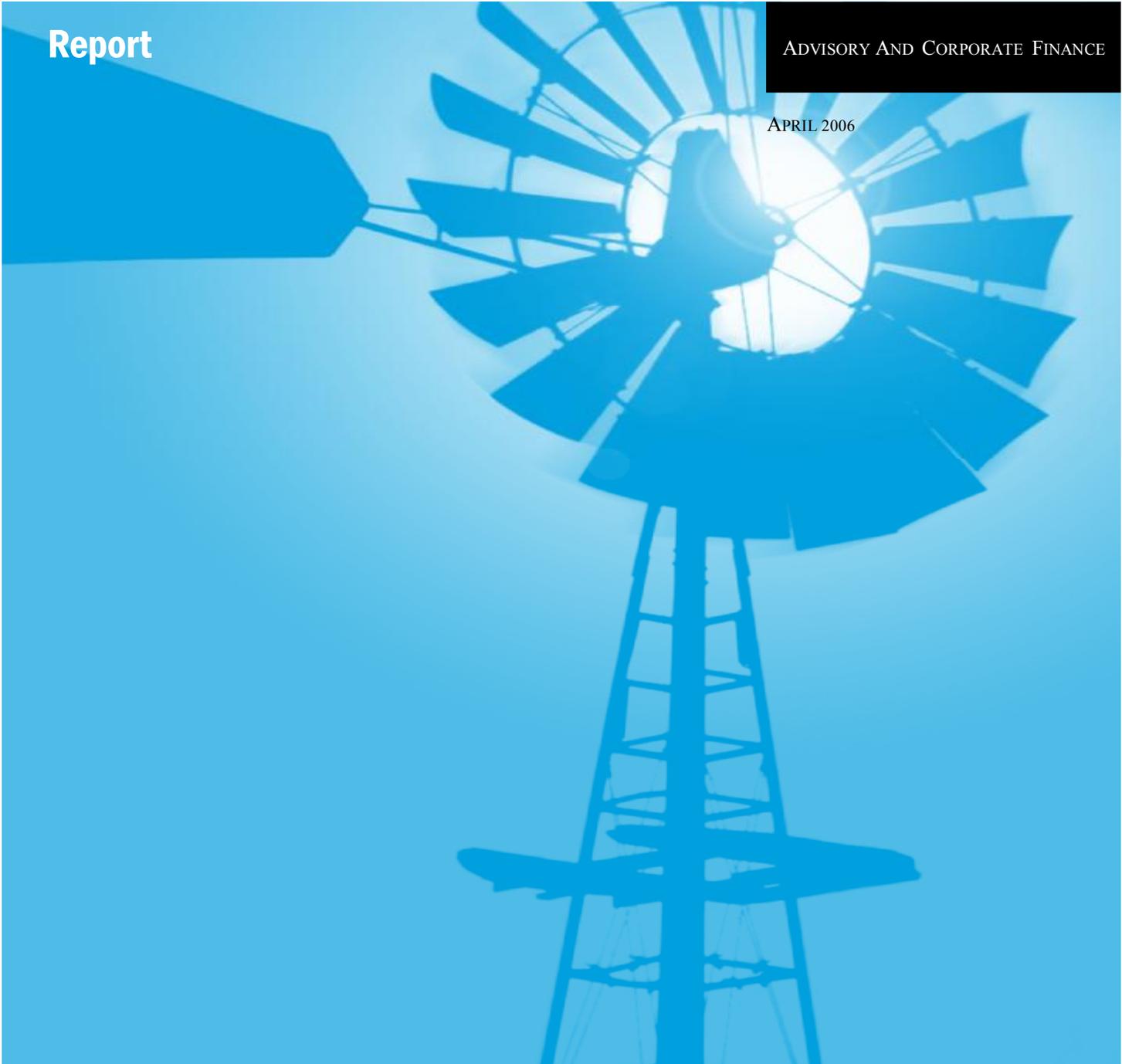


Report

ADVISORY AND CORPORATE FINANCE

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**ERNST & YOUNG**  
*Quality In Everything We Do*

# **Review of the PAPs' Performance in 2005 and PAPs' PAF Matrix Targets for 2006**

***Final Report***

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## 1. Introduction

This study has been commissioned by the Program Aid Partners (PAPs) group. It is part of the process of implementation of the principles of mutual accountability between the PAPs and the Government of Mozambique (GoM), which are established in the Memorandum of Understanding (MoU) and reflect the guiding principles of the Paris Declaration on aid efficiency and effectiveness.

The study comprises two different, but related, components. The first component consists of the review of the PAPs performance in 2005. The reference points for this review are the baseline set up by the Killick Report<sup>1</sup> and the commitments set up by the PAPs' Performance Assessment Framework (PAF) matrix approved in the Joint Review (JR) of 2004.

The second component of the study consists on an attempt to establish baselines and targets to complete the PAPs PAF matrix for 2006. The reference documents for this part of the study are the Ernst & Young 2005 Study<sup>2</sup> and the PAPs PAF matrix approved by the JR of 2005.

The review and the setting of missing targets for the 2006 matrix are mostly based on information collected through a questionnaire and individual interviews with the PAPs and officials from the GoM. The questionnaire was drafted by the consultant on the basis of the PAPs' PAF matrix, and discussed at two levels – a review sub-group of the PAPs and the whole PAPs group. In addition, there was an induction session organized with the specific aim of guaranteeing that all PAPs have a similar or very close understanding and interpretation of all the questions in the questionnaire (a copy of the questionnaire is attached to this report).

After the answered questionnaires were submitted to the consultant, interviews were arranged with all of the PAPs<sup>3</sup> to review the answers, clarify questions to the PAPs and answers to the consultant, and make sure that both PAPs and the consultant had the same understanding of every question and answer. After the interviews, the PAPs were given some more time to correct or complete the

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<sup>1</sup> Killick, T., C. Castel-Branco and R. Gester. 2005. Perfect Partners? The performance of Program Aid Partners in Mozambique in 2004. Maputo.

<sup>2</sup> Ernst & Young. 2005. Update of the PAPs PAF Matrix and Ranking Mechanism. Maputo.

<sup>3</sup> Of the PAPs with commitments in the 2005 matrix only Norway was not interviewed during the interview period (an interview was arranged later). The 18<sup>th</sup> and most recent PAP, the African Development Bank, was not included in the exercise because it was not a PAP in 2005.

answers to the questionnaire and a second version of the answered questionnaire was then submitted to the consultant. (A list of the interviewees is attached to this report).

Finally, the consultant also interviewed senior GoM officials of the Ministries of Planning and Development (MPD) and Finance (MF) and of the Bank of Mozambique (BoM). (A list of these interviewees is attached to this report).

The consultant would like to thank, with appreciation, the full collaboration and support provided by the PAPs, the PAP group secretariat and by the senior officials of the GoM, without which this study could not have been conducted successfully.

## 2. Review of the PAPs' Performance in 2005

This review is divided into three parts. The first is a more global review, which looks at both the group and individual PAPs from a group perspective. The second is an individual donor discussion, focusing only on the aspects that have not been already mentioned in the first part of the review. The third resumes the main points raised during the analysis of the PAPs' performance.

### 2.1. Group Perspective

#### 2.1.1. PAPs PAF matrix indicators and targets

Table 1 summarises the group performance in relation to the 2005 PAPs PAF targets.

**Table 1: PAPs' PAF indicators and targets, and PAPs actual performance in 2005**

Indicators of the 2005 Matrix	Target	Actual	Comments
1. Share of donors disbursing according to agreed schedule	>80%	100%	Of the 17 PAPs, only 14 had clear schedule agreements because 2 were not yet admitted as PAPs by the time the schedules were agreed, and 1 did not have a bilateral agreement with the GoM at the time. The 14 PAPs with agreed schedules disbursed on schedule.
2. Share of GBS+BoPS disbursed according to agreed schedule	>80%	100% of scheduled GBS and 94% of total GBS	Given that all PAPs with agreed schedules disbursed according to schedule, the level of implementation of the target is 100%. However, as 3 PAPs disbursed without a pre-agreed schedule (see comment for indicator 1), 94% of total GBS disbursed was disbursed according to an agreed schedule.
3. Number of instances of agencies NOT meeting commitment about period for informing and confirming aid commitments	0	0	Of the 17 PAPs, 3 did not meet the commitment about the period for informing and confirming aid commitments, because they could not have done so as two of these PAPs had not been admitted yet as PAPs by the time the commitments were made (within 4 weeks of the 2004 JR), and one did not have a bilateral agreement for GBS with the GoM between the Spring of 2004 and December 2005. See comment to the previous two indicators.
4. Share of donors with multi-year indicative commitments	>80%	100%	All PAPs had multi-year, indicative commitments. Of these, 6 have 2 year programs, and 13 have programs ending in 2005-2006. Hence, 4 have 3 or more year programs covering up to 2007-2008.
5. Share of donors strictly adhering to common conditionality	>90%	100%	All agencies claim that they have strictly adhered to common conditionality, and two explained how common conditionality affected their disbursement of the variable tranche.

Indicators of the 2005 Matrix	Target	Actual	Comments
6. Share of donors with annex 10 bilateral exceptions	<55%	47%	8 agencies have annex 10 exceptions. Of these, 4 have already decided to eliminate such exceptions, 1 has eliminated one of its two exceptions, 1 is in the process of re-evaluating its exceptions with a view to eliminating it, and 2 have no specific proposals or time frame to re-evaluate and eliminate exceptions.
7. Number of donors not using the MoU response mechanism (disbursed in 2005 according to performance in 2003)	3	3	There are still 3 PAPs disbursing in Yn+1 according to performance in Yn, rather than Yn-1 (Annex 10 exceptions).
8. Number of missions related to GBS+BoPS is reduced	2 (JR, MYR)	2+7	In addition to the 2 mandatory missions (JR and MYR), there were 7 other GBS related missions, of which 3 were joint and 4 were individual. One of the joint missions was the high level mission led by the Norwegian Minister of Cooperation. The other joint missions were related to PFM assessment and the PAPs' performance exercise. Individual missions were related to PFM assessment and auditing (related to annex 10 exceptions) or programming of new multi-year, bilateral agreements.
9. Number of donors not providing quarterly reports of program aid within 2 weeks of the end of each quarter.	0	5	5 donors have informed that they did not provide reports on a quarterly basis to DCI (some provided reports bi-annually, and some annually). Three donors, included two of the above, mentioned that the level of detail of the DCI data base is incompatible with their own procedures and, in some cases, is impossible to comply with (for example, quarterly data on NGO aid disbursements). From the third quarter of 2005, reporting to DCI for all EU member states has been tacitly replaced by reporting to the EU data base, although DCI has never formally confirmed this decision. In another section of this report there is a more detailed discussion of the data problems.
10. Issue paper exploring long term joint strategy for Capacity Development Support is drafted and discussed with GoM	Yes	Yes	The related consultancy started in 2005. The report was delivered in 2006 and discussions with the GoM have started.
11. % of GBS+BoPS committed and guaranteed for 2006 within 4 weeks of the 2005 JR	Tbm	100% committed and 69% guaranteed	All donors claim that their aid indicative commitments for 2006 were made within 4-5 weeks of the 2005 JR. But 2 donors can only guarantee their commitments by the MYR or later in the year due to annex 10 exceptions or data cycles. One of these donors is very large and tjsi affects the % of GBS that is guaranteed.
12. Number of donors providing indicative multi-year commitments of GBS+BoPS on a rolling basis in line with	Tbm	0	None of the multi-year programs is rolling. Most donors face legal obstacles to develop a rolling program, as each multi-year program is defined as if it was a project with a clear beginning and end. One PAP is preparing a multi-year rolling program to

Indicators of the 2005 Matrix	Target	Actual	Comments
13. Share of GBS+BoPS in PAPs total aid to government (excludes NGO and private sector aid)	Tbm	31%	start in 2006-7. This figure is still small, but there is no specific and agreed target to compare with. The Paris Declaration has a target for program aid but not for GBS. However, it should be considered that at this rate the target set for 2006 (40%) will not be met (1). For 70.6% of the PAPs (12 PAPs), GBS+BoPS is less than 30% of their aid to GoM. For 29.4% of the PAPs (5 PAPs), GBS represents more than 40% of their aid to GoM. However, we should also take into account that for the vast majority of the PAPs, current bilateral programs were agreed prior to the signing of the MoU and the Paris Declaration. Thus, the portfolio analysis of the 12 new multi-year PAPs' CS under preparation and for approval in 2006 is crucial for the future of GBS and related principles of aid effectiveness.
14. Number of examples of delegated cooperation amongst donors at sector level	Tbm	5	In 2005 there were only five cases of delegated cooperation (DC) amongst PAPs (2). Although the vast majority of the PAPs agree that DC is a "desirable state of the world", many blame internal regulations for the difficulty of implementing DC agreements. It might also be interesting to analyse how close the PAPs are to each other with respect to policies and priorities outside the mainstream Washington Consensus areas (for example, how close the PAPs in education are to each other with respect to policies and priorities in education). Differences in policy approach, as well as other expressions of self-interest, may not only explain why "constraining regulations" have not been removed but why they exist in the first place.
15. Number of sectors with 10 or more PAPs is decreasing	Tbm	4 out of 9 key sectors	Of the 9 key sectors 4 (roads, water, energy and justice) have less than 10 PAPs. The comment to the previous question may also be relevant for this question. However, in the update of the PAPs' PAF matrix 2006-2009 it was explicitly mentioned that: (i) the GoM should decide whether it wants a small number of big donors, or prefers a larger number of a mix of big and small donors, per sector; and (ii) as long as the sector is coordinated, aligned and harmonized, and the number of donors does not represent a serious obstacle for aid effectiveness and a serious burden on the GoM, then whether the number was more or less than 10 was not particularly relevant. This question should probably be discussed in the GoM's note on aid strategy.
16. Financial ratio pooled funding/stand alone projects	Tbm	NA	Disaggregated information available and problems of definitions do not allow us to make an accurate statement about this indicator (which has been abandoned for the PAPs PAF matrix from 2006).
17. Number of sectors with a MoU containing comparable	Tbm	3	Agriculture, education and health have MoUs that bear some comparison with the PAPs MoU. The

Indicators of the 2005 Matrix		Target	Actual	Comments
	donor commitments as the PAPs MoU			MoU for agriculture has been significantly improved in 2006.
18.	Number of sectors with a donor performance matrix.	Tbm	1	As for our best knowledge, only the health sector has a donor performance evaluation exercise in place.
19.	Donors agree "quite periods" with GoM.	Tbm	No	There is no formally defined quiet period, although July and August tend to be quieter. There is no clear definition of what the "quiet period" means. This issue is resumed later in the report.
20.	Share of studies timely available in Portuguese.	Tbm	49%	The information is very uneven and, possibly, inaccurate. This also reflects problems with the definitions.
21.	Share of donors reporting aid flows to DCI based on an agreed format and definition.	Tbm		Please, refer to comment for indicator 9. In addition, several donors have mentioned that some of the detail required by DCI (example, quarterly data on NGO aid) is beyond the realm of possibilities.

Sources: 2005 PAPs PAF matrix, questionnaire and individual interviews, consolidated schedule and actual disbursement data provided by the PAP secretariat.

Notes: The shaded area is for monitorable indicators. They do not form part of the MoU but are generally aligned with the principles of the Paris Declaration. They have no defined, quantitative targets. (1) The target for 2006 is much higher, 40%. As it will be seen later in this report, the PAPs report that only 28% of their aid to GoM in 2006 will be GBS (against the target of 40%). The share of GBS in Aid to GoM may be substantially increase when the 18<sup>th</sup> PAP that was only recently admitted, the African Development Bank (ADB), disburses (of course, the impact of such disbursements depend upon the weight and structure of the ADB's portfolio). Additionally, Norway has asked for a waiver to disburse an additional US\$3,750,000 in GBS in 2006, which will increase the share of GBS in Aid to GoM by approximately two percentage points; (2) There was a problem with the definition of delegated cooperation. The definition here adopted reflects the idea of "silent partnership", whereby a donor providing aid to one sector is not physically present in the sector and delegates its representation on another donor. (3) The 9 key sectors mentioned are: agriculture, health, education, water, roads, HIV, justice, public sector reform and energy.

### 2.1.2. Portfolio composition

Tables 2 to 4A and 4B provide some more information about aid inflows, portfolio composition and predictability.

Table 2 shows that the overall value of disbursed aid to Mozambique increased in real terms by 13.3% between 2004 and 2005. The values of the major components of aid also increased, namely Project Aid by 29.5% and GBS+BoPS by 17%. Of the minor components of aid, it is interesting to notice that aid to the private sector fell by 17.5%. Decentralised aid, which fell by 55%, is very difficult to measure because the decentralised cooperation agencies have no legal obligation to record their activity with the central cooperation agency (the figures on decentralised aid refer to

regional cooperation agencies of Spain). "Others" is a residual component; therefore, it is expected to vary widely.<sup>4</sup>

**Table 2: Overall portfolio composition for 2004 and 2005 (in US\$)**

	2004		2005	
	Committed	Disbursed	Committed	Disbursed
Balance of Payment Support, BoPS (1)	60,000,000	60,071,616	0	0
General Budget Support, GBS (2)	185,197,000	183,274,000	273,616,713	284,825,713
SWAPS or Sector Basket/Pooled Funds (3)		254,204,238		254,268,471
Project Aid (4)		287,501,085		372,448,019
Private Sector Support (5)		25,710,822		21,214,666
NGO Aid (6)		57,911,057		71,934,630
Others (7)		26,873,256		16,387,926
Decentralised Cooperation (8)		8,780,213		3,870,000
<b>Total</b>	<b>245,197,000</b>	<b>904,326,287</b>	<b>273,616,713</b>	<b>1,024,950,398</b>

Source: Questionnaire

Note: From 2005 onward, the World Bank is allowed to provide resources for GBS. This explains the almost disappearance of BoPS and significantly explains the sharp increase in GBS. These changes should not affect the overall analysis because GBS and BoPS have been added together for the analysis of portfolio because they have the same fundamental characteristics.

