**REPORT ON MILLENNIUM DEVELOPMENT GOALS AND AID EFFECTIVENESS**

Commissioned by Reality of Aid Africa

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**List of Acronyms**

MDGs – Millennium Development Goals

UN – United Nations

UNDP – United Nations Development Program

RoA – Reality of Aid Africa

CSO – Civil Society Organizations

PARPA – Plano de Acção para a Redução da Pobreza Absoluta

PARP – Plano Nacional de Redução da Pobreza

MTEF – Medium Term Expenditure Framework

G20 – CSO Platform for the Reduction of Poverty in Mozambique

OGE – Orçamento Geral do Estado

PES – Plano Económico e Social

BdPES – Balanço do PES

MPs – Members of the Parliament

NAC – Needs Assessment and Costing

PAP – Program Aid Partnership

GDP – Gross Domestic Product

**Executive Summary**

The present report aims to evaluate the extent to which development aid contributed to or constrained the achievement of the Millennium Development Goals in Mozambique.

The MDGs were set as a global partnership to eradicate poverty and promote sustainable development by 2015. This required the involvement of different stakeholders from developing countries and development partners.

This global partnership for development has been intertwined with the aid effectiveness agenda that seeks to ensure that aid is delivered and used in the best way possible to reduce poverty and promote sustainable development.

Mozambique is an example of the best examples of donors’ coordination to support development initiatives. It also has a notable experience of multi-stakeholder dialogue for the definition of development priorities and monitoring of poverty reduction efforts and aid effectiveness.

Direct budget support and sector funds have been used by development partners to support the Mozambican development agenda. From 2005 to 2012 more than 11.0 billion dollars have been channeled to government budget for direct budget support and sector programs, most of which are part of the MDGs.

The importance of donor funding can be seen in two ways: 1) the provision of resources to fund development programs and 2) the creation of a dialogue platform between the government, donors and CSOs created by the institutionalization of the Program Aid Partnership.

This dialogue facilitated the implementation of the aid effectiveness principles through the alignment of resources to national priorities, use of national systems, donor harmonization, improved management of public funds and governance.

Both the resource allocation and the dialogue mechanism contributed to the implementation of the MDGs. Different actors play different roles with the government taking the lead, the UN agencies supported capacity development for the dissemination and costing of the MDGs, CSOs implemented activities and advocated for the achievement of the MDGs and development partners provided part of the needed resources.

Mozambique made progress in some MDGs areas such as education, gender, infant health and development cooperation. Challenges remain in improving the quality of education, reducing child malnutrition, improving sanitation, increasing incomes and reducing poverty levels that affect more than half of the population.

Challenges were also faced in the overall management of aid, due to the existence of donors who are reluctant to use government systems and to harmonize procedures, lack of predictability of their disbursements.

The increase of internal resources and the discovery of natural resources will create room for the expansion of public expenditure to meet MDGs and support the Post 2015 development agenda.

Mozambique will have to build on its experience on aid effectiveness multi-stakeholder dialogue to define development strategies that are inclusive and promote sustainable growth.

The definition of the Post 2015 Agenda offers an opportunity to reflect on what worked and what should be changed to ensure that every Mozambican enjoy a decent living. It’s up to us to make a difference in the lives of people.

**1. Introduction**

**1.1. MDGs and Aid Effectiveness**

The Millennium Declaration approved by Heads of States at the Millennium Summit in the year 2000 focused on the need to join efforts to end poverty and increase development results and outcomes in the world. It was agreed that development cooperation would play a catalytic role in mobilizing political will and needed resources from all stakeholders to combat poverty.

Along these lines, the Millennium Development Goals (MDGs) were created to materialize the Summit’s decision through the definition of 8 goals, 21 objectives and 60 indicators to be achieved by 2015, geared towards poverty reduction and promotion of sustainable human and environmental development.

In 2005, following the very generous promises of increased debt cancellation and massive increases in development aid for up-scaling to reach the MDGs made at the MDGs+ 5 World Summit, the UN Secretary General asked governments to elaborate national development plans and strategies to achieve the MDGs with the support of UN Country Teams. In addition, the UN Millennium Project Report, Investing in Development: A Practical Action to Achieve the Millennium Development Goals (2005) strongly recommended the design of MDG-based plans with appropriate input from the MDG Needs Assessment and MDG costing. The latter was in particular needed as an indicator of sectors where increased resource inflows could be deployed, and the requisite costs ensured. (Note on MDGs Agenda in Mozambique, 2005).

At the same time, aid effectiveness agenda was gaining momentum. Several meetings were being held in different parts of the world to ensure that governments and donors would take measures to realize aid’s potential in contributing to poverty eradication. The Monterey Consensus emphasized the need for increased resources from both the private sector and government to achieve the MDGs and the need to implement pro-poor policies through the allocation of financial resources to areas related to MDGs.

The Paris Declaration signed in 2005 by world leaders was an instrument through which donors promised to deliver aid in harmonized and coordinated way, aligning it to national priorities, whereas recipient governments committed to improve governance and use resources in the most effective way.

The Paris Declaration was a time bound commitment with targets and indicators to be realized by 2010. The implementation of the Paris Declaration was based in five principles namely:

1. Ownership of development priorities by developing countries
2. Alignment of resources to national priorities
3. Harmonization of procedures among donors
4. Managing for results
5. Mutual Accountability

The Paris Declaration principles were revisited in Accra in 2008, resulting in the approval of the Accra Agenda for Action that incorporated development effectiveness, human rights, decent work and environmental sustainability concepts in the development discourse.

The Fourth High Level Forum on Aid Effectiveness held in Busan in 2011 provided a platform to focus on development results and enabled other stakeholders such as Members of the Parliament and Private Sector to join the discussion on how aid should contribute to development and the respect of human rights.

Both the global partnership for effective development and the MDGs global partnership are intended to ensure that poor people enjoy better lives, free from hunger, disease and illiteracy.

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 is crucial. RoA Africa intends 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.

Mozambique has been able to attract a substantial amount of aid to fund its development agenda. This funding has contributed greatly to financing the MDGs embodied in the main development programmes.

