Research Project: Towards a Post 2015 Agenda

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Background

As the world prepares for the final review of the achievement of the millennium development goals in 2015, assessing how the global partnership has facilitated the achievement or lack of achievement of the MDGs will be crucial. RoA Africa would like to focus specifically on the quality and quantity of financing for development and how these elements of development co-operation have adjusted to the demands of the financing needs of the MDGs. While aid has remained an important ingredient in financing MDGs in countries such as Mozambique, the role of domestic resources in financing the MDG goals have remained critical in countries such as Zimbabwe. A clear understanding of how countries can learn from the utilisation of these instruments of financing for globally defined goals have the potential of directing the debates in the post 2015 agenda. It is with this in mind that RoA Africa proposes to carry out two country research on the implications of aid and domestic resource financing on post 2015 agenda, lessons and proposals in Mozambique and Zimbabwe respectively. The studies will be used to develop policy alternatives towards the post 2015 agenda.

The focus is that post-2015 development agenda must be a transformative agenda that addresses the root causes as well as symptoms of poverty, inequality, social exclusion, injustice and environmental degradation. This project will also provide space and forum for citizens in Mozambique and Zimbabwe to articulate their demands and priorities for sustainable development as opposed to the current approach adopted for the review of MDGs in order to develop post 2015 agenda. We will work with our partner networks (Mozambique Debt Group)

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in Mozambique and Zimbabwe Coalition on Debt and Development (ZIMCODD) to create alternative citizen fora for citizen mobilisation and engagement in the post 2015 agenda. At the International level, RoA Africa will work with the likeminded networks to develop and propose a binding framework for development co-operation with clear obligations on the part of governments and the private sector, with monitoring and accountability system based on human rights norms and procedures.

Millennium Development Goals are not being achieved in the world's poorest countries, yet only one year remains until the target date. Challenges to coordinating aid delivery and domestic resources to the most needy, hinder achievement of the Goals in countries that may benefit most. Traditional approaches to providing development assistance for MDGs have not been able to address both prevalent and emergent development challenges captured in the Goals; these challenges demand sustained forms of financial redistribution through a coordinated mechanism.

Country Focus: Zimbabwe

The undermined reform efforts since 1996, combined with the negative impacts of recurring droughts and floods, international isolation, and the HIV AND AIDS epidemic, gave rise to severe macroeconomic difficulties in Zimbabwe. These difficulties were characterized by the following; hyper-inflation of over 400%, low foreign exchange reserves, a build-up in external arrears, and a decline in investment, resulting in a real GDP contraction of around 30% cumulative since 1999. The country even became ineligible for financial assistance from the IMF and the World Bank because of the arrears situation. As part of continuing efforts to redress past inequalities, the government embarked on general asset redistribution (land redistribution, ability of public to own shares on the stock exchange, etc.) as one approach to addressing structural imbalances in the economy, so as to reduce poverty and inequality. The challenge is to consolidate the land reform programme into a sustainable agrarian reform programme. This would help the country cope with recurring humanitarian challenges.

Therefore, at the time of setting the 2015 MDG targets for Zimbabwe, the country was no doubt confronting a complex set of development challenges which needed and still need to be addressed in the context of a long-term broad-based macroeconomic growth and development strategy for poverty reduction. Zimbabwe's development context clearly shows that the Millennium Development Goals (MDGs) are interrelated, such that the achievement or non-achievement of certain goal(s) will impact on the others. Even though there is an analysis of individual goals, the inter linkages should always be kept in mind. Zimbabwe's priority MDG goals are Goal 1 on Eradicating extreme poverty and hunger, Goal six on Combating HIV AND AIDS and Goal 3 on Gender Equality and Empowerment of Women, reason being that the non-attainment of these three goals would undermine achievement of the rest of the MDG goals.

Zimbabwe's revenues mainly come from tax revenues, accounting for nearly 95% of total revenue. In the last 3 years, the revenue to GDP ratio has averaged around 28%. It is envisaged that this is likely to continue in the future. If high positive GDP growth rates can be achieved with appropriate macroeconomic policies and sector revival measures, then revenue generation can be enhanced. These revenues will form a significant part of the financing required for attaining the 2015 MDG targets.

