiveness of basic services, health and education; and poverty mapping. Since the intention is to make the poverty reduction process a rolling exercise with a new PARPA each year, a further broadening of the Mozambican poverty concept can be expected.

Small changes in expenditure patterns as the result of PARPA: The poverty focus of existing Government plans implies that there is no major shift in expenditure patterns as a result of the PARPA 2001-05, which targets “traditional” poverty areas. PARPA 2001-05 differs from earlier

plans in its explicit acknowledgement of the importance of macroeconomic policy and governance. Another difference is that social action is not included among the “fundamental areas”, motivated by PARPA's focus on structural poverty.

The *Strategy for Poverty Reduction in Mozambique* from 1995 presented the first peace-time, explicit poverty reduction strategy. The plan included five overall objectives: improving living conditions in the rural areas, investing in human capital, improving the social safety nets, formulating a population policy and improving national capacity for analysis and monitoring of poverty. The *Action Guidelines* (1998) targeted education, health, agriculture, employment, basic public works and social assistance as the strategic sectors in the fight against poverty. Furthermore, the importance of strengthening the role of women and vulnerable individuals in the development process was emphasised in this document. Key sectors in PARPA 2000-04 (PARPA 2000:41), for which specific objectives were defined, were education, health, social action, agricultural and rural development, employment, and infrastructure.

On the basis of the sector plans, PARPA 2001-05 identifies six fundamental areas; education; health; infrastructure, roads, energy and water; agriculture and rural development; good governance, legality and justice; and macroeconomic and financial policies. Efforts in these areas are expected to have the largest poverty reducing effects. In addition to the fundamental areas the PARPA also identifies a number of other areas to which poverty reducing resources will be directed: employment and business development, social action, shelter, mining, fisheries, tourism, processing industry, transport and communications, technology, environment, and reduction of vulnerability to natural disasters.

By and large the PARPA 2001-05 identifies the same key areas as earlier poverty plans. Common for all these plans are their focus on education, health, infrastructure, and agriculture and rural development. PARPA 2001-05 differs from earlier plans in its more explicit focus on factors which contribute to the creation of an environment favourable to poverty reduction, such as macroeconomic policy and governance. This goes well in hand with the stated assumption that growth is necessary for poverty reduction and can be seen as an acknowledgement of the necessity to directly integrate economic variables in the poverty reduction process. Another difference in comparison with earlier plans is that the area for social action is not found among the fundamental areas.¹² PARPA notes that social action in principle should be one of the fundamental areas, but chooses to exclude it due to the low number of beneficiaries and the limited resources available. (PARPA 2001:5). The choice to exclude social action from the fundamental areas can be seen as part of the PARPA strategy to focus restricted resources on the large structural poverty of Mozambique. PARPA also anticipates that if growth strategy is successful it will imply more resources for the social action area. In addition, it can be argued that the fundamental areas education and health indirectly, at least partly, cover social action issues. Some stakeholders consider the limited focus on social action to be a clear weakness of the PARPA, and a reflection of the weakness of the Ministry of Social Action as well as illustrating the economic growth bias of the Ministry of Planning and Finance which is responsible for PARPA preparation. Even so, at the consultations, no major objections were raised with respect to the choice of fundamental areas.

PARPA explicitly states that there will be an increase in the allocation of public resources to the priority sectors and that for each of them the relative weight both in relation to total public expenditure and to GDP will be stabilised or increased (PARPA 2001:111).¹³ PARPA chooses to take 1999 as reference year using the argument that 2000 and 2001 were exceptional years due to post-emergency reconstruction and the need to improve the banking system. For the period 1999-2005, budgeted resources for priority areas increase as share of total expenditure from 60.0 to 64.5 per cent and as share of GDP from 13.2 to 17.0 per cent. Taken by themselves education and health as share of total expenditure and GDP are also expected to increase during the period (Table 2).

¹² Objectives in the area of social action plans are strengthening programmes of direct social assistance covering people in need, especially children in difficult circumstances or in poor households, the elderly and the disabled

¹³ In addition to the fundamental areas (with the exception of macroeconomic and financial policies), social action; labour and employment; and mineral resources and energy are included among the priority areas.

Table 2 Budgeted expenditure/programmed for priority areas

	1999	2000	2001	2002	2003	2004	2005
<i>As percent of total expenditure</i>							
Priority areas	60.0	62.9	67.4	65.0	66.9	66.7	64.5
Education	15.6	18.4	24.5	19.5	20.2	20.2	19.7
Health	13.0	12.0	11.4	12.9	12.9	13.3	13.3
<i>As per cent of GDP</i>							
Priority areas	13.2	16.9	19.4	18.9	18.6	17.4	17.0
Education	3.4	5.0	7.1	5.7	5.6	5.3	5.2
Health	2.9	3.2	3.3	3.7	3.6	3.5	3.5

Source: *PARPA 2001-2005* Table 7.4 (final edition)

Even though the PARPA budgetary framework separates domestic and foreign sources of resources there is no specific discussion about the use of the latter. PARPA projects for higher reliance on domestic resources; for the period up to 2010 it is expected that foreign resources will remain at about US\$550 annually which in relation to GDP implies a decrease from 14.1 per cent in 2000 to 7.6 per cent in 2010. However, in the medium-term the changes are not very significant. If we compare 1999 (using the PARPA argument that 2000 and 2001 were exceptional years) with 2005 the share of external finance as a ratio of GDP only decreases from 11.1 to 10.6 per cent.

Growth and inflation targets: PARPA targets growth to eight per cent and inflation to five to seven per cent in the medium term. MPF admits targets are ambitious but is confident that the necessary investments and productivity increases will be realised. The IFIs show more concern with respect to the growth target and to the possibilities of achieving broad-based growth.

In order to achieve the goals of PARPA, the objective is to maintain annual and broad-based GDP growth of not less than eight per cent (PARPA 2001:18). Other targets are to consolidate the macroeconomic stability of the end of the 1990s characterised by one-digit inflation, low monetary expansion, and a stable exchange rate.

The projected growth target has been criticised of being overly optimistic. MPF, however, seems confident that the targets are achievable. MPF claims that the investments and productivity increases necessary to achieve the target can be realised under conditions summarised in a scenario that includes an overall positive development for economic variables, peace and political stability, productivity gains in agriculture, improvements in market-supporting institutions, sector reforms, continued support from international partners, and implementation of mega-projects.

How realistic is the scenario with respect to the development of the economic variables?¹⁴ Mozambique has during the late 1990s showed that it is able to achieve macroeconomic stability (and two-digit growth) through prudent monetary and exchange rate policy. It is expected that there will be strong growth in exports during the period, primarily because of the mega-projects, but also because of increased exports of agricultural products. There are plans for continued economic liberalisation in the form of lowered trade tariffs (it is expected that trade tariffs as share of total tax revenue will significantly decrease during the period). Public spending will to a large extent be directed towards the key areas of education, health and infrastructure. Six mega-projects have been decided upon, and there are further projects in the pipeline. The impact on GDP of the mega-projects can be expected to be substantial - GDP in 2005 is projected to be 26 per cent higher with the mega-projects than it would be without them (Andersson 2001). Even so, the direct poverty reducing effects of the mega projects will probably be quite small; e.g. both the impact on national income and employment will be limited.

¹⁴ For other factors on which the growth scenario is based see other sections of this study.

However, indirectly the projects are expected to contribute to poverty reduction through generating fiscal revenues. In the short to medium term the impact on tax revenues are rather modest but in 2010 the mega projects are projected to contribute fiscal revenues corresponding to three per cent of GDP. The expectation is also that they will contribute to a broad-based growth through being an example attracting labour intensive small- and medium size enterprises to Mozambique. In order to have a positive impact on investments, it is, however, essential that the mega projects do not give rise to Dutch Disease effects through appreciating the real exchange rate.

The IFIs seem more concerned than MPF about the growth target and of the possibilities to achieve broad-based growth. They argue that the PARPA does not sufficiently state the challenges and opportunities of growth. According to the IFIs the PARPA does not give a clear enough account of what the main sources of growth are, which sectors that are most important for growth and which groups and regions that would benefit from the growth scenario. They would also prefer the PARPA to include a strategy to promote regional growth. The IFIs furthermore seem doubtful about whether the growth really will be broad-based, when it so heavily dependent on the expected benefits of a handful of mega-projects.

Some other external stakeholders also voice this concern. It is claimed that unless government provides support to the agricultural sector, in particular in helping to build up a market network in the provinces, rural poverty can not be substantially reduced in the medium term, and hence the main objective of the PARPA not be realised.

Threats to growth scenario: The achievement of the growth target, and thereby also the outcome of the entire PRS process, is also dependent on factors, such as political development in Mozambique and in neighbouring countries, the working of the financial system, natural disasters, and HIV/AIDS. There is, however, limited risk analysis in the PARPA.

Political unrest originating in political and provincial disagreements may be a threat to the achievement of the growth targets. Even though this factor to a large extent is affected by the Government policy, its development depends also on the activities of the opposition. Continued political disagreement between Frelimo and RENAMO can be expected to increase the political risk and have detrimental effects on foreign investments in Mozambique.

In addition, the political situation in Mozambique's neighbouring countries, South Africa and Zimbabwe, affects the inflow of capital and thereby the growth potential of the entire southern African region. In particular South Africa affects Mozambique through its dominating political and economic role in the region. Since the poverty reduction strategy is based on the condition of high-rate economic growth, a negative political and economic development in South Africa would imply a threat to continued rapid growth in Mozambique.

Two of Mozambique's largest banks last year reported large accumulated losses due to bad loans. The result will be that large amounts of Government resources that otherwise could have been used for poverty reducing purposes now instead will be used in the recapitalisation. Crisis in the financial sector also risks undermining economic actors' confidence in the Government's willingness and ability to pursue a sound economic policy. This may result in loss of foreign investments, and thereby difficulties in achieving the economic growth scenario.

Natural disasters also pose a threat to economic growth. It is still too early to assess the effects of this year's floods on economic growth. However, the rains and floods in 2000 had more severe effects on the growth rate than originally believed and implied large human and economic costs with severe effects on the development process. In addition to the risk of floods, Mozambique also has a history of recurrent droughts.

Another serious threat to continued development in Mozambique is the spread of HIV/AIDS. Since HIV/AIDS affects the productive generations most severely, it reduces the potential for the country to achieve a sustainable rate of growth. The PARPA treatment of the HIV/AIDS issue is discussed below.

CROSS-CUTTING ISSUES

Attention given to HIV/AIDS in the PARPA: The HIV/AIDS challenge is given little emphasis in the PARPA, when compared to the major impact HIV/AIDS will have on poverty in Mozambique over the next decade. The impact of HIV/AIDS illustrate the need to go beyond consumption-based indicators of poverty.

The HIV/AIDS threat was, according to many of the persons interviewed for this study, not taken seriously in Mozambique until quite recently. External partners, too, were slow in giving HIV/AIDS high priority in their programmes. It is only in the last couple of years that HIV/AIDS has begun to be discussed publicly and be given serious attention by high-level government officials. Only very recently has a serious effort begun to establish proper testing facilities, with the result that, even today, the prevalence rate in Mozambique is largely a matter of conjecture. A strategy to deal with the threat was finalised in late 1999, and the institutional arrangements to implement the strategy is still only being established. In the meantime large segments of the population has remained ignorant about HIV/AIDS, and HIV has been spreading rapidly. The most recent estimates indicates a national prevalence of 16% of the adult population, more than 1,4 million people living with HIV, and more than 340,000 AIDS orphans – expected to reach more than 1,1 million by 2010. Life expectancy, which could be expected to increase from 42 years to 46 years by 2005 without the HIV/AIDS epidemic, might fall to only 35 years by 2005. An estimated 700 persons are infected every day – or as many as the total loss of life during the floods during 2000.

Since HIV/AIDS affects the productive generations most severely, it reduces the potential for the country to achieve a sustainable rate of growth. In spite of this the PARPA does not factor HIV/AIDS into its macro-economic analysis and growth forecasts.¹⁵ And the introductory 6-page chapter of the PARPA, which functions as an executive summary of the plan, contains only two sentences on HIV/AIDS: with reference to the education strategy, it is stated that "the programme also contains a commitment to combat HIV/AIDS through schools", and for the health sector it is stated that one of the main objectives is "a campaign aimed at reversing the current growth of the HIV/AIDS epidemic". Given the estimates above it is hard to see that poor data availability, generally cited as the reason for not factoring in HIV/AIDS, can justify that HIV/AIDS is not given a higher priority in the plan.