It is within this framework that RoA Africa seeks to analyze the Mozambican experience to draw lessons that can contribute to the definition of the Post 2015 Development Agenda.

The formulation of this report was based mainly on literature review of critical documents and interviews and discussion groups with selected stakeholders such as government officials, civil society organizations and members of the public.

**1. 2. About Mozambique**

Map of Mozambique

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Mozambique is a country with a population estimated at 23.4 million inhabitants distributed over 11 provinces.

Mozambique gained its independence in 1975 and was ruled by a communist system until 1994 when it undertook its first democratic elections. Ever since, the country has held Presidential and Parliamentarian elections every five year, has conducted municipality elections regularly and has also elected representatives for the provincial assemblies in accordance with the prevailing legal framework.

Mozambique is one of the countries with a fast growing economy in the Sub Saharan region, with an average economic growth of 7% over the last decade. This rate of growth however, has not trickled down to produce lasting changes in the lives of the population. The 2012 UNDP report on Human Development showed that the country occupies 185th place of the 187 reviewed countries on human development indicators. (UNDP report 2012).

Poverty indicators also revealed that in 2003, 54.1% of the population lived below poverty line. With government estimates planned to reduce the level of poverty to 45% in 2009, the rate of poverty stood at 54.7% in 2009, showing that there was no progress in reducing poverty over a five year period.

The country is also vulnerable to climate shocks, with a cyclical occurrence of floods and droughts with consequent destruction of infrastructures such as roads, bridges and railways, health units, schools, as well as devastating effects in human lives and livelihoods.

Mozambique has attracted substantial foreign aid inflows to implement its development agenda. In 2008, 56% of the State Budget was funded by external resources. This figure dropped to 39% in 2012 and in 2014 it stands at 31%, due to government efforts to raise internal resources to finance its development agenda.

Several development partners have championed to provide Direct Budget Support, aligning their resources to government’s priorities, in line with Paris Declaration principles. There are however, some partners that still prefer to channel their resources to specific programs and projects, some of which are off budget, making it difficult to account for the resources in a comprehensive way and also requiring different accountability mechanisms.

The country has been an example of citizen participation in the formulation of development agenda. As a response to CSOs demands and the global appeal for citizen participation, the government created Development Observatories at provincial and central levels which are platforms composed by government officials, CSOs and donors aimed at evaluating progress on poverty reduction programs.

At district level, the government has institutionalized the establishment of District Consultative Councils, organs comprised of government officials and community members with the mandate to planning the development of the district and monitoring the implementation of programs and activities.

The Mozambican government has endorsed the Millennium Development Goals as a key cornerstone of its development strategy which focuses on poverty reduction and sustainable development. The alignment of MDGs to development strategies was first done in 2000 prior to making a realistic assessment of their attainment by 2015. However, national plans are being adjusted to the reality on the ground and financial capacity to implement them. The result of this research will contribute to systematize lessons learned and challenges faced by the country in implementing MDGs, given the country’s dependence on external funding.

**2. Alignment of MDGs to National Plans and Strategies**

MDGs are central to, and build on, national development frameworks, principally PARPA I (2001-2005) and PARPA II (2006-2009). The MDGs are also reflected in the Five-Year Plan (2005-2009) and the Economic and Social Plans (PES). The MDGs and their needs assessment and costing are also an important consideration in the national budgeting and the Medium Term Expenditure Framework (MTEF) processes. Individual sector strategies, which are increasingly consistent with PARPA, also generally reflect the MDGs. (A Note on MDGs in Mozambique).

The formulation of PARPA II in 2005 was highly inclusive of CSOs and partners. At central level, the government led the process of constructing a common vision of all stakeholders about the process for the elaboration of PARPA II. Working groups comprised of government, CSOs and development partner representatives were created to define strategies and facilitate discussions at all levels. Poverty/Development Observatories at all levels have been used to discuss the content of PARPA II at all stages, until its final approval at the national Development Observatory. These platforms are also used to evaluate progress and make recommendations for future actions.

CSOs members of the G20 (Platform of National CSOs working on Poverty Reduction Issues) organized meetings at provincial and national levels to define priorities and strategies to influence the formulation of PARPA II. As a result, they provided inputs in the whole process with positive outcomes.

The first big issue presented by CSOs for discussion was the definition of poverty. PARPA I defined poverty as the “incapacity of individuals to provide to themselves and their dependants a set of minimum conditions for their subsistence and well-being, according to societal norms”. This definition was challenged by CSOs on the grounds that it omitted the reasons behind people’s incapability for fulfilling their role as providers of well-being to their families.

Thus, PARPA II adopted the following definition for poverty: “Impossibility by incapacity, or by lack of opportunity of individuals, families and communities to have access to minimum conditions, according to societal basic norms (PARPA II).

Derived from this definition, government actions were supposed to be geared towards removing the obstacles that prevent people from having the minimum conditions for their well-being.

PARPA II defined three pillars comprised by aspects that tackle poverty and those that create the enabling environment for poverty reduction and sustainable development such as economic development, macro-economy stability, governance, etc. The three pillars of PARPA II dealt with the following aspects:

1. Economic Development – aimed at providing the necessary conditions for the realization of production and businesses through the creation of the enabling environment for business development, the stabilisation of macro-economic indicators, the promotion of employment, and the establishment of a mechanism for tax collection;
2. Governance – entails the promotion of good governance in all sectors and levels of public institutions, including the promotion of inclusive governance, law and order, provision of quality services to citizens, decentralisation, etc;
3. Human Capital – aimed to develop the capacities of individuals for the exercise of their rights. It comprises of actions in the areas of education, health, water and sanitation, housing. It also tackles issues such as HIV/AIDS, gender inequalities, environment, to name a few.

