

**Embassy**      MAP7061-5  
**of**  
**Finland**  
Maputo

Hon. Sir  
António Sousa Cruz  
Director of Studies and Policy Analysis  
Ministry of Planning and Development  
Av. Ahmed Sékou Touré, 21  
Maputo

Maputo, May 4, 2010

Subject: PAPs' Final Evaluation on the Government's Performance in 2009 – Annual Review 2010

Dear Director Cruz,

Cordial greetings from the Programme Aid Partners' Troika (PAPs).

We enclose the Final Evaluation of the PAPs on the Performance of the Government in 2009.

Yours sincerely

Lotta Karlsson,  
Head of Cooperation, Embassy of Finland  
Presidency of the G19

C.c: Momad Piaraly, National Director for Planning - MPD Abilio  
Gune, Deputy National Director of Planning - MPD Hanifa  
Ibrahimo, Secretariat of the Ministry of Planning and  
Development (MPD)

P.O. Box 1663  
Maputo

Avenida Julius Nyerere 1128

Phone  
+258-21-482  
400

Fax  
+258-21-491 661,491  
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## PAPs' Assessment of on the performance of the GoM, 03/05/2010

### STRUCTURE OF THE DOCUMENT

1. This document is a preliminary assessment of the PAPs on the Government's performance in terms of PARPA implementation in 2009. The first part provides an overall assessment, the second part raises the challenges identified for future consideration, the third part makes a more detailed evaluation by pillar, and in the final part, the PAPs present some questions for clarification or additional information.

### GLOBAL ASSESSMENT

2. **The Government's PAF matrix is composed of 40 indicators. For 18 indicators, targets were met, and for 19 the target was not met, but 14 registered progress. Indicator 4 was deemed as not classifiable and on the assessment of the indicator 18 there is still no consensus. For indicator 29 there is insufficient information to support the assessment. For indicator 16, interim information has been provided and final evaluation awaits the Annual Statement of the Office of the Attorney General. The overall result of the evaluation of the indicators is similar to last year's and the PAPs deemed the performance satisfactory in various areas taking into account the negative effects of the global economic crisis.**
3. The year 2009 was **a year of general and provincial elections**, which increases the challenges on the implementation of plans in any country. However, the PAPs note with satisfaction that in aggregate terms budgetary discipline was maintained, with high rates of execution for revenue and expenditure.
4. In December 2009, an assessment of PAPs stated that progress in the areas of good governance, combating corruption and democratic process was slow, and was undermining the level of commitment and effectiveness in these areas. In response, the government and the PAP began **a process of intensified dialogue**. The subjects of this intensified political dialogue were already present on the agenda of several meetings between the Government and the PAPs during the last years and were also included among the special attention issues raised during the Annual Review 2009. The intensified dialogue on governance was successfully completed in March this year and a consensus was reached on actions to be undertaken in these areas, which appears in different plans and strategies of the Government.
5. **The Government's performance** in the field of Macroeconomic Management and Poverty in 2009 was overall positive, and a good performance has been observed on growth and macroeconomic stability and in the management of public finances despite the negative effects of the global economic crisis and the fact that the year 2009 was an election year. In relation to the pillar targets, performance can be seen as satisfactory and similar to that of last year. The PAPs consider, in general terms, the performance of the governance pillar as unsatisfactory, since the progress trend of the pillar showed no signs of improvement during the past few years and therefore it was necessary to raise issues of governance at the political level in March and December 2009. In contrast, the human capital pillar has registered better progress and the PAPs believe that the performance was satisfactory in 2009 with expansion of services in various sectors. The sectors that make up the economic development pillar had a mixed performance while the performance in the area of Cross Cutting Issues is considered satisfactory.
6. Based on the performance evaluation in 2009 and considering the reached outcome after the political dialogue in March, the PAPs believe that **there is a satisfactory basis for the PAPs to continue to provide budget support**. However, the PAPs notice **a slowing trend of the overall pace of progress** over the last three years and are available to support the government in facing this challenge. Decisions on the level of commitments for the 2011 budget will be notified within four weeks after the close of the Annual Review.

