

PAF PLANNING MEETING 2009 AIDE-MÉMOIRE

18 de Setembro 2009

LIST OF ACRONYMS

AIDS	Acquired Immune Deficiency Syndrome
AM	Aide Memoire
ARVT	Anti-Retroviral Treatment
BdPES	Report on the Economic and Social Plan
CFMP	Medium Term Fiscal Framework
CNCS	National AIDS Council
CT	Technical Coordination
DPT3 e Hb	Vaccine (DPT3 and Hb)
EAC	Anti-Corruption Strategy
EITI	Extractive Industry Transparency Initiative
ESF	External Shock Facility
GBS	General Budget Support
GDP	Gross Domestic Product
GFP	Public Financial Management
GoM	Government of Mozambique
HIV	Human Immunodeficiency Virus
IMF	International Monetary Fund
INSS	National Social Security Institute
MINT	Ministry of the Interior
MoE	Memorandum of Understanding
MTs	Meticais
NT	Technical Note
OD	Development Observatory
ODA	Official Development Assistance
ODAMOZ	Official Development Assistance for Mozambique
OE	State Budget
PAF	Performance Assessment Framework
PAF CoG	Performance Assessment Framework Coordination Group
PAPs	Programme Aid Partners
PARPA II	Action Plan for the Reduction of Absolute Poverty II
PEFA	Public Expenditure and Financial Accountability
PEI	Integrated Strategic Plan
PER	Public Expenditure Review
PES	Economic and Social Plan
PETS	Public Expenditure Tracking Survey
PAF-PM	Performance Assessment Framework Planning Meeting
PQG	Government Five Year Programme
PSI	Policy Support Instrument
RC	Joint Review
ToR	Terms of Reference
UTRESP	Public Sector Reform Technical Unit
WB	World Bank

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PAF Planning Meeting 2009

Aide Memoire

I INTRODUCTION AND CONTEXT

1. The Government of Mozambique (GoM), the Programme Aid Partners (PAPs), Civil Society and the Associate Members met on 18 September 2009 to conclude the PAF Planning Meeting 2009 (PAF-PM) previously known as the Mid Year Review (RS). In accordance with the new Memorandum of Understanding (MoE) signed in March this year, and the Terms of Reference, the main objective of the PAF Planning Meeting is to agree indicators and targets for the year 2010, and indicative targets for the year 2011, in the Performance Assessment Framework (PAF) of the Government and the PAPs, including complementary technical notes for each indicator. The secondary objective was to present the progress made with regard to the matters of special attention that emerged from the 2009 Annual Review.

2. During this procedure, the government PAF Matrix for 2010-2011 was agreed, including indicators and targets for 2010, and indicative targets for 2011, based on the strategies of the sectors and the Report on the PES for the first half of 2009. The PAF Matrix of the PAPs was also agreed, with targets for 2010. The current situation as regards progress in the matters of special attention was based on the government's monitoring documents (Report on the Economic and Social Plan (BdPES) and the Budget Execution Report (REO) for the first six months). The Medium Term Fiscal Framework (CFMP) 2010-2012 was also analysed during the PAF planning process. Bearing in mind that 2010 is the first year of implementing the new Government Five Year Programme (PQG), if necessary, indicators and targets for 2010 will be reconfirmed during the 2010 Annual Review. The draft Economic and Social Plan (PES) and State Budget (OE) for 2010 will be analysed after their approval by the Government.

3. Because of the directive in the MoE, the PAF-PM process was lighter, since assessment of performance of the year under way was excluded, and it focused on the indicators and targets for 2010 and the indicative targets for 2011. Because of the delay in making available the CFMP 2010-2012, it was difficult to analyse it in line with the ToR's. Furthermore, due to the delay in the CFMP 2010-2012, it was not possible to draw up the head lines of the budget. As a result, assessment of the strategic allocation of the 2010 OE was not done. Faced with this situation, the PAPs expressed concern at the repeated delays in making the CFMP available.

4. The procedure involved 29 working groups, distributed among the five guiding pillars, and one group linked to implementation of the MoU, consisting of representatives of the Government, the PAPs, Civil Society and other donors. The analysis was made at the level of the working groups and the pillars and was concluded, at technical level, in a meeting of the PAF CoG held on 15 September 2009.