After the approval of PARPA II, the government embarked on an exercise to align this document with MDGs with the objective of ensuring that the latter are part and parcel of the national development agenda. As a result, the following matrix was produced:

**Alignment of the PARPA II and the MDGs**

|  |  |
| --- | --- |
| **Pilars of PARPA II** | **Millennium Development Goals** |
| **Macroeconomy and Poverty**   * *Macroeconomic growth and stability* * *Poverty analysis and monitoring systems* * *Management of public finances* | **Goal 1: Eradicate Extreme Poverty and Hunger**  ***Target 1****: Halve, between 1990 and 2015, the*  *proportion of people whose income is less than one dollar a day*  ***Target 2****: Halve, between 1990 and 2015, the*  *proportion of people who suffer from*  *hunger* |
| **Governance**   * Public sector reform * Decentralisation * Reform of legality and justice | **Goal 8: Develop a Global Partnership for Development**  *Target 12: continue to develop an open commercial, financial multilateral system, based in rules, predictable and non discriminatory, including the commitment related to good governance, development and poverty reduction, at national and international levels l* |
| **Econonomic Development**   * Finacial Sector * Private Sector * Agriculture and rural development * Infrastructures: roads, telecommunications, ports and railways * Infrastructures: energy | **Goal 1: Eradicate Extreme Poverty and Hunger**  ***Target 1****: Halve, between 1990 and 2015, the*  *proportion of people whose income is less than one dollar a day*  ***Target 2****: Halve, between 1990 and 2015, the*  *proportion of people who suffer from*  *hunger*  **Goal 8: Develop a Global Partnership for Development**  **Target 16:** In co-operation with developing  countries, develop and implement  strategies for decent and productive  work for youth  **Target 18:** In co-operation with the private sector,  make available the benefits of new  technologies, especially information and  communications |
| **Human Capital**   * Education * Health * Water and Sanitation | **Goal 2 : Ensure Universal Primary Education**  *Ensure that, by 2015, children*  *everywhere, boys and girls alike, will be*  *able to complete a full course of primary*  *schooling*  **Goal 4: Reduce Under Five Mortality**  **Target 5**: Reduce by two-thirds, between 1990 and  2015, the under-five mortality rate  **Goal 5: Improve Maternal Health**  **Target 6**: *Reduce by three-quarters, between 1990*  *and 2015, the maternal mortality ratio*  **Goal 6: Combat HIV/AIDS, Malaria and Other Diseases**  **Target 7**: *Have halted by 2015, and begun to*  *reverse, the spread of HIV/AIDS, malaria and*  *other major diseases* |
| **Cross Cutting Issues**   * HIV/AIDS * Gender * Environment * Science and Technology * Food Security and Nutrition * Reduction of the impact of natural disasters * Demining * Rural Development | **Target 4***: Eliminate gender disparity in primary and*  *secondary education preferably by 2005*  *and to all levels of education no later*  *than 2015*  **Goal 6: Combat HIV/AIDS, Malaria and Other Diseases**  **Target 7**: *Have halted by 2015, and begun to*  *reverse, the spread of HIV/AIDS, malaria and*  *other major diseases*  **Goal 7: Ensure Environmental Sustainability**  **Target 9**: *Integrate the principles of sustainable*  *development into country policies and*  *programmes and reverse the loss of*  *environmental resources*  **Target 10**: *Halve, by 2015, the proportion of people*  *without sustainable access to safe drinking water*  **Target 11**: *By 2020, to have achieved a significant*  *improvement in the lives of at least 100*  *million slum dwellers* |

Source: PARPA II

The implementation of PARPA actions is done through annual plans (Plano Economic e Social - PES), costed in the State Budget (OGE) and monitored annually during BdPES (Evaluation of the Annual Plan).

**3. Roles and Responsibilities for Implementing MDGs**

MDGs are a global partnership for development but the primary responsibility to work towards their achievement lies on developing countries. All development actors are called to take part in this process, including the poor themselves.

In Mozambique, the government was in the forefront of leading the process of integrating the MDGs in the national development agenda. To make the process participative, the government created working groups to define all the steps that led to the construction of a common vision regarding development processes in Mozambique. As mentioned in the previous chapters, PARPA formulation was a highly participatory process.

The implementation of national plans, in which MDGs are embedded, is the responsibility of the government. However, the majority of civil society organisations are working on issues related to MDGs such as water supply, education, health, environment, HIV/AIDS and gender, complementing government efforts towards the achievement of the MDGs. Other CSOs work on advocacy to influence policy change for the realization of human rights, especially those of vulnerable groups. These groups have also been strengthening the capacity of citizens to demand for the respect of their rights and mobilize them to actively participate in development processes.

Development partners have also given their contributions for the achievement of the MDGs through funding of development activities and processes. Over 2005 to 2012 period traditional development partners disbursed USD 11,114,999,356 to support development initiatives (Brochura sobre Eficácia da Ajuda, MPD, 2013.

The participation of Members of the Parliament (MPs) in the MDGs processes has been small. In few occasions they were trained by the UN mission in collaboration with the MPD to equip them with knowledge to oversee the implementation of MDGs and the design of the Post 2015 Agenda.

In addition, the MPs have been actively involved in Aid Effectiveness issues after the Accra High Level Forum. The Parliament Commission on Budget was included in the delegation to the 4th High Level Forum in Busan and have been engaging in the follow up activities, including their participation if the formulation of the National Plan on Aid Effectiveness.

The UN and UNDP missions in Mozambique gave a multifaceted support to the government for the implementation of the MDGs. Starting from 2004/5 the UN formed a committee on MDGs for the dissemination of information about MDGs in all provinces as a mean of localizing them and mobilising people for their engagement. Years later, Millennium Villages were implemented in some provinces to showcase the advantages of implementing MDGs in a comprehensive way.

Therefore, to differing degrees, all development actors have responsibilities for the achievements of the MDGs.

**4. Planning and Costing MDGs**

**4.1. PARPA II**

Planning process for MDGs was intertwined in the planning of the Government Five Year Plan, PARPA II and sectoral programs. Cost estimates for PARPA II were done through the Medium Term Expenditure Framework (MTEF), with its materialization by annual plans and budgets. Thus, procedurally the planning process of MDGs as embodied in PARPA, follows the figure below:



Source: Ministry of Planning and Development

The figure above shows the links between medium term programs and annual programs and budget. Based on PARPA objectives and sectoral plans, the government builds the MTEF which sets macroeconomic indicators to be observed in the formulation of the annual plan and budget. It is at this stage where upper limits on spending are set to comply with fiscal space requirements and avoid high inflation rates.