## **CHALLENGES**

7. It will be a growing challenge to maintain a **high economic growth rate** and taking steps to ensure that economic growth also favours the poor and disadvantaged by the creation and expansion of jobs, the rapid improvement of the business environment and support to small and medium enterprises. Looking to the 2010 Budget, due caution will be needed so that investment projects are well planned and the returns well evaluated, maximizing opportunities for job creation and poverty reduction.
8. There is evidence of increasing **inequality** in income and access to basic services in urban/rural environments. Considering the internal and external changes in the global environment, the PAPs consider it is important to conduct deeper analysis to increase understanding of the dynamics of poverty in Mozambique and to help guide the design of policies to reduce poverty. The PAPs declare their willingness to support the Government in collecting, analyzing and disseminating best practices for policy choices in the medium and long term. For these reasons the PAPs deemed important the **publication of the results of the Household Budget Survey (HBS)** as soon as possible to facilitate an informed discussion on the steps to be taken to reduce poverty.
9. The governance area remains a critical challenge, given that progress in some areas in 2009 lagged behind. It is hoped that the Government's commitment to the priorities agreed at the level of political dialogue with the PAPs will serve to accelerate progress in this area. In the area of public sector reform **the cost and sustainability of the salary policy** should be reviewed.
10. A question that arises as a challenge and that touches all sectors is the **procurement system**. There are capacity problems in UGEAs to properly implement the Decree 54/2005, particularly on the use of direct contracting. Concerns emerged recently about the procurement methodology in respect of the use of direct contracting and non-concessional loans for major infrastructure projects.
11. The major challenges across several pillars to improve rendering of basic services in different sectors are linked to the **decentralization processes**. It will be necessary to continue to strengthen the capacity at the base, to develop and better communicate the criteria for funds allocation at these levels and to improve public finance management and the monitoring and evaluation system at the local level.
12. The role of Government in creating conditions in the **agriculture and rural development** areas deserves more emphasis, such as intersectoral coordination in these matters. The PAPs expect formal approval of the Strategic Plan for the Development of the Agrarian Sector (PEDSA) and see its implementation as an important contribution to revitalizing the agricultural sector. The PAPs deemed it a priority to continue the efforts in improving the implementation of the **Land Law**.
13. The PAPs note that the **crosscutting issues** in general have not received enough attention and would like to see these issues systematically integrated into all sectors. The challenge for the Government and partners **in the area of HIV** will be to ensure that with the Government's leadership national response be strengthened and better coordinated, the new strategy responds, in fact, to the needs caused by the epidemic and ensure the desired results for people affected and the population in general. Of concern is the non-compliance with the methodological guidelines on **gender** integration in sectors and the lack of gender disaggregated data to provide evidence as well as to influence policies.
14. The PAPs consider the above issues deserve a greater focus by the Government during the year 2010 and are available to lend their support.

## EVALUATION PER PILLAR

### Macroeconomic Management and Poverty

15. Overall the Government's performance in the area of **Macroeconomic Management and Poverty in 2009** was positive, and there was good performance on growth and macroeconomic stability and in the management of public finances despite the negative effects of the global economic crisis and the fact that the year 2009 was an election year. Of the nine indicators of the PAF matrix for the pillar 5 targets were met (on the provincial development observatories, the aggregate expenditure, the collection of state revenues, on internal control and external audit), 2 were not met but registered progress (on the level of implementation of SISTAFE by direct use and improving the State procurement system) and one was not met (on the alignment of resource allocation in the Budget and MTEF). One indicator was regarded as not classifiable (on the implementation of recommendations from the PETS exercise in the Education sector). Overall, in relation to the pillar targets, performance can be seen as satisfactory and similar to last year's.
16. The main challenges concerning the management of public finances relate to weaknesses in the procurement system and transparency in the management of state assets. It is important to address these challenges through the Vision and Strategy for the Management of Public Finances. The persistence of poverty and vulnerability suggest that more emphasis should be given to basic social protection, one of the topics defined as a priority in the Annual Review of last year.
17. The PAPs have found that despite the global crisis, **economic growth** was good and the real, fiscal and monetary sectors remained stable. In 2009 real GDP grew by 6.3% (6.7% in 2008). Relevant sectors for growth were Agriculture, whose added real value grew by 11.2%, Electricity and Water (9.2%), Construction (10.5%) and Financial Services (13.9%). Inflation was under control, and the average annual rate decelerated from 10.3% in 2008 to 3.3% in 2009. The international situation also affected the evolution of exchange rates and currency exchange MT / USD saw a nominal depreciation of 14% (real effective depreciation of 5.0%), rebalancing the strong appreciation in 2008. The total value of exports of goods decreased by 30.2% over 2008 and imports by 11.0%, which resulted in the worsening trade deficit of USD 400.3 million. However, net international reserves reached USD 1,841 million, equivalent to 5.7 months of imports (compared with 4.5 months in 2008). The banking sector expanded credit to the economy by 59% and the average interest rate on loans in Meticais decreased by 2.64 percentage points in 2009.
18. However, it is important to note that economic growth is still not consistent with a greater diversification of the production base and exports, nor with significant improvements in the structural competitiveness of the economy. The growth of the economy is still significantly sensitive to large companies targeting the international market. For 2010, growth and macroeconomic stability favouring the poor and disadvantaged through the creation and expansion of employment opportunities, income generation and access to food and services will remain a challenge.
19. The Report on the PARPA II's Impact Evaluation (RAI 2009) was elaborated in 2009. However this assessment does not contain information on indices of **equity and poverty** due to the unavailability of the results of the Household Budget Survey (HBS) 2008/09 with its statistical and analytical information. The HBS results should be published as soon as possible. The PAPs consider it important to ensure that the Strategic Plan of the INE be aligned with the Government's planning processes.