Provincial strategies are similar to the PARPA in this respect. The recently prepared strategy for Zambezia Province, which is one of the provinces with the highest HIV/AIDS estimates, includes two growth scenarios – none of them factoring in consequences of HIV/AIDS. The Provincial Strategy for Niassa, *Niassa 2005 – Renewing Hope*, prepared in 1999, contains no reference to HIV/AIDS whatsoever.

This weakness in national and provincial planning documents can be interpreted as being a reflection of a tendency among many of the persons interviewed for this study of considering HIV/AIDS as a more or less inevitable impending disaster. The difficulty of changing sexual attitudes and practices, low education levels and resource and capacity constraints lead many to believe that little can be done to significantly reverse the HIV/AIDS trend in the short to medium term. This seems to have as a consequence that planners – and external partners are not exempt from this attitude – give a greater

¹⁵ It is, however, stated that the result of two studies due later this year will be used as input in future economic projections.

focus to issues where progress is considered more possible, even if their potential positive impact on poverty is far less than even limited success in reversing the HIV/AIDS trend would be.

It should also be noted that since the poverty reduction goal of the government is related to consumption figures only, reductions in life expectancy, social exclusion and the extreme degree of suffering caused by HIV/AIDS will only be reflected in the overall poverty statistics to the extent that they influence the economic status of the population. For example, theoretically (if not in practice) GDP per capita could grow even if life expectancy were reduced – and "poverty reduction" thus be achieved. When basing poverty measurement on consumption indicators, Mozambique could statistically (if only theoretically) be successful in terms of "poverty reduction" even while millions were dying of AIDS, millions of children became orphans, and life expectancy dropped to less than 30 years. This demonstrates the importance of paying as much (or more) attention to other impact indicators in the PARPA than poverty prevalence, as long as consumption is the basis for the poverty definition.

Notwithstanding these weaknesses of the PARPA in terms of HIV/AIDS, it should be emphasised that the awareness and action related to HIV/AIDS has dramatically improved with the development and launching of the new HIV/AIDS strategy of the government. It can be expected that the next version of the PARPA will have a more thorough discussion of probable implications of the HIV/AIDS epidemic, and actions to combat it.

Gender and environment issues in the PARPA: With PARPA 2001-05 there has been an improvement with respect to gender issues in particular in the education and health areas. Even so, the potential for poverty reduction of adult female education in the medium-term seems to warrant larger resources than budgeted for. Other areas than education and health do not, or to a very limited extent, include the gender perspective. Environmental issues are covered, but not given much focus in the PARPA.

The result from the Poverty Assessment showed that efforts directed to the education of women have large effects for reducing the poverty level, not least through its indirect positive health effects on children. The PARPA acknowledges this result by stating the need to adopt a gender perspective in the poverty profile but it also claims that the present state of knowledge limits the gender equity approach to areas in the field of education and health (PARPA 2001:7).

PARPA gives gender issues in education and health a rather marginal treatment. The introductory chapter on education mentions the gender aspect in passing as one reason for the proposed prioritisation of primary education. No reference is made to the need for education of adult women. Key actions with a gender perspective in primary education are to increase the number of girl students and the number of female school directors. In the area of adult education, the literacy programme is geared especially towards women, and in the teacher training area the proportion of girls in courses are intended to be raised. The areas of secondary education, higher education, professional training and special education do not mention the gender perspective at all. (PARPA 2001: 39-43) Primary health care, fight against serious epidemics, and the health network are the areas within the health area that particularly mention women. In addition, measures directed towards child health care could be expected to be biased towards women. Besides the education and health sectors, it is primarily the social action area that presents an explicit gender perspective.

PARPA 2001-05 has increased its gender focus in comparison with PARPA 2000-04, in which the importance of including women in the poverty reduction strategy was mentioned mainly in general phrases. However, even though PARPA 2001-05 better addresses the gender perspective there still remains much to be done. For example, in education PARPA focuses on primary education, which obviously will benefit poverty reduction and gender equity in the longer term. Education of female adults, which probably would have larger effects on these variables in the medium-term, has been given much less attention. In 2002 and 2005 the amounts budgeted for adult education are only 1.5 per

cent and 2 per cent, respectively, of the amounts intended to be directed towards primary education. Taken into account that the primary objective of the PARPA is to reduce absolute poverty in the medium-term, it seems reasonable that adult education should warrant a larger interest. Finally, even though education and health probably are the sectors where a focus on gender issues can be expected to have the largest impact on poverty reduction, it is important to also let this approach penetrate other areas. For example, taken into account the key role of women in agricultural production, this area in particular would benefit from a more explicit gender approach.

Environment is covered under "other issues" in the PARPA. The environment is also mentioned under Good Governance. Given the importance of environmental issues for sustainable poverty reduction, a greater emphasis on environmental issues as an overriding and cross-cutting concern would have been warranted.

DONOR PLANS, APPROACH AND CAPACITIES

The World Bank and IMF: It seems that the World Bank and IMF has supported the PARPA-process without undue intrusion, and are seen by the government to have had a constructive and helpful role.

The relationship between the government and the WB/IMF with respect to the PARPA has been seen as constructive by both sides. The government seems to have been strongly in the driving seat during the process, while the World Bank and IMF has provided support and advice as and when requested. The Bank and IMF have not pushed for early completion of the PARPA, although the government has kept to the rather tight schedule of completion in March/April 2001. This has no doubt been influenced by the desire to achieve early completion point for HIPC debt relief, although a postponement would not have had any substantial consequences on the total amount of debt relief. The WB/IMF made detailed analysis and prepared extensive comments during the preparation process of PARPA 2001-05. Joint IFI missions commented on the PARPA process in June and September 2000. In the beginning of 2001, comments made by the IFIs on the first draft of the PARPA were followed by discussions between them and the MPF. A large WB/IMF team visited Mozambique in February/March 2001 to assess the PARPA process and the third draft of the plan. In order to evaluate the final draft, a new joint mission was scheduled for June 2001. According to the WB/IMF offices in Maputo, the Mozambique PARPA process and content are generally viewed favourably by the Bretton Woods institutions, although there are areas where they consider improvements should be made in future rounds. There is thus no reason to expect difficulties in having the PARPA endorsed as a PRSP.

A new World Bank Country Assistance Strategy (CAS) was prepared simultaneously with the first PARPA, and involved a major analysis phase and extensive consultations. No major changes in the approach to CAS is yet evident in World Bank operations as a result of the introduction of the PRSP requirement. In the future, one would expect that the CAS should become simpler, be built on the PARPA, and not require as broad consultations as is presently the case, since these would be covered by the PARPA consultations.

Even if the World Bank and IMF "step back" and avoid undue interference on the PARPA process, there is still a danger that they, by nature of the support and advice they are able to provide, and the close relationship they have with the Ministry of Planning and Finance, become the dominant influence on both process and content. The importance of WB/IMF endorsement of the PARPA also works in this direction. This makes broad-based national consultations even more important, as they provide an important counterweight to donor influence in general and to WB/IMF influence in particular.

Overall, it seems that the IMF and the World Bank are collaborating well on the PARPA process in Mozambique, and that there are no major differences in views on key policy issues between the institutions.

The UN: The UN has played a significant role in sector strategic planning, but have had little involvement with the PARPA document as such. There is a perception among UN agencies that the PRSP is a World Bank driven initiative, and a critical view of the fact that the PRSP has to be endorsed by the IMF/WB Boards. There is a clear need to clarify the comparative advantages of the UN vis á vis the World Bank, and their respective roles as advisors to the PARPA process.

The UN has a strong presence and provide a significant amount of support to Mozambique. Strong progress has been made in coordinating the work of the UN since the mid-90s. A comprehensive *Common Country Assessment 2000* (CCA) has been prepared, providing the UN's view of the country's development challenges and opportunities. The *UNDAF 2002-2006*, with a total resource framework in excess of USD 300 million, sets out the goals, roles and responsibilities of the UN, based largely on the analysis of the Common Country Assessment.

The UN has been involved in the PARPA only indirectly, through its support to sector strategy development. It has been minimally involved in the PARPA process itself, and did not provide formal comments on PARPA drafts. The UN is clearly more focused on sectoral work and the CCA/UNDAF system than on the PARPA-process. Nor does the government seem to have made much effort to involve the UN agencies in the PARPA process. Several UN agencies noted that they received drafts of the PARPA, if at all, through the World Bank and not directly from the government. Generally it is the perception of the UN agencies that the PARPA process is very much a government-WB/IMF initiative.

In important ways it seems that the Common Country Assessment and the PARPA are similar and overlapping exercises, and that the CCA would benefit from being more strongly linked, or even merged with PARPA planning. The fact that the PARPA is oriented towards HIPC debt relief and concessional lending from the Bretton Woods institutions, however, and is perceived by the UN as a WB/IMF-driven exercise, does not encourage a more direct linkage.

The Common Country Assessment in many ways contain similar analyses to those contained in the PARPA, although going more in depth in the issues covered. While the Common Country Assessment is a quality document which is extensively discussed with government and other stakeholders, to a significant degree it represents a duplication of efforts to that of the PARPA process. The CCA clearly has its primary ownership with the UN agencies, and its main direct use is to function as a basis for programming of UN support. The linkage of the CCA with the PARPA is further weakened by the fact that the main counterpart for the Common Country Assessment planning is the Ministry of Foreign Affairs, not the Ministry of Planning and Finance.

The UN approach thus in many ways seems to be parallel rather than complementary to the PARPA process, with unclear synergies between the processes. The UN expends very considerable effort in preparing, and securing government involvement in, high quality reports and the UNDAF, while the government's own planning system is focused around sectoral strategic planning and the PARPA. Clearly the UN agencies, other external partners and, in particular, the government would benefit from a stronger linkage or even merging of these UN-driven processes with the national planning system. This may become the case as the PARPA is established as *the* government planning instrument for poverty reduction.

On the other hand the UN represents an important alternative and/or additional conceptual approach to one based largely on economic justifications. The CCA/UNDAF in Mozambique is a good illustration of this. The UN in Mozambique is now using human rights as a conceptual framework for

development and poverty reduction.¹⁶ This contrasts with the conceptual framework promoted by the IMF and the World Bank, which is influenced by the fact that according to their mandates these institutions must deal only with economic issues. Over the last decade, however, the World Bank, has developed a conceptual framework to justify and facilitate its major expansion into areas previously considered "non-economic," such as health, education, governance, HIV/AIDS, corruption, human rights and civil society partnerships. Not least as a result of this effort it has, when talking about national and human development, become increasingly acceptable to define and/or interpret all aspects of human life in terms of their impact on the economy. This is illustrated by the recently increased popularity of terms such as "human capital" and "social capital" to describe basic human and social capacities.¹⁷ It is not always acknowledged that the WB/IMF *must* interpret the world in these terms due to its economic mandate, and that, therefore, it is only *outside* the WB/IMF – which in global terms primarily means the UN – that alternative analytic frameworks can be promoted. It should be noted that the recent World Bank emphasis on "voice" and "security" in addition to "opportunity" also needs to be interpreted/justified in economic terms, and that this necessarily influences the way these concepts are used and understood.¹⁸

While the relationship between the World Bank and the UN in general seems good in Mozambique, key UN representatives in Mozambique are very critical of the way the PRSP is used to expand the dominance of the World Bank and IMF into areas that the UN considers itself to have both far more experience and a stronger mandate to deal with. The new UNDAF in Mozambique includes a description of what is seen as the appropriate respective roles and responsibilities of the different UN organisations as well as the WB and IMF. The rather marginal involvement of the UN organisations in the PRSP exercise as such must be seen in light of the above considerations.

An additional duplication of work seems to have occurred in relation to the 2001 UN conference on Least Developed Countries, with significant work being carried out by the UN and the Ministry of Foreign Affairs on describing the poverty situation and strategies in Mozambique, with little or no linkage to the PARPA process co-ordinated by the Ministry of Planning and Finance.