Table 3 confirms that as far as portfolio composition is concerned, there has been no significant group progress towards higher shares of GBS and programmatic aid. Between 2004 and 2006,<sup>5</sup> the figures show a decline in the share of GBS in Total Aid (-8.5% between), in Aid to GoM (-10%) and in Program Aid (-1.2%). During the same period, the share of Program Aid in Total Aid and in Aid to the GoM also fell (by -6.9% and in -8.7% respectively).

<sup>4</sup> Costs of running agencies and project implementation units (PIU) have been eliminated from "others".

<sup>5</sup> The series from 2004 to 2006 is adopted because commitments for 2006 were made in 2005. Hence, the report evaluates not only trends in disbursements (2004 and 2005) but also includes in the trend analysis the commitments for year 2006 because they reflect PAPs portfolio strategies in 2005 (when the commitments were made). Of course, the African Development Bank (ADB) indicative commitments for 2006 are not included in the review because ADB was not a PAP in 2005.

**Table 3: Group portfolio analysis (in %)**

	2004	2005	2006
Share of GBS+BoPS in total aid	27	27.8	24.7
Share of GBS+BoPS in program aid	48.9	52.8	48.3
Share of GBS+BoPS in aid to GoM	31	31.1	27.9
Share of Sector Aid in Total Aid	28.1	24.8	26.5
Share of Sector Aid in Program Aid	51.1	47.2	51.7
Share of Sector Aid in Aid to GoM	32.4	27.9	30
Share of Program Aid in Total Aid	55	52.6	51.2
Share of Program Aid in Aid to GoM	63.4	59.1	57.9
Share of Project Aid in Total Aid	31.8	36.3	37.2
Share of Project Aid in Aid to GoM	36.6	40.9	42.1
Share of Aid to GoM in Total Aid	86.8	89.9	88.4

Source: Questionnaire.

Note: Aid to GoM = GBS+BoPS+Sector+Projects; Program Aid = Aid to GoM – Projects

Sector Aid and GBS seem to be alternatives to each other as channels of resource allocation for the PAPs – their trends are inversely related, as the share of one falls when the share of the other increases in all the three ratios. Nonetheless, it seems that several PAPs prefer to increase their Program Aid share of Aid to the GoM and Total Aid by increasing Sector Aid faster than GBS.<sup>6</sup> This tendency will have to be halted if: (1) Total Aid and the share of Program Aid in Total Aid are to continue to increase fast and, simultaneously, (2) the GoM introduces a rigorous MTFE that sets equilibrium and equity ceilings for sector-based aid. Alternatively, if sector aid continues to increase at the cost of GBS, the MTFE will be less useful and less operational as a key tool in

<sup>6</sup> The figures for sector aid are unlikely to be accurate. PAPs have followed different definitions of sector aid – some have included aid that, being in a sector, is by all definitions of project nature. Hence, it is likely that sector aid figures are inflated and, therefore, project aid figures undervalue the real magnitude of project aid. This hypothesis can only be tested if each PAP disaggregates the information included in each of these two items (sector and project aid). If the hypothesis holds, then the adjusted data will eventually show a much larger shift from Program to Project Aid. This analysis will also require that a “thicker border line” is drawn between Sector and Project Aid, and the new definition has to be adopted by everybody without exceptions. It is advisable that the PAPs undertake (or commission a consultancy to do so) a thorough examination of what each of the PAPs has classified as Sector and as Project Aid; once this thorough examination is completed, then a re-classification should take place that is agreed and implemented by all PAPs and the GoM.

economic policy and strategy making and analysis. At sector level, there is a significant, but not quantified, share of off budgets that certainly disturb macro and fiscal planning.

Project Aid is the single most important component of Aid to GoM and of Total Aid,<sup>7</sup> and its share of program aid and of aid to the GoM is increasing. This is not surprising given that the rate of growth of the value of project aid increased 1.75 times faster than that of GBS, between 2004 and 2005<sup>8</sup>. For the period 2004-2006, the share of Project Aid is expected to increase by 15% in Aid to the GoM, and by 17% in Total Aid.

Whereas Program Aid shares of Total Aid and Aid to the GoM have fallen (by -6.9% and -8.7%, respectively) between 2004 and 2006, the share of Aid to GoM in Total Aid has remained relatively stable due to the increase, and relative large weight, of Project Aid.

Thus, the dynamics of aid portfolio in Mozambique over the period 2004-2005 (and expectations for 2006) seems to be characterized by the following: (1) The amounts of Total Aid and of its largest and most important components have been increasing and will continue to increase; (2) The share of GBS in Program Aid, Aid to the GoM and Total Aid is still small and is decreasing; (3) As far as Program Aid is concerned, GBS competes for resources against Sector Aid. Although the data are not conclusive (due to yearly-based variations, short number of observations and problems with data classification), the trend might be that several PAPs will use Sector Aid, rather than GBS, to boost their Program Aid; and (4) Project Aid remains the single most important component of the aid portfolio, and its share of Aid to the GoM and Total Aid is increasing fast (26.5% between 2004 and 2005, and a further (expected) increase by 18.5% between 2005 and 2006).

These figures should not be taken lightly, as they show that one of the key principles for improving aid effectiveness and alignment with government priorities – the significant increase in untied and non-earmarked aid to the GoM – is not been implemented successfully at the required scale and speed yet. If more than two thirds of aid flows are still earmarked and/or partially tied to individual donors' preferences, the GoM cannot own national policies and strategies and be the centre of the

<sup>7</sup> The share of Program Aid in both Aid to the GoM and Total Aid is larger than that of Project Aid. However, whereas Project Aid is an individual item (or aid modality), Program Aid comprises three individual items: BoPS, GBS and Sector Aid. Hence, the single largest individual item is Project Aid.

<sup>8</sup> The actual figures for Project Aid may be underestimated because of definition problems – as a few PAPs have classified as sector aid some activities that should be in project aid (and the inverse may also be true). Please, refer to footnote 6.

process of policy negotiation to the extent that it is required; full accountability of the GoM to the Mozambican society cannot develop much further beyond the realm of “good manners”; aid will hardly play the role of a development resource; the MTFE becomes an academic exercise rather than a strategic policy-decision mechanism; and the state budget exercise cannot fully perform its central role in the economic policy process in the country. In brief, the risk is that concepts such as leadership and ownership by national authorities, and alignment with national priorities, could largely become more rhetorical than real.

It has been argued that once sector and project aid are integrated and visible in the budget, then the GoM will have as much control over such resources as it has over GBS. This is largely a mistaken analysis because sector and project aid are earmarked according to donors' preferences, when not tied as well. If PAPs have free choices in aid allocation, the MTFE will be relevant only for the purpose of analysis because allocation will be largely defined by donors. If the GoM uses the MTFE to set sector ceilings, this will increase the role of the MTFE to include allocation as well, but still there might be large parts of the GoM program that are not financed if no PAPs choose them. Hence, at the moment there is no close substitute for GBS as far as balanced and flexible policy making, planning and budgeting are concerned.

It has been pointed out that the figures show that the Program Aid share of Aid to GoM is already very close to the Paris Declaration targets set for 2010, such that there is no cause for alarm. In fact, the Paris Declaration target for the share of Program Aid in Total Aid to Government is 66% or more. In Mozambique, in 2006 this share is expected to be 57.9%. To reach the Paris Declaration target, the share of Program Aid in Aid to GoM should increase by 14%, or by an average of 3.2% per year, every year, from 2007 to 2010. This does not seem to be very difficult to achieve.

However, there are two problems with this argument that are worth mentioning. First, the share of Program Aid in Aid to GoM is actually falling (by -4.4% between 2004 and 2005, and by -2.6% between 2005 and 2006). If this tendency continues, by 2010 the PAPs will be no closer to achieving the Paris Declaration targets than they are now.

Second, the Paris Declaration targets are indicative averages for the world. In most areas, Mozambique is doing better than countries of similar level of development and aid dependency, and in Mozambique the mutual accountability and aid effectiveness exercise is more advanced. Hence, constraining what can be done in Mozambique because of a world average indicative target implies

missing a really good opportunity to go further and do better. At the end of the day, the targets that matter most are the ones that the national government and other social organizations consider the most desirable for the country, and that the PAPs are capable of meeting through their best efforts.

Finally, it has also been mentioned that once the African Development Bank (ADB), the 18<sup>th</sup> PAP only recently admitted, starts disbursing within the framework of programmatic aid, all the GBS and Program Aid ratios will improve very significantly. Even if this actually happens, it would be dangerous for the GoM and for the aid effectiveness and mutual accountability exercises to depend too much on 4-5 large donors for the levels of GBS and Program Aid to be minimally adequate. First, it would tend to make the whole exercise more volatile and vulnerable as small variations in any of the 4-5 large donors would have significant impact on the overall aid portfolio.<sup>9</sup> Second, it would underutilise and undervalue the real and critical potential represented by the group of medium donors. Third, it could provide an incentive for moral hazard amongst PAPs, as the majority would not need to make much of an effort because the larger donors, alone, could get the relevant ratios close to the Paris Declaration targets.

It might also happen that the GoM and the PAPs come to a conclusion that a balanced specialization amongst the PAPs is possible and desirable – by which the largest ones provide increasing shares of GBS; whereas the medium donors will focus more on sector aid and project aid, as well as support to the civil society. This relative specialisation would be difficult to agree and implement – the, so far failed, experience of trying to specialise donors per sector, reduce the number of donors in each sector and increase the number of instances of delegated cooperation is a proxy for the difficulties that might be found to achieve specialisation at a more macro level. The problem is that this is not only, or mostly, a technical issue – of balancing the books and improving the efficiency and effectiveness of mechanisms to channel aid. This is, largely, a problem of political economy of aid, and donors will inevitably acquire comparative advantages and influences in different areas according to the structure of their portfolio and specialisation.

If one should not take lightly the figures discussed, one should, also, not try to read too much from these figures. Quite apart from problems of definitions, already mentioned, that may affect the way the different figures are calculated, one should take into consideration that more than 90% of aid

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<sup>9</sup> This argument is similar to those related to the volatility and instability analysis of small economies concentrating on mega-projects or on a narrow range of primary commodities.

flows in 2004 and 2005 were part of multi-year, bilateral programs approved prior to the signing of the MoU and of the Paris Declaration. Hence we are still dealing with the legacy from the past as far as the aid process is concerned. It would be unlikely that the structure of the group portfolio could change very dramatically in favour of a new approach to development aid within the same program cycle.

Additionally, it is also understandable that several PAPs are still unconvinced about GBS being the ultimate aid modality. As an overall and systematic approach, this a relatively new concept and there are not many cases to show, beyond any reasonable doubt, that GBS is unquestionably better than any other modality for the aid recipient and for the donor.

A new approach also requires new skills and capacities, which need time to be identified, acquired and mastered.

Hence, PAPs and the GoM should have expected that the aid portfolio of the group as a whole would not change significantly between 2004 and 2006.

New opportunities are arising that may help to change the aid portfolio in Mozambique very significantly. First, a new large donor, the African Development Bank (ADB), has joined the PAPs' group. This donor may help to push the case for GBS more strongly.

Second, and most importantly, 14 donors, of which 12 are PAPs, are developing new Country Strategies (CS). It will be very important to assess whether these will effectively be 12 "New Generation" PAPs CS – strongly embodying the principles of aid effectiveness and ensuring significant progress in that direction – and to compare them with the previous ones to assess how much progress, with respect to portfolio composition, has been made. If the new CS do not introduce very significant changes in portfolio composition in favour of GBS and Program Aid, then the GoM and the PAPs should sound the alarm bells and act.

Portfolio analysis should be an important part of PAPs analytical work and of the negotiation between the PAPs and the GoM. First, the PAPs need to understand better the implications of GBS and its advantages and disadvantages. From the interviews and questionnaires, it is obvious that a significant number of PAPs are still unconvinced about the advantages of putting large shares of their resources in GBS, and are putting more weight on the risks and on what they can lose from

changing towards GBS than on the advantages of the move. Hence, they are very cautious about changing aid approaches. This is quite clearly shown by the fact that for 76% of the PAPs, GBS represents less than 30% of Aid to Government; and for 41% of the PAPs, GBS represents less than 50% of Program Aid. The PAPs have to seriously and openly discuss the situation and try to move forward. They should openly bring to the table what their concerns are and find the best strategies to address such concerns together with the GoM.

Second, the process of moving faster and more ambitiously towards a new aid approach needs to be owned and led by the GoM. This is a process about GoM ownership and leadership of public policy and resource allocation. Thus, a far more assertive and clear aid statement from the GoM, indicating how and how fast it wants aid approaches to evolve and how the partnership with the PAPs and other donors should develop, is very much required at this stage.

### **2.1.3. Predictability**

Predictability of disbursements has improved significantly in relation to 2004. All PAPs but 3 had clear disbursement schedule agreements for GBS. Of the 3 without such schedules, 2 were admitted after the period in which schedules are agreed (Canada and Spain) and Denmark had no bilateral agreement with the GoM for GBS from the spring of 2004 to December 2005. Of the GBS scheduled, 100% was disbursed according to schedule (representing approximately 94% of all GBS disbursed). All the PAPs were capable of informing the GoM about their aid commitments within the period agreed, except Denmark for the reasons explained. All donors had multi-year agreements although most of such agreements ended by 2005 or 2006 (significantly reducing mid to long term predictability). All PAPs adhered to common conditionality, the number of PAPs with annex 10 exceptions on the MoU fell and only PAPs with specific exceptions to the MoU response mechanism written in the Annex 10 exceptions did not strictly use such common mechanisms.

Another aspect of predictability is the disbursement schedule. Tables 4A and 4B confirm predictability improvements, with respect to schedule, over the last two years. In 2004, two thirds of the disbursements took place in the last two quarters (and many donors waited until the World Bank disbursed in September/October 2004 to disburse their own funds). By contrast, in 2005 two thirds of the disbursements occurred in the first two quarters and almost 40% actually occurred in the first quarter. It is also significant that 12 of the 17 PAPs disbursed in the first two quarters, and half of the PAPs did so in the first quarter of 2005.

**Table 4 A: Analysis of group disbursement schedule and predictability (2004)**

	2004 Quarters				Total (US\$ million)
	I	II	III	IV	
Number of PAPs disbursing in the quarter	NA	NA	NA	NA	
Cumulative number	NA	NA	NA	NA	
% of GBS+BoPS disbursed in the quarter	23	11	58	8	
Cumulative %	23	34	92	100	
Total committed and confirmed (US\$ million)	NA	NA	NA	NA	253.7
Total disbursed (US\$ million)	-	-	-	-	239.9
Balance (Disbursed –Committed) (US\$ million)	-	-	-	-	-13.8

Sources: PAP secretariat (consolidated information) and questionnaire.

**Table 4B: Analysis of group disbursement schedule and predictability (2005)**

	2005 Quarters				Total (US\$ million)
	I	II	III	IV	
Number of PAPs disbursing in the quarter	8	4	2	3	-
Cumulative number	8	12	14	17	-
% of GBS+BoPS disbursed in the quarter	39	24	29	8	-
Cumulative %	39	63	92	100	-
Total committed and confirmed (US\$ million)	82.4	77.8	80.3	38.3	240.5
Total disbursed (US\$ million)	111	67.9	29.2	78.9	287.0
Balance (Disbursed –Committed) (US\$ million)	28.6	-9.9	-51.1	40.51	8.11 <sup>10</sup>

Sources: PAP secretariat (consolidated information) and questionnaire.

Furthermore, in 2004 there was a disbursement deficit (disbursement - commitment) of -13.8 million USD, whereas in 2005 disbursements exceeded commitments by 8.1 million USD.

Despite these significant improvements, there are still many challenges ahead for the PAPs to consider, namely with respect to mid to long run predictability. This is seriously affected by the fact that almost all PAPs are still working on a 2-3 year, fixed (not rolling) program, and half of those with such programs do not have confirmed commitments for Year n+1 until the JR of Year n takes place – which means that predictability is, at most, of one year only. Mid to long term predictability decreases fast over the duration of the fixed, multi-year program. These problems are exacerbated

<sup>10</sup> Note that this figure is not derived from the difference between commitments and disbursements recorded in the table. The table records only commitments agreed within the period defined by the MoU. However, as was already mentioned, 3 of the 17 PAPs disbursed on the basis of later commitments and we did not have access to the disbursement commitments and schedules of such PAPs. Hence, the difference seems to be larger than it actually is.

by the fact that two thirds of the PAPs end their programs around the same year, meaning that at some point there is near zero mid term predictability for more than two thirds of the aid portfolio.