20. There is however data indicating that inequality may have increased both in terms of income and access to basic services. Inequality has increased mainly in urban areas. 34.8% of households are subjected to a situation of great vulnerability and food insecurity. On a positive note, it is observed that the levels of severe deprivation among children declined from 59% in 2003 to 48% in 2008. Similarly, a reduction in the prevalence of chronic malnutrition in children under five years was also noted. The persistence of poverty and vulnerability suggest that more emphasis should be given to basic social protection, one of the topics defined as a priority in the Annual Review of last year, including the need to adjust the food allowance due to inflation.
21. The aggregate **budget performance** was positive and the execution rates for revenues and expenses were high. Significant deviations in aggregate terms over the 2009 budget were not observed despite 2009 being an election year. The state revenue grew by 13.9% in real terms, exceeding the programmed target. Total revenue represents 17.53% of GDP against the target of 16.9%. However, investment expenditure remained at 74.3%, with a weak execution in the external component at 64.6%. Nevertheless, expenditure on priority sectors showed improvement in the execution level, having grown from 77% in 2008 to 82.6%. However, as a proportion of the total, expenditure in the priority sectors declined from 64.5% to 61.6%. The PAPs also note the increased expenditure for salaries and pensions, which amounted to 9% of GDP, which must be analyzed in terms of sustainability and efficiency. Significant resources were used in a generalized subsidy of fuel prices, which were not initially foreseen. The PAPs raised concern about the subsidy for its high cost and fiscal risk in case of continuation of rising international prices, and the difficulty in targeting its benefits. One study suggests that over 70% of the subsidy benefits are appropriated by the 20% richest of the population. The PAPs noted with satisfaction the decision to reverse the subsidy during the first half of 2010.
22. **Progress in the area of Public Finance Management (PFM)** was noted, marked essentially by the consolidation of reforms. The main achievements during the year were the improvement in the implementation and continued expansion of e-SISTAFE, increased coverage and number of audits by the Administrative Tribunal (TA) and a strong performance in collecting the State revenue.
23. Despite progress in the Public Finance Management system (PFM), the PAPs note important challenges to be faced. The results of some studies and audits on the PFM system contributed to an assessment of progress in reducing fiduciary risk. They show that despite improvements with the introduction of e-SISTAFE, there remain shortcomings and inconsistencies in data availability and financial information on budget execution at the most disaggregated level, limited coordination between plans and budgets, as well as poor implementation of internal control systems. The problems in implementing the management system for state procurement with no full implementation of the respective legislation are notorious, in particular about the unjustified use of the direct contracting method in public procurement.
24. Progress was slow in the process of **strategic medium term resource allocation**, together with the annual process of budgeting and cost accounting of objectives, as well as interconnection with the provincial and district levels. The alignment between the Budget and **Medium Term Fiscal Scenario (MTEF)** was weak and this indicator was not met due to late approval of the MTEF due to the need to reconcile the data with the measures adopted to mitigate the effects of the crisis and due to the fact that the 2010 Budget would be approved in April 2010 by the new Parliament. This is one of the indicators where every year there are difficulties in meeting the target. The PAPs are willing and available to support the Government in the development and use of the MTEF. On the other hand there were quality improvements in the budget and budget reports. However, recording and accounting the own revenues and **assets** of the entities comprised in the budget and of State Companies (including State holdings) remains a major problem. Although the **report of the PETS** in Education has not been conclusive, the PAPs think it important to reflect on how to use the report as some of the findings are relevant as well as to document lessons learned for the benefit of the next PETS exercise to be started in the field of Health in 2010.
25. The target on the roll-out and use of e-SISTAFE was not achieved but progress has been made