Bilateral partners: Bilateral partners are gradually becoming more involved in the PARPA process, and donor coordination, including joint donor budget support, has started to benefit from the shared focus that the PARPA offers. It is, however, still too early to judge whether bilateral donors will use the PARPA as an opportunity for major change in their own approaches.

While bilateral donor involvement in the first PARPA formulation was minimal, a group of donors which meets regularly to discuss PARPA and other issues prepared joint comments on the third draft PARPA 2001-2005. Several donors have offered to support the government in the PARPA preparation process, to the extent that the Ministry of Planning and Finance, according to some sources, requested the donors to better coordinate their offers. According to some donors, the PARPA has provided an opportunity for them to increase their focus on overall development impact issues, counterbalancing the tendency to be focused mainly on input/output issues.

The danger of PRSP contributing to donors joining their efforts to "push" the government into accepting unwanted policy choices seems at present to be limited in Mozambique, since there are no great divergences between government and donor views on appropriate poverty reduction strategies

¹⁶ Four categories are used: 1) The right to personal security, 2) The right to knowledge and a long and healthy life, 3) The right to sustainable livelihoods, and 4) The right to equity and participation.

¹⁷ This use of terms is a result of, and contributes to, the hegemony of an economic discourse whereby everything is interpreted as "factors of production", including all human capacities. The existence of two-way causalities is used to justify this, i.e. it is now, for example, often argued that poverty reduction is necessary for economic growth, just as the opposite is seen to be the case.

¹⁸ The UN itself is, however, also influenced by the prevailing understanding, and does not *necessarily* or by default represent alternative perspectives to those promoted by the World Bank

(of course, some claim that this is the result of too strong donor influence in the first place.) Overall, the PARPA process seems to benefit donor collaboration, and provides a strong point of reference for shared dialogue with the government. Several interviewees expressed the hope that all donor agencies would coordinate their efforts in supporting the PARPA process and simplify their own strategy and programming procedures, thus reducing transaction costs both for the government and for donors. The potential is clearly there. It is too early to judge, however, how far the PARPA may influence donor collaboration and simplification of the aid relationship.

It should be noted, however, that a group of external partners to Mozambique have already made significant progress in collaborating on budget support to the government. The Joint Programme of Macro Financial Support to Mozambique supports economic reforms and poverty reduction in Mozambique by combining an efficient transfer mechanism for budgetary resources with a structured dialogue between government and donors, enabling more flexibility for the government in the use of external support. This Joint Donor Group has already embraced the PARPA as the key platform for their programme support. The participating donors are: Belgium, Denmark, the European Commission, Ireland, Netherlands, Norway, Sweden, Switzerland and the United Kingdom. Terms and procedures are defined in a common framework agreement. Individual bilateral agreements defining support volumes and in some cases complementary technical assistance have been signed with Denmark, the European Commission, the Netherlands, Norway, Switzerland and UK. This form of cooperation could function as an example for development partners wishing to pursue the same approach in other countries.

THE POTENTIAL FOR INSTITUTIONALISATION

POVERTY REDUCTION AND THE SYSTEM OF PUBLIC FINANCIAL MANAGEMENT

Government Policy and Management Instruments: In terms of policy orientation, the government is seriously committed to poverty reduction. The Government's overall development framework consists of a number of policy and management instruments which share the overall purpose of reducing poverty. It must be seen as a matter of concern that the public management instruments most decisive for Mozambican medium-and long term development efforts escape constitutional debate.

The *Government Five Year Programme*¹⁹ (PDG) is the overarching policy framework, in which the Government presents its goals, objectives, targets and actions for the period 2000-04. Although the PDG contains some quantitative targets it is predominantly a generic document describing priority areas of action and activities. The *Economic and Social Plan* (PES) is the government's instrument for programming annual policies and actions. Together with the *State Budget* (OE) which presents the resource framework in a one-year perspective, the PES is supposed to ensure the immediate functioning of the economy and to give guidance for annual resource allocations. The PES, OE, and PDG have in common that they have to be presented to and approved by Parliament.

In addition to these three instruments the government also has a set of other instruments which do not have to be ratified by the Assembly of the Republic (AR). Besides the *Action Plan for the Reduction of Absolute Poverty* (PARPA), which is the central document for poverty reducing actions, there is the *Medium Term Fiscal Framework* (MTFF), which is the Government resource management instrument. It is used for identifying priorities and to allocate budgetary resources on administrative units in the medium-term. The MTFF also presents a ten-year resource envelope by source. The *Triennial Public Investment Plan* (PTIP) was created in the 1980s as an instrument for keeping track of domestic and foreign investments and thereby function as a medium-term complement to the annual PES and OE.

Over the last few years the main sectors have seen the development of sector policy and strategy papers, followed by the preparation of medium to long term sector plans. The sector plans often have considerable donor input, and are often used as a precursor to discussions on the introduction of SWAP-mechanisms for co-ordinated assistance, e.g. in education, health, agriculture, roads. They are all "first efforts" and of varying quality, with different time frames and formats. The more recent health document refers specifically to PARPA, but the earlier education and agriculture documents do not. All take as their point of departure the goal of poverty reduction. All involved broad consultations with stakeholders, although mostly with a strong Maputo emphasis.

The *Education Sector Strategic Plan 1999-2003* (Ministry of Education 1998) is to a large extent outdated due to old population figures. Its main objectives are increased access at all levels, improved quality, and a sustainable institutional and financial framework. The *Health Sector Strategic Plan 2001-2005-(2010)* (Ministry of Health 2001) is the outcome of discussions and consultations over several years. It has as main guiding principles provision of health care, strengthening individuals and communities, and advocacy for health. The Ministry of Agriculture and Fisheries (1998) presented *PROAGRI - National Programme for Agrarian Development 1998-2003*, after a long and participatory process at national and provincial level. Besides its development objective to reduce levels of absolute poverty, PROAGRI has the immediate objective of achieving food security and providing goods for national industry and export. The aim of the *Integrated Road Sector Strategy 2001- 2010* (National

¹⁹ Assembly of the Republic Resolution 2/2000 of 22 March

Directorate of Roads/National Roads Administration 2001) is to provide a vision and strategy for the management and funding of road development based on the *sine qua non* of ensuring sustainability of the road network.

The provinces have a long tradition of 'provincial' plans which have, however, usually been under central direction. All the provinces produce their *Provincial Annual Plan and Budget* (PAO) which are essentially based on the Five Year Plan, the PES and the inclusion of provincial priorities. PAO is constructed within the constraints of the national vision and priorities and under the restriction that virtually all financial resources come from the central Ministry of Finance. Recently several provinces have complemented these annual instruments by provincial multi-year plans and strategies, which have been prepared for fund-raising/investment promotion conferences to which donors and potential investors are invited. These plans have in many cases been developed with the support of donors, and their presentation have often coincided with donor/investment conferences. So far *Niassa, Cabo Delgado, Zambezia* and *Nampula* have developed their own provincial strategies, and other provinces, with *Inhambane* first in line, are expected to follow. The provincial plans produced so far have projections of provincial growth rates and per capita income (apparently based on own calculations) and also provide provincial revenue targets. The linkage and co-ordination with corresponding central estimations, however, seem unclear. The co-ordination between central and provincial planning is further aggravated by the existence of donor extra-budgetary funds not recorded in the central Government budget.

Table 3 Government Policy and Management Instruments

	Parliamentary approval required	Parliamentary approval not required
Annual instruments	<i>Economic and Social Plan</i> (PES) <i>State budget</i> (OE)	<i>Provincial Annual Plan and Budget</i> (PAO)
Medium-term instruments	<i>Government Five Year Programme</i>	<i>Action Plan for the Reduction of Absolute Poverty</i> (PARPA) <i>Medium Term Fiscal Framework</i> (MTFF) <i>Sector Strategic Plans</i> (SP) <i>Provincial Strategic Plans</i> (PP) <i>Triennial Public Investment Plan</i> (PTIP)

From Table 3 it is worth noting that all of the Government's relatively new public financial management instruments are characterised by being medium-term and not needing parliamentary approval. To be sure, their recent origin provides one explanation why they do not have to be subject to parliamentary debate. Furthermore, the annual instruments, PES and OE, will essentially be based on the first year of the PARPA and the MTFF. Since PES and the state budget both have to be approved by the AR this implies that Parliament has some indirect influence on the poverty reduction strategy, even though neither PARPA nor MTFF have to undergo parliamentary scrutiny.²⁰ Still, it must be seen as a matter of concern that the public management instruments most decisive for Mozambican medium-and long term development efforts escape constitutional debate.

Integration of PARPA with other Government instruments: While the 5-year Government Programme presents the intention and guidelines for Government policy, it is the PARPA and the MTFF that are the major implementation tools in the medium-term. These programming instruments set the overall framework within which the annual planning and budgeting takes place. The PARPA is supposed to be directly linked to the annual Economic and Social Plan (PES) and indirectly to the State Budget (OE).

²⁰ Another matter is that the opposition claims that the PES and the OE have not been subjected to any debate in Parliament.

The PARPA and the MTFF mutually affect each other. The MTFF sets the medium-term resource envelope for the PARPA and thereby indicates which activities will be financially viable. The PARPA, through prioritisation, provides a basis for the allocation of resources within the MTFF. PARPA and MTFF coincide to some extent, but PARPA has the wider coverage in the sense that it is not only supposed to prioritise and harmonise between the sector plans but also to provide an overall framework taking into account macroeconomic and fiscal issues. The entire fiscal framework of the MTFF is, however, not included in the PARPA. The explicit poverty focus of PARPA excludes activities such as military spending, or example.

PARPA and MTFF both take their starting points from the sector strategic plans. The line ministries provide their suggestion for sector strategies which are then co-ordinated and harmonised by the MPF, which in turn send them back to the ministries for further elaboration. The role of the PARPA is to provide the overall sector framework within which the sector plans are harmonised and co-ordinated, and thereby also contribute to the prioritisation within and between sectors. The function of the MTFF is to integrate the sector strategies and policies with the Government fiscal resource envelope. The outcome of this process is in turn used by the line ministries as input in the ongoing process of developing sector plans and as a basis for intersectoral allocation. Besides providing direct input to the MTFF, the sector plans are integrated with the MTFF indirectly through the sector prioritisation within the PARPA.

The intention is that provincial plans should be integrated with the PARPA and the MTFF in a similar way as the sector strategic plans. The quality of provincial plans, however, does not yet seem to be sufficient in order for them to adequately contribute to central planning. The few provincial plans that exist at present consider national targets and goals only to a limited degree. Instead their main purpose seems to be to function as investments plans.

The government's investment plan, the PTIP, is also part of the Government's medium term framework and has the purpose of providing detailed information on expected medium-term investments.

The two planning and budget instruments, i.e. the PES and the OE, interact in order to ensure the consistency of annual policy objectives with budget allocations. The medium-term instruments, PARPA and MTFF are intended to provide directions and set financial restrictions for PES and OE and thereby also contribute to short term resource allocation decisions that are sustainable in the longer term. The first year of each PARPA budget provides the PES with allocation priorities and guidelines on how to integrate the poverty reduction strategy in the annual planning framework. The PARPA together with the sector plans (and eventually the provincial plans) primarily affect the state budget through their impact on the PES. While the PARPA only indirectly affects the state budget, the MTFF will have a direct impact on the annual budget by providing the resource limits within which expenditure can take place. Like the PARPA, the MTFF is a rolling document, which implies that the first year of each MTFF will have a direct impact on the OE. In addition to providing input to the OE, MTFF is intended to provide the PES with the macro and fiscal scenario. The intention is that PARPA and MTFF each year shall be presented in due time to allow their content to be reflected in the upcoming budget. The sector (and provincial) plans will provide the PES with the input necessary for integrating the sector (and provincial) specific objectives and goals into the annual planning. Finally, PTIP provides the input for the investment budget part of the state budget.

WHAT DIFFERENCE DOES THE PRSP MAKE

Implementation of PARPA/PRSP facilitated by existing plans: The poverty focus of existing public management instruments made it easier to integrate PARPA within the overall development framework. The ongoing process of preparing sector plans benefited and speeded up the PARPA/PRSP process.