The UK is developing a new, multi-year rolling program to be launched sometime in 2006, which may be seen as an ambitious move and a source of experience and lessons for others to follow.

The national directorate of planning (DNP) is undertaking an interesting exercise to analyse the probability of a donor to disburse at a different time and a different amount from what is agreed, the direction of the change (earlier or later, less or more), and the macroeconomic impact of the predictability failure (which, of course, varies according to the size of the donor, the magnitude and the direction of the predictability failure, and the timing). This exercise has only been done for 2003-2004, but it seems to be a very interesting component of macroeconomic analysis to be continued and supported.

#### **2.1.4. Information**

Information sharing is another problematic area. An EU data base has become operational from the mid of 2005. This data base was primarily developed for statistical and information sharing purposes amongst member states. However, it was quickly identified as a potential, powerful tool to help to rationalise and consolidate information flows, management and utilisation. Hence, from January 2006, non-EU PAPs are also included in the data base; it is expected that all the Development Partners Group (DPG) members will also be integrated; and the plan is to make this data base the information tool of the GoM for development aid.

There are, however, a few problems both on the PAPs and GoM sides. Some PAPs experience administrative difficulties to provide quarterly information to the data base because of internal institutional and administrative procedures that are not fully consistent with the information cycle and content that the data base introduces.

Although some of the PAPs claim that the EU data base is more flexible than the data format of the national directorate for international cooperation (DCI), it is not yet clear that they will all be able to comply with the information demands of such a data base. In many cases, the adjustment of the PAPs internal information and administrative systems has lagged behind the reform of the aid processes, and is not in line with the new opportunities and challenges that were opened by the Rome and Paris Declarations and the signing of the MoU for GBS in Mozambique. Hence, quite a

few PAPs have to work their information twice: for their internal purposes and for the data base. A couple of PAPs are adding a third round of work with the same information, as the report for the DCI requires a different format and detail of information. The solution lies not only on the introduction of a data base; it also requires that the PAPs harmonise a lot more their internal information procedures, which might be a very long term process.

For example, several PAPs had serious difficulties to answer the questionnaire for this report. Quite apart from the problem of definitions, several PAPs only started searching for the data when the questionnaire arrived, despite the fact that almost all the questions of the questionnaire are directly derived from the PAPs' PAF matrix of 2005 and 2006. If the PAPs give priority to their side of the bargain (their PAF matrix), then their internal procedures and administration should be able to deal with the necessary information routinely – missions should be recorded as they happen, as so should studies, aid flows, etc.

According to the EU answered questionnaire, *“As agreed on several meetings, the DbIS Data reports are supposed to replace the DCI Reports from the 3<sup>rd</sup> quarter of 2005 [for the EU-member PAPs only].”* This same argument has been presented by several other EU-member PAPs. From the 1<sup>st</sup> quarter of 2006, this rule applies to all PAPs – so, information is only going to be sent to the data base, which should be appropriated, owned and managed by the GoM.

However, as the EU answered questionnaire puts it, *“...DCI never officially sent confirmation letters to the donors on this issue [of replacing the DCI reports with the DbIS reports].”* Nonetheless, despite the fact that DCI has never confirmed this agreement, all PAPs but 2 stopped sending data reports to DCI. When asked about this issue, GoM senior officials said that they can only recall that the issue was raised as a possibility for the future, but cannot recall any tacit, or otherwise, agreement to be in effect immediately. This might explain why they have never confirmed an agreement they apparently had not understood that existed.<sup>11</sup>

Furthermore, the same GoM officials argued that the data base does not include all the necessary information for the purpose of macroeconomic analysis for the GoM. It has also been pointed out that the GoM is not yet prepared to receive, absorb, manage and develop the data base and does not

<sup>11</sup> Several PAPs have confirmed that the tacit agreement was reached in a meeting with DCI and has been emphasized in several meetings afterwards.

have the required capacities. This may in part be due to the fact that the DCI is under a process of full restructuring.

The contract of the data base expert has been extended with the aim of supporting the appropriation, by the GoM, of the data base system, resources and management responsibility. This would include a strong training component such that the knowledge and capacities about the data base could be transferred to Mozambican institutions. However, the GoM has done very little to appropriate this process.

In any case, there is a very serious risk that until this issue is resolved the GoM will not receive all the information it needs. It might be important to resume this issue seriously and systematically to address once and for all the key, basics issues regarding the data base. In the meantime, it may be worth thinking of an interim phase of transition that allows the time to have an operational GoM data base in place before the existent mechanisms of information sharing are completely abandoned.

In the whole process of collecting and analysing aid data, the GoM does not have a proactive and effective, systematic organization that is capable of handling aid flows data in a purposeful way. All donors complain that they never receive any feedback about the data sent to DCI, and that these data are not even fully utilised in the budget reports. Almost all donors reported significant under-reporting of the data that is made available to DCI and the sectors. This under-reporting may result from sectors and provinces having an incentive to under-report to the Ministry of Finance the real amounts of aid received or by any other factors. Donors have said that the under-reporting occurs even with aid they report to the DCI, which shows that there is a serious problem in handling the data flows.

The GoM and the PAPs have to agree on an information strategy that defines the channels and instruments that are used, the type of information that is required, the use that is made of such information – for example, regular, periodic reports that are produced and for which purposes – the institutional capacities that need to be created, the training that has to take place, the location of the data and the responsibilities for the operation the data base and for the related analytical work, etc. The EU data base is a good starting point, but the strategy should develop from there.

At the end of the day, a proper information system is absolutely crucial for the GoM and the PAPs – the required analysis and studies can be done more easily, systematically and profoundly, problems can be anticipated, negotiations would have a more solid and sound empirical basis, and so on.

Being so crucial, the issue of the data base may require some immediate action – for example, it might be appropriate to take a decision, by the end of the JR of 2006, of which GoM institution is going to take charge of the data base and of the task of developing an information strategy.

### **2.1.5. Missions, "quiet period" and transaction costs**

The trend in the overall number of missions was mixed. GBS related missions outside the mandatory ones (JR and MYR) increased from 3 to 7 (the number of individual missions increased from 3 to 4, and the other 3 were joint).

The number of individual non-GBS related missions fell significantly between 2004 and 2005, from 195 to 164 (-16%). The World Bank leads in the number of missions, 60 in each year, representing 31% of total non-GBS missions in 2004 and 37% in 2005.

Controlling for donor size, agencies with a larger GBS and Program Aid share of the agency's portfolio and that are more decentralised have less missions, whereas those with larger sector and project aid shares of their portfolio have more missions. Hence, although many donors complain about the administrative costs of harmonization and alignment, it seems that at least with respect to external missions a higher share of programmatic aid and harmonization and alignment of procedures and priorities leads to a reduction in un-necessary burden.

We should not try to read too much out of these figures because information on missions is highly inaccurate – many PAPs just do not know for certain what the exact figures are, and some answered this part of the questionnaire in such a casual way that the figures do not add up (even after the individual interview).

There is, also, an obvious problem in defining what a mission is – do we only consider missions coming from abroad or also domestically-based missions? What are the characteristics that an event has to incorporate to be considered a mission?

Quite apart from the definition problem, there is another more fundamental issue – the indicator “missions” is a proxy to administrative burden and transaction costs in dealings with the GoM. Is this indicator a good proxy? At the end of the day, it is very difficult to define and measure, in abstract terms, how much of a mission is a benefit and how much is administrative burden.

Nonetheless, the “missions” indicator is certainly very important as far as reducing the number of missions, *per se*, is concerned – whether this is enough to significantly reduce transaction costs and administrative burden is a different matter. If missions could be reduced with relative ease, perhaps it also means that a lot of the missions are not necessary in first place and will not be missed. Of course, if this is the case, by reducing the number of un-necessary missions the PAPs are contributing to reduce transaction costs and administrative burden for both the GoM and the PAPs group.

However, “reducing missions” is not the only way to approach the issue of administrative burden. Transaction costs and administrative burden are inversely related, at least for the GoM, with, for example, the following issues:

- The existence of a troika for the PAPs and coordinating donors for sector aid;
- The harmonization
  - of the format and language of the bilateral agreements for GBS
  - of the conditionality and response mechanisms and their alignment
- The alignment and harmonization of systems of mutual accountability.
- The reduction of the number of extra reports, relative to the normal and official reporting system.
- The reduction and elimination of parallel project implementation units (PIU).
- The reduction of uncoordinated and misaligned capacity development support (CDS) and direct technical assistance (TA).

- The elimination of unilateral actions by donors in response to questions not even related to underlying principles, and so on.

So, given this wide variety of issues related to administrative burden and transaction costs, it is obvious that no serious reduction of such costs can be achieved by choosing any one indicator only.

In brief, the entire exercise of strengthening *(i)* GoM leadership and ownership, *(ii)* the alignment of resource allocation strictly to GoM priorities and policies and *(iii)* harmonization amongst and between agencies, provides the big framework under which transaction costs and administrative burden could be significantly and systematically reduced to a minimum.

In this context, there are a number of actions that the PAPs can take to continue the effort to reduce administrative burden and transaction costs. First, the PAPs should continue to reduce the number of missions and increase the share of joint missions. This can better be done if each PAP looks at its past missions (2-3 years) and expected missions in the future, evaluates them and identifies what was accomplished and how effectively local learning took place. This could help the PAPs to discuss and agree with the GoM about the typology of missions to keep (number reduced to a minimum) and the missions to eliminate, and to be able to take such decisions strategically and systematically rather than on an ad hoc basis.

Second, the PAPs should encourage everything that has the potential and a high probability to help reducing administrative burden and transaction costs – a higher share of GBS and Program Aid, structured sector programs with clear rules and structures of engagement, utilization of the official systems of accountability and reporting, harmonization of the bilateral agreements, and so on.

Third, the PAPs should work with the GoM to identify the major administrative and transaction costs associated with the aid process, identify what should and could be eliminated and make strategic and direct decisions about it.

Fourth, the PAPs should also seriously analyse the effectiveness and efficiency of the alignment and harmonization process from the point of view of administrative and transaction costs for the PAPs. All PAPs complain about huge transaction costs and huge costs of coordination. Serious analytical and professional work has to be done about this – if aid flows start to increase as expected, the

current system of coordination can start to break as the costs of coordination increase even further until they become unbearable.

In this context, it would be important to try to simplify, rationalize and harmonize internal procedures in line with the new approaches to development aid, rather than trying to fix one crack by plastering on top of it.

Finally, it would not only make sense, but perhaps be very useful and urgent, to commission professional and expert advice on business organization. Such expertise could be useful to analyse the procedures, rules and administrative and coordinating mechanisms and make specific (and adjusted to reality) proposals to significantly improve the managerial process and system – and the managers as well – and reduce the administrative costs.

The “quiet period” has been mentioned in the 2005 and 2006 matrices, but so far there is no formal definition of what it means, what it aims to accomplish, and when it should take place.

In all the interviews, with PAPs and GoM officials, this question was discussed and different ideas emerged. The definition that starts to take form states that the quiet period means not diverting attention and resources of the GoM from the core objectives and activities of each stage of the policy making, planning and budgeting cycles. It does not mean that donors and GoM officials cannot meet and engage in useful joint analytical work and debate, but that the exchange should help to strengthen the focus of each sub-set of the cycle, rather than crowding out GoM capacities and resources by diverting them away from the focus. Details have yet to be worked out between the PAPs and the GoM – for example, should there be a period of the year for missions? When can new analytical work be done and its conclusions brought to the table for serious discussion and analysis? Etc – but the general idea seems to be developing and is shared by PAPs and GoM officials.

GoM officials are particularly concerned about two issues. First, that the “quiet period” does not become an artificial formality whereby for two months the world is quiet, whereas for the remaining 10 months it is busier and more crowded than ever. Second, they need the time to think about the issues and the implications of the decisions, such that the concept of the “quiet period” should include the acknowledgement and respect for the fact that GoM officials cannot and should not take decisions that are serious entirely on the basis of pressure – conditionality, timing, or else. At the

end of the day, they, not the PAPs, are responsible for governing the country and for the results of their actions and decisions.

## 2.2. Comparing Individual PAPs' Performance

In this section we are not going to repeat the whole of the above analysis for each PAP. The idea is to provide some more disaggregated and comparative information about common issues (namely about the portfolio structure and predictability of disbursements), and to choose a few issues to mention about each PAP individually. This course of action has been chosen because we are not going to rank the PAPs (there is no agreed ranking mechanism for 2005) and the main aim of this exercise, this time around, is to point to the strong points and to identify ways to minimise or remove the weak points.

### 2.2.1. Comparative Data on Portfolio Composition

Tables 5 (2004) and 6 (2005) below confirm some of the characteristics of the aid inflow dynamics in Mozambique discussed, at a more aggregate level, in the previous section. Aid to the GoM in 2005 (Table 6A) exceeds Total Aid in 2004 (Table 5A (cont.)). In 2005, two new countries joined the PAPs group and started disbursing GBS, Canada and Spain. Of the remaining 15 PAPs, 10 increased total aid disbursements and 5 reduced it.<sup>12</sup>

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<sup>12</sup> Although total disbursements by the EU fell from 2004 to 2005, it is important to notice the following: (1) EU disbursements in 2004 were exceptionally high; and (2) The EU spent the amount of the 5 year disbursement program, which should have also covered 2005 and 2006, in the first 3 years of the program, and adopted a two-year bridge program for 2005-2006.

**Table 5A: Structure of Portfolio Composition in 2004 (in US\$)**

PAPs	GBS+BoPS (1)		Sector Aid (2)	Sub-Total <i>Program Aid</i> (3) (1.2+2)	Project Aid (4)	Sub-Total <i>Aid to GoM</i> (5) (3+4)
	Committed (1.1)	Disbursed (1.2)				
Belgium	3,870,000	3,870,000	645,000	<b>4,515,000</b>	6,127,500	<b>10,642,500</b>
Canada				<b>0</b>		<b>0</b>
Denmark	10,200,000	0	48,450,000	<b>48,450,000</b>	2,040,000	<b>50,490,000</b>
European Union	66,048,000	74,562,000	56,530,788	<b>131,092,788</b>	28,608,753	<b>159,701,541</b>
Finland	5,160,000	5,160,000	6,533,850	<b>11,693,850</b>	12,423,637	<b>24,117,487</b>
France	3,870,000	3,870,000	2,580,000	<b>6,450,000</b>	8,772,000	<b>15,222,000</b>
Germany	4,515,000	4,515,000	7,275,600	<b>11,790,600</b>	18,705,000	<b>30,495,600</b>
Ireland	7,740,000	7,740,000	22,446,000	<b>30,186,000</b>	1,935,000	<b>32,121,000</b>
Italy	4,257,000	4,199,616		<b>4,199,616</b>	5,617,940	<b>9,817,555</b>
Norway	9,000,000	9,000,000	17,850,000	<b>26,850,000</b>	24,750,000	<b>51,600,000</b>
Portugal	1,617,218	1,617,218		<b>1,617,218</b>	22,664,571	<b>24,281,789</b>
Spain			1,290,000	<b>1,290,000</b>	6,102,287	<b>7,392,287</b>
Sweden	14,000,000	14,000,000	19,180,000	<b>33,180,000</b>	25,200,000	<b>58,380,000</b>
Switzerland	8,300,000	8,300,000	3,984,000	<b>12,284,000</b>	2,001,968	<b>14,285,968</b>
The Netherlands	18,060,000	18,060,000	14,319,000	<b>32,379,000</b>	7,482,000	<b>39,861,000</b>
The World Bank	60,000,000	60,000,000	36,590,000	<b>96,590,000</b>	99,580,000	<b>196,170,000</b>
United Kingdom	28,500,000	28,500,000	16,530,000	<b>45,030,000</b>	15,580,000	<b>60,610,000</b>
<b>Total</b>	<b>245,137,218</b>	<b>243,393,834</b>	<b>254,204,238</b>	<b>497,598,071</b>	<b>287,590,656</b>	<b>785,188,727</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: The Exchange Rates used (1<sup>st</sup> of May 2005) were: US\$/€ = 1.29; US\$/£ = 1.9; US\$/Danish Krone = 0.17; US\$/Norwegian Kroner = 0.15; US\$/Swedish Krona = 0.14; US\$/Swiss Franc = 0.83; US\$/C\$ = 0.79. Administrative and other costs of running PIUs or aid agencies were excluded from the calculations.

Of the 10 countries that increased total aid disbursements in 2005, only 5 also increased GBS; and of these 5, 2 kept the level of commitments the same but disbursed extra funds because of GoM special requests. Of the original 15 PAPs (excluding Canada and Spain, which become new PAPs in 2005), only 5 increased disbursements of GBS; 7 maintained the level of commitments and disbursements of the previous year, and 2 reduced it (see footnote 12 about the EU situation). Denmark did not disburse in 2004 because of not having a bilateral program agreed with the GoM by the time.