with increasing the expenditure by the direct use (97% of the spending with goods, services and investment by the units that have the e-SISTAFE, 20% spending with salaries and 68% with pensions were executed by the direct use), corresponding jointly to a level of 28% of the total spending.

26. In the **procurement** area there was an institutional consolidation of the supervision unit (Functional Unit for Supervision of Procurement – UFSA) and expansion of the reported cases to UFSA, but no evidence of significant progress on the transparency and integrity of the system. Despite the progress observed, the procurement target was considered not quite reached. Data collected by UFSA on processes and purchases cover 55% of a conservative estimate of the total purchases made by the government in 2009, therefore the analysis should be supplemented with information from the TA and IGF, among others. This information points to major challenges in the ability of UGEAs to properly implement the Decree 54/2005, particularly on the use of direct contracting. Little progress was noted in implementing an Action Plan to establish a monitoring and evaluation system to measure the integrity of the procurement system. The PAPs deemed it crucial to fully implement the recommendations of the CPAR 2008, agreed by the government, posing as an immediate priority the improvement of the UFSA's monitoring and evaluation system and consider it important to reach a formal agreement on the schedule for implementing the actions indicated in the report. The PAPs note with satisfaction the adoption of Law 26/2009, which reduces from 90 to 45 days the issuance of prior approval for acquisitions.
27. In the area of **Internal Control** there was growth in the number of established units (75% of the Organs of Internal Control (OICs) are in operation) but the challenge in this area is lack in clarity about its role in the different budget organizations and functional relationship with the General Inspectorate of Finance (IGF).
28. The PAPs note with great satisfaction that there was an increase in coverage and number of **audits** by the Administrative Tribunal. The target on coverage of the State Budget audited by the TA was met (34.82%) and the target on the number of audits carried out was exceeded (491 audits were performed). The Administrative Tribunal (TA) has strengthened the monitoring of its decisions, having applied financial sanctions to 226 managers. Regarding the audits, there is a need to make this process faster, especially increasing the number of cases heard. There is a very large and growing gap between audits and processes judged.
29. The furtherance of a fiscal expansion is proposed for 2010, with public spending at the level of 38.7% of GDP. This is funded through increased tax revenue, the use of a significantly higher level of internal funding and an expected increase in external funding. The prospects for external finance seem far too optimistic and difficult to reach. Recourse to domestic financing should take into account the effects this could have on access to credit to the private sector.
30. The Budget reflects the increased emphasis on investment spending, particularly on investment in infrastructure and electrification. The increased allocations to agriculture are largely maintained. Spending on education and in particular on health remains relatively constant and decreases in proportion to other sectors. The rapid and significant increase in investment in infrastructure may constitute a test for the absorption capacity of this sector. There will be a need to take due caution and ensure that investment projects are well planned and their returns well evaluated, particularly now that they will, increasingly, be financed by direct or indirect forms of non-concessional funds.
31. The budget proposal also foresees a further increase in the proportion of salary expenditure as part of the entire budget for current expenses and in relation to GDP (from 9 to 9.6%). The PAPs recognize the need for a salary policy review and the recruitment of additional staff to ensure the provision of social services. However, due care will be necessary for the implementation of the salary policy in order to achieve the desired objectives of increased productivity and capacity in the public sector. The budget includes an explicit provision of 1.2 billion Meticaís for the subsidy on fuels (in addition to 2.8 billion Meticaís paid in 2009). That obviously continues to put a significant pressure on the budget and the implications of the final cost of this measure, which is

widely regarded as insufficiently designed for specific targets, should be monitored. The intent of a phased reduction of this measure in 2010 should continue, and an alternative with measures for more specific target groups, could be considered.