UNDP Mozambique supported the Mozambican government through training of government and other experts both at home and abroad on MDGs needs assessment and costing. As a continuation of the effort to capacitate sectors on MDGs interventions and costing through UN models, the UN and UNDP in particular have supported the Ministry of Planning and Development including, beefing up its capacity to conduct the MDGs Needs Assessment and Costing. Since then, a substantive effort has been made to get sectors involved in the MDG Needs Assessment and Costing.

In Mozambique, there have been partial attempts at costing. Some sectors have done needs assessments and costing (rural water), while others have costed sector plans aligned with MDGs (education). Sector plans, when existing, are the entry points for the MDGs needs assessment and costing using per unit costs (PARPA II).

The country has some sector strategies that are directly linked to MDGs areas such as FARE for the education sector, PROSAUDE for health sector, PROAGRI for agriculture sector, ASAS for water sector, PRISE for roads and also programs for HIV, Water and Sanitation and Social Affairs. All these strategies and programs are supported by development partners through Project funds and Sector funds.

Regarding the national policy framework and economic governance, the MTEF process has been linked to MDGs interventions and associated costs to specific allocations in the national budget. There has been an attempt to introduce MDGs expenditure projections derived from the MDGs Needs Assessment and Costing (NAC) and the MDGs financing strategy into the MTEF process (PARPA II).

It is important to emphasize that although CSOs or other forms of citizen representations have been involved in the planning process through their involvement in PARPA and sector exercises, they do not participate in the budgeting process. This activity is solely reserved to government officials at different levels and discussed with donors as the providers of resources. As per now, the budgeting process lacks the involvement of taxpayer representatives as they are equally contributors to the state budget.

**4.2. Medium Term Expenditure Framework**

The formulation of the MTEF takes into account the development of different factors that contribute to the country’s development such as the macroeconomic indicators, governance and the productive sector. Along these lines, the government defines targets that contribute to the creation of an enabling environment for the development of medium and small enterprises, the creation of employment, the stabilization of national currency and the control of inflation, given their impact on economic growth and poverty reduction.

For the period covering 2005 to 2009, the country observed average annual inflation rates varying from 6.4% in 2005 to 5.4% in 2009, with the highest levels of 9.5% and 8% reached in 2006 and 2007, respectively. The government decision was to maintain an inflation rate of one digit to ensure a stable purchasing power, especially for the vulnerable groups.

To achieve high levels of economic growth and reduced inflation, the government assumptions were the prevalence of peace and political stability at national and international levels, development of infrastructures, support for the development of medium and small enterprises, agriculture and rural development and counted on internal and external resources to support its program.

The resource envelop for the implementation of government objectives for the period 2005 to 2009 is presented as follows:

**Table 1: Resources Envelop, Constant Prices of 2006 (2005-2009, 2014)**

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(Million Meticais) **2005 2006 2007 2008 2009 2014**

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**1. Total Resources 41,503 52,881 56,641 59,066 61,635 75,717**

**State Revenues** (incl. privatizations) **24,057 27,017 29,510 32,633 35,842 50,578**

**External Resources 17,446 25,864 27,132 26,433 25,793 25,139**

**2. Net Internal Credit -524 -1,332 -802 -1.061 -1,049 0**

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**3. Resources Envelop** [= 1 + 2] **40,979 51,548 55,839 58,006 60,586 75,717**

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Source: PARPA II

The resources envelop for the period under consideration was funded by both internal and external resources, with internal resources showing an upward trend as a result of the creation of the Tax Authority in 2005, with the mandate to increase the base for tax collection and to implement other policies aimed at increasing domestic resources. In addition, external resources were expected to continue playing an important role in funding priority areas of MDGs. A substantial amount of external resources was expected to come from donations and a smaller part from credits. This reflected government policy to reduce/control its external debt through the contraction of concessional loans and prioritization of donations for its development agenda.

**4.3. PARP**

PARP is a medium term plan for the period 2011-2014 that aims to materialize the objectives of the Five-Year government plan 2010-2014. It is successor to PARPA II whose objective is to reduce poverty from 54.7% in 2009 to 42% in 2014.

Several evaluations made to PARPA II showed that some targets related to MDGs registered progress. The proportion of the population with access to schooling rose from 30.8 percent in 2002-3 to 37.3 percent in 2008-9. The percentage of illiterate women fell significantly between 2004 and 2008, from 54 percent to 40.8 percent. There was also progress in reducing the gender gap in basic education enrolment.

The percentage of the population with access to a health unit within 45 minutes’ travel by foot rose from 55 percent to 65 percent between 2002-3 and 2008-9, with greater gains in rural areas.

The infant/child mortality rate dropped from 245.3 deaths per 1000 live births in 1997 to 138 in 2008, and the infant mortality rate fell from 143.7 deaths per 1000 live births to 93 over that same interval. The maternal mortality rate declined from 692 to 500 deaths per 100,000 live births between 1997 and 2007 (PARP).

Despite this progress, challenges were faced in other indicators such as high levels of malnutrition, stunting, geographical disparities in access to basic services, low coverage on drinking water, increased vulnerability of women, children, the elderly and people living with disability and poor quality of education outcomes.

For the materialization of PARP, the pillars were organized differently from PARPA II to respond to emerging development challenges. Having in mind the definition of poverty adopted in PARPA II: “Impossibility by incapacity, or by lack of opportunity of individuals, families and communities to have access to minimum conditions, according to societal basic norms” and the fact that poverty levels did not change during the implementation of PARPA II (2003 to 2009), despite economic growth that averaged 7% per year. As a consequence, the government decided to organize its actions to tackle the factors that impede individuals or families to provide to their dependants. Some of these disenabling factors are unemployment and low productivity in agriculture, lack or difficult access to capital and land, to name a few.

Similar to PARPA II, the formulation of PARP was also an inclusive exercise including government officials, CSO, development partners, faith based organisations, the private sector, from the district, province and national levels.

Civil society organizations have been vocal in advocating for access to land by poor people, especially women, vocational training and employment for the youth, access to credit by small and medium entreprises and women and increased investment in agriculture, including subsistence farming.

