

Mozambique: Poverty Observatory and the Program Aid Partnership (PAP): Policy Dialogue, Civil Society Consultation, and Mutual Accountability of Donors and Government.

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- Mozambique's Poverty Observatory demonstrates that clear measuring of results can be obtained.
- The Poverty Observatory stimulates policy dialogue, civil society consultation and alignment of donors and the Government of Mozambique (GoM) around monitoring and evaluation (M&E).
- The Poverty Observatory not only constitutes the pillars for participation, but also strengthens the country's territorial axis in implementing its Poverty Reduction Strategy M &E system, as a tool to measure results and policy dialogue.
- All actors recognize that their participation is essential for increasing the efficiency and effectiveness of public policies oriented toward poverty reduction and for fostering national ownership of the poverty reduction strategy by democratizing the decision-making process. It provides the beneficiaries with a voice in public policy making.
- The Mozambique Poverty Observatory has demonstrated that country-level participatory M&E systems can be a success; and (ii) the goal of mutual accountability between donors and government is possible.

Introduction:

The Action Plan for the Reduction of Absolute Poverty (PRS), or “Plano de Acção para a Redução da Pobreza Absoluta (PARPA),” for 2006-09, Mozambique's second PRS, outlines a strategy to achieve the country's development goals in line with the Millennium Development Goals (MDGs) and with the broad objectives of Mozambique's Agenda 2025. PARPA II is intended to reduce the incidence of poverty from 54 percent to 45 percent

by 2009. It updates the PARPA I for 2001-05. Revised medium-term strategies in some sectors, including the Education Sector Strategic Program for 2005-09, the National HIV/AIDS Strategy for 2005-09, and the Strategic Plan for the Health Sector for 2005-10, all fed into the PARPA II and the Five-Year Government Program for 2005-09.

The Government of Mozambique (GoM) has applied this concept in its relationships with both civil society and donors and has thereby been able to be more effective and efficient in formulating and implementing its national policies, specifically in linking the country's macro-framework with the sectoral policies. The GoM has linked planning and monitoring with the budget and created effective mechanisms for participatory poverty monitoring and aid coordination. This is a substantial step forward in managing for results compared to the old system, in which there was a gap between macro and sectoral policies, no transparent links with the budgets, insufficient civil society participation, and a lack of coordination and harmonization with and among donors.

In the sequence of building an inclusive PARPA M&E system and after studying the experience of other countries, some civil society organizations requested the constitution of a Poverty Observatory (PO) with the objective of facilitating the interaction between the civil society and the Government in the decision-making process regarding poverty reduction activities. The GoM responded positively to the request and, in 2003, created a National Poverty Observatory as a consultative forum for discussion of poverty reduction issues, which includes Government representatives and civil society and international partners. Thus, while the initial impetus of developing a PO came from civil society, the Government actually decided to create this mechanism. This decision has led to a fruitful dialogue and a set of harmonized actions since 2003.

Application:

The Poverty Observatory is organized around the following principles: (i) mutual transparency, (ii) reciprocal accountability, and (iii) democratic dialogue. It is important to emphasize that Poverty Observatory deliberations are taken into account in policy-making and planning at provincial and national levels. This is crucial in a country that is geographically large like Mozambique.

The objective of the Poverty Observatory is to accompany and coordinate the process of monitoring and evaluation of all activities intended for poverty reduction based on national and provincial strategic plans, including reports coming from civil society. These forums meet at least twice a year during the planning cycle. The selection of the civil society representatives is carried out by the civil society itself in coordination with the Government, and the following institutions are consulted: religious institutions, workers' unions, private sector associations (trade association, industry association); NGO networks, scientific associations, and universities.

In order to guarantee the effective participation of all citizens from different country levels in the M&E system, in 2004, the provincial governments promoted the establishment of the Provincial Poverty Observatory (PPO). This exercise was a considerable achievement in participatory poverty monitoring. The Poverty Observatory, as an ongoing mechanism for participatory policy dialogue, is continuing to gain strength. For example, significant development information, in both Portuguese and English, is increasingly made available on the Poverty Observatory website (www.op.gov.mz).