The fact that 9 of 15 PAPs kept their GBS commitments constant (although two of them disbursed more than they committed) and 7 of those 9 also kept their disbursements constant captures three effects: (1) multi-year program effect (within one program, GBS is unlikely to increase

substantially); (2) predictability effect, as GBS tends to be more stable; and (3) stickiness of GBS, or resistance to increase fast.

**Table 5A (cont.): Structure of Portfolio Composition in 2004 (in US\$)**

PAPs	Private Sector Support (6)	NGO Aid (7)	Others (8)	Decentralized Cooperation (9)	Total Aid Disbursed (10) (5+6+7+8+9)
Belgium		838,500	258,000		11,739,000
Canada					0
Denmark	2,040,000	4,420,000			56,950,000
European Union	12,283	8,896,064	5,844,608		174,454,497
Finland		2,910,551			27,028,037
France		645,000			15,867,000
Germany		3,225,000	6,411,300		40,131,900
Ireland			10,513,500		42,634,500
Italy	6,953,100	3,529,525			20,300,180
Norway	2,190,000	5,310,000			59,100,000
Portugal		894,216			25,176,005
Spain		5,034,151	266,252	8,780,213	21,472,904
Sweden	2,800,000	7,280,000			68,460,000
Switzerland	2,565,439	2,997,265	3,579,596		23,428,268
The Netherlands	2,580,000	11,352,000			53,793,000
The World Bank	4,480,000				200,650,000
United Kingdom	2,090,000	570,000			63,270,000
<b>Total</b>	<b>25,710,822</b>	<b>57,902,273</b>	<b>26,873,256</b>	<b>8,780,213</b>	<b>904,455,292</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: The Exchange Rates used were for 1<sup>st</sup> of May 2005, and they were: US\$/€ = 1.29; US\$/£ = 1.9; US\$/Danish Krone = 0.17; US\$/Norwegian Kroner = 0.15; US\$/Swedish Krona = 0.14; US\$/Swiss Franc = 0.83; US\$/C\$ = 0.79. Administrative and other costs of running PIUs or aid agencies were excluded from the calculations.

Another interesting feature of the aid portfolio is that the 5 PAPs that increased GBS disbursements also increased Project Aid but not Sector Aid. This confirms the point that in general GBS and Sector Aid compete for the same resources and are alternatives to each other. There might be several reasons why these 5 PAPs increased Project Aid – the most likely is that they are trying to diversify their portfolio and, at the same time, trying to consolidate Program Aid. Given their preference for GBS, they do not increase sector aid as this seems to compete with GBS for the same resources. Hence, their option for portfolio diversification are outside program aid, and that has to be project aid.

**Table 5B: Structure of Portfolio Composition per PAP in 2004 (in %)**

	% ProgrAid in Aid to GoM	% of Sector Aid in ProgrAid	% of Sector Aid in Aid to GoM	% of ProjAid in Total Aid	% of ProjAid in Aid to GoM	% of GBS in ProgrAid	% of GBS in Aid to GoM
Belgium	42.42	14.29	6.06	52.20	57.58	85.71	36.36
Canada	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Denmark	95.96	100.00	95.96	3.58	4.04	0.00	0.00
European Union	82.09	43.12	35.40	16.40	17.91	56.88	46.69
Finland	48.49	55.87	27.09	45.97	51.51	44.13	21.40
France	42.37	40.00	16.95	55.28	57.63	60.00	25.42
Germany	38.66	61.71	23.86	46.61	61.34	38.29	14.81
Ireland	93.98	74.36	69.88	4.54	6.02	25.64	24.10
Italy	42.78	0.00	0.00	27.67	57.22	100.00	42.78
Norway	52.03	66.48	34.59	41.88	47.97	33.52	17.44
Portugal	6.66	0.00	0.00	90.02	93.34	100.00	6.66
Spain	17.45	100.00	17.45	28.42	82.55	0.00	0.00
Sweden	56.83	57.81	32.85	36.81	43.17	42.19	23.98
Switzerland	85.99	32.43	27.89	8.55	14.01	67.57	58.10
The Netherlands	81.23	44.22	35.92	13.91	18.77	55.78	45.31
The World Bank	49.24	37.88	18.65	49.63	50.76	62.12	30.59
United Kingdom	74.29	36.71	27.27	24.62	25.71	63.29	47.02
<b>Total Group</b>	<b>63.38</b>	<b>51.08</b>	<b>32.38</b>	<b>31.79</b>	<b>36.62</b>	<b>48.92</b>	<b>31.01</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: ProgrAid = Program Aid = GBS+BoPS+Sector Aid; ProjAid = Project Aid; Aid to GoM = Aid to the government of Mozambique = Program Aid+Project Aid.

The 5 PAPs that increased Total Aid but not GBS showed preference for Sector Aid and Project Aid (4 of the 5 increased Sector Aid and Project Aid, 1 increased Project Aid only). This confirms two points mentioned before: (1) the inverse relationship between GBS and Sector Aid; and (2) that Project Aid to the GoM is still a favourite for many donors. The data is not conclusive with respect to the hypothesis that PAPs may try to strengthen Program Aid through Sector Aid rather than GBS.

Attention should be called to the fact that data on sector and project aid are not very accurate as the dividing line between the two is not well and clearly defined. There is some evidence that donors have adopted different definitions of project and sector aid. As it was mentioned before, this issue should be dealt with through a thorough evaluation of what each donor has classified in each of these groups, prior to the next PAPs performance review. At the moment, given the existing information, the guess is that the data undervalues the weight of project aid.

**Table 6A: Structure of Portfolio Composition per PAP in 2005 (in US\$)**

PAPs	GBS+BoPS (1)		Sector Aid (2)	Sub-Total <i>Program Aid</i> (3) (1.2+2)	Project Aid (4)	Sub-Total <i>Aid to GoM</i> (5) (3+4)
	Committed (1.1)	Disbursed (1.2)				
Belgium	2,580,000	2,580,000	1,290,000	<b>3,870,000</b>	4,747,200	<b>8,617,200</b>
Canada	1,975,000	1,975,000	14,082,031	<b>16,057,031</b>	9,133,677	<b>25,190,709</b>
Denmark	10,200,000	10,200,000	39,440,000	<b>49,640,000</b>	1,530,000	<b>51,170,000</b>
European Union	56,509,740	56,509,740	37,772,490	<b>94,282,230</b>	45,644,955	<b>139,927,185</b>
Finland	5,160,000	5,160,000	7,514,250	<b>12,674,250</b>	10,212,678	<b>22,886,928</b>
France	3,870,000	3,870,000	4,063,500	<b>7,933,500</b>	11,094,000	<b>19,027,500</b>
Germany	4,515,000	4,515,000	7,069,200	<b>11,584,200</b>	21,478,500	<b>33,062,700</b>
Ireland	7,740,000	7,740,000	25,800,000	<b>33,540,000</b>	2,580,000	<b>36,120,000</b>
Italy	4,128,973	4,287,973	2,580,000	<b>6,868,946</b>	14,330,396	<b>21,199,341</b>
Norway	9,000,000	15,150,000	21,000,000	<b>36,150,000</b>	20,550,000	<b>56,700,000</b>
Portugal	1,518,242	1,518,242		<b>1,518,000</b>	7,642,666	<b>9,160,908</b>
Spain	3,870,000	3,870,000	2,580,000	<b>6,450,000</b>	13,696,882	<b>20,146,882</b>
Sweden	14,000,000	18,900,000	14,560,000	<b>33,460,000</b>	34,720,000	<b>68,180,000</b>
Switzerland	8,300,000	8,300,000	3,984,000	<b>12,284,000</b>	2,266,730	<b>14,550,730</b>
The Netherlands	23,220,000	23,220,000	17,673,000	<b>40,893,000</b>	12,384,000	<b>53,277,000</b>
The World Bank	60,000,000	60,000,000	45,170,000	<b>105,170,000</b>	142,540,000	<b>247,710,000</b>
United Kingdom	57,000,000	57,000,000	9,690,000	<b>66,690,000</b>	17,670,000	<b>84,360,000</b>
<b>Total</b>	<b>273,587,927</b>	<b>284,796,928</b>	<b>254,268,471</b>	<b>539,065,399</b>	<b>372,221,685</b>	<b>911,287,084</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: The Exchange Rates used were for 1<sup>st</sup> of May 2005, and they were: US\$/€ = 1.29; US\$/£ = 1.9; US\$/Danish Krone = 0.17; US\$/Norwegian Kroner = 0.15; US\$/Swedish Krona = 0.14; US\$/Swiss Franc = 0.83; US\$/C\$ = 0.79. Administrative and other costs of running PIUs or aid agencies were excluded from the calculations. Portugal's 2005 data are provisional.

**Table 6A (cont.): Structure of Portfolio Composition in 2005 (in US\$)**

PAPs	Private Sector Support (6)	NGO Aid (7)	Others (8)	Decentralized Cooperation (9)	Total Aid Disbursed (10) (5+6+7+8+9)
Belgium		1,168,740	325,080		10,111,020
Canada	749,486	3,780,425	779,051		30,499,671
Denmark	1,700,000	4,590,000			57,460,000
European Union	284,080	13,984,019	4,101,795		158,297,079
Finland		3,175,145			26,062,074
France					19,027,500
Germany	258,000	4,515,000			37,835,700
Ireland			10,707,000		46,827,000
Italy		2,286,108			23,485,450
Norway	2,400,000	5,400,000			64,500,000
Portugal		1,795,368			10,956,276
Spain		4,993,182		3,870,000	29,010,064
Sweden	2,520,000	6,580,000			77,280,000
Switzerland	2,000,300	5,351,010			21,902,040
The Netherlands	4,644,000	13,545,000			71,466,000
The World Bank	5,800,000				253,510,000
United Kingdom	858,800	760,000	475,000		86,453,800
<b>Total</b>	<b>21,214,666</b>	<b>71,923,998</b>	<b>16,387,926</b>	<b>3,870,000</b>	<b>1,024,683,674</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: The Exchange Rates used were for 1<sup>st</sup> of May 2005, and they were: US\$/€ = 1.29; US\$/£ = 1.9; US\$/Danish Krone = 0.17; US\$/Norwegian Kroner = 0.15; US\$/Swedish Krona = 0.14; US\$/Swiss Franc = 0.83; US\$/C\$ = 0.79. Administrative and other costs of running PIUs or aid agencies were excluded from the calculations.

**Table 6B: Structure of Portfolio Composition in 2005 (in %)<sup>13</sup>**

	% ProgrAid in Aid to GoM	% of Sector Aid in ProgrAid	% of Sector Aid in Aid to GoM	% of ProjAid in Total Aid	% of ProjAid in Aid to GoM	% of GBS in ProgrAid	% of GBS in Aid to GoM
Belgium	44.91	33.33	14.97	46.95	55.09	66.67	29.94
Canada	63.74	87.70	55.90	29.95	36.26	12.30	7.84
Denmark	97.01	79.45	77.08	2.66	2.99	20.55	19.93
European Union	67.38	40.06	26.99	28.83	32.62	59.94	40.39
Finland	55.38	59.29	32.83	39.19	44.62	40.71	22.55
France	41.69	51.22	21.36	58.31	58.31	48.78	20.34
Germany	35.04	61.02	21.38	56.77	64.96	38.98	13.66
Ireland	92.86	76.92	71.43	5.51	7.14	23.08	21.43
Italy	32.40	37.56	12.17	61.02	67.60	62.44	20.23
Norway	63.76	58.09	37.04	31.86	36.24	41.91	26.72
Portugal	16.57	0.00	0.00	69.76	83.43	100.00	16.57
Spain	32.01	40.00	12.81	47.21	67.99	60.00	19.21
Sweden	49.08	43.51	21.36	44.93	50.92	56.49	27.72
Switzerland	84.42	32.43	27.38	10.35	15.58	67.57	57.04
The Netherlands	76.76	43.22	33.17	17.33	23.24	56.78	43.58
The World Bank	42.46	42.95	18.24	56.23	57.54	57.05	24.22
United Kingdom	79.05	14.53	11.49	20.44	20.95	85.47	67.57
<b>Total Group</b>	<b>59.14</b>	<b>47.17</b>	<b>27.89</b>	<b>36.34</b>	<b>40.86</b>	<b>52.83</b>	<b>31.25</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: ProgrAid = Program Aid = GBS+BoPS+Sector Aid; ProjAid = Project Aid; Aid to GoM = Aid to the government of Mozambique = Program Aid+Project Aid.

Tables 7A (2004) and 7B (2005) show the weight of each PAP on Total Aid and on the Total of each of the selected aid modalities this is, the percentage contribution of each PAP to the total aid portfolio in Mozambique for selected modalities.

A summary analysis of the figures in Tables 7A and 7B confirm the points already made before: the tendency for the share of GBS+BoPS to fall, the tendency for the share of Project Aid to increase, mix results about the share of Sector Aid, slight decline in the share of Program Aid mostly because of the decline in the share of GBS+BoPS, and relative stability of the share of Aid to GoM in Total Aid.

<sup>13</sup> There is a methodological issue that is worth mentioning. The analysis of the structure of portfolio cannot be properly done without reference to the actual values of disbursement. First, we need to consider that very large donors have less scope to grow than smaller donors, but the allocative decisions that large donors make have a far greater impact. Second, donors that are already disbursing a very large proportion of their portfolio in the form of GBS and Program Aid have less scope to improve allocation of resources. Third, whereas the re-allocation of resources towards GBS and Program Aid is entirely desirable (at least according to the current wisdom) this re-allocation means little if it is achieved as a result of a reduction of the overall aid portfolio.

**Table 7 A: PAPs share of group totals for each aid item in 2004 (in % of the group total)**

	GBS+BoPS	Sector Aid	Program Aid	Project Aid	Aid to GoM	Total Aid
Belgium	1.59	0.25	0.91	2.13	1.36	1.30
Canada	0.00		0.00		0.00	0.00
Denmark	0.00	19.06	9.74	0.71	6.43	6.30
European Union	30.65	22.24	26.35	9.95	20.34	19.29
Finland	2.12	2.57	2.35	4.32	3.07	2.99
France	1.59	1.01	1.30	3.05	1.94	1.75
Germany	1.86	2.86	2.37	6.51	3.88	4.44
Ireland	3.18	8.83	6.07	0.67	4.09	4.71
Italy	1.65		0.82	1.95	1.24	2.23
Norway	3.70	7.02	5.40	8.61	6.57	6.54
Portugal	0.66		0.33	7.78	3.08	2.79
Spain	0.00	0.51	0.26	2.12	0.94	2.37
Sweden	5.75	7.55	6.67	8.77	7.44	7.57
Switzerland	3.41	1.57	2.47	0.70	1.82	2.59
The Netherlands	7.42	5.63	6.51	2.60	5.08	5.95
The World Bank	24.66	14.39	19.41	34.64	24.99	22.19
United Kingdom	11.72	6.50	9.05	5.42	7.72	7.00
<b>Total Group</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Sources: Questionnaire and consolidated data provided by the PAPs secretariat.

**Table 7B: PAPs share of group totals for each aid item in 2005 (in % of the group total)**

	GBS	Sector Aid	Program Aid	Project Aid	Aid to GoM	Total Aid
Belgium	0.91	0.51	0.72	1.27	0.95	0.99
Canada	0.69	5.54	2.98	2.45	2.76	2.98
Denmark	3.58	15.51	9.21	0.41	5.61	5.61
European Union	19.84	14.86	17.49	12.26	15.35	15.44
Finland	1.81	2.96	2.35	2.74	2.51	2.54
France	1.36	1.60	1.47	2.98	2.09	1.86
Germany	1.59	2.78	2.15	5.77	3.63	3.69
Ireland	2.72	10.15	6.22	0.69	3.96	4.57
Italy	1.51	1.01	1.27	3.85	2.33	2.29
Norway	5.32	8.26	6.71	5.52	6.22	6.29
Portugal	0.53		0.28	2.07	1.01	1.08
Spain	1.36	1.01	1.20	3.68	2.21	2.83
Sweden	6.64	5.73	6.21	9.32	7.48	7.54
Switzerland	2.91	1.57	2.28	0.61	1.60	2.14
The Netherlands	8.15	6.95	7.59	3.33	5.84	6.97
The World Bank	21.07	17.76	19.51	38.27	27.17	24.73
United Kingdom	20.01	3.81	12.37	4.74	9.25	8.43
<b>Total Group</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Sources: Questionnaire and consolidated data provided by the PAPs secretariat.

Thus, in 2004, for 60% of the PAPs, individual shares of total GBS+BoPS and of Program Aid were smaller than individual shares of Total Aid. Inversely, for 60% of the PAPs, individual shares of Project Aid were higher than individual shares of Total Aid. Sector Aid gives very balanced results: for 50% of the PAPs, individual shares of Total Sector Aid are higher than individual shares of total GBS+BoPS and Total Program Aid. For 73% of the PAPs, individual shares of Total Aid to GoM are higher than individual shares of Total Aid.

In 2005, for 12 of the PAPs (71%), individual shares of Total GBS were smaller than individual shares of Total Aid; for 66%, individual shares of Total Program Aid were smaller than individual shares of Total Aid; for 53%, individual shares of Total Project Aid were higher than individual shares of Total Aid.