As a result, the government defined the promotion of inclusive economic growth for poverty reduction as PARP main purpose and organised its actions around three pillars namely:

1. To increase output and productivity in the agriculture and fisheries sectors – as a means of improving food supply and strengthening the source of income of more that 80% of the population who derive their livelihood from agriculture;
2. To promote employment – through the creation of an enabling environment for the development of small and medium enterprises, the promotion of decent work and labour intensive industries;
3. To foster human and social development – through investment in human development such as education, health, water and sanitation, combat of HIV/AIDS as well as the development of infrastructure such as roads, bridges, telecommunications, energy, to name a few.

The three pillars are interlinked and require a great degree of coordination of the various sectors involved in the materialization of their objectives. In addition, the government is maintaining a focus on other objectives that impact on poverty reduction such as (i) governance and (ii) macroeconomic affairs and fiscal management.

For the implementation of PARP, the government counted on the mobilization of external funding and also internal resources obtained through taxation.

The resources envelop needed to finance the implementation of PARP is presented below:

**Table 2: Resources Envelop for 2011-2014 – (in million meticais)**

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**2011 2011 2012 2013 2014**

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**Total Resources 132,400 141,757 153,800 168,357 186,892**

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**Domestic resources 74,338 81,776 93,311 107,851 127,120**

State revenues 73,275 79,165 90,726 106,987 125,742

Domestic credit 1,064 2,611 2,585 864 1,378

**External resources 58,065 59,981 60,495 60,506 59,772**

Grants 35,769 35,285 33,696 34,061 35,303

Loans 22,296 24,697 26,799 26,445 24,469

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Source: PARP

As shown in table 2 above, the government envisaged to increase the level of total resources from 132,400 million meticais in 2011 to 186,892 million meticais in 2014 due mainly to an increase in domestic resources, while foreign assistance remained moderate. There was also an upward revision of funds for 2014 as compared to projections made in PARPA II that were set at 75,717 million meticais.

External resources projections remained unchanged over the period because the information given by donors was conservative in terms of the amounts committed which influenced the design of the MTEF.

From both PARPA II and PARP resources envelopes it is difficult to draw conclusions on the level of human, physical and financial resources needed to achieve the MDGs. The allocation of resources to MDGs priority areas was increasing over the period and reached/surpassed the desired level of 65% of the total expenditure. However, further increases in expenditure were subjected to compliance with a sustainable level of fiscal space.

For example, PRGF conditions impaired the implementation of some activities in Mozambique. In 2007, although wage bill caps were raised from 6.5% of GDP to 7.5%, the government could not hire its intended 12,000 teachers as planned in PARPA II to reduce teacher/pupil ratio. It was only allowed to hire 9,000 teachers and 1,000 administrative staff to comply with the PRGF conditions. This situation had a negative effect on the quality of education because teachers still have to deal with over 60 children in a class room at primary school level.

In the health sector similar restrictions have happened resulting in de-motivation of health workers. Last year we witnessed a strike of the medical professionals, including doctors, demanding better remunerations and improved working conditions. This came at a cost to citizens because, in the absence of a comprehensive response to the problem, these professionals opt for a silence strike, whereas they go to work but do not give the needed assistance to patients.

CSOs’ poverty annual report presented to the 2014 central Development Observatory brought to the challenges faced by the health sector such as generalised lack of medicines in public pharmacies, mistreatment of patients and a general de-motivation of health workers.

For years agriculture is said to be the basis for the country’s development because more than 80% of the population live in the rural areas and the majority derives its livelihood from agriculture. However, despite regional commitments to fund agriculture projects, lack of adequate investment has prevented smallholder farmers, especially women, from accessing needed technology, fertilizers and fair markets for their produce. The African Union commitment of allocating 10% of total budget to agriculture sector has not been reached.

Technical capacity and capacity building are also critical aspects for the achievement of the MDGs. According to the Independent Evaluation Report on Direct Budget Support for Mozambique 2005-2012, from 2005 to 2010 only a small portion of the funding from budget support donors was devoted to supporting capacity development. Some development partners provided technical assistance and capacity building as part of their cooperation agreements stating vaguely that part of the resources could be used for research and M&E.

Common funds and projects were more open to support technical assistance to ensure the needed capacity to implement their funded projects but sometimes who decides what has to be covered was not the beneficiary.

From the above we may infer that limited availability of financial and human resources has constrained the achievement of some MDGs.

This scenario may change as the country has been discovering considerable amounts of mineral resources whose exploration will further improve the collection of internal resources. According the report of Budget Support aforementioned, by 2018 internal resources may reach 25% of GDP. This gives room to the government to increase expenditure for poverty reduction, within a wider fiscal space.

**5. Linking MDGs and Aid Effectiveness**

**5.1. The Program Aid Partnership in Mozambique**

Making aid effective is one of the strategic goals advocated in the context of the global partnership for development, under the Millennium Development Goals. One way to do this is by setting up mechanisms to coordinate aid and national development programs of the beneficiary countries with bilateral partners and multilateral organisations such as the World Bank, the European Union, the African Development Bank and others (PAP website).

Many of the things that need to be done to achieve the MDGs (such as improvements to education and health services) depend on public spending, which is managed through the government budget. The objective of providing aid directly to the state budget is to increase the made resources available for public spending using government systems and norms.

Under aid effectiveness agenda, donors have the responsibility to align their procedures in order to reduce transaction costs and they have to provide predictable support within an agreed time frame, minimising and making clear any conditions under which their support might be modified or withdrawn.

On the other hand, governments have the responsibility to improve public financial management, take control of the process, develop medium term planning instruments, match ownership with improved accountability to their own citizens, guarantee the timely availability of all documentation and establish an agreed disbursement schedule.

In Mozambique, there is a good example of donors who came together to create a mechanism to support the government in a more effective way through a scheme called Program Aid Partnership.

The Program Aid Partnership(PAP) was established as a result of the recognition by donors that the Mozambican government had the commitment to adopting and effectively implementing a series of well articulated policies aimed at reducing poverty.

Therefore, PAP is a coordination scheme involving 19 cooperation partners who provide direct support to the Mozambican state budget. The Government of Mozambique and the Programme Aid Partners (PAPs) signed a *Memorandum of Understanding* in 2004, which sets out the principles for this partnership and defines commitments to improve the quality of the Programme Aid (PAPs website). This is considered one of the largest joint programmes in Africa, both in terms of amounts and the number of partners involved.

