Monitoring profile – October 2016

MOZAMBIQUE

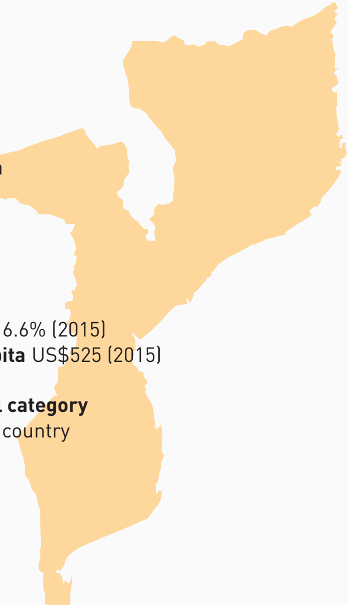
Global Partnership for Effective Development Co-operation

http://effectivecooperation.org

1. Country Context

Mozambique made a quick transition from a war-devastated country to a thriving market economy. This turnaround was accompanied by strong average 7% annual GDP growth in the last decade. Significant amounts of natural gas have been recently discovered in the country, attracting investors. Mozambique's reconstruction and recovery have been remarkable and are widely recognized as a success story. However, strong economic growth has not been very inclusive so far. Mozambique is one of the poorest countries in the world, but the progress achieved under the MDGs afforded a growing proportion of the rural population access to basic social services. Though it experienced a decrease of 10% in ODA in 2014, Mozambique remains dependent on official development finance, which amounts to around a quarter of the national budget. The challenge is to channel this support to balance economic growth, reduce poverty and promote human development.

Quick Facts



Surface area
799,380 km^2

Population
28 million

GDP Growth 6.6% (2015)
GDP Per Capita US$525 (2015)

Income level category
Low-income country

Inflows (% Gross Domestic Product)

LATEST YEAR AVAILABLE

Tax Revenue	26.5%
Domestic Credit	14.7%
External Debt	67.9%
Net Foreign Direct Investment	31,4%
Remittances	1.0%
Net Official Development Assistance	13.4%

Key Development Indices:

National Poverty Index 54.7% of pop. (2008)

GINI Index 45.6 (2008)

Official Development Assistance/Capital Formation 26.87% (2014)

ODA per Capita US$77.29 (2014)

1 – 188	180	Human Development Index (2014) (Best rank: Position 1)
1 – 189	133	Doing Business Rank (2015) (Best rank: Position 1)
+2.5 – -2.5	-0.7	Anti-corruption Index: -0.70 (2014) (Highest anti-corruption: +2.5)

Key Development Challenges

Mozambique's achievement of development goals depends on the sustainable use of natural resources and environmental protection. The country is richly endowed with a large variety of mineral resources. Inclusive and sustainable management of natural resources is one of the most critical challenges facing Mozambique. In addition, Mozambique is prone to natural disasters and ranks third amongst African countries most affected by weather-related hazards. It also faces challenges in strengthening human capital; a limited internal market; infrastructure insufficiencies; a costly business environment; restricted economic diversification; a high dependency on imports; increasing debt levels; a narrow tax base; and limited capacity for domestic resource mobilization.

2. *Efforts to Implement the Effectiveness Principles*

A. Policies and Tools for Partners' Alignment

To address human development challenges, the Government of Mozambique has adopted the PARPA (Action Plan for the Reduction of Absolute Poverty) and Agenda 2025, which provide key elements of Mozambique's development strategy. The PARPA has been the catalyst that has promoted harmonization of official development finance in Mozambique. It provided the foundation for agreement among development partners themselves and between development partners and the government. For example, it facilitated the emergence of a direct budget support group of development partners who work through the central government for common objectives. The PARPA has given an incentive to development partners for channelling increasing portions of their official development finance directly through the national budget and less into separate projects or programmes or sector pools. PARPA targets also improved the fitness with the MDGs. The new 5-year programme (2015-2019) expresses Mozambique's wish to domesticate the SDGs with the aim of consolidating MDG gains.