5. The present *Aide Memoire* includes the following appendices: the PAF matrix of the Government for 2010-2011 (Appendix I); the PAF matrix of the PAPs for 2010 (Appendix II); the PAF technical notes of the Government (Appendix IIIa); the PAF technical notes of the PAP's (Appendix IIIb); the reports from the pillars (Appendix IV); the list of support documents used (Appendix V); the ToR of the PAF-PM, including the list of pillars and working groups (Appendix VI).

6. The PAF-PM took place in a context in which the Mozambican economy has proved robust, despite the conjuncture of crisis in the world economy. In the first six months of 2009 overall production grew by 7.0% and average inflation¹ slowed down to 6.8% in June. Fiscal revenue, particularly internal, grew in real homologous terms by 9.5%. External resources for the state budget grew in nominal terms by 14.3%, and capital expenditure grew by 15.2% in real terms. Also in these six months, the financial system remained stable with interest rates on loans² in June 2.64 pp below the level of June 2008. This fact, together with the reduction in Government indebtedness in the banking system, made it possible for credit to the economy to grow in nominal homologous terms by 52.3% in June. The stability of the financial system and of the economy in general favoured the 95.6% growth in direct investment (including mega-projects) in the first six months.

7. However, the reduction in demand and in international prices, together with an appreciation of the effective real exchange rate by 13%³ in the first half of the year, led to a fall in exports of 39.3% (41.8% excluding mega-projects). The sharpest fall was in prawns, followed by cashew nuts, sugar, timber, aluminium and gas. This fall led to a worsening in the deficits on the balance of trade and the current account by 70% and 20.3%, respectively. However, the flows of foreign aid, among other factors, allowed the maintenance of comfortable levels of reserves (4.6 months of imports).

8. The effects of the world economic crisis on exports could lead to retraction in the sectors of manufacturing and mining, and transport and communications, judging by the retraction that these recorded in the first half of 2009, and other effects of the crisis that may be expressed with some time lag. According to Government projections, it is expected that economic growth will slow from 6.7% in 2008 to 6.1% in 2009. However, considering the delayed impact of the financial crisis on Africa, it is possible that the slowdown of growth may be sharper⁴.

9. For 2010, the CFMP 2010-2012 assumes that the world economy and export markets will recover, expecting that growth speeds up somewhat to 6.3%. However, on the hypothesis that the developing countries recover from the crisis with some delay, and adopting a prudent approach, the projection for GDP growth may be revised downwards.

10. It is estimated that average inflation will slow to 6.1% in 2009 and 5.6% in 2010. However, the expected recovery of world demand, of the price of commodities and a likely updating of administered domestic prices and of fuel prices may constitute an inflationary factor in 2010.

11. Although it was not possible to assess the consistency between the CFMP and the OE, the Government indicates that the OE 2010 will be consistent with the perspective advocated in the CFMP 2010-2012 in the sense of giving priority to allocating resources for programmes classed as strategic, as well as covering the costs of the wages policy, and the cost of fuel⁵. Eventual fiscal adjustments to accommodate potential alterations in fuel prices could force

¹ Maputo city

² For maturity of 12 months.

³ Reports the evolution of the mobile 12 month average of the effective real exchange rate up to June 2009, considering the currencies of the European Union, the USA, South Africa, India and China.

⁴ The International Monetary Fund (IMF) and the World Bank (WB) currently estimate growth for 2009 at around 4.5%.

⁵ The head lines of the OE 2010 were not made available during this process.

reallocations in expenditure. To minimise such alterations, continued efforts for more prudent fiscal programming and internalisation of external shocks will be important.

12. In the course of the PAF-PM, the country received a mission from the IMF, which is currently conducting the 5th review of the PSI (Policy Support Instrument) and the 1st review of the ESF (External Shock Facility), with the objective of making an assessment that will be presented to the IMF Executive Board before the end of 2009. In this context, the review team is assessing, together with the Mozambican authorities, the macroeconomic situation and outlook, analysing monetary and fiscal performance through June 2009, the draft budget for 2010, and discussing the macro-economic and structural policies for 2010 that could be pursued under the programme. Particular attention is being paid to the impact of the economic crisis on the country, as well as the question of the fuel subsidies and the wage bill and their implications for the budget as a whole.

13. During the PAF Planning process, a meeting at political level was held on 17 September. The main matters raised were the electoral process, the fuel subsidy, and progress in the area of governance.