Since independence the Government has stated the overall objective to reduce poverty, which have been reflected in all policy and planning instruments. For example, the Government Programme explicitly addresses absolute poverty reduction, through its emphasis on education, health and rural development, as one of its four prioritised objectives. The other objectives, i.e. consolidation of peace and unity, rural and regional economic development, and the creation of an environment favourable for private sector development, indirectly aim at poverty reduction through their focus on the prerequisites for poverty reduction. Thus, the comprehensive poverty reduction approach of PARPA 2001-01 is well in line with the prioritised objectives of the Government Programme. Similarly, the PES has also always had a poverty focus. Thus, PARPA is one of several Government planning instruments with the general objective of reducing poverty. The overarching poverty focus will probably make it easier to integrate PARPA with already existing instruments.

The PARPA/PRSP has also benefited from the work done in the preparation of the sector plans. Much of the basic work in the sector plans was already done when the PARPA process started. The existing plans have served as input to the PARPA, which consequently has been able to draw from the experience of participation and consultations carried out in the preparation of these plans. The existence of prepared plans also explains the speed with which the PRSP process has been carried out in Mozambique. For example, the process of preparing PARPA 2000-04 and make it acceptable as an I-PRSP went relatively fast in Mozambique in comparison with many other countries.

Added value of PARPA in relation to previous poverty plans: The basis of the PARPA in a firm poverty analysis, and its integration with other public financial management instrument in a macroeconomic and fiscal framework provide favourable conditions for PARPA to be a viable and sustainable tool for Mozambican development efforts.

There have been considerable changes in PARPA 2001-05 compared to the earlier poverty strategies. Based on the Poverty Assessment (1998), which is to date the most thorough analysis of Mozambican poverty, even the PARPA 2000-04 represented a considerably more advanced analysis of the causes, context, and remedies for poverty than earlier poverty strategies. PARPA 2001-05 has further deepened, widened and improved these analyses (e.g. see section about poverty concept).

Unlike PARPA 2000-04 which was essentially a compilation of sector strategies developed by different line ministries, PARPA 2001-05 integrates the different sector plans within a common fiscal framework, which should contribute to clearer prioritisation between and within sectors. It can be expected that the full harmonisation of the sector strategies will take time because of differences in donor priorities, rules and procedures and due to the fact that the objectives and targets of sector and provincial strategies do not always correspond with each other. Still, PARPA has the potential to function as a co-ordinating mechanism with positive effects on the incentives for developing new sector plans and improving existing ones. The integration of PARPA in a macroeconomic setting should help MPF to better project the future resource envelope and expenditure needs, and thereby also contribute to better prioritisation and more realistic assessment of economically feasible actions than have been the case in the past.

WHAT ARE THE KEY CONSTRAINTS?

Co-ordination of the poverty reduction strategy process: Due to the size and comprehensiveness of the poverty reduction strategy process, from the start the Ministry of Planning and Finance was appointed to lead and co-ordinate a team consisting of ministries and technical units. Within the MPF the responsibilities for the preparation of the PARPA has been shared mainly by DNPO and the Gabinete de Estudos.

Since the start of the PRS process the Ministry of Planning and Finance (MPF) has had the prime responsibility. Within the MPF, the Department of Planning and Budget (DNPO) and the Gabinete de Estudos (GE) have had the main responsibility for the preparation of the PARPA. In the preparation of PARPA 2000-04, in particular the Department of Macroeconomic Planning (the former Department of Population and Social Development) within the DNPO had the main responsibility. It was the Department of Macroeconomic Planning that initiated the Poverty Assessment (1998) which provided the poverty profile on which PARPA is based. It was also DNPO and in particular the Department of Macroeconomic Planning which led the intersectoral team that prepared PARPA 2000-04. GE's role in this first PARPA has been described as a provider of constant input (PARPA 2000:23).

With the increased emphasis on macroeconomic and fiscal issues of PARPA 2001-05 more of the responsibility for the preparatory work has been assumed by the GE, the unit within the MPF which provides medium and long-term economic projections. It has been the job of the GE to co-ordinate the various sector plans and to integrate them within the overall fiscal framework. GE has also provided the growth scenario on which the PARPA process is conditioned. Much of the responsibility for the participatory and consultative process in the preparation of PARPA 2001-05 has remained within the DNPO and the Department of Macroeconomic Planning. DNPO, as the main entity responsible for the OE, also has a major responsibility for the annual implementation of the intentions of the PARPA.

Capacity requirements for PARPA planning and implementation: The PARPA will require increased management and monitoring capacity within the government. It is, however, increasingly difficult for central Government ministries to attract and retain highly qualified staff, due to the wage level. Capacity constraints may be the single most critical issue in the effectiveness of the PRS approach in Mozambique.

The much broader approach of the PARPA in comparison with earlier strategies implies that more capacity will be required for planning, budgeting, administration, and monitoring than before. Capacity constraints for the execution of these functions can be expected to be a major impediment for the successful implementation of the poverty reduction strategy. Besides involving capacities for the execution of the programme, the planned nation-wide consultations imply the involvement of significant numbers of senior staff from a variety of institutions. This engagement, which is basically positive, also means that resources are drawn away from pressing implementation activities.

One problem for creating sufficient capacity is the low wages offered in the public sector. Key personnel can find more attractive jobs in the private sector, or among donors, which are able to pay higher wages. For example, the Ministry of Planning and Finance, which has a central function in the continued implementation of the poverty reduction strategy, has lost several key persons since completion of the PARPA 2000-04. The difficulty of attracting and retaining personnel is a threat not only to the poverty reduction strategy process but also to the daily work of the Government. Public sector reform issues are therefore intimately connected with the prospects of the PRS process. Some steps in this direction have already been taken. Since the middle of the 1990s there have been wage decompression reforms and considerable reductions in the number of the civil service staff.²¹ After several years of preparation and delay a full scale Public Sector Reform (PSR) has finally been launched. The reform addresses issues like restructuring of the public sector, province decentralisation, governance, public financial management etc. The big challenge however lies in implementation; several of the proposed reforms will probably encounter political and institutional resistance due to their sensitive nature. There are also doubts as to whether the central Government is prepared to fully carry through with the decentralisation programme taken into account the large support for RENAMO in several provinces.

²¹ Later wage increase have, however, thwarted much of the wage decompression reform.

Possible Overlap of Government Plans: There is a need to 'market' the PARPA in the government machinery at all levels and establish procedures to link with decentralised budgeting/planning processes to avoid an overload of poverty reduction and development plans. Still there is no indication that any of the existing management instruments is considered superfluous on the basis of overlapping functions.

A potential risk with the introduction of the PARPA is an overload of government development plans, leading to overlapping and uncertainty on which strategies are the ones which are primarily to be followed. During this first stage it seems clear that, while building on the existing poverty reduction action plan, the PARPA is additional to, rather than replaces other planning instruments, such as the PES and PTIP. However, even although the stated purpose of the PARPA is different from these documents it still may add a burden on the government and draw scarce resources away from other planning needs.

If the PARPA, as intended, becomes an overarching poverty reduction strategy that incorporates the range of existing plans, the risk for overlap will be smaller, even though it implies additional strain on co-ordination capacity. The challenge the Government faces is to 'market' the PARPA in the government machinery at all levels and establish procedures for linking with decentralised budgeting/planning processes. Judging from the present situation where the PARPA is unknown among many Government staff at lower levels, it can be expected that such dissemination of content and purpose of the PRS strategy will take much time and effort.

It is too early to conclude whether any of the Government management instruments are outdated. The introduction of the PARPA (and the MTFF) has led to speculations whether it is desirable to keep potentially overlapping instruments like the PES and the PTIP. The PTIP, for example, has not been produced for several years. However, according to various sources within the MPF, there is still a use for an instrument of this kind that provides more detailed information on expected medium-term investments. Nevertheless, in the long-term when the PARPA framework has settled, it is possible that one or more in the flora of Mozambican management instruments will be considered superfluous. However, the rules, procedures and practices built up around government budgeting systems are complex and difficult to change in any country. The desirability of making significant changes in the systems and instruments which are already in place thus merits close consideration.

Adequacy of financial management system: Budgetary procedures make it difficult to determine whether the commitment of the Government as presented in the PARPA will actually be reflected in relevant budget allocations.

As it is still unclear how the linkages between the different management instruments will be carried out in concrete, procedural terms it is not yet possible to determine what impact the PARPA will have on resource allocation issues. For example, the budgetary prioritisation of the PARPA is intended to be reflected in the annual budget, OE, through the PES. However, one recurrent problem in Mozambican budget procedures has been the low correspondence between these two instruments. This incongruity can to a large extent be explained by the fact that co-ordination within the MPF still suffers from an earlier institutional division of treasury and planning functions.

The financial management system is in need of a modernisation in order to be able to fulfil the functions outlined in the PARPA. Accounting is based on a manual single-entry based system that dates back to 1901. The classification system is generally considered inadequate with too broad classifications with revenues classified in economic terms and expenditures in institutional, functional and economic terms. Gustafsson and Disch (forthcoming) list a number of major problems with the present accounting system: large extrabudgetary resources not accounted for, inability of the system to capture important transactions, and the fact that the system is manual and not based on generally accepted accounting practices. Estimates by Gustafsson and Disch indicate that as much as three quarters of the resources used in Government institutions are extrabudgetary. The main extra-

budgetary sources of funds are direct revenues, donor project and programme funds and donor overseas transactions. With such a large share of total Government funds being extra-budgetary, the possibilities for the Government to efficiently prioritise, allocate and track resources is substantially reduced.

A new public finance law has been announced that will provide measures for correcting anomalies in the accounting system. One of the main measures will be the introduction of generally accepted accounting practises, including a reform of the functional classification system. Another measure by MPF to improve public financial management is the creation of a special unit (UTRAFE) with the purpose of reforming public finance administration.

Since the budget of PARPA 2001-05 is the first "PARPA budget" it is still too early to determine whether the Government's intentions will be reflected in actual budget allocations. Whether PARPA will eventually become a key planning instrument for the government is highly dependent on the degree to which it will be able to determine budget priorities. The future importance of the PARPA will greatly depend on what actual impact it will have in terms of budgeting procedures, including the detailed budgeting practicalities at departmental and provincial level. This issue should therefore receive considerable attention as the PARPA is being developed.

THE PARPA AS AN ON-GOING CONSULTATIVE PROCESS

The need for PARPA-consultations: While many of the needs for consultations may be covered in the planning in the sectors, there is a role for strong PARPA consultations as well.

There is a history in Mozambique of government consultation with various stakeholders in sectoral and provincial planning, and consultations for the PARPA is therefore not perceived as something particularly new. However, according to several of those interviewed, the scope and quality of the consultations carried out in the various sectors has often been less than impressive, and PARPA consultations therefore represent an important opportunity for expanding the scope and improving the quality of government consultation processes.

There are several important fora for policy discussions between the government and other stakeholders that are not directly related to the PARPA document as such, and the government considers that the most important consultations are those that were carried out earlier during the preparation of the sectoral plans. The government was thus not totally convinced of the need for and benefit of an extensive additional consultation round on the PARPA document itself, required for the PARPA to qualify as a PRSP. It must also be recognised that the government faces several challenges in designing and carrying out a consultation process of this nature. A key concern is political sensitivities. There is a significant degree of "consultation fatigue", with people demanding action rather than talk, and the government is wary of raising expectations it cannot fulfil. There is also the view that sector strategies offer a more useful and meaningful focus for public debate than the overall PARPA, which is seen as having too broad a scope for good public debate to take place. Moreover, there are few civil society organisations in Mozambique that have the know-how to provide substantial input on such a complex plan as the PARPA. Finally, consultation processes steal considerable and very constrained time from key government staff who have a multitude of pressing operational concerns to deal with.

Overall, the important questions to be asked do not relate so much to the quality of the PARPA consultations as such, as to the general participatory approach of the government. The introduction of the added burden of extensive PRSP consultations may have the advantage that they provide a clear incentive to the government to consolidate and integrate the rather ad-hoc and fragmented

participatory system into a more unified system, with guidelines and follow-up mechanisms that are satisfactory to all stakeholders.