### 2.2.2. Predictability

Annexes 1 a) through 1 d) show the disbursement schedules and actual disbursements by the PAPs in 2004 and 2005 for GBS+BoPS. The data shows disbursement schedule records for only two thirds of the PAPs and only for a small group of these has the month of disbursement been identified. Thus, records of precise agreed schedules need to be improved.

Significant progress in predictability has already been achieved. Further progress will need more than simply meeting an agreed disbursement schedule. First, the record of schedules needs to be more rigorous. Second, a mechanism of pressure that actually works and keeps PAPs aligned with the schedule has to be in place – peer pressure is a nice idea, but the PAPs have to find out what the best “pressure” is for the peers to put on the PAPs that violate predictability. Third, the PAPs and the GoM should come together periodically (every quarter? Every six months?) to analyse the implementation of the disbursement schedule and the macroeconomic implications of violations of the schedule. Fourth, mid to long term predictability is still weak – multi-year programs need to cover 4-5 years and have clear commitments; if possible, be rolling; if not possible to be rolling, have an adjustment mechanism (for example, an automatic bridge year) to guarantee that predictability never falls to less than 1-2 years. Fifth, the GoM needs to work on the MTFF, which must provide the overall framework for short and medium term predictability and analysis of public finances and resource flows.

## 2.3. Conclusions

In 2005, PAPs performance was significantly improved relative to 2004. The PAPs performed well in 8 of the 10 core indicators, and in several of the monitorable indicators of the PAP's PAF matrix. The group expanded to 17 PAPs, and accounts for more than 80% of all aid inflows to Mozambique. Aid flows continue to increase steadily, and the Total Aid share of Aid to GoM is very large and robust.

However, there are some crucial challenges ahead:

- *Portfolio composition:* need to strengthen and significantly increase the share of GBS and Program Aid in Aid to GoM and Total Aid. This will require: (1) an open discussion amongst PAPs to consolidate and develop the common understanding of the issues at stake; (2) a more assertive position of the GoM, through its aid strategy paper, about the portfolio composition and dynamics that are more adequate for the GoM; (3) the 12 new PAP CS should make significant progress comparatively to the CS that are just ending, in all areas but with emphasis on the portfolio composition and predictability; (4) the PAPs in the middle of the group will need to become more committed to GBS, if no specialization amongst PAPs is agreed between the PAPs and the GoM.
- *Predictability:* need to increase predictability in the mid and long term through better, longer and rolling multi-year programs with clear commitments. Predictability will also require clearer and more rigorous records of commitments and effective peer pressure to ensure compliance with rules and principles. The GoM can be strong and proactive in ensuring predictability by developing the system of macroeconomic analysis of predictability in aid disbursements, and by working on the development of the MTFE that provides the framework for predictable mobilization and disbursement of development resources.
- *Information:* need to work with the GoM to unify and rationalize the data base and information system between donors and GoM. Need to solve the issue of double reporting (to DCI and the data base). The GoM should work with the PAPs to develop an information strategy.

- *Administrative burden and transaction costs:* need to develop a wider and more accurate framework to identify and significantly reduce un-necessary administrative and transaction costs. Controlling the number of missions is effective in reducing them, sometimes quite dramatically, but this is only a small part of the transaction costs incurred. Administrative burden and transaction costs at PAPs level should also be tackled – look at the possibility of commissioning professional and expert advice about business organization.

### 3. PAPs' PAF Matrix Targets for 2006

The PAPs' PAF matrix for 2006 includes several indicators whose specific targets depend on data that was not available at the time the matrix was approved. These targets needed to be defined. In this connection, through a questionnaire and interviews we collected information to help define specific targets for 2006 for the indicators whose targets had not been defined yet. In the PAPs' PAF matrix below, the shaded areas in the column of indicative targets show the targets that need to be defined.

**Table 8: PAPs' PAF matrix for 2006 with the new indicators**

No	Indicators	2006 Indicative Target <sup>14</sup>	2006 Confirmed Target
1	% of GBS in total PAPs aid flows disbursed to the GoM.	40% (A)	40% <sup>15</sup>
2	% of program aid in total PAPs aid disbursed to the GoM.	70% (A)	70% <sup>16</sup>
3	% of PAPs with multi-year agreements of not less than 3 years.	> 90%	100%
4	Commitments of GBS for year n+1 within 4 weeks of the JR in year n	100%	100%
5	Disbursement of confirmed GBS commitment in the fiscal year for which it was scheduled, according to precise quarterly disbursement schedule agreed with GoM	100%	100%
6	PAPs adhere strictly to GBS common conditionality.	95%	95%
7	(a) number of PAPs not having Annex 10 exceptions; (b) number of PAPs significantly reducing Annex 10 exceptions, with a view to eliminating such exceptions.	Commitment by each donor with exceptions	7(a) 13 7(b) 2
8	Strict harmonization between all new bilateral agreement and MoU.	BL (C)	100%
9	% of PAPs aid flows to the government reported in the budget	Tbd	80% <sup>17</sup>
10	% of PAPs aid flows to the government included in the Treasury payment system	Tbd	45% <sup>18</sup>
11	% of PAPs aid flows to government using public procurement systems	BL (B)	45% <sup>19</sup>
12	Implementation and evaluation reports required by PAPs from the government outside established normal government reporting systems are eliminated	BL (B)	Review reporting requirements in

<sup>14</sup> Shaded area includes the indicative targets that need to be confirmed.

<sup>15</sup> The available information about commitments for 2006 (excluding the ADB disbursements) shows that only 28% of the Aid to GoM is committed to be disbursed through GBS. With ADB the scenario changes slightly, but GBS/Aid to GoM ratio will only reach 29.6%. Hence, the PAPs need to put a lot of effort in to be able to meet the targets.

<sup>16</sup> According to the data available, excluding ADB only 58% of Total Aid to GoM will be disbursed as Program Aid. If ADB is included, the share of Program Aid falls to 56%, because only 43% of ADB indicative disbursements (all GBS) are program aid.

<sup>17</sup> This target has been reached by looking at PAPs information about the share of their Aid to GoM that can be on budget.

<sup>18</sup> This target is consistent with the share of GBS in Aid to GoM (indicator 1) plus the proportion of program sector aid that goes through the Treasury payment system.

<sup>19</sup> Please, refer to the explanation given in the previous footnote. The assumption is that what goes through the Treasury payment system can go through the public procurement system.

No	Indicators	2006 Indicative Target <sup>14</sup>	2006 Confirmed Target
	(excluding projects, which have their own reporting system; and audits).		Health, Education and Agriculture. <sup>20</sup>
13	Significantly <b>reduce the overall number of missions</b> for evaluation and appraisal undertaken by officials of donor countries involving meetings with government officials, <b>AND significantly increase the share of those missions that are joint.</b>	BL (B)	No. of GBS missions outside JR and MYR: < 7; No. of non-GBS missions: < 160 Share of joint missions: 20%
14	Analytical work at country level related to development, implementation and impact evaluation of government programs and policies <b>AND</b> involving government officials is undertaken jointly with other donors and in line with government priorities and strategies.	BL (B)	In line with GoM priorities: 80% Joint: 50%
15	Donors agree and implement “quiet period” with GoM.	(C) 100%	Reach Agreement and Implement <sup>21</sup>
16	Share of sector and provincial aid with a MoU moving towards the same rules of predictability and alignment as defined above.	MoU for health education agriculture	MoU for health education agriculture
17	Reach agreement on guidelines for national capacity development support in line with government priorities and strategies, and subsequently adhere to it.	C	Reach Agreement
18	PAPs and GoM agree on a system and format of information about aid programs and flows to the GoM, which is feasible, accurate, timely and useful for statistical, analytical and policy work, and subsequently adhere to it.	C	ODAMOZ data base adjusted, and transition towards appropriation and management by the GoM started. <sup>22</sup>

Sources: Ernst & Young. 2005. Update of the PAPs' PAF matrix and ranking mechanism; Questionnaires.

Notes:

(A) Baseline (BL) to be **confirmed** by the end of 2005. Steady growth of about 10% per year from the level of the baseline.

(BL B) Baseline to be **established** by the end of 2005. Figure for 2006 is based on the agreed progress rate on the established baseline. After 2006, progress is steady and quick.

(BL C) Baseline to be **established** by the end of 2005. Figure for 2006 is based on the agreed progress rate on the established baseline. Steady Progress Afterwards (SPA) with targets to be agreed,

<sup>20</sup> Health, Education and Agriculture are developing new MoU, which also define the reporting mechanisms and requirements. The target involves reviewing existing requirements with a view to aligning them with normal GoM procedures.

<sup>21</sup> The definition of a “quiet period” requires that the GoM defines a framework (a calendar or any other form of framework) that the PAPs should comply with. Thus, for this indicator to be met, the GoM should inform the PAPs about the details of the framework.

<sup>22</sup> ODAMOZ data base results from the development of the EU data base. This target involves shared responsibilities between PAPs and the GoM: the PAPs can provide the data base and help to develop capacities for the GoM to absorb and manage it; but the GoM needs to decide where to locate the data base, training needs, adjustment needs, and so on. In another part of this report, we discuss the need for an “information strategy” that deals with the overall system and the important details needed to get a sound, useful and dynamic information basis.

(C) Agreement to be reached in 2006 (for indicator 16, definition of "quiet period", including of the period(s), to be reached by the end of 2005). Subsequent implementation targets (adherence to the agreement) depend on the concrete agreement to be reached.

(Tbd) To be defined in line with donors' commitments and the coming into operation of such budget management tools.

There are four areas of concern related to the targets set above.

First, although total amounts of Aid, Aid to GoM, Program Aid and GBS continue to increase, the GBS and the Program Aid shares of Aid to GoM committed for 2006 in 2005<sup>23</sup> are very small relative to the targets set in table 8 (and are part of a declining trend, as discussed earlier in this report). Tables 9A to 9C, below, provide more detailed information about the commitments for 2006. According to these data, the shares of committed GBS and Program Aid in Aid to GoM is 27.9% and 57.9% respectively, against targets of 40% and 70% respectively. Only 5 of the 17 PAPs have committed to meet the target for GBS, and 7 to meet the target for Program Aid<sup>24</sup>.

**Table 9A: Overall Committed and Planned Portfolio in 2006 (in US\$)**

	Committed	Planned	Total
Balance of Payment Support BoPS (1)	9,721,004		9,721,004
Direct Budget Support, DBS (2)	300,530,100		300,530,100
SWAPS or Sector Basket/Pool Funds (3)		332,543,266	332,543,266
Project Aid (4)		467,459,440	467,459,440
Private Sector Support (5)		24,596,421	24,596,421
NGO Aid (6)		66,461,726	66,461,726
Others (7)		54,880,829	54,880,829
<b>Total Aid</b>	<b>310,251,104</b>	<b>945,941,681</b>	<b>1,256,192,785</b>

Sources: Questionnaire and consolidated data provided by the PAPs Secretariat.

<sup>23</sup> These data exclude indicative commitments by the ADB, which could not have been made in 2005 because ADB was not a PAP until earlier 2006.

<sup>24</sup> These figures exclude ADB.

Table 9B: Structure of Portfolio Composition in 2006 (in US\$)<sup>25</sup>

PAPs	GBS+BoPS (1)	Sector Aid (2)	Sub-Total <i>Program Aid</i> (3) (1.2+2)	Project Aid (4)	Sub-Total <i>Aid to GoM</i> (5) (3+4)
Belgium	3,870,000	1,290,000	5,160,000	3,870,000	9,030,000
Canada	1,975,000	16,734,176	18,709,176	12,726,572	31,435,748
Denmark	10,200,000	41,310,000	51,510,000	3,400,000	54,910,000
European Union	48,104,100	37,953,090	86,057,190	84,693,660	170,750,850
Finland	6,450,000	15,480,000	21,930,000	4,909,740	26,839,740
France	3,870,000	7,224,000	11,094,000	14,190,000	25,284,000
Germany	12,900,000	27,993,000	40,893,000	27,864,000	68,757,000
Ireland	7,740,000	30,960,000	38,700,000	967,500	39,667,500
Italy	13,849,004		13,849,004	19,071,110	32,920,114
Norway	11,100,000	23,400,000	34,500,000	15,000,000	49,500,000
Portugal	1,548,000		1,548,000	24,252,000	25,800,000
Spain	3,870,000	2,580,000	6,450,000	8,718,108	15,168,108
Sweden	28,000,000	18,480,000	46,480,000	40,320,000	86,800,000
Switzerland	7,055,000	3,320,000	10,375,000	3,174,750	13,549,750
The Netherlands	23,220,000	20,769,000	43,989,000	12,642,000	56,631,000
The World Bank	60,000,000	59,780,000	119,780,000	172,660,000	292,440,000
United Kingdom	66,500,000	25,270,000	91,770,000	19,000,000	110,770,000
<b>Total</b>	<b>310,251,104</b>	<b>332,543,266</b>	<b>642,794,370</b>	<b>467,459,440</b>	<b>1,110,253,809</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: The Exchange Rates used (1<sup>st</sup> of May 2005) were: US\$/€ = 1.29; US\$/£ = 1.9; US\$/Danish Krone = 0.17; US\$/Norwegian Kroner = 0.15; US\$/Swedish Krona = 0.14; US\$/Swiss Franc = 0.83; US\$/C\$ = 0.79. Administrative and other costs of running PIUs or aid agencies were excluded from the calculations. Portugal's data are provisional and based on the Annual Cooperation Report.

<sup>25</sup> Excludes ADB, for which we only have indicative, preliminary commitments which have not been approved yet, and may be changed. As mentioned before, the ADB was admitted as the 18<sup>th</sup> PAP only in 2006.

Table 9B (cont.): Structure of Portfolio Composition in 2006 (in US\$)

PAPs	Private Sector Support (6)	NGO Aid (7)	Others (8)	Total Aid Disbursed (10) (5+6+7+8+9)
Belgium		1,290,000	645,000	10,965,000
Canada	863,616	7,421,870	869,664	40,590,898
Denmark	4,590,000	4,590,000		64,090,000
European Union	31,565	18,199,320		188,981,735
Finland		2,967,000		29,806,740
France		1,935,000	41,925,000	69,144,000
Germany		4,515,000	6,411,300	79,683,300
Ireland	322,500	903,000	1,199,700	42,092,700
Italy		263,343		33,183,457
Norway	1,500,000	5,250,000		56,250,000
Portugal				25,800,000
Spain		3,685,168	9,675	18,862,950
Sweden	4,480,000	8,820,000		100,100,000
Switzerland	2,056,740	5,659,770	3,820,490	25,086,750
The Netherlands	4,902,000	12,255		61,545,255
The World Bank	3,000,000			295,440,000
United Kingdom	2,850,000	950,000		114,570,000
<b>Total</b>	<b>24,596,421</b>	<b>66,461,726</b>	<b>54,880,829</b>	<b>1,256,192,785</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: The Exchange Rates used were for 1<sup>st</sup> of May 2005, and they were: US\$/€ = 1.29; US\$/£ = 1.9; US\$/Danish Krone = 0.17; US\$/Norwegian Kroner = 0.15; US\$/Swedish Krona = 0.14; US\$/Swiss Franc = 0.83; US\$/C\$ = 0.79. Administrative and other costs of running PIUs or aid agencies were excluded from the calculations.

**Table 9C: Structure of Portfolio Composition in 2006 (in %)**

	% ProgrAid in Aid to GoM	% of Sector Aid in ProgrAid	% of Sector Aid in Aid to GoM	% of ProjAid in Total Aid	% of ProjAid in Aid to GoM	% of GBS in ProgrAid	% of GBS in Aid to GoM
Belgium	57.14	25.00	14.29	35.29	42.86	75.00	42.86
Canada	59.52	89.44	53.23	31.35	40.48	10.56	6.28
Denmark	93.81	80.20	75.23	5.31	6.19	19.80	18.58
European Union	50.40	44.10	22.23	44.82	49.60	55.90	28.17
Finland	81.71	70.59	57.68	16.47	18.29	29.41	24.03
France	43.88	65.12	28.57	20.52	56.12	34.88	15.31
Germany	59.47	68.45	40.71	34.97	40.53	31.55	18.76
Ireland	97.56	80.00	78.05	2.30	2.44	20.00	19.51
Italy	42.07	0.00	0.00	57.47	57.93	100.00	42.07
Norway	69.70	67.83	47.27	26.67	30.30	32.17	22.42
Portugal	6.00	0.00	0.00	94.00	94.00	100.00	6.00
Spain	42.52	40.00	17.01	46.22	57.48	60.00	25.51
Sweden	53.55	39.76	21.29	40.28	46.45	60.24	32.26
Switzerland	76.57	32.00	24.50	12.66	23.43	68.00	52.07
The Netherlands	77.68	47.21	36.67	20.54	22.32	52.79	41.00
The World Bank	40.96	49.91	20.44	58.44	59.04	50.09	20.52
United Kingdom	82.85	27.54	22.81	16.58	17.15	72.46	60.03
<b>Total Group</b>	<b>57.90</b>	<b>51.73</b>	<b>29.95</b>	<b>37.21</b>	<b>42.10</b>	<b>48.27</b>	<b>27.94</b>

Sources: Questionnaire and consolidated data base provided by the PAPs secretariat.

Notes: ProgrAid = Program Aid = GBS+BoPS+Sector Aid; ProjAid = Project Aid; Aid to GoM = Aid to the government of Mozambique = Program Aid+Project Aid.