II. PROGRESS IN MATTERS OF SPECIAL ATTENTION FOR THE GOVERNMENT AND THE PAPs

Government

14. *Need to ensure, in the medium term, greater equity and effectiveness in resource allocation, strengthening the programmatic planning and budgeting approach of the CFMP and related instruments:* One of the roles of the CFMP is to establish the link between strategies and the allocation of public resources. Although this instrument is subordinate to the long term strategic instruments (PQG and PARPA, the approved CFMP 2010-12) it was drawn up in a context when these documents are still under preparation. However, the CFMP programmes the allocation of resources with the objective of reducing absolute poverty, based on stimulating economic growth, promoting rural development, reform of the Public Sector; development of infrastructures and decentralisation. In 2009 the Government continued the emerging approach of budgeting by programme. This methodology seeks to strengthen traditional sector planning, thus seeking to improve the priority allocation of resources to aspects that in fact contribute more directly to achieving the goal of reducing the levels of absolute poverty. Indeed, the CFMP gives greatest priority to achieving the actions inserted in the strategic and priority programmes. According to the CFMP document, greatest attention is given in the 2010-12 three year period to allocating a greater proportion of resources to the provinces with the largest population, but it also recognises that population is not the only determinant factor for ensuring equity, and that in the economic sphere the scenario of equity is more complex than in the sphere of access to social services, Alignment between the planning and budgeting instruments will be improved with the implementation and deepening of programmatic budgeting and the broad use of other classifiers (such as the functional ones) at the various levels of Government.

15. *Speed up the accession of the country to the EITI initiative and hold competitive and transparent tenders in order to avoid conflicts of interest.* Mozambique was accepted as a candidate country by the EITI Secretariat last May. The attribution of mineral licences, in accordance with the mining legislation takes place in two ways: a) Mining licence, and b) By

public tender in areas previously subject to geological study. In the petroleum sector, the attribution of exploration and operation licences was always by public tender but, exceptionally, by direct negotiation, as envisaged in the legislation. It has been agreed that, if Mozambique were accepted as a candidate country, a joint mission of the World Bank and of the EITI Secretariat would agree with the Government an interim funding mechanism to allow the establishment and functioning of the Secretariat. This mission will take place in September. However, the Government has taken the initiative of planning for 2010 some activities to be paid for from the OE. These concern: offices of the secretariat, interim allocation of some staff to the secretariat and administrative costs.

16. It was recommended that the initiative and its spirit be publicised among representatives of the companies. Some companies are showing interest in accession to the initiative. The petroleum branch is represented through its forum on the Committee and agrees with the EITI. Bringing companies into line with the details of EITI will be facilitated and done in accordance with the Plan of Activities. Information on both mining and hydrocarbon concessions is available to the public in the respective registers.

17. *Speed up the pace of implementing the anti-corruption strategy at sector level.* The Joint Review (JR) of April 2009 noted, among other aspects, the persistence of difficulties in measuring the impact of the implementation of the Anti-Corruption Strategy (EAC). As a result, it was recommended that the pace of implementation be speeded up at sector level, strengthening monitoring through improving the respective indicators and the intervention of the Development Observatories (OD).

- Hold the 2nd National Survey on Corruption and Governance to be concluded in April 2010;
- Include in BdPES 2009 assessment of the EAC through the sector and provincial anti-Corruption Plans.
- Integration of the revised sector and provincial anti-corruption plans into the PES.
- Strengthened mechanisms to supervise and monitor the EAC with improved technical capacity of the provincial ODs and district consultative councils and strengthened monitoring of the EAC nationally at UTRESP level;
- Make the instruments of public management available in electronic format on the web pages.
- Submit the bill to revise the Anti-Corruption Law and the Central Office for the Fight against Corruption to the Assembly of the Republic.

18. *Improve management of the information needed to monitor and evaluate the governance pillar in useful time alongside the need to draw up the action plan to implement the recommendations of the performance audit in the justice sector.* As part of the monitoring of PARPA II activities, the performance audit of the Justice Sector was held, which was divulged in March. The audit proved important in identifying the constraints, as well as making recommendations for improving the functioning of the Sector, so as to guarantee better service delivery. Thus the resulting recommendations were welcomed by the audited institutions and matrices were drawn up concerning follow-up activities for the 11 central institutions audited. Two of these matrices, scheduled for June, were shared with the partners in early September. Additional information is awaited on the other matrices, to be made available shortly, as well as information on implementation of the actions by the respective

institutions. The PAP's propose regular (quarterly) meetings with the Sector, within the PEI monitoring forum to accompany implementation of the actions.