While the Ministry of Planning and Finance tends to emphasise that the most interesting and important participatory processes take place at the sectoral level, consultations on the PARPA itself are also important. Key reasons for this include:

- stakeholders should be allowed to double-check that sectoral strategies are adequately reflected in the PARPA
- providing feed-back to the government on the poverty situation in the provinces, and how well the PARPA reflects this
- some sectors lack good sector strategies, and these may be improved in the context of the PARPA
- the poverty analysis and overall strategic approach for poverty reduction reflected in the PARPA should be subject to broad debate
- intersectoral trade-offs and priorities should be subject to debate
- the PARPA provides an opportunity for broader debate on what should be understood by "poverty", as well as the macro-economic framework
- by providing a unified presentation of the government's development and poverty reduction policies and efforts, broad dissemination and debate on the PARPA has an important educational role
- external stakeholders should take part in discussions on appropriate indicators and be brought into the process of monitoring progress
- PARPA discussions have a positive influence on the democratic processes in the country

The PARPA consultation process requires a new look at the relative role and merits of participatory processes at the sectoral or provincial and at the integrated, national level. Such clarification seems to have taken place to only a limited degree, and should therefore be an important focus when planning consultations on future PARPAs.

Nature and quality of consultations: The PARPA-consultations were quite extensive and led to broad discussions on many important policy issues, but a more comprehensive approach will need to be established in the future to secure a full participatory process in the design and monitoring of the PARPA. Attached conditions should emphasise the quality aspects of consultations.

A quite comprehensive schedule of meetings was planned and carried out, described in detail in an annex to the PARPA document. The annex lists the meetings, who attended, and the major issues raised during the meetings. Many critical viewpoints, requests for changes in government priorities and demands for improvements to the government's delivery of plans were voiced, and are frankly presented in the PARPA annex. The meetings seem to have functioned well as arenas for raising general awareness about the PARPA and for voicing views related to government policies and actions in general. They represent an important initiative by the government in starting a broad-based debate on the national poverty reduction efforts. According to the government some of the issues raised in the consultations influenced the final text of the PARPA, such as a greater emphasis on corruption and the issue of decentralisation. It is, however, difficult to determine the degree to which the consultations have influenced the final PARPA document.

The PARPA consultations did not function as a full participatory process in the development of the PARPA, in the sense of real analysis of and input to the content of the plan from various stakeholders external to the government. Reasons for this include:

- the consultation process was rather rushed, without the time or procedures for external stakeholders to be brought gradually into the process to learn about the draft plan, and about what could or should be their role in providing input
- the purpose, methodology and expected results of the consultation process were not made explicit and discussed with external stakeholders before the consultation process started
- draft documents often did not reach stakeholders, or they often did not reach them in time to prepare for the consultation meetings
- most of the meetings were carried out in Maputo; only two of Mozambique's ten provinces were included in the consultation process
- the PARPA is so broad in scope that focussed discussion on concrete aspects of the plan was not realistic in the context of the larger meetings that were arranged, thus leading to more generalised comments on overall development issues in Mozambique
- few of the external stakeholders have the necessary technical skills to provide an overall and in-depth analysis of the plan, particularly related to macro-economic issues
- some external stakeholders had limited motivation to participate or provide substantial input to the process, as they considered government consultations in general as being of limited value

These weaknesses are not surprising, given the capacity constraints and the fact that this was the first round of broad-based PARPA consultations. The government must also consider trade-offs and dangers connected with the process. These include occupying the time of senior staff, which would otherwise be spent on other important tasks, in order to plan for and participate in the consultation processes, the danger of raising unreasonable expectations and creating processes that back-fire in political unrest, and the danger of increasing the already existing consultation fatigue. Overall, it should be said that the government has made a serious effort at creating a consultative process around the PARPA, and through this exercise gained important experience that can be used to build a more in-depth process in the future. Good first steps have been made at institutionalising a new and strengthened form of participatory process in the country.

For a consultation process to be successful it is important that the persons consulted feel that their input is being taken seriously. One requirement for PARPA to be endorsed as PRSP was that consultations should be carried out. However, as with other externally imposed conditions, enforced consultations imply a risk of loss of ownership. Thus, after the completion of the consultation process, it was felt among some stakeholders that its main purpose was not to let people participate but to satisfy donor requirement for consultations. The Mozambican Debt Group claimed that it was used by the Government in order to legitimise the consultation process.

If the people consulted feel that they are used by the Government for legitimisation purposes, this risks intensifying consultation fatigue, creating resentment, and negatively affecting the possibility of using consultation as a tool in the development process. A lesson for the future is that the value of the consultation process lies more in its quality than in the number of consultation occasions. Consequently, if conditions are attached these should emphasise the quality aspects of consultations.

PARPA planning contributes to improved government consultation processes: As part of the PARPA process, the government is working to introduce a more systematic and integrated consultation process and probably also the increased involvement of the political system. This process will probably encompass not only PARPA consultations, but also sectoral and provincial planning consultations.

As mentioned above, the government has various mechanisms for consultations in the different sectors. However, there is no unified or systematic approach to consultations. Experiences from the PARPA-consultations have led the government to start looking at how a more systematic approach can be introduced in the context of the PARPA. The government sees the need to define more clearly the objectives and methodology of the consultation process, in order to make the PARPA-consultations

more meaningful. At the same time it recognises a need to have guidelines for the process that are agreed with civil society, so that expectations as to the role and degree of involvement are clear and realistic. The government furthermore recognises the need for the greater engagement of the political system in the process in the future. The government's internal system for vertical and horizontal information dissemination, consultation and debate will probably also need to be revisited in the review of the overall consultation process.

It can therefore be expected that the PARPA-consultations will be broadened, systematised and institutionalised in the future, and that the consultations during 2000-2001 were not a "one-off" event to satisfy external requirements related to the PRSP only. It can be expected that in the future, the quality and usefulness of the consultations will increase, leading to more political debate, a more engaged civil society, a more involved media and, as a result, hopefully improved planning and implementation of poverty reduction activities.

Mozambique may be seen as illustrative of the challenges created by the heavy WB/IMF focus on civil society participation in the PRSP initiative. How strongly should a weak and not necessarily very representative NGO community heavily dependent on external funding be allowed to influence government policy? How to differentiate between major civil society organisations, such as religious groups, with minor NGOs with unclear legitimacy? Some donors expressed concern that the focus on civil society participation may mean less involvement, and even possible weakening, of the formal democratic system of the country. Some also argue that securing the involvement of lower levels of government in the planning process is more important than bringing in non-governmental organisations. Others claim that civil society organisations can play a very significant role in poverty reduction in Mozambique, and that they should be given strong support and participate closely in government planning processes.

In a situation where, due to severe resource constraints, hard priorities must be identified, it is not sufficient to say that all aspects are equally important. Only a detailed analysis of goals, principles, costs and benefits can provide appropriate answers to questions concerning appropriate civil society emphasis, and donors should encourage, support and participate in discussions on these issues. There seems to have been limited debate on these issues among the donors and others with regard to the PARPA process in Mozambique.

PRSP MONITORING AND INFORMATION

POVERTY INFORMATION: SUPPLY AND DEMAND AND DONORS ROLE IN ESTABLISH NATIONALLY-OWNED SYSTEMS

Monitoring action strategy: The monitoring strategy is based on three principles: the integration of PARPA monitoring into existing Government monitoring mechanisms, differentiation between process and impact indicators, and the use of monitoring for the regular revision of PARPA targets and plans

Each of the areas identified in the PARPA is supposed to be monitored and each area is obliged to produce matrices presenting the relevant indicators. The PARPA 2001-05 presents a set of indicators which have undergone major modifications when compared with PARPA 2000-04. All indicators are preliminary and can be replaced as the PARPA-process proceeds. In order to address methodological and practical questions related to monitoring, a monitoring strategy has been developed. The monitoring strategy is based on three principles: the integration of PARPA monitoring into existing Government monitoring mechanisms; differentiation between process and impact indicators, and the use of monitoring for continually revising PARPA targets and plans (PARPA 2001-05:101). Monitoring will fulfil the functions of allowing the progress of the PRS programme, assessing changes in the level of welfare; and developing a mechanism for the provision and dissemination of information to all PARPA stakeholders. (PARPA 2001-05:101)

PARPA will use three separate processes for monitoring where the first monitors the sector results, process indicators, and programmed activities; the second monitors budgetary execution, and the third uses national statistical surveys and participatory qualitative evaluations to monitor the effect on household and communities (PARPA 2001-05:103).

Collection and monitoring of poverty data: The National Statistics Institute (Instituto Nacional de Estatística) INE and the MPF are responsible for the collection and monitoring of most poverty data. MPF has the double responsibility of both formulating and monitoring the PRS process which makes it even more important to involve institutions outside the government in the monitoring task. Even though the PARPA acknowledges the desirability of civil society participating in the monitoring process, no mechanisms for such participation are presented. Capacity constraints are a major challenge to the success of the overall monitoring strategy.

While PARPA does not directly address the question of monitoring capacity it does state that it is essential to investigate the capacities and activities of the various institutions in order to develop a sustainable monitoring and evaluation system. Furthermore, it is concluded that the monitoring and evaluation of the PRS process requires the participation of both governmental and non-governmental institutions. In particular, civil society is mentioned as an important participator for promoting public debate. However, there is no reference as to how exactly the mechanisms for participation will be carried out in practise, other than the fact that there 'are already some ideas'. (PARPA 2001-05: 106) Some civil society organisations have started raising their concern over this, and it can be expected that during the next PARPA an effort will be made to involve civil society organisations more in a dialogue on monitoring and evaluation systems and the potential for greater civil society involvement.

The National Statistics Institute (Instituto Nacional de Estatística) INE is the central executive organ of the national statistics system and as such has the main responsibility for collecting data for the poverty indicators. It is estimated that INE by itself or through the line ministries will provide 60-70

per cent of the statistics related to the PARPA. INE is responsible for and has a supervisory function in the provision of statistics by the Ministries of Health, Education and Agriculture. Complementary statistics used by the PARPA, not covered by INE, are mainly provided by BM.

INE needs to strengthen its administrative and technical capacity for managing the country's basic statistics. There is, for example, a lack of skilled personnel. At present only about 20 per cent of those working in the Department of National Accounting have formal education in statistics or economics. The remaining staff have a background in other areas such as geography or agriculture, and have received on-the-job training at INE. The statistical capacity in the line ministries is even weaker. However, until its domestic capacity is built up INE expects to be able to perform its task of collecting poverty data with the assistance of promised foreign technical assistance. INE expects this process to take at least three to four years, although some sources consider this to be overly optimistic.

Responsibility for overall monitoring of the PARPA progress falls primarily on the Department of Macroeconomic Planning and Gabinete do Estudos at MPF. Obviously, allowing the Government institutions responsible for formulating the PRS to also be responsible for receiving feedback and doing the monitoring will facilitate the procedure of updating the PARPA. The double responsibility of both formulating and monitoring the PRS process, requires a high degree of integrity and transparency and makes it even more important to involve institutions outside the government in the monitoring task. As in the case of data collection there are human capacity constraints on the monitoring side. In particular, in recent years the Department of Macroeconomic Planning has lost several persons in key positions.

Donors have an important role in helping to strengthen the capacity of the data collecting and monitoring institutions. Some contributions have already been made in this area. One example is DFID, which contributes to the administrative and technical capacity of the Department of Macroeconomic Planning through technical assistance. Over the last four years INE has had a twinning arrangement with the Swedish Statistical Bureau (SCB). This arrangement is now finishing and will be replaced with support provided jointly by the statistical offices of the Scandinavian countries. This support is planned to start at the end of 2001, and the first round is intended to cover four years. It is, however, felt that this period will not be sufficient to ensure the viability and sustainability of INE, and it can therefore be expected that a prolongation of the project will be discussed. The joint Scandinavian project will differ from the earlier twinning arrangement in that the funding is significantly larger, includes budget support, and it is mainly based on short-term consultations. A large share of the funding will be directed towards statistical education.