Hard to miss however, is that Zimbabwe is facing serious socio-economic and development challenges. These have been compounded by general international isolation and a changing political landscape. Rekindling relations with the international community is important in addressing the issues of finance, trade, investment debt and aid flows, which are critical for economic revival. Regarding finance and investment, in the last five years, Zimbabwe has witnessed dramatic drops in the flows of both Official Development Assistance (ODA) and Foreign Direct Investment (FDI). For example, ODA flows declined sharply by 67% from a peak of US$400.31 million in 1995 to just US$132.98 million in 2001, while Net FDI experienced a

95% decline from about US$98 million in 1995 to US$ 5 million in 2001. Moreover, gross capital formation (total investment) declined significantly from 24.9% of GDP in 1995 to just 8.8% of GDP in 2002. Much of the decline in capital formation is attributable to the sharp fall in private investments, which fell from 18.8% of GDP to 5.3% of GDP between 1995 and 2002, as compared with public sector investment, which experienced a lesser drop from 6.2% of GDP in 1995 to 3.5% of GDP in 2002. (Zimbabwe MDG, 2004 progress report)

The decline in public investment can be explained by recurring drought and floods in the region, which diverted resources towards drought relief, while the sharp decline in private investment is linked to the unstable domestic macroeconomic environment. Capital formation has declined as a result of the depreciation of the local currency, which has resulted in resources being channeled largely to consumption spending rather than investments. Furthermore, the negative perceptions by international community on issues of political and economic governance have dented he country's image. Confidence in the economy is at its lowest ebb as a result, adversely affecting private investment and tourism.

Due to this, it was perceived that the major issues to address in the medium to short-term would be to design and implement a broad-based, pro-poor macroeconomic policy framework that would guide the economy towards full recovery and lay the foundations for macroeconomic stability, sustained economic growth and development for poverty reduction. A precondition set for this was that Zimbabwe takes the necessary steps to clear pending arrears, especially the amounts owed to multilateral creditors. Followed by good macroeconomic performance, Zimbabwe can enter into negotiations with other creditors with the view to obtaining further debt relief. Once these initiatives have been completed, Zimbabwe can place itself in a credible position to borrow in the future, but ensuring that the debt situation is always within the sustainable limit. This will require the authorities to formulate and implement sustainable external borrowing policies. The Government is evidently committed to meeting its millennium development goals, first and foremost, from its own resources. However, should international relations improve; external inflow of resources (grants and external borrowing) will go a long way to soften pressures on domestic resources.

More recent reports show that the periods before and after these elections were affected by political polarization and inter-party conflict, which resulted in political instability and a deep economic crisis characterized by hyper-inflation and a cumulative GDP decline of 50.3% by 2008.This situation led to significant capital and skills flight and erosion of public financing, thus, severely affecting the country's capacity to deliver basic social services and to achieve the Millennium Development Goals (MDGs). It also severely weakened national governance and accountability institutions and reduced the country's capacity for effective economic planning and implementation.

As a result of the political impasse that occurred after the 2008 elections, the three main political parties in the country (ZANU-PF, MDC-T and MDC-M), signed a Global Political Agreement (GPA) that resulted in the formation of an Inclusive Government in February 2009. This marked the beginning of a relatively stable political environment which allowed for the stabilization of the economy. Zimbabwe achieved a real GDP growth rate of 5.7% in 2009 and a projected GDP growth rate of 8.1% in 2010. Some good progress has also been observed in the delivery of social services. For example, Zimbabwe was able to make significant progress on a number of MDGs such as MDG 6 on combating HIV and AIDS, malaria and other deceases, and MDG 2on achieving universal primary education. The primary school net enrolment ratio (NER) was 91% in 2009 with the girls' ratio going up to 50,5%. Although the NER is still high, it is worth noting that the ratio has declined from 98.5% in 2002. The country is also on course to achieving gender parity in primary and secondary education.