There are several institutions and countries that are part of this partnership for poverty reduction namely the African Development Bank (ADB), Belgium , Canada , Denmark , European Commission, Finland , France , Germany , Holland , Ireland , Italy , Norway , Portugal , Spain , Sweden , Switzerland , United Kingdom , World Bank and Austria. United States of America and United Nations joined as Associate Members in 2009.

The overall objective of the PAP is to ensure funding to the public sector for poverty reduction, clearly and transparently linked to performance. This multi-donor budget support system is a sophisticated and innovative process which is already seen as an example to be replicated in other African countries and beyond.

Another key aspect of working with the budget is that it provides an important avenue for dialogue between government and donorson development policies and public spending choices. In other words, general budget support allows for a dialogue that is more focused on key policy priorities instead of highly repetitive and fragmented dialogue processes with individual donors. The transfer of financial resources alone does not automatically generate policy, institutional and governance improvements: appropriate technical assistance and policy dialogue are also needed (PAP website)

Table 3: Funding received from PAP for 2005-2011 (in million USD)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Partners | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Germany | 4.34 | 11.93 | 13.49 | 16.74 | 18.67 | 18.98 | 18.08 | 11.62 |
| Australia |  |  |  | 2.47 | 4.33 | 3.90 | 4.62 | 3.10 |
| Belgium | 2.04 | 3.54 | 4.08 | 4.67 |  |  |  |  |
| EU | 53.75 | 46.45 | 58.38 | 68.57 | 86.59 | 83.06 | 71.91 | 74.84 |
| Canada | 2.03 | 1.90 | 4.26 | 7.57 | 9.89 | 14.21 | 16.03 | 14.84 |
| Denmark | 9.54 | 2.49 | 19.20 | 10.55 | 8.51 | 7.34 | 12.96 | 10.69 |
| Spain | 3.78 | 3.59 | 4.23 | 6.22 | 9.87 | 9.71 | 9.47 |  |
| Finland | 4.91 | 5.85 | 6.79 | 10.39 | 8.76 | 8.43 | 10.31 | 9.27 |
| France | 3.19 | 3.24 | 2.65 | 3.04 | 3.10 | 2.72 | 2.90 | 2.52 |
| Paises Bai | 14.01 | 21.24 | 24.16 | 26.23 | 25.15 | 21.68 | 25.83 | 11.24 |
| Ireland | 6.03 | 6.80 | 12.28 | 15.17 | 14.82 | 14.72 | 16.12 | 11.55 |
| Italy | 3.32 | 3.55 | 5.35 | 5.86 | 5.27 | 5.68 | 5.28 | 4.14 |
| Norway | 15.04 | 17.01 | 22.61 | 29.70 | 23.82 | 27.74 | 29.58 | 23.44 |
| Portugal | 1.53 | 1.41 | 1.49 | 1.51 | 1.60 | 1.93 |  | 3.90 |
| UK | 46.37 | 55.69 | 69.81 | 81.71 | 58.30 | 54.16 | 136.44 | 18.54 |
| Sweden | 17.95 | 23.92 | 44.45 | 56.50 | 40.12 | 44.42 | 51.35 | 43.40 |
| Switzerland | 7.88 | 6.33 | 6.95 | 7.08 | 6.64 | 6.91 | 4.18 | 7.30 |
| ADB |  | 58.08 | 30.29 | 32.31 | 30.28 | 30.05 | 28.20 | 30.32 |
| WB | 65.91 | 56.48 | 69.37 | 72.09 | 78.72 | 88.77 | 92.90 | 108.07 |
| Total | 261.64 | 329.50 | 399.84 | 458.38 | 434.44 | 444.40 | 536.16 | 389.76 |

Source: Independent Evaluation of Direct Budget Support in Moz 2005/12 – March 2014

As it can be seen from the table above, the level of funding from PAP stood at 261.64 million USD in 2005, reached its pick in 2011 with 536.16 million USD and fell to 389.76 million USD in 2012, showing some minor fluctuations along the years. Total disbursements for the period 2005 to 2012 were 3,354 million USD, averaging 400 million USD per year. This is a significant amount that was added to government coffers to be used according to national priorities and norms. Major contributors to PAP funds are the World Bank, EU and UK.

**5.2. Benefits and Challenges of the PAP Model**

The PAP model of channelling resources to the state budget account has the advantage of increasing resources that are put at government disposal to fund development priorities. One of the main benefits of this funding model was the creation of a dialogue platform between the government, donors and also CSO to discuss development priorities and define mechanisms for monitoring and evaluating outcomes.

According to a recent research undertaken to evaluate the influence of direct budget support on aid effectiveness, there was an increased predictability of disbursements, reduced transaction costs, some improvements in the use of national systems, harmonization of procedures and alignment to national priorities. Improvements were also reported on macroeconomic management, allocation of resources to priority areas, governance and management of public resources. These improvements would not have been achieved to this extent in the absence of this funding model.

Despite these achievements, there are areas that require some improvements namely provision of information on multi-annual funding, avoidance of donors’ micro-management of national affairs, improved the use of national systems. The report also suggests the need to strengthen aid architecture and encourage non-traditional donors to join this funding model.

Further to the above, there are some issues that should be taken into consideration to avoid that the model becomes a challenge such as: 1) Donors becoming very powerful and leading to power imbalance within the dialogue process, which would undermine the essence of the ownership Principle and 2) Risk of facilitating government to allocating resources to areas that are not a primary concern to the populations such as army, corruption, etc.

Given the prevalence of an open dialogue among development actors, this model can be used to push for critical development aspects such as human rights, gender equality, decent work and environmental sustainability.

Therefore, this model should be applied in an environment of a frank dialogue between governments and donors. The ownership principle should go beyond governments to include other development actors such as civil society organisations, private sector and Parliamentarians. Monitoring indicators should include human rights, decent work, gender equality and environmental sustainability.