The ADB has provided indicative and preliminary data about planned disbursements for 2006, which have not been approved yet and may be subject to change. ADB has planned to disburse US\$ 60 million in GBS and US\$ 80 million in 2 infrastructure projects. With these indicative figures, the scenario for aid disbursements in 2006 changes slightly, but the targets set in Table 8 are still far from being met, as the shares of GBS and Program Aid in Aid to GoM change to 29.6% (a 6% increase relative to the previous scenario) and to 56.2% (a 3% fall)<sup>26</sup> (Table 10). With ADB's indicative disbursements included, the committed PAPs shares of GBS and Program Aid in Aid to GoM are still only at 74% and 80% of the targets set in Table 8. Thus, unless the PAPs make a

<sup>26</sup> Given that the Program Aid component of the ADB indicative portfolio is limited to GBS, and this accounts to 43% of ADB indicative portfolio, then ADB's indicative portfolio raises the average share of GBS in Aid to GoM but lowers the average share of Program Aid in Aid to GoM.

special effort to increase their shares of GBS and Program Aid in 2006 beyond their commitments, the targets set in Table 8 will not be met by a considerable margin.<sup>27</sup>

**Table 10: Changes in the structure of the aid portfolio in 2006 after inclusion of ADB indicative planned disbursements.**

	Total Aid	Aid to GoM	Program Aid	GBS
Total (US\$)	1,396,192,785	1,250,253,809	702,794,370	370,251,104
Rate of change of amount relative to 2005 (%)	36.2	37.2	30.3	35.3
Share of total	100.00	89.55	50.34	26.52
Share of Aid to GoM	-	100	<b>56.21</b>	<b>29.61</b>

Sources: Questionnaire, consolidated data provided by the PAPs Secretariat and ADB.

It would be interesting to see what would have happened had indicators and targets 1 and 2 of table 8 been adopted in 2004 and 2005 PAPs' PAF matrix. Table 11 compares the group performance with respect to these two targets, on the hypotheses that the targets had been adopted in 2004 and 2005<sup>28</sup>. The results are mixed. On the one hand, the PAPs actual performance was closer to the targets in 2004 than it is expected to be in 2006. The two PAPs that joined the group in 2005 underperformed relative to these targets, but this, alone, cannot explain the overall deterioration of performance because these two PAPs account for less than 5% of Total Aid.

**Table 11: Comparative PAPs performance relative to targets of portfolio composition (on the hypotheses that such targets were adopted in 2004 and 2005)**

	2004		2005		2006	
	% GBS in Aid to GoM	% Program Aid in Aid to GoM	% GBS in Aid to GoM	% Program Aid in Aid to GoM	% GBS in Aid to GoM	% Program Aid in Aid to GoM
Target Set (1)	40%	70%	40%	70%	40%	70%
Achieved in the year (2)	31%	63.4%	31.2%	59.1%	29.6%	56.2%
% of the target set that was achieved [(2)/(1)*100]	78%	91%	78%	84%	74%	80%
No. of PAPs Achieving target	5	6	4	5	6 <sup>29</sup>	7 <sup>30</sup>

<sup>27</sup> Of course, if the PAPs under-disburse in Project Aid and non-Aid to GoM, the shares of GBS and Program Aid will increase. The challenge is to increase such shares without under-disbursing.

<sup>28</sup> Table 11 includes the scenario of ADB disbursing in 2006.

<sup>29</sup> Includes ADB.

<sup>30</sup> Includes ADB.

On the other hand, the number of PAPs that can achieve the target has increased in 2006 relative to the previous years. In 2005, the number of PAPs achieving the targets was lower than in any of the other years, despite the fact that two new countries joined the group. This means that some of the PAPs that achieved the targets in 2004 failed to do so in 2005.

Hence, Table 11 confirms the findings that have been already discussed in earlier sections of this report.<sup>31</sup>

Second, due to the portfolio composition, only 45% of the aid flows go through the Treasury and the Public Procurement System. These data are, however, very unreliable because there are no clear and agreed definitions of what each of the channels is and requires. Hence, it has been recommended that a specific workshop involving PAPS and officials from the Ministry of Finance is held with two main objectives: (1) To clarify the definitions of each channel and how aid goes through them; and (2) To train PAPs staff who work on these issues.

Third, at least 6 PAPs have confirmed that they will demand extra reports from GoM departments, in addition to normal GoM reporting systems, because of poor reporting and planning from the GoM.<sup>32</sup> While poor reporting and planning is a well known problem, the fundamental question is whether increasing the number of reports is the best course of action to improve accountability. The best action may rather be to work together with the GoM to define a better report format and standard of analysis, identify the reasons for poor reporting and address the problems (training? Data collection? Links between policies-plans-budgets-results? Etc.). Sectors that have poor capacity to produce one report are likely to be overstressed if they have to produce more than one. Additionally, if the choice of action to deal with poor reporting is to produce more reports, the incentive is going to work against improving the bad reporting system because a parallel system is introduced to deal with donor requirements (perhaps a consultancy is commissioned to produce a good report for the interested donors). However, bad reporting will tend to continue and to affect the quality of national governance (the Parliament, the Mozambican public and the government itself).

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<sup>31</sup> It is important to emphasize that we should not try to read too much out of these figures because they also reflect the "legacy of the past" embodied in the bilateral commitments and portfolio strategies that were set prior to the signing of the MoU and of the Paris Declaration. It will be crucial for the PAPs to address the portfolio issue much more seriously in the coming new bilateral country strategies.

<sup>32</sup> Reports related to Project aid are excluded from this analysis because projects have their own reporting system outside the system of general government.

Hence, although it is understandable why donors require extra reporting, this does not seem to be the best course of action to improve reporting for alignment and for the quality of governance in Mozambique.

Fourth, from the answers to the questionnaire, the number of mission, which fell from 2004 to 2005, seems to be increasing, and the share of joint missions is still too small and far from the targets set by the Paris Declaration. Thus, in order to meet the targets set for 2006, the PAPs will need to work together and coordinate better to reduce the burden of unnecessary missions and maximise the synergies and collective work between donors related to field missions<sup>33</sup>.

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<sup>33</sup> As mentioned earlier in this report, missions are only one of the possible causes of administrative burden, and it is very difficult to always distinguish between the benefits and costs of each missions. Hence, as mentioned earlier, with respect to missions PAPs should work together with the GoM to reach a typology of missions to encourage and missions to discourage, as well as missions to encourage to be done jointly.

## 4. General Remarks and Considerations

### 4.1. Technical Issues Related to the Evaluation

Program Aid Partners, PAPs, have come a long way since the signing of the MoU, but they are still lagging behind in some fundamental areas, such as the composition of the aid portfolio.

In 2006, the struggle to significantly increase the shares of GBS and Program Aid in Aid to GoM should be intensified. This would probably include three main focuses for action: (1) Make sure that the 12 new CS are significantly more ambitious with respect to the composition of the aid portfolio and other indicators of aid effectiveness; (2) Make sure that the largest PAPs, particularly the multilateral agencies, increase their shares of GBS and Program Aid in Aid to GoM; and (3) Make sure that the large potential for improvement that rest with middle donors is as fully utilised as possible. If no significant changes occur in 2006, the PAPs may have to wait for 3-4 years for another opportunity. The GoM needs to own and lead this process by being more assertive about its aid needs and preferences.

Although short term predictability has improved, mid to long run predictability has not. A combination of better, longer and rolling (or adjustable) multi-year programs, with a good and realistic MTFE and a systematic macroeconomic analysis of predictability of aid inflows, is required to improve predictability, particularly in the mid to long run, and to make budget schedules a meaningful instrument of macroeconomic management.

The PAPs and the GoM need to consolidate the “missions” indicator as a tool to reduce the number of missions (or keep it down), to improve the effectiveness of the missions that remain and to maximize synergies between donors and the GoM by sharing the results of missions, increasing the share of joint missions and making sure that missions are, as much as possible, in line with GoM priorities and strategies.

However, it will be necessary to search for better indicators for administrative burden and transaction costs – one way of doing this is to empirically identify the costs and burden and eliminate them directly.

The PAPs and the GoM also need to work on the issue of information, to create a solid, workable, rationalised information system that is useful for macroeconomic and policy analysis.

The PAPs have also to harmonise and align more their internal procedures and planning systems with the demands of mutual accountability. From the answers to questionnaires and interviews, it was obvious that many PAPs were not familiar even with the matrix of their performance indicators. This helps to explain, at least partially, why it is so difficult to collect information to answer questions related to the targets in the matrix – several PAPs only collect information because of the questionnaire, but they lack a system that would help to keep information flows constant and updated about the way they are implementing their own commitments.

Another problem is that of definitions – the PAPs and the GoM need to work together towards an empirically based, and sound, definition of the different concepts in order to clarify them and to capture the real conditions of the country.

In this connection, it has been suggested that the PAPs' group should organize technical workshops for professional training and updating, which should target the relevant staff (HoCs, economists, program officers...). Such workshops would be important to raise and to level up the understanding of the issues through the group.

## **4.2. Two Policy Issues that Merit Further and Deeper Analysis**

There are two other issues that were raised during the evaluation and that merit some consideration. Although they are not directly related to the review of performance of PAPS, they are crucial for the effectiveness of aid as a development resource. They are issues more related to policy and strategy rather than process only.

First, in the case of one PAP, GBS disbursements result directly and exclusively from recycling Mozambique's debt service that has actually been paid. This means that, in this case, GBS is not fresh money. It also means that this PAP's GBS disbursements have been subsidized by other PAPs through their cancellation of the Mozambican debt that enables Mozambique to serve its debt obligations to the mentioned PAP, which recycles such payments into GBS to Mozambique. As far as we know, this is the only such case in Mozambique, and this same PAP may not disburse GBS elsewhere in the world.

Several questions may be asked about this situation: is this practice in line with the spirit and the letter of the Rome and Paris Declarations and the MoU? Can PAPs adopt, individually, rules that are significantly different from – not to speak of conflicting to – agreed frameworks? Have the PAPs ever examined this situation? If they have, which conclusions have they reached? Has any serious analysis been done of this type of practice, its rationale, its implications and impact and whether it should or not be abandoned? If this practice has been found to be contrary to the Rome and Paris Declarations and the MoU, and if it has been found to be prejudicial to the Mozambican GoM and the effectiveness of aid, does it really matter whether for such PAP GBS is 20% or 30% of the PAP's Aid to GoM and Program Aid, whether it was disbursed on schedule, whether such a PAP is reducing the number of missions, and so on? If this practice has been found to be unacceptable, can PAPs individually choose to drift away from accepted practices? If they can, on which basis are the remaining PAPs going to unite around acceptable practices rather than to choose, individually, the practices they prefer for their own individual reasons?

Second, several PAPs mentioned, during the interviews, that as long as the GoM continues to pursue pro-poor policies and work with a pro-poor budget, they will continue to support. However, if that changes, they retain the power to withhold the financing of development aid. When asked what they meant by pro-poor policies and budget, the common answer was *“those that deliver education, health, water and sanitation and other crucial infra-structures”*.

To what extent is this a correct approach and a consensual one in Mozambique – not only amongst PAPs and other donors, but amongst Mozambicans? Should the policies and budgets be “pro-poor” or “pro-development”? By delivering higher levels of consumption and welfare that are heavily dependent on aid, is aid helping poverty to fall (or only mitigating its effects) and reducing (or, rather, accelerating) aid dependency? Is poverty essentially an individual issue (related to shortage or abundance of individual human capital) or essentially a social issue related to the patterns of economic, social and political development? Is this a sustainable way of reducing poverty?

The key debate is not about whether aid to social sectors is important, promotes growth and employment. We all know that it is important, that it promotes growth (not only through construction but also through consumption of services), and that it promotes employment (even if mostly through construction works). Nor it is about whether the GoM is crowding out the private sector.

The key issue is why Mozambique needs aid to deliver such services; and the key debate is about whether the aid strategy in Mozambique provides an adequate path to eliminate aid dependency in the long run. Is the aid strategy helping Mozambique to produce and save foreign currency, to increase savings and fiscal revenue, and to shift employment and output and productivity gains to activities that accelerate economic accumulation and social transformation and, by doing so, also make Mozambique less and less dependent on aid?

The central issue is not the size of GoM but what the GoM does – should its size and expenditure increase in education, health, sanitation and public works only? Should the GoM be more involved in promoting production and trade, research and innovation, information coordination and coordination of economic and productive chains?

How much and how good has the analysis been to make PAPs and other donors so absolutely sure that a poverty reducing strategy should be focused on delivering to the poor what they cannot afford because of being poor? If the GoM redirects public finances from general education to irrigation and technical training related to dam maintenance, water management and irrigated agriculture, to what extent can a PAP argue that this is a less pro-poor growth strategy? And if resources are re-allocated from health to promote GoM sponsored industrial innovation and agro-industrialization based on small and medium firms that produce more of the resources that today are scarce and can only be provided by aid – is this a less “against-poverty” growth strategy?

In the 1980s, most firms in Mozambique borrowed from the banks to pay salaries – such firms and the banks went bankrupt. Now, Mozambique applies two thirds of its budget (virtually all aid inflows) in promoting heavily aid dependent expansion of social sectors, employment and growth. How is it going to be sustained?

A lot more analysis is required and such analysis needs to go beyond traditional frameworks because there are three inter-related issues being discussed here – poverty reduction, economic accumulation and aid dependency. Hence, not all public expenditure is the same, if it does not reduce, or is not in a path to reducing, aid dependency.

If the debate is fierce and the analysis largely insufficient, how can donors argue that a budget not mostly focused on the delivery of social services is not oriented to reduce poverty?

It seems that these issues cannot be addressed properly without a serious debate about the role of the state in development in Mozambique, and about the long term implications of different patterns of growth and development (and of allocation of resources) for the three essentials issues – poverty reduction, sustainable growth and reduction of aid dependency, or poverty and aid dependency reduction through dynamic economic development.

# Annexes

# Annex 1 – Commitment and Disbursement Tables

## Annex 1.a) – PAPs Pledges 2004

## PAPs FORECAST FOR DISBURSEMENTS IN 2004

DONOR	CURRENCY	INDICATIVE YEAR FOR SUPPLIER FOR 2004	INDICATIVE YEAR FOR 2004	I Quarter		II Quarter		III Quarter		IV Quarter		Total Disbursed	
				Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Amount in domestic currency (mil)
Belgium	TUR	2	2.5 0.5	3.012 0.608	05/03/01 (from last year)		2						
Denmark	DKK	31	5							31	5		
European Commission	TUR	62.6 <sup>34</sup>	77.7	8.25	March (2003 variable tranche)		56.6	70.7					
Finland	EUR	4.0	4.8										
France	TUR	3.0	3.65	3.75	26/02/04								
Germany	TUR	3.5	4.2				3.5	4.2					
Ireland <sup>35</sup>	TUR	6.00	7.24					7.24					
Italy	TUR	3.2	4				3.2	4					
Netherlands	TUR	10	12.5	12.5	March				4	4.89			
Norway	NOK	75 <sup>36</sup>	11				75	11					
Portugal	USD	1.875	1.5				1.875	1.5		May			

<sup>34</sup> 10 = 1.25% ([www.cocada.com](http://www.cocada.com), 05/02/04)

<sup>35</sup> Of which 6.6 mil is the late disbursement of 2003 variable tranche, 30 mil 2004 fixed tranche, 14 mil 2004 variable tranche (from min 0 to max 14 depending on results), 12 mil € are to finance presidential elections.