Despite these achievements, the economic recovery remains fragile due mainly to political challenges, deteriorated social and economic infrastructure and very low ODA. With these economic challenges, coupled with the fragility of the political situation, Zimbabwe is not likely to meet most of the MDG targets by 2015.According to the 2010 MDG Status Report, the population living below the poverty line stood at 72% with female headed household accounting for 68% in 2003. Moreover, the rise in poverty levels has resulted in serious environmental challenges such as deforestation and land degradation. The extent of the challenge is evident from the fact that out of the 3 MDGs that have been prioritized by Zimbabwe (Goal 1, Goal 3 and Goal 6), only Goal 6 on combating HIV and AIDS and Malaria shows a positive trend with the HIV prevalence rate declining from 23.7% in 2001 to 14% in 2009 with the female rate dropping from 7.61% to 6.7%. Despite this trend, the still high prevalence rate remains a major threat to the country's recovery efforts.

The Government has stated explicitly its desire to move the country from a humanitarian mode to recovery and development. The achievement of the MDGs will, however, depend on the strength of economic recovery, the country's ability to generate revenues and progress towards long-term political stability.

According to the Country programme document for Zimbabwe (2012-2015), informed by UNDAF, strengthening the capacities of institutions responsible for MDG coordination and acceleration efforts, economic management and evidence-based policy formulation and implementation, including assisting the Government's aid coordination policy; restoration of community livelihoods and increase access to income generation opportunities especially for youths and women; management of land, natural resources and climate change, hence contributing to food security; supporting the fight against HIV and AIDS, all these areas will contribute to the acceleration of MDG achievement and economic recovery in Zimbabwe.

It is worth mentioning that Zimbabwe remains committed to working towards meeting its 2015 MDG targets, irrespective of the current state of inaccessibility to external resources (grants and Loans).

MOZAMBIQUE

Mozambique is one of the countries that continue to be dependent on external aid. This support made a 50% contribution to the State Budget over the last 10 years, but the actual dependence on support as a percentage GDP has reduced by 13.7% over the last few years. The Government has managed to achieve important improvements through better revenue collection, the introduction of better Public Finance Management and the subsequent implementation of an integrated system of Public Finance Management (e-SISTAFE), and action taken against corruption, despite the fact that the resources generated by the Government to finance the MDGs in the medium term continue to be insufficient to the order of approximately $750 million per year. Data shows an increase in the total support to development of about 6% from 2005 to 2006, and 9% from 2006 to 2007. Notwithstanding the existing constraints, it is still difficult to obtain exact details on proportion of total support to development addressed to basic services.

PARPA defines a target of 65% of annual expenditure from the State Budget allocated to the agricultural sector, rural development infrastructures (Roads, Water and Sanitation), governance and other priority sectors, and more specifically, a target of 50% of state expenditure allocated to the health and education sectors. In this context, the investment and recurrent budgets for the priority sectors, in the context of PARPA and the MDGs for 2005, 2006 and 2007, amounted to 27.431, 30,353 and 41,011 million Meticais respectively which represents 68%, 65% and 62% of the total budgeted resources for each year excluding debt charges.

Budget allocation of resources to priority sectors under PARPA (including the MDGs) has been experiencing a tendency to increase averaging 64.2% of the aggregate budgeting expenditure within the three years 2005-2007 (excluding debt charges). In terms of annual budget amounts, the expenditure actually disbursed ranges between 24.081, 28.078 and 34.188 million meticais respectively, which represents 67.5%, 64.6% and 61.7% of the estimated aggregate annual expenditure (excluding debt charges).

Over the same period the proportion of expenditure allocated to education (20.8%), health (13.5%), infrastructure (16.4%) totaling 50.7%, exceed the target for the MDGs and indicates the Government's commitment to these 3 vital areas in terms of poverty reduction. However:

- Of the total amount of 24.081 million meticais allocated to the three priority sectors in PARPA for 2005, they actually absorbed 18.891 million meticais, or 78%;
- In 2006, of the total amount of 28.078 million meticais allocated to the 3 PARPA priority sectors, 22.143 million meticais, was absorbed which represents 79%; and
- In 2007, of the total amount of 34.188 million meticais allocated to the PARPA priority sectors, 27.181 million meticais, was absorbed which represents 80%;

Over the years, a significant increase on resource allocation has been benefiting the three vital sectors to help improve the main indicators of social welfare and eradication of absolute poverty in the context of the MDGs.