Finally, both donors and governments should be rewarded by good performance in meeting the indicators on monitoring matrixes but also held to account by lack of progress. In Mozambique, fund disbursements to the government are subject to good performance and there was a time when funding was frozen due to some issues within the dialogue process. This situation created some tension not only among decision makers but also to the public.

**5.3**. **Total Disbursements from Development Partners**

This table aims to provide information on the total funding provided by development partners for budget support, programme and project funding over the period 2005 to 2011.

**Table 4: Funding from Development Partners for 2005-2011 (in thousand USD)**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Partner | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
| WB | 253.270 | 249.950 | 266.442 | 257.785 | 254.612 | 194.730 | 101.379 | 231.740 | 1,809.909 |
| USA |  |  |  |  | 263.332 | 237.779 | 445.525 | 406.549 | 1,353.185 |
| UK | 71.597 | 87.614 | 105.805 | 112.870 | 146.914 | 96.186 | 200.127 | 131.835 | 1,167.906 |
| ADB | 118.711 | 107.166 | 74.695 | 73.027 | 101.680 | 76.121 | 57.988 | 89.399 | 952.949 |
| Switz | 50.021 | 69.290 | 78.597 | 102.932 | 81.540 | 81.983 | 104.768 | 102.662 | 698.787 |
| Germ | 37.209 | 65.494 | 50.129 | 64.235 | 36.497 | 75.118 | 84.939 | 74.450 | 488.071 |
| Holand | 42.979 | 44.099 | 61.346 | 83.553 | 47.607 | 74.238 | 60.617 | 45.417 | 459.856 |
| Denmark | 48.063 | 43.385 | 63.500 | 52.842 | 53.072 | 76.364 | 37.525 | 61.125 | 435.876 |
| Norway | 51.573 | 49.104 | 59.157 | 63.075 | 11.383 | 67.262 | 64.891 | 61.577 | 428.021 |
| Canada | 34.294 | 38.597 | 36.002 | 50.771 | 4.468 | 72.215 | 96.152 | 91.094 | 423.593 |
| UN |  |  |  |  | 96.904 | 85.053 | 126.533 | 58.681 | 367.170 |
| Ireland | 39.421 | 41.215 | 55.400 | 61.141 | 21.677 | 46.701 | 50.133 | 47.115 | 362.805 |
| Finland | 22.100 | 24.464 | 26.528 | 33.337 | 62.357 | 45.600 | 40.144 | 31.515 | 286.045 |
| Portugal | 20.576 | 11.372 | 13.180 | 12.602 | 57.398 | 111.831 | 16.558 | 7.660 | 251.268 |
| Italy | 24.735 | 32.117 | 27.863 | 16.617 | 79.814 | 25.612 | 18.424 | 20.111 | 245.294 |
| Spain | 20.356 | 22.974 | 22.021 | 17.919 | 55.651 | 32.579 | 24.766 | 8.643 | 193.910 |
| France | 16.014 | 17.108 | 18.034 | 21.404 | 22.886 | 46.158 | 17.510 | 26.281 | 185.385 |
| Belgium | 6.411 | 6.210 | 8.464 | 7.209 | 77.771 | 15.132 | 17.683 | 13.762 | 152.641 |
| Sweden | 15.030 | 11.179 | 13.884 | 13.904 | 14.076 | 24.545 | 23.045 | 33.856 | 149.519 |
| Austria |  |  |  | 5.328 | 9.213 | 5.594 | 5.528 | 5.334 | 30.997 |
| Total | 1,009.99 | 1,058.98 | 1,120.2 | 1,195.3 | 1,605.0 | 1,677.9 | 1,718.59 | 1,730.04 | 11,114.99 |

Source: Coordenaçao da Ajuda em Moçambique – Ministry of Planning and Development, 2014

As shown seen from table 4 above, direct budget support is just a portion of donors’ contribution to Mozambican development agenda. There are significant amounts of resources that are channelled to projects or sectors, giving donors the facility to define priorities and monitor progress and use of resources more closely.

The overall support to the country amounted 11,114,990 thousand for the period under consideration, with increasing amounts being allocated over the years.

Some of these funds were allocated to sector programs related to MDGs. From 2007 to 2012 the following programs received donor funding.

**Table 5: Sector Program Support for 2007 to 2012 (in USD)**

|  |  |
| --- | --- |
| Program | Value |
| FARE – Education | 581,9 |
| PROSAUDE – Health | 526,5 |
| PROAGRI – Agriculture | 198,1 |
| PRISE – Roads | 152,5 |
| CNCS – HIV | 52,3 |
| ASAS – Water | 33,8 |
| Water and Sanitation | 20,8 |
| Social Affairs | 14,8 |

Source: Brochura sobre a Eficácia da Ajuda, 2013

The table above shows that education and health sectors received higher amounts of funding followed by agriculture and roads. Social Affairs that sit in the Ministry of Women and Social Affairs that is responsible for vulnerable people received the smallest portion. This is a contradiction to the objective of reducing poverty and vulnerability, one of the main purposes of the MDGs.

**5.4 Government Evaluation of Development Partners within PARPA II**

Given the important role that donors play in the development processes, the government made reflections about its expectations for engagement with these important development partners. Thus, in the PARPA II document, the government made some remarks regarding aid and donors as per the section below.

“Development partners played an important role in providing financial resources to implement poverty reduction activities in accordance with PARPA I and MDGs. In fact, between 2000 and 2004 Mozambique was one of the countries that most received external resources representing 50% of its budget or 15% of the GDP (PARPA II). This level of external dependency had several implications namely i) extreme vulnerability to external shocks, ii) the risk of overemphasizing accountability to donors as opposed to Mozambican people and institutions, iii) proliferation of projects, iv) need to prepare and organise a diversity of information to respond to donors needs and v) coordination and ownership of technical assistance.

The government acknowledges the positive experience of development partners through Direct Budget Support which is in line with the Paris Declaration principles. In view to strengthening this initiative, the government decided to formulate the National Cooperation Policy and continue to implement reforms in the management of public financial resources.

Through this policy, the government intended to ensure increased aid effectiveness regarding the Paris Declaration Principles, allocation of resources to priority sectors with proved capacity to use and manage resources effectively and build the capacity of those sectors that still faced institutional challenges. The government also encouraged development partners to increase their budget support that stood at 25% of the overall aid in 2005 and, to adopt multi-annual funding to facilitate the formulation of the MTEF”.