<sup>36</sup> Disbursement through one single tranche to be confirmed – still preparing CSR<sup>1</sup>

<sup>37</sup> Estimate – a new three-year agreement is under preparation

FROM VISIFORS

REVIEW OF THE BIDDING PROCESS TO REVIEW THE

PAP'S PERFORMANCE IN 2005 AND PAP'S PAF MATRIS TAKAROSI 2006

PAF GRANT & MANAGEMENT AGREEMENT

## PAPs FORECAST FOR DISBURSEMENTS IN 2004

DONOR	Currency	INDICATIVE YEAR FOR SUPPLY FOR 2004 Domestic Currency (mil)	INDICATIVE YEAR FOR SUPPLY FOR 2004 USD (mil)	I Quarter			II Quarter			III Quarter			IV Quarter			Total Disbursed	
				Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Amount in domestic currency (mil)	Amount in USD (mil)	Date of Disbursement	Total in Domestic Currency (mil)	Total in USD (mil)
Sweden	SEK	100	13.6				70	9.1					30	4.5	Oct (depends on financial audit of TEAU)		
Switzerland	CHF	10	7.7							10	7.7						
United Kingdom	GBP	15	23.1														
World Bank	USD																
<b>Total pledged in USD</b>			<b>166.89<sup>38</sup></b>														

## **Annex 1.b) – Commitments and Disbursements 2004**



## **Annex 1.c) – Confirmed Schedule 2005**

GENERAL REMARKS AND CONSIDERATIONS

All amounts in millions of indicated currency

BUDGET AND BALANCE OF PAYMENTS SUPPORT											15/12/04				
PAP'S CONFIRMED COMMITMENTS FOR 2005											Total				
Donor	Currency	Confirmed support for 2005 (annual)	Confirmed support for 2005 (cumulative)	Quarterly amount in domestic currency	Amount in U.S.	Planned date of disbursement	II <sup>nd</sup> Quarter amount in domestic currency	Amount in U.S.	Planned date of disbursement	III <sup>rd</sup> Quarter amount in domestic currency	Amount in U.S.	Planned date of disbursement	IV <sup>th</sup> Quarter amount in domestic currency	Amount in U.S.	Total amount
Belgium*	EUR	200	200	200	200									200	200
Denmark*	DKK	3000	15000	3000	543		2000	543		2000	1902			3900	4004
European Commission	EUR	2000	4508				1450	1824			1824			1329	1824
France	EUR	400	542	400	542	Mar								400	542
Germany	EUR	300	426	300	426									300	426
Ireland	EUR	600	813	600	813									600	813
Italy	EUR	320	433				320	433						320	433
Netherlands	EUR	1800	2138	400	542	1 <sup>st</sup> Tr from local in Dec 04								400	542
Portugal	EUR	7000	1104											7000	1104
Spain	EUR	150	150				150	150						150	150
Sweden*	SEK	10000	1500				2000	1032		2000	1032			2000	1032
Switzerland	CHF	1000	872				1000	431						1000	431
United Kingdom	GBP	5000	3750	1500	2000	1 <sup>st</sup> Tr	1000	872						1000	872
World Bank	USD	6000	9000	1500	2000	Mar								1500	2000
<b>Total confirmed in USD</b>			<b>23803</b>		<b>5878</b>			<b>2878</b>			<b>6000</b>		<b>4000</b>	<b>6000</b>	<b>28947</b>

Exchange rate

- \* SEK = 105
- SEK = 045
- CHF = 068
- GBP = 190
- DKK = 016 (also and subsequent date)
- NOK = 010

\* See annex 12, 20b.  
 \*\* See annex 12, 20c.  
 \*\*\* www.ombudsman.gov.uk

ANNEX 1.1: CONFIRMED SCHEDULE 2005

BUDGET AND BALANCE FOR PAYMENTS IN SUPPORT												
PAID DISBURSEMENT SCHEDULE FOR 2005												
Currency	Confirm. support for 2005 domestic curr.	Confirm. support for 2005 USD/CHF	I Quarter			II Quarter			III Quarter			Total in US\$
			Amount in US\$	Planned date of disbursement	Amount in domestic currency	Planned date of disbursement	Amount in US\$	Planned date of disbursement	Amount in domestic currency	Planned date of disbursement	Amount in US\$	
EUR	2	2.70	2	2.7								
US\$	60	11	30	3								
EUR												
US\$					30	3						
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## **Annex 1.d) – Final Disbursements 2005**

GENERAL REMARKS AND CONSIDERATIONS

DISPENDIÓ SOSTOS PAF en 2006																	
Categoría	Apoyo confirmado por el MOP (Miles de Pesos)	Apoyo confirmado por el MOP (Miles de US\$)	Apoyo confirmado por el MOP (Miles de Euros)	I Trimestre			II Trimestre			III Trimestre			IV Trimestre			Total	
				Valor: en US\$	Valor: en Euros	Debito: en Euros	Valor: en US\$	Valor: en Euros	Debito: en Euros	Valor: en US\$	Valor: en Euros	Debito: en Euros	Valor: en US\$	Valor: en Euros	Debito: en Euros	Valor: en US\$	Valor: en Euros
Albania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bélgica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bosnia Herzegovina	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Canadá	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Chad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Colombia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costa Rica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cuba	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eslovenia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Eslovaquia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Francia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Irlanda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Italia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Japón	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Países Bajos	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Polonia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rusia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Suecia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sueiza	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tailandia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Turquía	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ucrania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Estados Unidos	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reino Unido	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yugoslavia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total confirmado por el MOP (Miles de US\$)</b>																	

El país a cargo es el responsable de los datos para este informe. Se solicita la dirección: [países@psd.org](mailto:países@psd.org) en caso de tener dudas.

## Annex 2 – List of Interviewees

**Program of Interviews for 06-03 to 10-03 2006 (PAPs)**

Date	Hours	Organization	Person(s)	Location	Notes
06-03	09.00	Swiss Cooperation	Telma Loforte	Av Amed Sekou Toure	
	11.00	DFID	Rachel Turner	Av. 25 de Setembro, Prédio JAT 3º andar	
	13.00	Canadian Cooperation	Patrick Lemieux and Heather Cameron	Av. Kenneth Kaunda 1138	
	16.00	Belgian Cooperation	Nora de Laet and Wim Ulens	Av. Kenneth Kaunda 470	
07-03	09.00	Italian Cooperation	Andrea Cilloni	Av. 25 de Setembro 1123, Prédio Cardoso 6º andar Flat E	
	11.00	Dutch Cooperation	Jolke Oppewal	Embassy of Holland, Av. Kwame Nkrumah 340	
	13.00				
08-03	16.00	EC	Francisco Carreras, Sylvie Millot and Debora Marignani	Av. Julius Nyerere 2820	
	09.00				
	11.00	Finish Cooperation	Olli Sotamaa	Finish Embassy	
	13.00	Irish Cooperation		Irish Embassy	
09-03	16.00				
	09.00	Danish Cooperation		Danish Embassy	
	11.00	French Cooperation	Françoise Desmazieres	Av. 24 de Julho 1500	
	13.00	World Bank	Greg Blinkert	Av. Kenneth Kaunda	
10-03	16.00	Spanish Cooperation	Jaime Puyoles & Carlos Botella	Cooperação Espanhola, Av. Eduardo Mondlane 677	
	09.00	German Cooperation	Ronald Meyer	Rua Damião de Góis 506	
	11.00	Portuguese Cooperation	Paulo Silva Cepeda Nuno Mathias	Portuguese Embassy Av Julius Nyerere 720, 15º Dto.	
	13.00	Swedish Cooperation		Swedish Embassy	
30-03	14.30	Norwegian Embassy	Mette Masst and Torun Reite	Norwegiam Embassy	

**21-03-2006, 11.00 to 14.00 hours (Government Officials)**

António Laíce	National Director, Treasury (Ministry of Finance)
José Sulemane	National Director, Studies and Policy Analysis (Ministry of Planning and Development (MPD))
Carolina Nguenha	Banco de Moçambique
Coroline Ennis	MPD
Santiago Goicoechea	MPD

# Annex 3 – Questionnaire

## Questionnaire for:

*Part A. Review of the PAPs Performance in 2005*  
*Part B. PAPs' PAF Matrix Targets for 2006*

### Important Notice

This questionnaire has two parts, A and B. Part A is related to the Review of the PAPs' Performance in 2005 and is based on the PAPs' PAF matrix for 2005. Part B aims at gathering the necessary information to complete the PAPs' PAF matrix for 2006 onwards, by setting the targets for 2006 for the indicators for which targets have not been agreed yet or for which information is not made available in Part A.

The information gathered by this questionnaire is needed for the Joint Review. Hence, the questionnaire should be filled and sent back to the consultant by the **28<sup>th</sup> of February 2006**, to both email accounts that follow:

[carlos.castel-branco@mz.ev.com](mailto:carlos.castel-branco@mz.ev.com) and [carlos.castelbranco@gmail.com](mailto:carlos.castelbranco@gmail.com)

### Identification of the Organization

Date \_\_\_\_/\_\_\_\_/2006 (dd-mm)

Country \_\_\_\_\_

Organization \_\_\_\_\_

Postal Address \_\_\_\_\_

Phone number \_\_\_\_\_ Fax number \_\_\_\_\_

Person who filled the form (name/post) \_\_\_\_\_

Supervisor/Person in Charge (name/post/signature) \_\_\_\_\_

Do you specifically **wish** \_\_\_\_/**do not wish** \_\_\_\_ to have an individual interview with the consultant after this form is filled and sent back?

## ***PART A. Review of the PAPs Performance in 2005***

### **1. Portfolio Composition and Predictability**

#### **1.1 Portfolio composition: Commitments and Disbursements of Total Aid (in the currency of the donor)**

*(in the donor's currency)*

	2004		2005	
	<i>Committed for 2004</i>	<i>Disbursed in 2004</i>	<i>Committed for 2005</i>	<i>Disbursed in 2005</i>
<b>Balance of Payment Support, BoPS (1)</b>				
<b>Direct Budget Support, DBS (2)</b>				
<b>SWAPs or Sector Basket/Pool Funds (3)</b>				
Project Aid (4)				
Private sector support (5)				
NGO Aid (6)				
Others (7)				
<b>Total Aid (1+2+3+...+7)</b>				

**Notes:** Please, include variable and fixed tranches. Area highlighted in “orange” = program aid. Please, do not fill in the column “Committed” for non-program aid (columns highlighted in “grey”). If you have no detail data for non-program aid, please fill in the cells for program aid and the total (last row) with as much and as accurate information as you can. Item (3) “SWAPs or Sector...” only include aid with a sector dimensions (agriculture, health, education, roads, water, HIV/AIDS, etc...). Other pool funds that are clearly project aid should be included in item (4) “Project aid”. To avoid interpretation problems later on, please add a sheet of paper with the list of the different funds that you included under item (3), with the data requested in this table. Everything that does not fall within the items (1) to (6) should be included in (7) “Others” and then explained in the question that follows. Figures for budget support should include the variable tranche as well.

Please, specify “others”: \_\_\_\_\_

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Please, explain the reasons for the difference between “Committed” and “Disbursed” with respect to 2005 and for DBS+BoPs only:

- (a) Related to the Government of Mozambique (GoM)
- a. Breaching of underlying principles \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

- \_\_\_\_\_
- \_\_\_\_\_
- b. Others \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- (b) Related to the donor \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- (c) Related to both GoM and donors \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- (d) Others \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Were the causes for the differences between commitments and disbursements:

- (a) Discussed with the GoM \_\_\_\_\_ (Y/N)
- (b) Agreed with the GoM \_\_\_\_\_ (Y/N)

**1.2. Multi-Year Indicative Commitments**

Does your organization have a multi-year program with clear commitments with respect to DBS+BoPS for 2005? \_\_\_\_\_ (Y/N). For which years? \_\_\_\_\_.

Is this a rolling, multi-year program? \_\_\_\_\_ (Y/N)

Please, add any details deemed relevant to clarify the answers given above \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 1.3. *Variable Tranche*

Which % of the DBS+BoPs package for 2005 is fixed \_\_\_\_% and variable \_\_\_\_%? Have these % been changing over time? (not more than 3 years of reference) \_\_\_\_ (Y/N). Please, explain the changes made and the reasons for such changes \_\_\_\_\_

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In 2005, between the JR and the MYR, has the value of your variable indicative commitments and confirmed commitments changed? \_\_\_\_ (Y/N). If the answer is “yes”, please indicate:

(a) How these values have changed (in the currency of commitment)

	JR	MYR
Committed variable tranche		

(b) Which issues triggered the changes \_\_\_\_\_

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## 2. *Alignment and Harmonization*

### 2.1. *Annex 10 bilateral exceptions in the MoU*

In 2005, did your organization have bilateral Annex 10 exceptions in the MoU? \_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

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In 2005, has your organization made concrete proposal to change such exceptions (reduce, eliminate, increase, or modify in any other way)? \_\_\_\_\_ (Y/N). Please, explain the changes proposed and the year in which they will come into effect \_\_\_\_\_

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**2.2. Common conditionality and trigger mechanisms**

In 2005, has your organization strictly adhered to common conditionality related to DBS+BoPs? \_\_\_\_\_ (Y/N)

Please, explain if, in 2005, a particular event (or set of events) triggered a bilateral decision from your organization that in any way changed amounts committed and disbursed and/or the schedule of disbursements, related to DBS+BoPs \_\_\_\_\_

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How do you justify your decision on the basis of the MoU (making use of common conditionality and exceptions)? \_\_\_\_\_

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Do you, instead, justify your decision on the basis of the bilateral agreement? \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

Have the other PAPs agreed with your analysis of the problem? \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

Have they supported your decision? \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

If they did not support your position, did you reconsidered and changed your decision? \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

### 2.3. Sectors

Of the key sectors with sector-aid programs in which you participate (agriculture, health, education, water, roads, HIV/AIDS and justice), indicate, **for 2004...**

	<i>Agriculture</i>	<i>Health</i>	<i>Education</i>	<i>Water</i>	<i>Roads</i>	<i>HIV/AIDS</i>	<i>Justice</i>
How do you participate <b>(A)</b>							
Funds disbursed <b>(B)</b>							
Have you delegated cooperation to another donor?							
Has another donor delegated cooperation on your organization?							

**... and for 2005**

	<i>Agriculture</i>	<i>Health</i>	<i>Education</i>	<i>Water</i>	<i>Roads</i>	<i>HIV/AIDS</i>	<i>Justice</i>
How do you participate (A)							
Funds disbursed (B)							
Have you delegated cooperation to another donor?							
Has another donor delegated cooperation on your organization?							

**Notes:** (A) Donor, Coordinating Donor or Observer. (B) In the currency of the donor.

Please, provide additional information/comments regarding your views/experience about the “costs” and “benefits”, for your organization and for the sector, of your participation in such sectors

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**2.4. Missions**

Please, specify number of missions (technical, monitoring, evaluation and appraisal, programming, and analytical) related to DBS+BoPs and other activities related to development, implementation and impact evaluation of government programs and policies, which are ***undertaken on behalf of donor country/organization AND which involve meetings with government officials*** at central and/or provincial level:

## (a) Missions related to DBS+BoPs

	2004				2005			
	Total Number of Missions	Joint	Individual Donor	Number of GoM officials interviewed	Total Number of Missions	Joint	Individual Donor	Number of GoM officials interviewed
JR								
MYR								
Others								
Total								

**Note:** Please, do not fill in the cells highlighted in grey.

Please, specify “other” missions \_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

Were the JR and MYR missions also involved in other meetings with government officials \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

(b) Missions not related to DBS+BoPs

Type of Mission	2004				2005			
	Total Number of Missions	Joint	Individual Donor	Number of GoM officials interviewed	Total Number of Missions	Joint	Individual Donor	Number of GoM officials interviewed
Technical Work								
Analytical Work								
Appraisal and Monitoring								
Programming								
Total								

**Note:** Please, provide all the accurate information you have or that is easily available. If you do not have a record of the missions by type, please fill in the last row (total) only. If you do not have easily available formation about “Number of GoM officials interviewed”, do not try to fill that column. If in doubt, please provide a list of missions so that we can decide together “which” ones to integrate and “where”. The aim of the exercise is to collect information on proxies for administrative burden rather than to create more burdens.

### 3. *Transparency*

#### 3.1. *Studies timely available in Portuguese*

Of the studies/reports your organization produced on Mozambique (evaluation and appraisal, programming, technical, analytical), **AND** which are relevant for GoM analysis and decision making, how many were timely made available in Portuguese for GOM officials (note that “timely” may be study/report specific)?

	Number of Studies/Reports		Timely Available in Portuguese	
	2004	2005	2004	2005
Budget Support related studies/reports				
Other Analytical Studies/Reports				
Total				

**3.2. Data**

Please, fill on the table about your provision of information about aid flows to the GoM in 2005 (tick with **X** in the corresponding squares):

	2005 Quarters			
	I	II	III	IV
Reports timely sent to DCI with agreed format				
Reports timely sent to EU data base with agreed format				

**Note:** Please, do not fill grey area.

Have you received any feedback on your report? \_\_\_\_\_ (Y/N). If “yes”, was the feedback useful? \_\_\_\_\_ (Y/N). Please, specify \_\_\_\_\_

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Please, provide additional information/comments that you consider relevant to improve transparency and information sharing \_\_\_\_\_

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## ***PART B. PAPs PAF Matrix Targets for 2006***

Some of the information needed to establish a baseline for 2005 that enables a target for 2006 to be defined is made available from Part A of this questionnaire. However, rather than only adjusting the 2005 figures by some discretionary growth rate, it is better to collect information directly from donors regarding the extent of their commitments for 2006. Of course, such commitments will then be assessed on the basis of agreed principles and core commitments and agreed progress rates (Paris Declaration, MoU, Update of the PAPs' PAF Matrix for 2006-2009...).

Hence, for 2006, what are the commitments of your organization with respect to the following issues?

### ***Portfolio Composition***

1. Aid flows *planned or committed for 2006* (in the donors currency):

*(in the donor's currency)*

	<i>Committed for 2006</i>	<i>Planned for 2006</i>
<b>Balance of Payment Support, BoPS (1)</b>		
<b>Direct Budget Support, DBS (2)</b>		
<b>SWAPs or Sector Basket/Pool Funds (3)</b>		
Project Aid (4)		
Private sector support (5)		
NGO Aid (6)		
Others (7)		
<b>Total Aid (1+2+3+...+7)</b>		

**Notes:** Please, do not fill grey areas. Include variable and fixed tranches. Item (3) "SWAPs or Sector...." only include aid with a sector dimensions (agriculture, health, education, roads, water, HIV/AIDS, etc...). Other pool funds that are clearly project aid should be included in item (4) "Project aid". To avoid interpretation problems later on, please add a sheet of paper with the list of the different funds that you included under item (3), with the data requested in this table. Everything that does not fall within the items (1) to (6) should be included in (7) "Others" and then explained.