THE SUITABILITY AND CREDIBILITY OF THE PRSP INDICATORS

Statistical tools: QUIBB is the major annual tool for poverty monitoring. It will be complemented with a recurrent household survey and a population census each fifth and tenth year, respectively. The limited administrative and technical capacity of INE makes desirable an ongoing discussion and analysis of what should be the main responsibilities of INE, in order to allow for an efficient prioritisation between its many different activities.

INE will use annual surveys, so-called QUIBBs (CWIQs) to monitor the development of the indicators. QUIBB covers the core of the poverty indicators and is seen as the major tool for poverty monitoring. Essentially the QUIBB provides qualitative information which is quantified and presented as frequencies tables. It presents information about the views of end users on different issues, e.g. infrastructure etc. One advantage of QUIBB is that the method is standardised. QUIBB started in November 2000. The collection of data was delayed because of floods and rains, e.g. in Niassa, Cabo Delgado and Sofala. The full result of the QUIBB is expected to be produced in June. The sample covers almost all districts and consists of 14 500 household. Even though the sample size may seem large it should be kept in mind that QUIBB is based on an area sample frame which means that it will

continue to use the same geographic location from year to year. This implies that if households move out of one of the defined areas they can no longer be used for the survey. The large sample size also implies that INE expects it to generate data that can be used on both national and provincial levels. It can also provide data at the district level, although this will not be used as official data. Preliminary tables have already been produced and show results consistent with previous data and earlier results.

World Bank consultants who have had a supervisory function have assisted INE in the preparation of the QUIBB. The intention is that the QUIBB will be done once a year. In addition to the core poverty indicators covered in the so-called nuclear questionnaire module each QUIBB will also cover a special theme. The special theme for this year is the impacts of the floods and the effects of extended mother/child health.

The cost of the QUIBB is substantial – each QUIBB will cost an estimated US\$500000–700000. The largest cost item is logistics and allowances. The intention is to turn the QUIBB into a thorough household survey every fifth year in order to follow up the results from the 1995/96 National Household Survey. A combined QUIBB/household survey is planned to start in September 2001 and will be a follow-up of the results of the household survey 1996–97. The QUIBB and household surveys will also be complemented by population censuses each 10th year, with the next one planned for 2007.

INE is now starting a survey on the sexual behaviour of young people. Cross-sectional analysis will be made with the QUIBB and the sample used will be a sub-sample, consisting of 12,000 persons, of the QUIBB. INE has also been engaged in the agricultural census conducted last year. Implementation of the census has suffered from major practical problem with high costs which, according to INE, have not been fully reimbursed by the World Bank.

As the main data collection institution, the engagement and responsibilities of INE span wide areas, including several different surveys and censuses. The PARPA obligations, which in addition to INE's own surveys also include processing statistics from the line ministries and updating the national accounts statistics, have already implied increased delivery requirements with respect to both the quality and quantity of data. These requirements can be expected to increase further as the PARPA process proceeds. Given the limited administrative and technical capacity of INE, an ongoing discussion and analysis of what should be the main responsibilities of INE is therefore desirable, in order to permit an efficient prioritisation between its many different activities.

Indicators of poverty reduction: The PARPA process has led to the establishment of more relevant indicators for measuring poverty reduction outcomes. With a focus on intermediate and final indicators, and an increased focus on impact measurement, PARPA 2001-05 implies a considerable improvement over its predecessor.

Based on the data from the 1996-97 National Household Survey, the Poverty Assessment (1998) identified the most important determinants of poverty. The PARPA in turn uses these results to specify a number of indicators considered relevant for monitoring poverty reduction outcomes in different areas.

The criteria for selecting the indicators were that they should be non-ambiguous, relevant, sensitive, not easily manipulated, available, and easy to monitor and collect. Intermediate and final indicators are presented in the following areas: demographic, macro-economics, food security, education, agriculture and rural development, infrastructure, health, employment, social security, institutional capacity building in poverty issues, governance, housing, and material wellbeing.

The clear division into intermediate and final indicators of PARPA 2001-05 makes it easier to follow progress in the PRS process. While PARPA 2000-04 seemed to be mostly concerned with input, PARPA 2001-05 attempts to follow-up the outcome of the poverty reduction strategy. One example of

this change can be found in the area of education. Here, the PARPA 2000-04 defined indicators based on enrolment rate, admission rate, number of schools, number of pupils, percentage of girls etc, while PARPA 2001-05 considers the final indicators of illiteracy and illiteracy among rural women and intermediate variables such as repetition rate, dropout rate and pass rate.

Some of the indicators presented in PARPA 2000-04 were criticised for inaccurately reflecting changes in the variable studied. For example, the monitoring of indicators related to the health sector was only based on statistics collected in health centres, such as number of consultations and institutional deliveries, implying that non-official health statistics would not be included in the monitoring. PARPA 2001-05 does not state whether there will be attempts to collect non-institutional health statistics. Some of the indicators chosen, however, such as the number of families with mosquito nets indicate that this might be the case. Furthermore, the PARPA 2000-04 was criticised for having too many indicators. Even though there is no significant change in the numbers of indicators in the PARPA 2001-05, they give an impression of having been more carefully prepared and grouped in better defined categories.

There are a number of challenges in ensuring that the data and information collected for PARPA monitoring purposes are of sufficiently high quality and that political decision-making processes take these facts seriously into consideration. These weaknesses can be expected to persist. The PARPA process nonetheless has already started to contribute to a stronger focus on tangible results and on improved systems for data collection. Overall it is the assessment of the authors that the PARPA process will contribute to improved data quality, as well as the increased *use* of available data - even if the improvement in many areas may be quite modest, especially in the short term.

CONCLUSION AND RECOMMENDATIONS

Overall conclusions - national ownership and institutional change: Overall, it is the view of the research team that national ownership of the PARPA/PRSP process in Mozambique must be considered quite strong, and that the process will continue after HIPC completion. It is also our assessment that the PARPA is likely to contribute positively to the poverty reduction efforts of Mozambique, and to facilitate more efficient and effective relationships between internal and external partners.

This report has sought to assess the extent to which the PARPA/PRSP process in Mozambique is leading to (or is likely to lead to) institutionalised changes that could increase the success of national poverty reduction efforts. The main findings are presented in bold under each chapter heading, and will not be repeated here. An overall assessment of our main findings is, however, called for.

A premise behind the PRSP approach is that national ownership of development plans and initiatives is a precondition for successful poverty reduction efforts. Therefore one of the main issues to be assessed in this study was the degree of national ownership of the PARPA/PRSP. This is not a simple question, since we can distinguish between at least four different dimensions of "ownership"²². These are: 1) ownership in the sense of who it is who initiates the plans/programmes – i.e. the government or external partners, 2) the degree of intellectual conviction of key policy-makers or ministries (the technocratic dimension), 3) the degree of top leadership conviction, reflected in specific and clear actions (the political dimension), and 4) the broadness of support for the plans/programme, within and outside government institutions.

A further and more fundamental criterion of ownership is the degree to which policies have "consolidated", that is, have been institutionalised within the policy system²³. This involves stabilising expectations around a new set of incentives and convincing economic agents that they cannot easily be reversed. Ownership in this sense can emerge even if there initially was little ownership in one or more of the four dimensions described above.

When judged against the above criteria, we can see that the findings presented in this report on PARPA ownership point in the following direction:

"Ownership as initiation": Ownership in this sense must be considered strong in Mozambique – even if external partners both directly and indirectly certainly have an influence over the content of policy documents.

"Technocratic ownership": There seems to be a very strong ownership in Mozambique along this dimension, particularly in the Ministry of Planning and Finance. Ownership in this sense drops significantly as one goes to the provincial level or to levels below top or mid-level management in central ministries.

"Political ownership": Ownership in this dimension is more unclear. Certainly there is no broad political ownership, in the sense of also encompassing the opposition. Lack of parliament discussion on the PARPA, and the limited interest in and/or awareness of the PARPA among the media, also point in the direction of limitations in political ownership of the PARPA as such, even if there is a significant political ownership of poverty reduction efforts in general.

²² Developed by Johnson and Wasty in *World Bank Discussion Paper*, 1993

²³ Haggard and Kaufman, 1992

"Ownership as broad-based support": Ownership of the PARPA in this sense can not be considered very strong in Mozambique. Here the problem, however, is less one of *disagreement* with PARPA policies (although there is some), as with *lack of knowledge* of the PARPA policies among many stakeholders. A good start has, however, been made in creating ownership in this sense.

"Ownership as consolidated change": This is the "proof of the pudding", the real test of ownership which determines (or shows) whether positive change actually takes place or not – irrespective of the quality of plans and of planning processes. This form of ownership, however, only develops over the course of several years. At this early stage in the PARPA/PRSP process, only tentative hypotheses can be made concerning ownership in this sense. Based on the seriousness of the government in developing the PARPA, the increasing linkages between the PARPA and budgeting processes, its use as a broad, rolling plan, and the seriousness with which Mozambique's external partners consider the PARPA, it is our hypothesis that the PARPA, over time, will have a significant and positive contribution to ownership in this sense – and thus to the poverty reduction efforts of Mozambique.

It should be emphasised, as noted in this report, that *ownership of plans* does not seem to be the critical issue in Mozambique. It is *action on the ground* that is called for – which is also linked to ownership in the sense of consolidated change. There is a perceived large gap between the government's ability to prepare comprehensive plans, and its capability to implement those plans.

A further key positive value of the PARPA should be highlighted. This is the way the PARPA facilitates dialogue among all stakeholders involved in poverty reduction efforts in Mozambique. Through the PARPA, weaknesses in data collection, poverty analysis and policy choices are exposed and can be debated. Being a statement of the government's understanding of the poverty situation and key development challenges and options, there is now a common document around which a focused intellectual and political debate and dialogue can be held. In a complex development environment such as that of Mozambique, where a large number of internal and external partners come with a multitude of viewpoints and preferences pulling in all directions, this may prove to be one of the most valuable benefits of the PARPA.

Recommendations: The main recommendations are for the government to follow through with its intentions of making PARPA a rolling plan strongly linked to the budget, and to broaden the support base for the PARPA through a deeper participatory process. External partners to Mozambique should support the government in developing the PARPA, base their support on the PARPA, and use the PARPA as an opportunity for greater collaboration and simplification of procedures.

Most of the recommendations are included in the conclusions presented under each chapter of the report. In summary, the following recommendations can be highlighted:

For the government / national stakeholders:

- **Improve poverty analysis** Key question include: What can be done in order to elaborate further on the consumption based poverty definition? How can alternative definitions of poverty be more strongly incorporated in the PARPA? How can the causes of poverty be further elaborated, particularly related to the rural areas? What policy options – especially in agriculture – can more directly address the challenges of the rural poor?
- **Deepen the participatory process** Create a more unified system for public participation in government development planning, focusing more on depth/quality than on quantity of meetings. Work with non-governmental stakeholders to develop a participatory strategy, including in monitoring and evaluation, that is acceptable to all stakeholders. Ensure Parliament involvement in the PARPA process. Seek support from external partners in developing and implementing the participatory process, including capacity building support to non-governmental stakeholders.

- **Simplify/harmonise government planning system** Use the PARPA as a means to harmonise and simplify the different planning systems and procedures, to avoid planning overload and make it clear to all stakeholders which plans are actually the main driving forces for government action.
- **Strengthen the public financial management systems** External partners put great emphasis on the quality of public financial management. With good systems, external partners can increasingly move to forms of support directly related to the PARPA that is much less burdensome for the government than project support with a multitude of priorities and reporting requirements.
- **Strengthen bank supervision** Large Government resources that otherwise could have been used for poverty reducing purposes are tied up for recapitalisation of banks. In order to avoid new financial crises it is essential that the reform of the financial sector continues, including improved bank supervision.
- **Provide favourable conditions for investments** New investments are fundamental for achieving the growth target of the PARPA. For Mozambique to attract investments, a favourable business environment has to be created. It is therefore essential that trade and income tax reforms continue and that a thorough Public Sector Reform is carried out.
- **Be clearer on priorities in the PARPA** Effectiveness of any strategic plan or action plan depends on the clarity of its priorities. External partners also look for clear priorities in strategies and plans. Further work should be done on making the priorities of the PARPA strong and clear.
- **Place greater emphasis on HIV/AIDS** The key development and poverty challenges should receive the greatest attention. Few or no other issue deserves greater attention than the HIV/AIDS epidemic. New versions of the PARPA should place more emphasis on the nature and consequences of the epidemic, and on actions required.
- **Women and education** One of the most clear-cut results of the Poverty Assessment was the large impact of increased female education on poverty reduction. This result deserves to be better followed-up than what has been the case so far. In particular adult female education can be expected to have significant effect on poverty in the short to medium term.
- **Monitoring should focus on PARPA follow-ups** With limited resources and capacity there is a risk that statistical and monitoring institutions get engaged in too many projects and surveys. In order to allow for an efficient use of resources it is desirable with a continuing analysis of priorities.
- **Use the PARPA to coordinate external support** The government should demand of external partners that they base their support on the PARPA, and use the PARPA to coordinate support from different partners. It should request/insist that the UN link their analytic work and programmes more directly on the PARPA – possibly by using the CCA, for instance, as direct input to the PARPA process.