These statements show the importance that the government of Mozambique places to the support provided by development partners. For this reason it also encourages them to improve their engagement for the benefit of the Mozambican people.

**6. Preliminary Evaluations of the Likelihood to Meeting MDGs**

The government of Mozambique and CSOs have been undertaking researches to determine the extent to which MDGs can be reached in Mozambique by 2015. These researches bring a mixture of optimism and scepticism, with some goals almost achieved and others far behind the target.

According to a CSO report produced by the Foundation for Community Development in 2012, Mozambique is more likely to achieve MDG 2, some progress on MDG 3 and 4 and also satisfactory achievements on MDG8.

The country made big progress in increasing the levels of enrolment in primary education for both boys and girls. This progress however, was not accompanied by improvement in quality which will have a negative effect in the livelihoods of a generation that went to school but hardly learned the needed abilities to meaningfully contribute to the country’s development. Nonetheless, the enrolment targets in primary might be achieved.

There was also progress in MDG 3, with a significant number of girls enrolled in primary school comparable to that of the boys. Gender equality in primary education can be achieved by 2015 but not in the other levels of education such as secondary and tertiary. There is also progress in women engagement and leadership in political positions such as the Parliament and the Government at central level.

Challenges remain in ensuring that women benefit from opportunities, knowledge/information and resources for their development.

There has been progress on MDG 4 regarding the reduction of child mortality rates to levels that are satisfactory. However, the high rates of malnutrition that affect around 40% of children poses concerns due to its impact in cognitive development. The target could be partially achieved.

There has also been some progress on MDG 7 in regards to the improvement of the provision of drinking water. However, the target on sanitation is lagging behind and the target will not be achieved.

MDG 8 is where Mozambique made a lot of progress. The country became a donor “darling” as it managed to attract substantial funding for its development programme. However, dependency on foreign aid lead to vulnerability when there are external shocks that affect countries where money come from. Mozambique is one of the countries where the world economic crisis had a marginal effect on the economic, affecting the level of exports but not much on the inflow of funding.

MDG 5 will not be achieved and MDG1 is likely to be partially. The number of people living below poverty line rose from 9.0 million in 2003 to 11.0 million in 208 making the rate of poverty raise slightly from 54.1% to 54.7% in the same period.

**7. Conclusions and Recommendations**

Mozambique adhered to MDGs agenda and integrated its targets into its national plans such as the Five Year Plan, Poverty Reduction Strategies Program (PARPA) Mid Term expenditure Framework, to name a few.

Civil society Organisations have been involved in planning and monitoring of the implementation of the PARPA/PARP through Development Observatory exercises at all levels as well as through their engagement in district consultative councils. However, the budgeting process is the sole responsibility of the government at different levels, with some consultation with donors.

For the implementation of PARPA II and PARP the government relied on external and internal funding. Over the years, Mozambique managed to attract significant amounts of funding from external resources. In fact, in 2012, Mozambique was funded by external resources in 39% and the remaining by internal resources.

As a means of accelerating progress towards poverty reduction, Mozambique has put in place some policies and actions to increment internal resources through taxation. It is expected that by 2018 internal resources will account for 25% of the GDP. This will give room for a higher level of expenditure to reduce the prevailing levels of poverty in the country.

Mozambique possesses one of the best experiences in donors’ collaboration, whereas, donors come together to coordinate their support to state budget. This has the advantage of creating a mechanism for a dialogue in police formulation and coordinating the financial support for the implementation of development programs.

Donors’ support has been fundamental for the implementation of MDGs in Mozambique. From 2005 to 2012 the country received through direct budget support, projects and common funds a total of USD 11,114,990,368 from traditional donors to fund its development program.

Different stakeholders contributed to the implementation of the MDGs through a variety of ways varying from people mobilization, dissemination of information, capacity development, especially from the UN family, funding, implementation of specific projects and programs and also monitoring and evaluation.

Mozambique will not reach the majority of MGDs due to a combination of factors such as the impact of natural disasters that erodes development efforts in infrastructures and human welfare, limited of funding and capacity constraints to implement more activities, implementation of policies that were not inclusive enough to allow poor people to access resources and opportunities for their own development.

The Mozambican experience with the PAP model which allowed for the creation and development of an inclusive dialogue platform which led to improvements in public financial management, governance as well as improved coordination among development stakeholders can be consolidated and used in the Post 2015 Agenda.

Likewise, the discovery of mineral resources and its expected contribution to development should be managed in a way to meaningfully contribute to the Post 2015 Agenda.

This wealth of experience and opportunities should be capitalized to accelerate progress for the next development agenda.

**Recommendations**

In order to accelerate progress in the achievement of MDGs and contribute to the Post 2015 agenda, government and donors should:

1. Improve/consolidate (re-engineer) the PAP system regarding timely provision of funding commitments and disbursements, harmonization of procedures, mutual accountability and monitoring and good governance;
2. Mobilize Non-traditional donors to join the PAP, and/or PAP procedures in their relation with the Mozambican government;
3. Invest strategically in sectors that have a multiplier effect on poverty reduction such as women education/information and empowerment, sexual and reproductive health, HIV/AIDS;
4. Invest in youth development such as vocational training, self-employment; internships and coaching and decent work;
5. Mitigate the impact of natural disaster through implementation of appropriate gender sensitive early warning systems for floods and droughts;
6. Invest in agriculture to allow small holder farmers to access resources, new technologies and fair markets;
7. Put in place policies and devise mechanisms to collect and manage and redistribute resources resulting from the exploration of mineral resources for the benefit of Mozambican people.

For Donors:

1. Continue providing resources with minimum conditionality and in response to national priorities;
2. Provide resources for the productive sector with a great impact in poverty reduction such as agriculture and SME due to their great impact on job creation;
3. Provide funding to CSO to improve their capacity to better engage in planning, budgeting, monitoring and evaluation of development programs;
4. Provide needed capacity development tailored to local needs.

**8. References**

1. Note on MDGs Agenda in Mozambique, 2005

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