### Governance

32. **Of the nine indicators of the PAF matrix for the pillar 4 targets were met (concerning the percentage of the budget to the provinces, districts and municipalities, percentage of own revenue of municipalities, the number of IPAJ's district offices, and number of corruption cases) 3 targets were not met but progress was registered (on the % of district advisory councils that work according to the Law of the Local Organs of the State (LOLE), preparation of a cost estimate of the salary policy, and % of cases investigated within the period of preparatory instruction). One indicator (number of cases tried in courts) has not been met and on the indicator on % of solved criminal cases there is as yet no consensus. For the indicator on the number of corruption cases (indicator 16) provisional information was provided, pending on the Annual Information of the Attorney General's Office to the Parliament. The PAPs notice that there was progress in areas such as Decentralization and legal assistance and legal representation. The PAPs consider, in general terms, the performance of the governance pillar as unsatisfactory, since the trend of progress on the pillar showed no signs of improvement in recent years, none the less the issues of good governance having been discussed at political level in March and December 2009. The PAPs recognize that the recent agreement on relevant activities in this area form an important basis for addressing these concerns.**
33. **The PAPs believe that the greatest challenges in this pillar are linked to the cost and sustainability of the salary policy, combating corruption, the process of revising the Law of the Local Organs of the State (LOLE) and the drafting of the strategy of decentralization, legal reform (including review of the Penal Code) and the justice sector's monitoring and evaluation system.**
34. In terms of implementation of the **Public Sector Reform, progress was generally slow.** The PAPs recognize the efforts made in terms of preparation and updating of the legal and regulatory framework, for example through the establishment of the Performance Management of Public Administration, which aims to improve the quality of services provided to citizens but note with concern that there is not yet an estimated total cost for the implementation of the Salary Policy adopted in 2008. The PAPs consider it necessary to increase the dialogue between the Government and the PAPs in terms of cost analysis and projections to improve the understanding and to assess the salary policy implications.
35. The PAPs note that the evaluation of the **Anti-Corruption** Strategy was carried out and completed, and at least one sector has already begun implementing the recommendations of the evaluation by incorporating these in their action plan. In this sense, guidelines to improve the preparation and monitoring of indicators for the sectoral and provincial plans were drawn up and approved. Initiatives are also underway to harmonize national anti-corruption legislation with international conventions.
36. The PAPs also note that it was not possible to carry out the 2nd National Survey on Corruption and Governance whose completion was scheduled for the month of April 2010 and the inclusion of evaluation of the implementation of the Anti-Corruption Strategy (EAC) in the Balance of the Economic and Social Plan (BdPES) in 2009 (it will only be done starting in 2011). The PAPs deemed it important to conduct the Survey on Corruption to get updated data on corruption, which may help with the design of new strategies to combat poverty.
37. In general the trend in the area of **Decentralization** is considered positive, and the increased transfer of funds to local levels, the increased collection of local governments' own revenues and the establishment of the District Development Fund in December 2009, are all noteworthy. However, the PAPs show their concern over the functioning of the Local Advisory Councils as they still do not comply with all the requirements of the law, namely: (i) monitoring the

implementation of PESOD, (ii) the share of participation of women in CCUs and (iii) the achievement of at least two regular annual sessions of the CCUs.