In 2006, do you have a variable tranche for DBS+BoPs? \_\_\_\_\_ (Y/N). If the answer is "Yes", what is the % of the variable tranche in total DBS+BoPs \_\_\_\_\_%.

Please, specify "Others" \_\_\_\_\_

**Predictability**

2. Have your commitments for DBS+BoPs mentioned for 2006 above been made within 4 weeks of the JR on 2005? \_\_\_\_\_ (Y/N). If the answer is “no”, please explain
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
3. Multi-year commitments for budget support:
- (a) Does your organization have, or will it have, a rolling, multi-year program starting on, or including, 2006? \_\_\_\_\_ (Y/N)
- (b) Which years does/will it cover? \_\_\_\_\_
- (c) Is the program fully compatible with the MoU (including the Annex 10 exceptions)? \_\_\_\_\_ (Y/N). If the answer is “No”, what are the incompatibilities and the reasons for them? \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Harmonization and Alignment**

4. Annex 10 bilateral exceptions in the MoU for 2006
- (a) Does your organization have Annex 10 exceptions? \_\_\_\_\_ (Y/N)
- (b) Will you reduce \_\_\_\_\_ (Y/N) or eliminate \_\_\_\_\_ (Y/N) Annex 10 exceptions in 2006?
- (c) Have you made proposals to in any way change your Annex 10 exceptions in the future? \_\_\_\_\_ (Y/N).
- (d) Could you briefly describe them? \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
5. Bilateral Agreements (BA) for DBS+BoPs
- (a) Is your current BA harmonised with the MoU? \_\_\_\_\_ (Y/N)
- (b) If the answer is “no”, are you:
- developing a new BA? \_\_\_\_\_ (Y/N)
  - abandoning the BA altogether? \_\_\_\_\_ (Y/N)
  - adjusting the existing BA? \_\_\_\_\_ (Y/N)
  - other (specify)? \_\_\_\_\_

\_\_\_\_\_ (Y/N)

(c) Could you briefly describe which aspects of your BA are not harmonized with the MoU and the reasons for that? \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

6. In 2006, what is the target you aim to achieve regarding the share of spent aid flows that (providing that the necessary conditions are met):

- (a) Could be reported in the budget? \_\_\_\_\_%
- (b) Could be reported in the budget execution report? \_\_\_\_\_%
- (c) Could be included in the Treasury payment system? \_\_\_\_\_%
- (d) Could use public procurement systems? \_\_\_\_\_%

7. Reporting from GoM to PAPs related to aid flows to the government in 2006, excluding project aid (Note: more general, such as, for example, PES and Budget execution reports; or more specific, such as, for example, sector or provincial PES and budget execution reports):

(a) Do you require evaluation and progress reports from the GoM outside established normal government reporting systems? (see note above and the explanatory footnote in the PAPs PAF matrix for 2006) \_\_\_\_\_ (Y/N)

(b) Do you envisage that some or all of such “extra” reports may be eliminated in 2006? \_\_\_\_\_ (Y/N)

(c) If the answer is “yes”, could you identify which ones will be eliminated? \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_

(d) If you will keep requirements for extra reporting, please explain why \_\_\_\_\_

\_\_\_\_\_  
 \_\_\_\_\_

8. Could you specify, for 2006, the following information regarding planned missions (please, see Part A, question 2.4, of this questionnaire for definition of mission):

	Individual Missions	Joint Missions	Total Missions
<b>Budget Support Missions</b>			
<i>JR</i>			
<i>MYR</i>			
<i>Other</i>			
<b>Other missions</b>			
<b>Total missions</b>			

Note: Please, do not fill in cells highlighted in grey.

9. In 2006, is your organization planning to undertake analytical work in Mozambique related to development, implementation and impact evaluation of government programs and policies **and** involving government officials? \_\_\_\_\_ (Y/N). If the answer is “yes”, please fill in the table below:

Describe work to be done	Answer “YES” or “NO”		
	Is it aligned with GoM priorities reflected by the PARPA/PES?	Is it going to be done jointly with other donors?	Is it going to be made available in Portuguese, timely?

**Capacity Building**

10. Data reporting from PAPs/EU data base:
- (a) In 2006, are you committed to reporting on aid flows timely and according to format and definitions to the PAPs/EU data base? \_\_\_\_\_ (Y/N)
- (b) Are you capable of meeting such commitments? \_\_\_\_\_ (Y/N). If the answer is “no”, please explain \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

**Miscellaneous**

11. Please, provide further information, concerns and comments regarding the PAPs’ PAF matrix for 2006 that you consider to be of relevance \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

# Annex 4 – Terms of Reference

## FINAL DRAFT

### Terms of Reference Mozambique Programme Aid Partners Performance Review (2005)

#### 1. Background

A group of 17 Programme Aid Partners (PAPs) provide general budget support to Mozambique under a Joint Agreement in place since 2000, with progress reported in successive annual Joint Government-Donor Reviews. A Memorandum of Understanding (MoU) for Programme Aid was signed in 2004 which commits the Government of Mozambique (GoM) and the Programme Aid Partners to the principles of mutual accountability in order to enhance ownership, predictability of aid flows, improvement of government–donor dialogue in key areas of Poverty Reduction Strategy Paper (PARPA) implementation, alignment with GoM plans and processes, harmonisation of monitoring and assessment processes.

A requirement in the MoU is a yearly joint assessment of PAPs performance against their commitments, done on the basis of an *independent* report of progress against the indicators in the PAPs-PAF matrix, and discussed at the annual Joint Review. A PAPs Performance Assessment Framework (PAPs-PAF matrix) was agreed at the Mid Year Review in September 2004 which will be used for assessing performance in year 2005 as per the Annex 2 of the MYR Aide Memoire 2004 (attached). This PAPs-PAF matrix provides the basis for monitoring commitments made by the PAPs in the MoU for Programme Aid, and is in turn based on the declared commitment to closely follow NEPAD, the Monterrey Consensus, the Rome Declaration on Harmonisation, and the recent Paris Declaration on Aid Effectiveness. The rationale for this exercise is to create incentives for PAPs to together improve aid effectiveness. In the process of joint discussion of PAPs performance it was proposed and welcomed by the GoM to also perform a ranking of individual donors performance, on the basis of a donor rating mechanism closely linked to the PAPs-PAF matrix. The next ranking exercise is due in 2007 on the basis of donor performance in 2006<sup>39</sup>.

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<sup>39</sup> It is not possible to undertake a ranking exercise for donor performance in 2005 because there was no previously agreed ranking/rating mechanism. However, this is now in place and will be undertaken for the 2006 performance and

## 2. Objectives

The main objective of this consultancy is:

- To provide an independent review of partners performance in 2005 against their commitments measured by the indicators and targets set out in the PAPs PAF matrix (agreed in the MYR 2004) and compared with progress made in year 2004 (refer to the Perfect Partner's Report). The consultant is expected to make an assessment of donor performance both in aggregate terms (for the group as a whole) and individually for each donor ( the individual reports can be presented as an annex to the main report)
- A second objective of the consultancy is to finalise the outstanding elements of the matrix agreed in the MYR 2005 for the years 2006/7/8/9. This especially includes setting targets for 2006/7/8/9.

The above will require the consultant/s to prepare a questionnaire (reflecting a consensus) in advance for responses from individual G17 partners. The questionnaire should be designed around the PAPs PAF matrix agreed in MYR 2004. The consultant should hold a session with all partner representatives to clarify any doubts/definitions/methodology used a couple of days after sending the questionnaire to all donors. This will ensure that the questionnaire is not subject to differential interpretation by different partners.

The consultant should interview the GoM and all partners at least once within the time table presented below.

## 3. Competency and Expertise Requirements

A team of 2 consultants is required (representing a mix of international and locally recruited members). The consultants must be familiar with donor practices in Mozambique, the Development Assistance Committee and the Strategic Partnership for Africa agenda on harmonisation and alignment, and the aid effectiveness literature.

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on wards. The consultant will however make both individual and aggregate donor assessment of progress through this consultancy.

Before the start of the review, the team should present an agreed division of work/responsibilities and a work plan. The locally recruited consultant will be in-charge of co-ordinating the meeting schedule (the PAPs Secretariat will provide the contact details).

#### **4. Timing and expected deliverables**

The total number of working days will be up to 15 for the team leader (maximum of 8 days in Maputo, if an international consultant is selected) and 14 for the other member. The work should start on 7 February. The outputs should be presented to the GoM and PAPs in the form of briefings and reports.

##### **Timetable:**

07- 13 Feb: Preparation of questionnaires, preparatory reading.

13 Feb: Questionnaire sent to GoM and donors for comments.

16 Feb: Meeting between consultant and sub group to discuss comments on the questionnaire.

21 Feb: Final questionnaires sent out to all donors.

22 Feb, Wednesday, Dutch Embassy: Briefing for all donors on the questionnaire to clarify doubts/definitions etc.

28 February: Deadline for sending questionnaires back to consultant.

6 – 9 March: Consultant to meet with GoM and individual donors (individually).

20 March: First draft report sent to GoM and donors in Portuguese and English.

20 March: Consultant meets with GoM for a discussion on the draft report.

27 March: Written comments sent to the consultant directly.

30 March, 2 pm, Swedish Embassy: Consultant meets donors for a discussion of the draft report.

4 April: Final draft of report sent to GoM and donors.

19 April: Delivery of second set of objectives of the consultancy to GoM and PAPs.

## 5. Reporting

The consultant will report to GoM and PAPs. The outputs should be delivered in both English and Portuguese.

The reference group for the consultant will consist of representatives of GoM and PAPs (Dr. Ubisse, Caroline Ennis, Peter Flick, Nora de Laet, Sonal Bhatt, Sylvie Millot, Simon Vandembroke, Nuno Mathias, Telma Loforte).

## 6. Key Bibliographical References

- Baseline Study on PAP Performance in 2003 – September 2004 – Report to the G15 Programme Aid Partners and Government of Mozambique by Richard Gerster and Alan Harding.
- 2004 Memorandum of Understanding between the Government of Mozambique and the Programme Aid Partners for the provision of Direct Budget and Balance of Payment Support.
- SPA BSWG – 2004 Survey of the Alignment of Budget Support and Balance of Payments Support with National PRS Processes
- Responses to 2005 DAC/SPA questionnaires
- OECD/DAC GBS evaluation – Mozambique case study (preliminary report)
- OECD/DAC survey on progress in harmonisation and alignment – Mozambique draft report
- Visit report SPA Budget Working Group mission to Mozambique March–April 2004
- 2005 Joint Review and 2004 MYR Aide Memoires (which includes the PAPP matrix)

- "Perfect Partners? The performance of Programme Aid Partners in Mozambique, 2004: A report to the Programme Aid Partners and Government of Mozambique." Prepared by Tony Killick (team leader), Carlos N. Castel-Branco, and Richard Gerster, May 2005
- The PAP website [www.pap.org.mz](http://www.pap.org.mz)
- Rome Declaration on Harmonisation
- Paris Declaration on Aid Effectiveness
- DAC Working Party on Aid Effectiveness and Donor Practices, "Baselines and suggested targets for the 12 Indicators of Progress – Paris Declaration on Aid Effectiveness"
- Education Sector Co-Operating Partners' Performance Matrix – October 2004

# Annex 5 – New Table for the Ranking System in 2006

Annex 5 (A)

Ranking Table: Indicators and points for the Group as a Whole

Objectives	Activities	No. <sup>40</sup>	Indicators	Target	Points
Portfolio Composition (25% of total points)	Program Aid	1	% of GFS in total PAPs aid flows disbursed to the CoM.	40%	5
		2	% of program aid in total PAPs aid disbursed to the CoM.	70%	5
		3	% of PAPs with multi-year agreements of not less than 3 years.	100%	3
		4	Commitments of GFS for year n-1 within 4 weeks of the JR in year n	100%	3
		5	Disbursement of confirmed GFS commitment in the fiscal year for which it was scheduled, according to precise quarterly disbursement schedule agreed with CoM	100%	6
Predictability (30% of total points)	Disbursement	6	PAPs adhere strictly to GFS common conditionality.	95%	2
		7	(a) number of PAPs not having Annex 10 exceptions; (b) number of PAPs significantly reducing annex 10 exceptions with a view to eliminating such exceptions.	7(a) 13 7(b) 2	2
		8	Strict harmonization between all new bilateral agreements and MoU	100%	1
		9	% of PAPs aid flows to the government reported to the budget	80%	2
		10	% of PAPs aid flows to the government included in the Treasury payment system	45%	1
Harmonization and Alignment (35% of total points)	Utilization of government systems and reporting	11	% of PAPs aid flows to government using public procurement systems	45%	1
		12	Implementation and evaluation reports required by the PAP from the government outside established mutual government reporting systems are eliminated (excluding projects, which have their own reporting system; and audits).	Review reporting requirements in Health, Education and Agriculture	1
		13	Significantly reduce the overall number of missions for evaluation and appraisal undertaken by officials of donor countries involving meetings with government officials, AND significantly increase the share of those missions that are joint.	No. of GFS missions outside JR & MYR : 7 No. of non GFS missions : 160 Share of joint missions: 20%	2
		14	Analytical work at country level related to development, implementation and impact evaluation of government programs and policies. AND involving government officials is undertaken jointly with other donors and in line with government priorities and strategies.	In line with CoM priorities: 80% Joint: 50%	1
		15	Donors agree and implement "quiet period" with CoM.	Reach Agreement and Implement	1

<sup>40</sup> The number for each indicator in the ranking matrix is exactly the same as in the PAPs' PAF matrix.

ANNEX 5 – NEW TABLE FOR THE RANKING SYSTEM 2006

Objectives	Activities	No. <sup>4)</sup>	Indicators	Target	Points
Extension of predictability and alignment (5% of total points)	Sector and Provincial Aid	16	Share of sector and provincial aid with a MoU moving towards the same rules of predictability and alignment as defined above.	MoU for Health, Education and Agriculture	2
	Capacity Building (5% of total points)	17	Reach agreement on guidelines for national capacity development, support in line with government priorities and strategies, and subsequently adhere to it.	Reach Agreement	1
	Technical cooperation	18	PAPs and GOM agree on a system and format of information about and programs and flows to the GOM, which is feasible, accurate, timely and useful for statistical, analytical and policy work, and subsequently adhere to it.	ODJANCOV data base adjusted, and transition towards appropriate and management by the GOM started.	1
	Transparent flows of information				

<sup>4)</sup> The number for each indicator in the ranking matrix is exactly the same as in the PAP's PAP matrix.

**Annex 5 (B)**  
**Ranking Table: Indicators and points for the Individual PAPs**

Objectives	Activities	No. <sup>42</sup>	Indicators	Target	Points	
Participatory Composition (25% of total points)	GRS	1	% of GRS in total PAPs aid flows disbursed in the CoM.	>10%	5	
		2	% of program aid in total PAPs aid disbursed to the CoM.	70% <sup>6</sup>	5	
	Commitment of funds	3	% of PAPs with multi-year agreements of not less than 3 years.	100%	4	
		4	Commitments of GRS for year n-1 within 4 weeks of the IR in year n	100%	4	
Predictability (35% of total points)	Disbursement	5	Disbursement of ex-ante GRS commitment in the fiscal year in which it was scheduled, according to precise quarterly disbursement schedule agreed with CoM	100%	6	
		6	PAPs adhere strictly to GRS common conditionality.	95%	2	
	Consolidation and harmonization of conditionality	7	(a) number of PAPs not having Annex 10 exceptions; (b) number of PAPs significantly reducing annex 10 exceptions with a view to eliminating such exceptions.	7(a) 13 7(b) 2	2	
		8	Strict harmonization between all new bilateral agreements and MoU	100%	2	
		9	% of PAPs aid flows to the government reported to the budget	80%	2	
		10	% of PAPs aid flows to the government included in the Treasury payment system	>15%	1	
		11	% of PAPs aid flows to government using public procurement systems	>5% <sup>6</sup>	1	
		12	Implementation and evaluation reports required by the PAP from the government outside established normal government reporting systems are eliminated (excluding projects, which have their own reporting system and audits).	Review reporting requirements in Health, Education and Agriculture	1	
		Utilization of government systems and reporting	13	Significantly reduce the overall number of missions for evaluation and appraisal undertaken by officials of donor committees involving meetings with government officials. AND significantly increase the share of those missions that are joint.	No. of GRS missions outside IR & MYR : 7 No. of non GRS missions : 160 Share of joint missions: 20%	1
			14	Analytical work at country level related to development, implementation and impact evaluation of government programs and policies AND involving government officials is undertaken jointly with other donors and in line with government priorities and strategies.	In line with CoM priorities: 80% Joint: 50%	1
			15	Donors agree and implement "quiet period" with CoM.	Respect "quiet period" agreed.	1

<sup>42</sup> The number for each indicator in the ranking matrix is exactly the same as in the PAPs' PAF matrix.

ANNEX 5 – NEW TABLE FOR THE RANKING SYSTEM, 2006

Capacity Building (5% of total points)	Technical cooperation	16	Reach agreement on guidelines for national capacity development support in line with government priorities and strategies; and subsequently adhere to it.	Actively seek to promote agreement about harmonized and aligned CDS	2
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