In order to obtain clearer measures of results, two key components were incorporated into the PARPA M&E system: (i) the strengthening of the linkages among the planning, budgeting and monitoring instruments, and (ii) a better alignment with the planning cycle at all levels of the Government and the international

community. To achieve this goal, a Program Aid Partnership (PAP) was established in April 2004 between the Government and the group of budget support donors through a Memorandum of Understanding (MoU), which set out the principles, terms and operations for the partnership. There are currently 18 members, and the group is known as the G-18 or PAPs. The MoU clarifies the Government's performance and reporting commitments, as well as those of the PAPs. While the GoM is accountable based on the terms of its Performance Assessment Framework (PAF), the PAPs have also agreed to a number of specific commitments. These obligations are an effort to effectively implement the concerns of the Paris Declaration at the country level and to provide a well-structured mechanism of dialogue and alignment between partners on poverty reduction.

The overall objective of the Program Aid Partnership is to contribute to poverty reduction in all its dimensions by supporting the evolution and implementation of Plano da Acção para a Redução da Pobreza Absoluta (PARPA). The PAP does this in the following ways:

- It builds a partnership based on frank and open dialogue on the content and progress of Mozambique's poverty reduction strategy as set out in the PARPA and operationalized through the Medium Term Fiscal Framework (Cenário Fiscal de Médio Prazo - CFMP), the Economic and Social Plan (Plano Económico e Social - PES), which includes priority indicators and targets as defined in the PAF, and the State Budget (Orçamento do Estado - OE).
- It provides financing to the public sector for poverty reduction that is clearly and transparently linked to performance. It improves aid effectiveness and country ownership of the development process; reduces transaction costs; allows allocative efficiency in public spending and predictability of aid flows; increases the effectiveness of the state and public

administration; improves monitoring and evaluation (M&E); and strengthens domestic accountability.

Monitoring and dialogue processes follow an annual review process aligned with the Government of Mozambique's planning, budgeting and monitoring cycle. Monitoring and dialogue processes use several types of documents:

- Planning documents including the PARPA, PES, CFMP and OE;
- Monitoring documents including the Review of PES (mid-year), Budget Execution Reports, the General State Account and annual audit reports (including the Administrative Tribunal Report), a Value for Money audit, and a report on PFM assessment.

There are two joint GoM-PAP reviews on program aid: the annual review (following the production of the review of the PES) and a mid-year review (prior to submission of the PES and OE to the Parliament).

The annual review is focused on coming to a joint view on performance, which serves as the basis for commitments. The mid-year review focuses the dialogue on forward planning and budgeting and agreement on the PAF. The joint view on performance may include divergent opinions if acceptable to all signatories. In the exceptional case in which a joint view cannot be reached, following increasingly higher-level dialogue, views will be reported separately. In addition, PAPs have elaborated terms of reference, which define the organization structure and responsibilities at different levels in order to effectively support the Government's poverty reduction strategy. As well as evaluating the Government's performance through a focus on the PAF, the Joint Review of the Budget Support Program also involves an independent review of the performance of the PAPs as measured against the indicators in the PAF matrix.

Problem Solving: Tackling Issues at the Policy Level

The Poverty Observatory facilitates a regular dialogue between the GoM and stakeholders on development objectives and poverty issues. For example, in 2004, civil society organizations decided to elaborate an Annual Poverty Report (RAP) and proceeded to present it for discussion at the National Poverty Observatory. The RAP had four primary objectives: to identify the evolution of the people's perception of poverty; to evaluate the impact of the PARPA closer to the communities; to verify the growth and distribution of national wealth; and to establish an open dialogue about the causes of poverty in Mozambique and identify ways to overcome it.

Regarding the question of ownership and the Government's leadership in the preparation of PARPA II, 22 working groups were created and included the participation of the Government, civil society and international partners. Such groups worked throughout the year to produce sector reports for the PARPA and inputs for the joint and mid-year reviews. Two POs were held at the national level to present and discuss preliminary versions of the document. In order to capture the viewpoint of the provinces in relation to PARPA II, nine PPOs were organised. PARPA II and its strategic M&E indicators were finalized and agreed upon in June 2006. This process turned out to be impressively consultative. The use of the PO in the process of PARPA review as a channel to create a healthy environment for policy dialogue once more demonstrated the importance of this type of forum.