38. The PAPs rejoice for the initiative taken by the government to review the LOLE in order to adapt it to the constitution of the Republic and the establishment of Provincial Assemblies, and for having already produced a proposal for the Policy and Strategy for Decentralization. However, until now, partners (PAPs and civil society) have not been consulted by the government in relation to these two matters.
39. Ten new municipalities were established and more responsibilities were transferred to this level. However, the PAPs have noted that total expenditure of municipalities decreased in 2009 compared to the year 2008. According to the government, the decrease in municipalities' total expenditure was due to the reduction of external funds from 2008 to 2009.
40. In the **justice sector** the PAPs consider the overall progress slow, but the area of legal assistance and legal representation have registered progress in extending the provision of services to citizens of more districts, the target being met. Otherwise, the Prison area experienced an unsatisfactory performance regarding the mitigation of overcrowding in jails. It is necessary to improve the handling of processes as well as to analyze the main reasons preventing the increase in the number of cases tried in courts. Under the predicted Law Reform, although important pieces of legislation have been approved, delays remain. The PAPs notice above all a delay in the adoption of the new Penal Code. The PAPs also note the sector's difficulty in providing timely information, which complicates informed monitoring and planning. With regard to monitoring, the PAPs also observed slowness in implementing the recommendations of performance auditing in the area of justice. The PAPs note with satisfaction the decision of the heads of the pillar to develop an action plan and conduct quarterly meetings over the years 2010 and 2011 to improve the timely management of information needed for monitoring and evaluation in the area of governance.
41. The Annual Review has been annually following the process related to the **restructuring of Banco Austral (BAU)**. The recovery of bad loans of the 70 cases to be collected by the State in 2009 continued slowly, 70% being recovered relating to the year 2008. The cumulative recovery since 2002 is 29.8%. Including the portfolio run by the BAU, the total cumulative recovery lies in the range of 56.36%.
42. As for criminal proceedings in relation to following the forensic audit, the PAPs are following the decision of the Attorney General's Office (RMP) not to prosecute any national cadre that has served in the Bank's Board of Directors during the period under investigation. The PAPs are concerned whether this would mean closing the case prior to clarifying the perpetrators of crimes, including homicide and reckless lending, related to the BAU's restructuring.

### **Human Capital**

43. **Compared with the year 2008, the human capital pillar has registered better progress and the PAPs believe that the performance in 2009 was satisfactory with expansion of services in various sectors. The targets relating to four indicators have been met (on the student teacher ratio, inhabitants per health service personnel, number of adults with HIV infection who receive ARTV, number of children receiving ARTV, and number of people benefiting from social protection programs), three targets were not met but progress was registered (completion rate of girls in primary education, net enrolment rate of girls and DPT/HB-3<sup>rd</sup> dose coverage. Although technically the latter two targets were not met, it is commendable that there have been efforts since the margins by which they were not met are minimal (1 percentage point and 0.7 pp respectively). The two indicators whose targets were not met were the institutional childbirths' coverage, and the number of new dispersed water sources constructed.**
44. **The major challenges in terms of the Human Capital Pillar to improve rendering services at the base are linked to the decentralization processes. The PAPs deemed it necessary**

**to continue i) strengthening the capacity at the base, which is still limited; ii) to develop and better communicate the criteria for allocation of funds at these levels; iii) improve the capacity of the procurement system at the sector level; and iv) improve the system for impact monitoring and assessment of these actions.**

45. In terms of **expansion of services** in the Water and Sanitation sector, there has been progress in terms of percentage of population with access to infrastructure for water supply in rural and urban areas. There was progress in the sanitation component despite the targets for urban sanitation not being met. The PAPs note however, that there are inconsistencies in the data from the National Institute of Statistics (INE) and from the Water and Sanitation sector. The PAPs note with satisfaction that for the first time the target referring to the number of children on Anti-Retroviral Treatment (ARVT) was met in the area of Health. In Education, the number of children who entered school at the right age and who completed seven years of basic education, increased. In Welfare, access to social protection programmes increased in spite of the real value of food subsidies having declined due to inflation.
46. In terms of **improved services**, there has been progress in human resource management. In the sector of Education the target concerning student-teacher ratio has been met for the first time. The gender gap in entry to the school is found to be almost closed. The target ratio of inhabitants per health service personnel has also been met and exceeded. Projects of housing type to promote construction using material resources available locally were developed and disseminated.
47. Different sectors have continued with the implementation of anti-corruption plans, particularly in terms of improving transparency in financial management and in the area of procurement, and through a better communication of the rights of "clients" of the various services.
48. The PAPs agree with the **priorities** identified by the pillar **for the future**, namely the need to strengthen the logistics and procurement system and the establishment of e-SISTAFE rapidly in the Health sector; the need for an increase in internal funds (on average only 3.9% of the State budget is allocated to the Water and Sanitation sector as opposed to the 5% estimated in PARPA) and the possibility of harmonizing the approaches of community-led total sanitation (CLTS) and formal sanitation in the sector of Water and Sanitation; a more systematic monitoring of the Accelerated School Construction Program and support for the sustainable expansion of post-primary education in the Education sector.
49. The PAPs agree that a better communication and coordination in planning, budgeting, implementation and monitoring across different levels and different sectors will be required to liaise between the major government policies and their implementation at the base. This will include clarity on the criteria for allocation within and between provinces, both from internal funds and external funds (including contributions by NGOs and from the private sector) to ensure equity and efficiency in the distribution of funds and that resources are allocated appropriately to implement priority policies of the Government.