19. *Hold the comparative study on bringing Mozambican anti-corruption legislation into line with the regional and international conventions that have been ratified.* In the struggle against corruption, it is important to mention the approval, in late July, of the National Integrity Plan of the Judiciary, as well as the beginnings of harmonising the national anti-corruption legislation with the international legal diplomas on the matter that have been ratified by Mozambique. Three regional seminars were held on this. In this latter context, it should be noted that a bill is currently being drawn up on protection of witnesses and whistle-blowers, Terms of reference have been drawn up for hiring consultants, and the conclusion of the draft bill is scheduled by the end of December this year.

20. *Speed up special measures to mitigate the effects of the crisis on the poorest strata of the population, in the area of Social Protection, among others.* The government, with the support of the partners, is drawing up a draft National Strategy for Basic Social Protection. Among other objectives, this intends to expand services to cover a greater number of beneficiaries. The study should propose mechanisms for updating the values of the food subsidy.

21. *Actions to reverse the rate of infant and maternal mortality within hospitals.* 12 courses were held on Emergency Obstetric Care and Essential Care for New-borns in all the provinces: there were four courses on Basic Neonatal Resuscitation and the Manual of Neonatal Resuscitation was drawn up for doctors, nurses and midwives. A new children's health card was introduced in all health units in the country, in order better to check children's growth and the health care provided. In order to increase the coverage of institutional deliveries, strategies were approved for waiting houses for pregnant women, and for traditional midwives, and 165 health professionals were trained in Emergency Obstetric Care. As part of the activities to reduce hospital infant and maternal mortality in 2010, the Government will prioritise continued training for health staff, as well as for Community Health Agents, and supervision and technical support for the provinces by the group of Gynaecologists, Obstetricians and Paediatricians. In addition, screening for cervical cancer will be stepped up, and health units will continue to be equipped with kits for attending to women and children. These actions are duly reflected in the draft PES of the sector for 2010.

22. *Guiding actions to reduce the rate of chronic malnutrition among children.* Activities were undertaken such as the promotion, protection and support for breastfeeding and infant feeding. One should mention the publicity for Ministerial Diploma no. 129/07 on the National Code on Breast Milk Substitutes; the training of 25 technical staff in monitoring the Code on Marketing Breast Milk Substitutes. Information material was distributed to promote breastfeeding, as well as communication for nutritional education. 10 nutritional rehabilitation units were set up, bringing the number open to 64. 32 sentinel sites were established to monitor chronic and acute malnutrition. The first phase of the national children's health week took place: children aged from 6 to 59 months were given the first dose of vitamin A supplements, and children aged from 12 to 59 months were dewormed. In 2010, it is intended to implement and step up the main key interventions to reduce chronic malnutrition, through activities of intensive promotion of breastfeeding, with a stress on exclusive breastfeeding. This will include the training of breastfeeding support groups, and the training of health professionals in child feeding. A programme of Food and Nutritional Supplements will be developed and implemented for pregnant women and nursing mothers, adolescent girls and children of between 6 and 24 months of age. Actions will also be undertaken to improve the

Nutritional Rehabilitation Programme and basic nutritional care in the health units and communities, among others.

23. *Actions to better confront the HIV pandemic and to prevent and mitigate it.* Expanded access to ARVT and to the prevention of mother-to-child HIV transmission was guaranteed, through increasing the number of health units that offer these services. Prevention and mitigation actions are cross-cutting. The sectors have stepped up prevention and mitigation activities at the workplace, and the number of staff tested and channelled for hospital follow-up has doubled. Examples are the Ministries of the Interior, Finance, Education, and Youth and Sport. The Government has thus been playing an active role in HIV prevention, by undertaking actions to promote counselling and testing, and to expand and improve the quality of ARVT by training technical staff and counsellors. In addition, the CNCS is coordinating implementation of the Accelerated Prevention Strategy in order to step up actions in the fight against HIV and AIDS, ensuring better focus for prevention activities. In this context, two campaigns will be launched this year – one on multiple concomitant partners and the other aimed at protecting the “window of hope”. Its objective is to strengthen communication for training and behavioural change. A strategy has also been devised for nutritional support for patients receiving ARVT to encourage them to adhere to the treatment and remain on it.

24. The Government is continuing to expand its prevention programmes throughout the country and to implement HIV/AIDS policies in the workplace to mitigate the negative effects on the sector and on the personal life of state employees, particularly teachers and policemen.