Major Development Partners of this Round (by Reported Disbursements)

United States	World Bank	United Kingdom	EU Institutions	Sweden
19%	19%	7%	6%	5%

Participation in 2014 Monitoring

Existence of a National Co-operation Policy

B. Governance and Management of Development Finance and Co-operation

Development coordination architecture is designed under the memorandum of understanding on general budgetary support. Mozambique's development co-operation mechanism is governed by the International Co-operation Policy and strategy for its implementation. The International Co-operation Policy Coordination Forum engages broader dialogue with development partners. The Development Partners Group (DPG) is a platform co-chaired by the World Bank and the UN that facilitates dialogue among all development partners. The Ministry of Foreign Affairs and Co-operation and the Ministry of Economy and Finance are the key policymaking bodies for coordination, monitoring and evaluation of the implementation of the Co-operation Policy. Mozambique participates in South-South co-operation and SSC partners such as Brazil, China and South Africa are exerting increasing influence in the country. An ODA information platform (ODAMOZ) is in place and has been under revitalization recently in order to meet the current needs of the government and its development partners.

3. *Country Ownership*

Indicator 1: Partners' Alignment and Use of Country-Led Results Frameworks

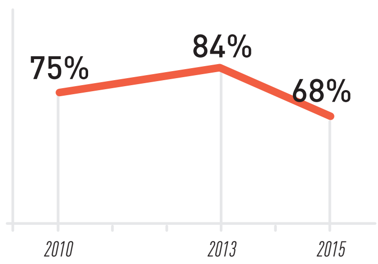
The share of new development partner interventions that are aligned with government objectives and policies is 95%. The share of development partner results indicators aligned to government results indicators is 65%. The share of development partner indicators relying on sources of data provided by existing country-led monitoring systems is 62%. The share of new development partner interventions that plan a final evaluation supported by the government is 55%. Budgetary support to priority sectors enhanced the use of country-led results frameworks. National planning documents supported consultative monitoring and targeting processes with development partners.

Alignment in Objectives	95%
Alignment in Results	65%
Use of Government Data	62%
Joint Evaluations	55%

Indicator 6. Development Co-operation is on Budget (Subject to Parliamentary Scrutiny)

Sixty-eight percent of scheduled disbursements was recorded in the budget in 2015. It has been decreasing since 2010, even if remaining above average. This result is consistent with the trend of on-budget rather than off-budget development co-operation in Mozambique. General budgetary support, which is the main mechanism for delivery of official development finance in the country, has also encouraged the reduction of parallel implementation units.

Percentage on Budget



Indicators 9 and 10. Use of Country Systems

On average, only 35% of official development finance used country systems in 2015. The low use of country systems is a major concern. This coincides with the significant decrease in overall finance. Most support does not use country systems. Very few development partners channel funds through the country's systems, due to concerns of low government implementation capacity. Improving the capacity to effectively manage government functions and disburse public resources remains a challenge. Capacity-building in the public sector and retaining capable and well-trained staff are the most pressing challenges in the country and considerable efforts have been made through training to increase this capacity. However, the central government may not have the capacity to manage the large sums involved to oversee their effective utilization. Nevertheless, the level of untying slightly improved from 84% in 2013 to 89% in 2014.

	Budget (ideal: 100%)	Financial Reporting (ideal: 100%)	Auditing (ideal: 100%)	Procurement (ideal: 100%)	CPIA* (maximum: 6)	Untying (ideal: 100%)
INDICATOR 9B.	40%	28%	33%	41%		
INDICATORS 9A & 10.					4	89%

* Country Policy and Institutional Assessment

4. Inclusive Partnerships for Development

Indicators 2 and 3. Fostering Inclusive Partnerships for Development

Some institutionalized spaces for policy dialogue between government and CSOs have been established via observatories at national, provincial and district levels. However, the operationalization of these frameworks has to be strengthened through clearer inclusion of its recommendations in the planning, budgeting or policy design processes. Constraints in human and financial resources limit further the adherence of CSOs to capacity-building opportunities. Mechanisms ensure transparency and accountability in CSOs' operations. CSOs coordinate themselves and avoid duplication through autonomous mechanisms, such as the G20 CSOs' Platform. Coordination in programming is also done through grassroots service delivery monitoring platforms and wider CSO platforms at the district and provincial levels. Unfortunately, though Development Partners advocate for CSOs representation in dialogue forums, CSOs are hardly consulted by them on how funding should be allocated. However, follow-up of CSO recommendations in such forums has been limited. In spite of these challenges, the legal and regulatory environment for CSOs' formation, registration and operation is generally considered to be favourable. As for the private sector, the Association of Small and Medium Enterprises and the Mozambican Confederation of Economic Associations are endeavouring to create regular dialogue within the government. At the same time, the government's awareness of the key role of the private sector in promoting development is high. As a result, programmes and mechanisms aimed at boosting the private sector's capacity are in great demand and portend well for the future.