According to the 2008 Mozambique report on MDGs, Mozambique has continued to record significant progress over the last five years. Special reference is made to economic growth, exemplary in the region, inflation contained to one digit, improvements in access to education, reductions in infant mortality rates and improvements to the business environment amongst others. The incidence of adverse natural phenomena (the combined impact of floods, droughts, and cyclones) linked to international price rises in oil and foodstuffs, the HIV/AIDS pandemic, malaria and other diseases have often challenged its efforts and successes in achieving the MDGs.

The population of Mozambique was 22.4 million in 2010, according to the National Institute of Statistics. Seventy per cent of the population lives in rural areas. Poverty levels are unchanged since 2003, at approximately 54 per cent, as measured by the Third Poverty Assessment in 2008. Economic growth in the period 2005-2009 was 7.5 per cent average per year. This growth has not been equitable, and economic and social disparities have increased. Natural disasters and disease, low agricultural productivity and population growth at 2.8 per cent have contributed to the persistence of poverty. Mozambique has a young population: More than 50 per cent of the population was less than 18 years old in 2008.

While Mozambique is on track to meet a number of the targets for some of the MDGs (Including percentage of underweight children under 5 and ratio of boys to girls in primary school), the country is unlikely to meet all the targets for any MDG. This is mainly because the majority of the population depends on subsistence farming, and employment in the formal sector is vanishingly small at just over half a million in a workforce of 8 million.

Women experience lower social and economic status, higher illiteracy rates and poorer health than men, especially in rural areas, and gender-based violence is widespread. Gender parity in political representation is improving; however, as illustrated by the fact that 39 per cent of the members of Parliament are women. The HIV epidemic is still expanding, although at a slower pace. The first national survey on HIV/AIDS in 2010 put prevalence at 11.5 per cent. There is significant geographical variation and disparities by sex and age. For women the prevalence rate is 13.1 per cent. Young women in Mozambique are four times more likely to be HIV positive than young men. Women also bear the main care burden associated with HIV/AIDS. In addition, environmental management, climate change and disaster risk reduction (DRR) present emerging developmental challenges, and land mines present a serious security threat.

Important to note is that Mozambique is a pilot country for DaO, a proposed programme of the United Nations Development Assistance Framework (UNDAF) 2012-2015, which was developed with the Government of Mozambique in dialogue with civil society and development partners and in conjunction with the national poverty reduction strategy (PARP in the Portuguese acronym). The overall aim of the UNDAF is achieving the MDGs, in alignment with United Nations conventions. For the first time, 21 United Nations organizations developed an UNDAF action plan to jointly contribute to a set of common outcomes, replacing organizations' individual action plans (such as country programme action plans). These commonly defined outcomes form a basis for the UNDP country programme and structure the results and resources framework. The overall goal is reduced poverty and disparities to improve the lives of the most disadvantaged people in Mozambique. To achieve this, outcomes are formulated in three focus areas in which the United Nations has a comparative advantage: the economic area, the social area, and governance. In line with its mandate, UNDP will contribute to six of the eight UNDAF outcomes in the economic and governance focus areas, complementing the contributions of other organizations.(Country programme document for Mozambique, 2012-2015).

Despite all the challenges, Mozambique continues to be committed to achieving the MDGs. These challenges require concerted and continuous effort by the Government and by all its development partners to have improved MDG-based development planning and policy management, and a clear a strategy for financing the goals, which include: national budget restructuring, strategy for economic growth development, productive asset redistribution, and enhanced global partnership in the coming years. It is only through uniting efforts that the country can achieve the future that it has planned led by Mozambicans – a better future in which Mozambicans free themselves from all forms of poverty.