### **Economic Development**

50. **The sectors that make up the economic development pillar had a mixed performance. Against the PAF targets two of nine were met (on the appropriateness of software for implementing the new Accounting Plan and the number of new connections to the electrical power network). The targets of seven indicators were not met although all progressed differently. For example, the target on roads (% of roads in good and reasonable conditions) was almost met while the progress of the other targets was smaller. The pillar and groups reports do not contain information on the performance of indicator 29 (INSS), so it is difficult for the PAPs to understand how the target was assessed and therefore to agree with the assessment.**
51. **There are still challenges related to the need to accelerate the pace of reforms in the business environment, and the budget shortcomings that constrain among others the**

**demarcation of communal lands and the implementation of infrastructure projects. The latter is also negatively affected by the length of time that characterizes the procurement process.**

52. **The positive developments** related to extending the coverage of the bank network, micro-finance and the electricity grid, are worth highlighting. Also noteworthy as positive is the decentralization to the districts and municipalities of the planning and execution of the maintenance of roads.
53. Regarding **the process of adherence to the EITI initiative** PAPs note with satisfaction the progress and urge the Government to an accelerated implementation of existing commitments in order to ensure its membership in the initiative by May 2011. The PAPs note with some concern the lack of information on this subject in the Balance of the PES and the reports of Working Groups, and suggest that the information is added in the report of the Economic Development Pillar.
54. Regarding the **business environment** we note the implementation of administrative reforms and in the framework. The simplification of company registration procedures and administrative improvements in customs aimed at easing international trade contributed to Mozambique improving five positions in the overall ranking of Doing Business, having passed from position 141 to 135, out of 183 countries. Nevertheless, these reforms were not sufficient to prevent the fall of the country by one place in the SADC regional ranking and Mozambique is currently in 12th place, only ahead of Zimbabwe, Angola and DRC.
55. The analysis of the **investment climate** held in 2009 by the World Bank indicates that while several reforms that impact on the business environment has been implemented in 2009, there was a worsening of limitations to access credit, and an increase in crime and informality levels. The time needed to perform an import and export operation (targets for Indicator 30) show modest progress. In this sense it becomes imperative to accelerate the process of implementing the Strategy and Action Plan for the Improvement of Business Environment, and the establishment of its monitoring system and the Strategy for Small and Medium Enterprises. Above all, it is important to ensure a strong political involvement and high governmental coordination in implementing the reforms of the business environment.
56. Concerning the **Agriculture** sector, the government's priority in 2009 was the implementation of the Action Plan for Food Production (PAPA) with the aim of increasing production and productivity. To this end, funds have been allocated to MINAG amounting to 378.7 million Meticaís. The evaluation of PAPA's middle term results is planned for 2010.
57. In the context of completing the Strategic Plan for the Agrarian Sector Development, consultations were held with several key stakeholders. The approval is expected in 2010 and the PAPs await its further implementation. Overall, in 2009 the agricultural and livestock production grew by 8.6% as compared to 2008. The growth of the sector was affected by the global financial crisis and natural disasters.
58. Although the three PAF indicators in the area of agriculture have registered progress in relation to 2008, they have failed to meet the target for 2009. The execution degree of indicator 32 (the total number of assisted peasants) was 75.5% of the target. (The PAPs note, positively, that the gap between women and men declined). The execution degree of indicator 34 (the number of local communities defined, registered in the cadastral atlas and certified) only reached 52%. The PAPs have concerns about this level of performance. The execution degree of indicator 33 (number of hectares of new irrigation schemes built and/or rehabilitated with public funds) was 69%. Internal factors such as the procurement processes as well as the scarcity of resources contributed to the failure to achieve the targets.
59. The PAPs registered a weak inter-ministerial coordination within Rural Development and hope the new institutional framework will facilitate the coordination of actions and an acceleration of the activities in this area in order to reduce poverty in rural areas.