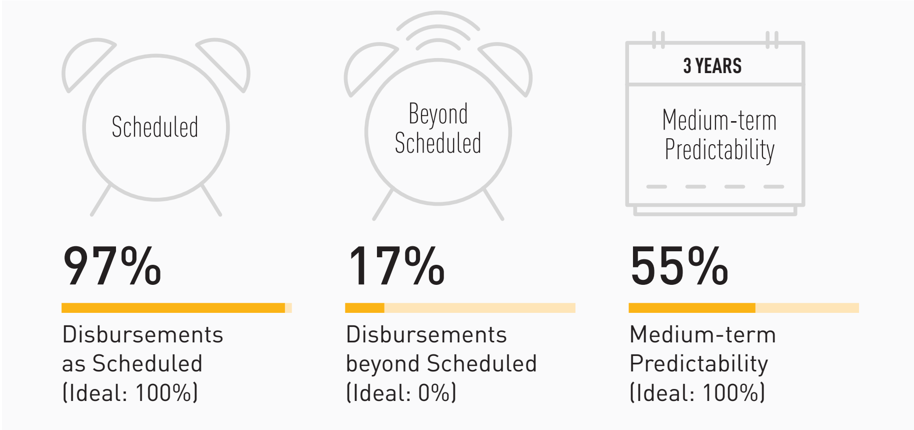
Indicator 8. Gender Empowerment

A system tracks allocations for gender equality and women's empowerment. However, allocations are not systematically tracked, as there is not sufficient leadership and oversight of the tracking system by the central government unit in charge of public expenditures. In addition, there is no publicly available information about the gender-equality-focused budget. However, gender-specific indicators and sex-disaggregated data inform budget allocation decisions at the sectoral and local levels.

5. Transparency and Accountability

Indicator 5. Development Co-operation is More Predictable

The 2015 data show increasing trends in the predictability of official development finance. Annual predictability is relatively high at 97% and above the 2013 value of 84%, quite a significant increase from the 70% achieved in 2005. Most finance are disbursed at 100% of what was scheduled. There is very limited discrepancy among development partners. Medium-term predictability stands at 55%. The fact that a significant proportion of total ODA to the government constitutes budget support improves predictability.



Indicator 7. Mutual Accountability

Mozambique's International Co-operation Policy complements its Implementation Strategy. It includes specific country-level targets for effective development co-operation. Assessment of these targets is undertaken jointly by the government and development partners. Not all development partners are part of the process, rather only those that provide general budget support. Development partners in the budget support group have developed an accountability framework dealing with fiduciary and substantive issues; the government has agreed to this and integrated it into its economic and social plan. The Poverty Observatory is another instrument of accountability that ensures that the views of civil society and the private sector are incorporated into government decision-making on poverty reduction. This has tightened reciprocal obligations among development partners, NGOs and the government.

National Priorities Going Forward

"The Government of Mozambique has identified four priority sectors for the next few years: agriculture, infrastructure, tourism and energy. In line with the SDGs, these priorities embody our underlying objectives of broadly improving the living standards by scaling up investment in infrastructure, diversifying the economy, creating jobs and promoting the sustainable use of natural resources. In order to achieve these goals, the Mozambican Government acknowledges the crucial role played by all development actors (including traditional and emerging development partners), but places utmost importance on increasing and broadening domestic resource mobilization as well as strengthening national systems, with particular emphasis on public financial management (PFM) systems. As a joint process, the Busan monitoring process has boosted domestic awareness about the shared nature of our development challenges, sparkling the much-needed momentum as we quick-start efforts to attain the 2030 targets. Forthcoming follow-up processes will help maintain this initial impulse, which we hope will be galvanized in Nairobi."

Isabel Maria Sumar, National Coordinator
Ministry of Economy and Finance Government of Mozambique