The discussion on the design of the most robust M&E indicators for monitoring the effectiveness of development assistance has entered a new era with the new PARPA. The PARPA II has a strategic matrix, and the PAF indicators used by the donors to assess GoM performance is a subset of this strategic matrix and

does not create any imposition on the Government by donors.¹ This represents a fundamental step forward in terms of priority setting, monitoring of results, and alignment of donors to the Government's policy choices.

Performance against core MoU commitments has become stronger than performance against broader aid effectiveness commitments. The improvements are particularly accentuated in the areas of alignment and harmonization, although PAPs are urged to improve in-year predictability of disbursements.

Results:

To date, besides the creation of the first national level poverty observatory, nine Provincial Poverty Observatories (PPOs) have also been created. The Government's target is to increase this number to eleven in 2007 and to stay at that level for a few years to consolidate the experience. The increase in the number of PPOs is an output indicator. However, in the critical area of governance and public sector reform, the PAF includes specific outcome indicators that measure the building of a unified personnel system, the efficiency of the courts, the expansion of the decentralization outreach (increasing the number of participating municipalities), and the extension of the "proportional targets" for direct execution of the budget through the e-SISTAFE (electronic budget management system). In the area of procurement, outcome indicators include targets to make the Government's goods and services acquisition system more transparent and efficient.

From these achievements, it is clear that a country-level participatory M&E system is indeed emerging. The Poverty Observatory not only constitutes the pillars for participation, but

¹ In order to facilitate the achievement of the targets of the PARPA, the Government has challenged the donors to implement the Paris Declaration by decentralizing authority to the local missions and by respecting the defined targets: 85 percent of external aid must be included in the general budget (no more than 15 percent off-budget); and 70 percent of aid must be available on time.

also strengthens the territorial axis in the implementation of the M&E system of the PARPA as a tool to measure results and policy dialogue. All actors recognize that their participation is essential for increasing the efficiency and effectiveness of public policies oriented toward poverty reduction and for fostering national ownership of the poverty reduction strategy by democratizing the decision-making process. The need for participation in planning and in monitoring and evaluation increases proportionately as one moves down the administrative-political hierarchy. Since the problems arise at the local level, the effectiveness of political intervention needs to be recognized and monitored jointly with the beneficiary population (civil society), international partners and the Government.

Currently, donor financing that relies on country systems and the coordination between international partners and the Government is becoming more widely applied in Mozambique. The system of direct support to the State Budget through PAPs has improved the quality and ownership of foreign aid according to the Paris Declaration principles. In Mozambique, budget support accounts for 30 percent of total development assistance. In 2005-2006, PAP members have provided approximately thirty percent of their assistance through the regular budget, thus relying on country systems. The PAF monitoring process relies mainly on line ministries and decentralized government-level M&E systems to track progress on the implementation of PARPA. Efforts are being made to strengthen these systems.

Conclusion:

The Government believes that a frank and open dialogue between all the actors engaged in the fight against poverty is crucial to achieve satisfactory development results and strengthen the country's young democracy. The PO as a consultative forum plays this role at all levels and gives an opportunity to civil society stakeholders to influence the course of policy implementation; in

other words, the PO gives the beneficiaries a voice in public policy. Similarly, the Government and the international partners must use these occasions to learn from and revise their performance regarding anti-poverty activities.

Providing financing to the public sector for poverty reduction that is clearly and transparently linked to performance measures is a crucial part of improving aid effectiveness and country ownership of the development process. The key lesson is that a country-level participatory M&E system can emerge successfully. The Government believes that Budget Support is the best aid modality to sustain a wide reaching poverty reduction plan in a democratic, economically stable country like Mozambique.

In the long term, Mozambique wishes to reduce aid dependency and increase internal resources through sustained, broad-based economic growth and improved tax collection. It is recognized that for some time to come, the country will need aid to support its poverty reduction strategy. It is therefore important that the donor financing mechanisms rely on the country systems, rather than undermining them, in order to ensure maximum effectiveness. Accuracy of the data at district level and the need for local policymakers to understand the dynamics of poverty are some issues that still need to be tackled.