25. So that the interventions in this sphere have the desired impact, broader mobilisation of the partners will be important in concentrating their investments in areas and materials that the Government regards as priorities.

26. *Actions to facilitate better understanding about application of the Land Law for the communities.* The Government organised a seminar in May 2009 where the meaning of management plans for community areas was explained and instructions were given. These define the use that the community will make of their land. It also considered the concept of community, as defined in the Land Law. In addition, a working group was set up to discuss and propose a model of community-investor partnership. The conclusions of the seminar were included in the report with a matrix of actions for follow-up, and were sent to the provinces. The government is also carrying out a survey and inventory for land registration and mapping, with the objective of guaranteeing the customary land rights of the population

27. *Speed up concrete measures to stimulate the productive sector, with particular focus on rapid improvement in the Business Environment, in supporting small and medium companies and in job creation.* In this context, in the first half of 2009, the GoM adopted a series of reforms aimed at a flexible way of solving labour disputes, making fiscal benefits operational, facilitating approval of investment projects, increased coordination of the inspection of economic activities, facilitating international trade, simplifying procedures for licensing, combining some procedures for obtaining building licences, as well as simplifying tax payment procedures. As a corollary, Mozambique rose by five places in its classification in *Doing Business* 2010 from number 140 to 135.

28. However, the pace of adopting and implementing reforms identified as vital for improving the Business Environment, which is key for mobilising important resources from the private

sector to sustain the country's socio-economic development, is still slow. In general, most of the reforms recommended by RC 2009 have not yet been adopted.

Programme Aid Partners

29. *Reduction in the divergences between pledges and disbursements, particularly with regard to funding projects.* In July, new recommendations were drawn up jointly by the government and the PAPs for the inclusion of externally funded projects in the State Budget. In August, the government also published an updated version of the "Guide concerning external funding in the State Budget", which was presented at a seminar. It is desirable to organise more presentation events, for representatives both of the partners and of the various Ministries. The ODAMoz data base is an important tool for recording pledges and giving information on disbursements in useful time and increasing the predictability of aid. The improvement under way in the ODAMoz data base, to better serve the needs of the Government and the partners, is a joint task of great importance. But it is only with the publication of the 2010 OE that the degree of inclusion of projects in the OE can be assessed, and the efforts to reduce the divergence between the pledges and the disbursements will be known in 2011.

30. *Need to implement a rolling cooperation strategy that includes a medium term review, so as to ensure medium term predictability.* Rolling cooperation strategies are a great challenge for the partners. With regard to the bilateral General Budget Support agreements, there are some rolling agreements, but the cooperation strategies have not yet reached this point. The Accra Agenda for Action stresses medium term predictability, and so it will be important for each PAP to develop rolling intervention programmes and rolling aid budgets. This matter needs attention, not only from the partners but also from the Government in assessing and commenting on cooperation strategies. The fact that many partners are at the phase of drawing up their strategies in Mozambique provides an unequalled moment to take these questions into account. In this context, it is important to note that the Government's goal of an ever more robust and reliable CFMP will help the partners in this intention.

31. *Despite the financial crisis, the partners are encouraged to make efforts to support the country's development plans.* The efforts by many partners were successful, in that some partners, who at global level had been under pressure to reduce aid, were able to maintain the disbursements planned for Mozambique, and other partners managed to increase or anticipate their disbursements as a response to the Government's request for additional funding, which shows the partners' confidence in the country. However, it is also important to mention that there are partners who were obliged to make cuts in their aid to the country for 2009.

32. *Need for the partners to undertake more coordinated Technical Cooperation (CT).* Increasing more coordinated CT has been a recurrent theme in recent years, and is one of the indicators with poor performance. It is a difficult objective for many partners, and since the Joint Review there has not yet been any significant progress. For success in designing more coordinated CT programmes, it will be necessary for the partners to pay more attention to this point, combined with more decided action by the Government in designing CT programmes.

33. *Coordinate their missions and make joint efforts to reduce the number of missions.* Noteworthy progress has been made, and currently some partners are assessing their coordinated cooperation in order to increase the number of coordinated missions.

III ANALYSIS OF THE 2010-12 CFMP

34. The Government's perspective is to draw up the CFMP to allocate resources in line with the need to reduce absolute poverty, resting on encouraging economic growth, promoting rural development, public sector reform, development of infrastructures and decentralisation.