For external partners:

- **Support the government in achieving the above recommended actions**
- **Give strong support to the PARPA process, and base support and dialogue with the government strongly on the PARPA. Be realistic about the time and effort required to achieve institutional change**

- **Use the PARPA as a basis for improved collaboration between external partners, and for common approaches that minimise the administrative burden on the government and avoid contributing to "strategic drift" (loss of focus) of the PARPA**
- **Carry out joint studies on issues related to implementation constraints, and provide strong, joint and long-term support to capacity building in critical areas**
- **Ensure that development support reaches provinces and districts, and is not overly biased to the Maputo area**
- **Work with the government to improve financial accountability at all levels**

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Álvaro Casimiro	Coordinator	Link
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In addition to the above persons, approximately 50 persons in total attended two seminars to present and discuss preliminary findings in Maputo. The preliminary findings were also presented and discussed at two seminars at Norad, Oslo, and Sida, Stockholm, attended by approximately 30 persons in total.

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APPENDIX II NORAD/SIDA TERMS OF REFERENCE FOR SECOND PHASE OF JOINT STUDY

TERMS OF REFERENCE FOR SECOND PHASE OF THE JOINT STUDY OF THE IMPLICATIONS OF THE INTERNATIONAL FINANCIAL INSTITUTIONS' NEW APPROACH TO POVERTY REDUCTION STRATEGIES FOR MOZAMBIQUE

1 Background

The IMF/World Bank recently introduced a joint strategy to make country-owned Poverty Reduction Strategies the basis for debt relief and lending to low income countries such as Mozambique. The Poverty Reduction Strategy process is intended to stimulate a broad-based country ownership and improved aid-coordination which would yield tangible and measurable results. This approach aims at encouraging and supporting Mozambique's own national efforts to reduce poverty. Mozambicans are empowered to take main responsibility over the process by the IMF and WB handing over responsibility for analyses of the development problems, for formulating measures to overcome them and for monitoring the outcomes. The Mozambican Government presented its interim PRSP in April 2000. This brought the country to the decision point of large debt service relief within the initiative for the heavily indebted poor countries (HIPC). A complete PRSP for Mozambique was concluded from the Mozambican Government in April 2001. A condition for HIPC/PRSP is the approval from the WB/IMF of the Poverty Reduction Growth Facility (PRGF). Based on the approval of PRGF, the complete PRSP is expected approved at the boards of WB/IMF in June this year.

A first phase of an in-dept study of the PRSP process in Mozambique was presented in November 2000. The study concluded that the PRSP- process in Mozambique got off a good start by building upon the existing PARPA, and that the PRSP- process in all has been a relatively successful process so far. However, the study raised concern about two points. The first point was that the iPRSP process had been under a lot of time-pressure and this may have weakened the ownership of the iPRSP. The consultation process for the PARPA was also limited due to time- pressure. It may however be possible to increase ownership through participatory processes in the period leading up to the final PRSP. Secondly, it was raised concern about the implementation of the strategies of the PRSP in the budgetary process and in relation to relevant sector ministries. There is a lack of concrete, procedural linkages between the PRSP and other plans in terms of resource allocation. The lack of concrete plans in the PRSP makes it very difficult to implement in the budgetary process. It is also unclear how the PRSP would link with the provincial processes. It was concluded that better budgetary links and further coordination with other national and local plans are necessary.

The second phase of the study will be carried out in May/June 2001. Both phases of this study are part of studies done in 8 selected countries to investigate the extent to which poverty reduction policies, programmes, practices, and monitoring systems are being institutionalised in African countries. These studies are coordinated with the PRSP-Process and Poverty Monitoring Task Teams within The Strategic Partnership with Africa (SPA).

2 Purpose of the joint study

The objective of the SPA- studies in the 8 countries is to investigate the extent to which the PRSP framework is being integrated into national policies and programmes, and leading to changes in government practices. These studies will focus on assessing how far poverty reduction concerns and PRS processes are being articulated and institutionalised, especially within government.

The joint study for Mozambique will constitute one of the central documents in new Country Strategies for Mozambique. In particular, the proposed study will be used as an important reference for bilateral donors' macro-financial support. The joint study team ought to form an opinion of whether the process is effective, that is if it leads to empowering the Mozambican counterpart, and whether it is likely to improve the poverty situation in Mozambique. By gaining more in-dept knowledge and experience of the process, bilateral donors will be able to better co-ordinate their development co-operation programmes as well as improving the policy dialogue with the Mozambican Government and the IFIs. In this respect, in-dept knowledge of the process in Mozambique may be a pilot case for general conclusions on how the approach may be further developed and improved.

3 The Assignment

The second phase of the joint study will be based upon the final PRSP- document and the process up to finalising the PRSP, provide updated information and assessments on the issues and questions given in Chapter 3 in the Terms of Reference attached to the preliminary assessment from November 2000. The study will consist of three parts, a first part with follow up from the first phase, a second part analysing the final PRSP and a third part related to the future.

Main issues for this second phase of the study should be:

Following up of first phase of the PRSP study

- a) Assessment of the consultation process from the period from October last year to May this year.
- b) How the consultations have influenced on the content of the finalised PARPA/PRSP, possible new issues that have been included.
- c) An assessment of the process as a whole, the consultation strategy used, and how the process is related to other processes of democratic participation in Mozambique. This should include assessments of participation, assessment of how representative institutions and persons involved in the process are, gender analyses, and donors attitudes to the process. Recommendations regarding how such a process could be organised for the future should also be given.
- d) An assessment of the ownership of the Government towards the process with special emphasis on consultations, and their motivation for implementing the process. This should include possible suggestions for improvements of ownership and motivation, resulting in consultations felt important and meaningful to the Government.
- e) Follow up the assessment of the effects of donor behaviour on the PRSP- process- both IFI and bilateral. How do the stakeholder perceive donor behaviour during the PRSP- process? Has IFI behaviour changed in accordance with the CDF- principles at the country level? Are the bilaterals committed to the PRSP- process?

Analyses of the final document.

- a) What is included in the document and how are the priorities given in the document. An assessment should be given whether the priorities are aiming at reaching the poorest. A gender analyses of the content should be given.
- b) How the planned activities are linked to MTEF and the Governmental budgets. Are the given cost estimates realistic? A special focus should here be given on the education sector.
- c) How is the capacity to implement the plan given the existing human capacity and financial resources? A special focus should also here be given on the education sector.
- d) Give an assessment of the indicators and plans for monitoring. What systems and capacity are in place to monitor?
- e) Investigate the nature of donor information requirements and their impact on the effective functioning of poverty monitoring systems.

The future.

- a) How strong will the motivation towards continuing the work with improving the PARPA/PRSP be after the HIPC 2 Completion? What are the incentives important for the Government regarding a continuation? What is the role of the bilateral donors connected to this and related to the influence of the IFIs. Are there actual changes in conditionality as a result of PRSP?
- b) What are the institutional and other changes that are likely to be a future result of the PRSP process.

4 Method, study team and timetable

The joint study shall be based on existing documentation and penetrating interviews with relevant Mozambican and external agency parties. It will be undertaken in close co-operation with the Government and other Mozambican stakeholders, the WB and IMF, other bilateral and multilateral donors in Mozambique and relevant departments or units at Norad and Sida. The team will interview representatives from Mozambique's Government, universities, civil society and private sector in Maputo as well as in one or two provinces where

consultations have taken place. Furthermore, representatives from bi- and multilateral aid agencies, as well as non-governmental organisations shall be interviewed.

The study is intended as a joint effort between Sweden and Norway, and each organisation will finance and appoint one consultant/researcher.

The Norwegian/Swedish team will cover the following professional areas:

- Macro-economist with good knowledge of structural adjustment programmes and social anthropology.
- Political Scientist with long experience of development co-operation policies.

Local consultants may also be appointed to the team. The total time length of the study is estimated to six weeks. The field mission is scheduled to take place in Mozambique 14 of May to 1 of June 2001.

The joint study will be co-ordinated with the Special Programme for Africa's PRSP Task Team related to the study to investigate the extent to which poverty reduction policy programmes, practices, and monitoring systems are being institutionalised in selected African countries.

5 Reporting

A presentation of preliminary findings is to be held in Mozambique for Mozambican authorities, civil society and donors before the team leaves the country. A draft report in English shall be sent to Sida and Norad on 15 June 2001 at the latest. The report shall follow the standard format by David Booth as much as possible. Sida/Norad will arrange seminars in Stockholm/Oslo for the presentation of the draft report. The Mozambican stakeholders, the embassies of Norway and Sweden and their headquarters shall give their comments to the draft report no later than two weeks after receiving the draft report. The final report shall be submitted to Sida/Norad in two paper copies and on diskettes. Sida will translate the final report to Portuguese and the embassy of Sweden will distribute it in Mozambique.

APPENDIX III TERMS OF REFERENCE FOR SPA STUDY

SPA PRSP-Process and Poverty Monitoring Task Teams

Terms of Reference

Study to investigate the extent to which poverty reduction policies, programmes, practices, and monitoring systems are being institutionalised in selected African countries

Background

1. The Strategic Partnership with Africa (SPA) is the donor forum that co-ordinates support for low income debt-distressed African countries which have economic reform programmes in place with the International Financial Institutions (IFIs). In January 2000 the SPA began the fifth phase (2000-2003) of its programme, and made poverty reduction a core objective. In so doing, the SPA embraced the decision of the international community to provide assistance to low income countries based on their presentation of Poverty Reduction Strategy Papers (PRSPs) to the Boards of the IFIs. The PRSP framework, and the accompanying guidance announced by the IFIs in December 1999 was fully endorsed.
2. At the December 1999 meeting of the SPA Plenary, approval was given for establishing seven Task Teams to help advance the SPA-5 agenda. For of a number of these Task Teams, the PRSP framework provides the main focus. Task teams are responsible for investigating particular technical issues and for generating best practice materials. The mandate of the PRSP-Process Task Team is to monitor the development of the PRSP framework over a three-year period. The mandate of the Poverty Monitoring Task team is to strengthen nationally-owned poverty information systems that can serve the requirements of PRSPs.
3. Under the enhanced HIPC framework, debt relief, access to IDA resources, and PRGFs require recipient countries to present poverty reduction strategies to the Boards of the IFIs. Under the new arrangements, actual financial flows will depend on the joint assessments of country-prepared PRSPs by the staffs of the Bank and Fund (the so-called JSAs).
4. Most African HIPCs have begun preparing poverty reduction strategies (PRSPs); and a number have either submitted, or have nearly completed preparing their interim PRSPs (I-PRSPs). In Africa alone, about a dozen or so countries now have I-PRSPs or PRSPs that have been discussed by the Boards.
5. The financial incentive for countries to prepare the interim and full PRSPs is considerable; and will remain high as long as development assistance continues to be made available in *addition* to debt relief. Whilst a framework of conditional assistance remains, there is also the widely-held belief that without good ownership of programmes by countries, substantial progress will not be possible.
6. The new PRSP framework is expected to provide the general basis for setting IFI conditionality associated with specific lending instruments. The changed framework of conditionality and the compulsion on countries to prepare PRSPs, brings the risk that once strategies are approved by the IFIs, implementation (at least in some countries) may weaken. In cases where PRSPs are based on existing national programmes (e.g. Uganda and Mozambique) a higher level of commitment can be expected. Since in most African HIPCs, a substantial focus on reducing poverty has not been strongly evident, the PRSP requirement could stretch existing capacity.
7. The potential for bringing about substantial changes between partner countries, the IFIs, and donors, through the PRSP framework is enormous. There are already signs that donors will support credible PRSPs, and aim to improve donor co-ordination (regarding finance, procedures and reporting). However, continued support from donors will largely hinge on good country performance (observed

through measured changes in outputs and outcomes), and on demonstrable improvements in governance.