60. To improve the process of **demarcation of communal lands** and to clarify certain aspects in the interpretation of the legal framework of land, the sector held the first national meeting on the demarcation of communal lands in March 2010 with the aim of establishing an action plan to improve the community delimitation process. The PAPs are awaiting the approval of the proposed creation of the Consultation Forum on land, with the aim of creating a space for debate on land management and administration as well as activities to prevent land disputes between major international investment and local populations.

### **Cross Cutting Issues**

**61. The PAPs consider performance in the area of Cross Cutting Issues satisfactory. The area comprises 4 PAF indicators, of which three targets were met (percentage of HIV positive pregnant women receiving treatment, number of clients of rural microfinance, number of PEDDs with approved land use). One target was not met (PES / OE and BdPES reflecting actions, budgets and progress within gender).**

### **62. Area of HIV and AIDS**

In 2009, the new National Strategic Plan to Fight AIDS, PEN III, was approved. New legislation was passed against Stigma and discrimination against People Living With HIV/AIDS (PLWHA) and in relation to violence against women. Also noteworthy are the studies that show a national prevalence still worryingly high at 15%.

63. The PAPs believe that priority should be given to the implementation of HIV/AIDS programmes at the workplace to mitigate the negative impacts on State officials. It also remains necessary to better integrate the approach to social protection in the sectors, particularly in relation to orphans and vulnerable children and elderly people who care for them.

64. The slow progress towards universal access to treatment remains a major challenge. The PAPs consider it necessary to monitor closely the implementation of the PEN III to ensure that the national response to the pandemic is accelerating, particularly in the area of prevention.

65. Considering the importance of this area for development and poverty reduction, the PAPs consider it is unfortunate that the annual review of HIV / AIDS has not been organized for the year 2009.

### **66. Gender**

There has been progress in some sectors in the area of violence, with the elaboration of the protocol for integrated care and training in the area of violence, the production of materials from the gender perspective for information, education and communication, planning and budgeting. However, a lack of systematic gender disaggregated data to provide evidence as well as to influence policies persists in all sectors. A worrying aspect is the (non) compliance with the methodological guidelines on gender integration by the sectors.

67. Unfortunately, the pillar report in this area is weak and does not provide the necessary details to substantiate the analysis. The PAPs request more information from the Government in this area.

### **68. Environment**

Planning and Land Management is one of the major environmental priorities in the country and preparation of plans for land use should continue until covering the remaining 88 districts. The PAPs would like to know what is the percentage of the current coverage, which is not included in the pillar report. To capacitate district governments the High Institute for Physical Planning and Environment (Decree 55/2009) was created in 2009 and is currently functioning with 86 students.

69. The year 2009 witnessed the Launch of the National Campaign for Environmental Education, with the training of 203 environmental educators across the country and the identification of 128 locations perceived as the most critical in terms of severity of environmental problems.

70. In order to reduce loss of natural resources, the systematization of data on the occurrence of major outbreaks of fires in the districts, the survey data on Soil Erosion (Manica province) as well as survey data on greenhouse gases covering the areas of agriculture, forestry, solid waste and industrial processes, were completed.
71. A proliferation of efforts of partnerships in areas such as Climate Change, deforestation and soil degradation were reported. Although several activities are being undertaken in relation to environmental issues, the PAPs would like to know what is the situation regarding the national response to climate change and its impact in Mozambique.

#### **71. Rural Development**

The expected target of 10 Local Economic Development Agencies (LEDA) established and operating nationally has been met. Under the Strategic Approach to Local Economic Development, the implementation of ART-PAPDEL programme was initiated, and the National Coordinating Committee (CNC) was created at National, Provincial and District level. Moreover, the new Board of Direction of the LEDAs Network was elected and the Local Economic Development (LED) strategic focus in Mozambique was presented. In the same context, the perspective LED, 608 persons were trained in the provinces of Gaza, Inhambane, Nampula and Cabo Delgado. When it comes to implementation of Projects with Community Impact 21 projects were evaluated, 9 approved and 3 were implemented.