8. Given that all HIPC countries are required to produce a PRS *paper*, a solid independent assessment of shifts in desired directions is therefore needed, identifying key constraints. Both the PRSP Process Task Team and the Poverty Monitoring Task Team have outlined specific projects that aim to examine different aspects of this shift in a representative set of African HIPC countries. In order to maximise efficiency and cost savings, and to avoid “mission overload”, it is proposed that the two Task Teams fold their individual projects into the same framework, and make use of the same consulting expertise to achieve their objectives. Combining project work in this way also ensures that poverty monitoring—an issue that is sometimes relegated to technical experts outside mainstream policy debates—is included as a central part of the PRSP agenda.

Objectives and scope of the combined study

9. In selected African countries, to investigate the extent to which the PRSP framework is being integrated into national policies and programmes, and leading to changes in government practices. The study will focus on assessing how far poverty reduction concerns and PRS processes are being articulated and institutionalised, especially within government.
10. The combined study of in-country PRSP processes will be comprised of three components.
 - 10.1. First, the aim will be to capture attitudes of key stakeholder representatives (government, civil society and private sector)²⁴ to the new PRSP framework, the changed conditionality associated with the enhanced HIPC framework, and the behaviour of IFIs and donors in the process. This component of the study will include a record of new plans, priorities, and policy and programme changes generally initiated by the government as a result of the PRSP requirement. An attempt will be made to ascertain levels of commitment among key staff in central and local government to PRSP processes. This will also entail assessing staff capacity constraints for preparing poverty reduction strategies and documents.
 - 10.2. In order to deepen the assessment of government commitment to PRSPs, the second component will explore how widely and deeply institutional changes are being introduced for reducing poverty (as outlined in key policy documents such as the PRSP).²⁵ Given that this covers a broad spectrum of activities, the scope will be limited to assessing changes in two main areas.
 - 10.2.1. The fiscal framework and budgetary processes. Here, consideration should be given to general concerns regarding public expenditure management. To assess how far public finance systems have begun to incorporate the medium term budget framework, and to identify problems concerning the budgetary processes (preparation, reviews, execution, adjustments, etc) from a pro-poor perspective. Concerns over the quality of public financial management should also be identified, and should indicate government strategies for tackling these. Government and civil society stakeholders will also be asked what donors should do in order to help improve budgetary processes.

²⁴ Key stakeholder representatives will include the following. In government: representatives will be chosen from different levels in finance, economic and line ministries; local and regional government; and various legislative bodies. Representatives from civil society national advocacy organisations will include national, regional and local service delivery organisations, the media; academic organisations; and syndicates and unions. Within the private sector, views from a variety will be sought: big business; agribusiness; small, medium and micro enterprises. To aid comparison, stakeholders will be asked a common set of questions. Where possible the views of donors on in-country PRSP processes will be obtained.

²⁵ In several countries it may be too early to assess how widely and deeply institutional changes have been introduced. In these cases consultants will focus on proposed changes, and aim to gauge the likelihood of successful implementation.

- 10.2.2. The governance framework, and specifically in respect of consultative and participatory processes entailed in setting priorities, and in establishing accountability norms. This should include a review of the role played by parliament, the press, and other democratic institutions in shaping the poverty agenda. A core concern will be to consider the extent to which participatory evaluation systems are being established, and to identify feedback mechanisms designed to influence policy.
- 10.3. The third component will assess the present role and status of poverty monitoring and information systems in the PRSP process. This includes an appraisal of how existing systems generate information for - and feed into - pro-policy processes, whether credible monitoring indicators are being identified, and the degree of awareness and participation of different national stakeholders. It also includes an analysis of the extent to which donor requirements promote or constrain the effective functioning of poverty information and monitoring systems, and recommendations for future donor activity in this area. Issues for investigation include:
 - 10.3.1. the nature of demand for and supply of information among key stakeholders, and analysis of the relationship between supply/demand;
 - 10.3.2. the extent to which information produced is incorporated into policy processes, and reasons why it may/may not be incorporated;
 - 10.3.3. the suitability of core indicators being used in-country to track PRSP progress;
 - 10.3.4. the capacity of poverty information systems to deliver reliable information to monitor these indicators and recommendations for action;
 - 10.3.5. the nature of donor information requirements and their impact on the effective functioning of poverty information/monitoring systems.
11. In component 2 (item 10.2), the emphasis will be on identifying the processes and institutions supporting national poverty reduction strategies. Assessing whether institutional shifts have occurred will require making fine judgements. Most critically, in each of the identified areas, this will need changes to be gauged against two limiting factors: current capacity to transform in the desired direction, and existing knowledge of international good practice that realistically can be implemented.
12. For each of the above areas, likely constraints blocking progress should be identified, and recommendations made for overcoming these (items 10.2.1, 10.2.2, and 10.3); including, where possible, ameliorating actions to be taken by specific agents (including donors).
13. With the exception of the third component (10.3), this study will primarily not focus on technical evaluations and recommendations. Rather, the emphasis will be on tracking *processes*—judging *movements and assessing government commitment* towards known desired outcomes—and pointing out strategies for overcoming difficult constraints.

Method and proposed activities

14. A variety of techniques should be used to address each of the above-mentioned components. These will include: a visit to the country to interview key individuals and collect critical information, a review of press and donor reports of recent changes following implementation of the new PRSPs policy, and an analysis of available (published and unpublished) secondary information (e.g. on poverty monitoring systems, quality of participatory processes, and implementing processes leading to the preparation of MTEFs and good budgeting practices).
15. In order to form a judgement on whether (and how) policies, programmes and practices embody poverty reduction concerns for each of the identified three areas, the team of consultants will be required to have:

- 15.1. a good grasp of the PRSP policy framework, including—recent policy thinking within IFIs, country-level implementation details, familiarity of debates among donors, academics, NGOs and other stakeholder groupings;
 - 15.2. a good knowledge of a range of African countries (histories, recent policies and programmes, and institutions);
 - 15.3. familiarity with available best practice materials within specialist areas in order to gauge institutional shifts;
 - 15.4. familiarity with other PRSP monitoring exercises that are currently under way (and being conducted separately by donors, IFIs, and NGOs).
16. Good judgement will be needed for teasing out specific poverty policies from policies and programmes that have an indirect bearing on poverty. While consultants will need to consider both, the contents of the PRSP document (and associated national policy documents) should be used as the principal guide for this study.
17. Although there is some scope for determining the selection of countries, the final list should include a mix of Anglophone and Francophone countries that will have only recently embarked on developing poverty reduction programmes, and with I-PRSPs either approved by the Boards of the IFIs, or almost ready for presentation. Given this requirement the following countries are possible case studies: Rwanda, Tanzania, Benin, Mali, Kenya, Ghana, Malawi, Senegal, and Zambia. Subject to funding, a six to seven countries should be covered. Although consultants are free to determine the allocation of consultants' days, a minimum of forty days per country is recommended (some of which will be spent in-country during both phases).
18. Developments in Mozambique will be reported to the SPA PRSP-Process and Poverty Monitoring Task Teams by a separate study commissioned by Sweden and Norway. Close contact will be maintained between the two study teams to ensure comparable results.

Phases of the study, reporting, and principal outputs

19. The study will be carried out in two phases over a fifteen month period. Phasing will allow an initial survey of responses and a scoping of the central issues to be combined with a substantive investigation of core concerns outlined for this study. The phases will permit consultants to follow in-country developments over a period of time, and capture real shifts as the PRSP process takes root. Both phases will include country visits.
20. Phase one (September to December 2000) will involve an initial scoping exercise to identify key issues for further investigation, and provide a baseline against which to gauge later developments. Given the above-mentioned requirements for this study, consultants will form an initial perception of the PRSP process among key national stakeholders. All aspects identified in 10.1 to 10.3 above will be scoped. Phase two (February to October 2001) will involve a substantive investigation of the priority issues identified by the scoping exercise, but within the terms established for the study.
21. Specific outputs of the respective phases will be as follows.
- 21.1. **Phase one.** The first progress report (due mid-October 2000) to the SPA Technical Group will be in the form of a ten-page written report and a (20-30 minute) PowerPoint presentation on work conducted and findings obtained to date. This will indicate the likely content of the second progress report that will be for the December 2000 Plenary. Given timing constraints, the first progress report is likely to reflect field visits to a limited number of countries, possibly two to three.
 - 21.2. The second progress report (due mid-November) for the SPA Plenary will be in the form of an updated ten/fifteen-page paper and a *revised* (20-30 minute) PowerPoint presentation.

Comments and suggestions made by members of SPA's Technical Group will be taken into account in subsequent drafting. The second progress report will incorporate findings emerging from the scoping work undertaken in all countries investigated. By the time of the December Plenary, it is expected that approximately five to six, and possibly more, countries will have been investigated. A revised and updated (and possibly longer) progress report, incorporating comments and suggestions made by SPA Plenary participants, and peer reviewers (see below), will be submitted to the chairs of PRSP-Process and Poverty Monitoring Task Teams at the end of January 2001.

- 21.3. **Phase two:** The first output (due mid-May 2001) will be a report containing the preliminary findings of the substantive study.
- 21.4. The second output (due end September 2001) will be the final report of the study, and a (45-60 minute) PowerPoint presentation to the SPA's Technical Group in October 2001. The final report will be comprised of separate chapters each reporting a country case study, an overview (stand-alone) chapter on poverty monitoring, and an overview (stand-alone) chapter on PRSP processes.
22. **Structure of the final report.** Each case study chapter should clearly identify the development of the national PRSP process, and should include:
 - 22.1. a brief narrative of the process by which the poverty reduction strategies was prepared;
 - 22.2. an account of the attitudes of key agents—to the PRSP agenda, the process, and interactions with donors and IFIs (item 10.1);
 - 22.3. a comprehensive review of the two areas identified for assessing how pervasively poverty reduction concerns are institutionally embedded (items 10.2.1 - 10.2.2).
 - 22.4. a comprehensive review of the nature of demand/supply in poverty information systems across a range of key stakeholders, analysis of the capacity and constraints of such systems to deliver against a set of key indicators, analysis of the choice of indicators to measure progress, and the implications for donor support to strengthening nationally-owned systems (item 10.3).
 - 22.5. a realistic appraisal of the constraints blocking poverty concerns and poverty monitoring from being more firmly embedded in policies, programmes and practices (item 12.0 above);
 - 22.6. a list of recommendations, including messages to governments, donors, and IFIs.
23. The overview chapters will synthesise case study results. They will highlight general lessons, and identify main messages and recommendations to governments, donors, and the IFIs. It is hoped that the some of the papers produced under this study will be of a sufficiently high standard (subject to review—see below) to warrant publication in an edited book.
24. In a separate report the consultants will document interesting and innovative experiences developed and identified by people/organisations within the countries surveyed, which have demonstrably improved poverty reduction policies, programmes and practices (within areas identified above). During 2001/2 it is expected that a workshop(s) will be organised to share best practices with participants across the case study countries. At these meeting(s) the consultants will be expected to present the overview chapters.

Project management

25. The principal consultants appointed for this study will manage the study for the sponsoring donors. Based on these common Terms of Reference, each sponsoring donor will establish separate contracts with the consultants. Decisions over the composition of the research team for each case study will be taken by the main managing consultants. Where possible, collaborating African researchers should be included in study teams.
26. On behalf of the SPA, DFID will be responsible for the overall co-ordination of the study, and for maintaining regular contact with the managing consultants. A small reference group (comprised of researchers and policy advisers from Europe and Africa) will be established to provide technical guidance and to review key outputs, especially the second progress report of Phase one, and the two reports generated under phase two.

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