35. Economic Assumptions: This version of the CFMP takes as its basic context the World Financial Crisis, which may have a negative impact by reducing the global demand for primary products. The impact of the crisis on the economies of the donor countries could have consequences for the volume and composition of the aid made available. Since the document was drawn up in April/May 2009, but only approved in September, updating and adjusting the economic assumptions was not done in all areas, particularly in inflation, exchange rates and fuel prices, but it attempted to respond to the possible impacts of the crisis on the productive sector. Taking as its base two scenarios for economic growth (4.3% and 6.1% GDP growth in 2009), it assumes a reduction in the level of fiscal revenue, and a stabilisation of external resources. According to the more optimistic scenario, total resources will grow in nominal terms by about 23% between 2010 and 2012.

36. Strategic allocation of resources:

- By sectors and programmes: The approach of programme budgeting for capital expenditure will continue in the 2010-12 period. The programmes chosen as strategic in the economic area are: Agricultural Production; Construction and Maintenance of Roads and Bridges; Rural Electrification; Rural Development; Tourism; Road Transport Development; and Economic Development of the Districts, thus confirming that the sectors where more resources will be channelled are Infrastructures, Agriculture and Rural Development. The document gives very general descriptions in terms of the actions to be undertaken in each of the programmes, and these are not clearly visible or used in the resource allocation tables, which are limited to the organic and economic classifiers. Information on the cost of the fuel subsidy is not included. Information on projects with external funding is still very limited.
- By geographic level: The projections made for 2010-12 continue to reflect the Government's effort to decentralise execution of funds for running costs (under the heading of staff costs) to the provinces and districts. At provincial level, a greater proportion of resources has been marked for the most populous provinces, and there has been an increase in the provision for the internal capital component. A deeper analysis of this component, also with regard to the programme provisions should also be made.
- By budget heading: For 2010, greater expenditure is projected in the headings of General State Costs and Running Costs, reflecting expenditure on the Wages Policy and Provincial Assemblies in 2010 and Monetary Policy in 2012. In 2010, about 62% of total Running Costs will be absorbed by wages and remuneration, including the costs of implementing the Wages Policy (856.9 Million Mts) and the Location Allowance (85 Million Mts) and assuming the policy of widening wage differentials. About 25% is absorbed by Goods and Services. No information was included about new recruitment, pensions, types of increase, among other aspects. There is also no detailed information on Financial Operations, Transfers and Subsidies.

37. Since it was not possible to analyse the coherence between the macro-economic framework, the CFMP and the draft budget for 2010, the information available and the most recent developments, the partners see a need to continue this analysis in a deeper way, and particularly to understand how the following questions are dealt with in the draft 2010 OE:

- Updating the economic assumptions, particularly on inflation, the exchange rate, international fuel prices, and how these are reflected in the envelope of resources in real terms;
- The strategic allocation of resources, relying on more detailed information on the basis of programmatic classified and sector information, so that it may be better gauged how the strategic objectives and the resource allocation policies are expressed in effective provisions in the priority sectors of expenditure;
- The implications of decisions to finance new priorities (particularly the fuel subsidy) and of points of expenditure pressure on decisions to reallocate resources, and how budgetary equilibrium, the sustainability of public expenditure, and the close link with the strategic objectives of resource allocation are maintained.

38. In particular, considering that the recent decision to introduce a *de facto* fuel subsidy has an expected cost of about 0.5% of GDP in 2009, in a context of highly volatile international fuel prices, the real cost of this subsidy could be higher if there are further increases in international oil prices. While the political and social pressure behind this measure is understandable, and the Government has indicated an intention to revert to the normal mechanism of price transmission in early 2010, it has also declared its intention to withdraw the subsidy gradually in 2010.

Furthermore, considering that fiscal sustainability is one of the medium term objectives of the wages policy, and that the projected costs are already beyond the limit of 8.4% of GDP established in this wages policy, there is a risk that an expansion in the size of the public sector (the planning of which is not known to the partners) and of its wages account might limit the space for fiscal management, compromising the sustainability of the current economic growth. The partners would also like this discussion to consider the relationship with the strategic priorities of resource allocation that the Government wishes to pursue.

IV INDICATORS AND TARGETS 2010

39. At the PAFCoG meeting on 15 September 2009 it was decided to reconfirm most of the indicators. The indicators and targets for 2010 were agreed, as stated in Appendices I and II and the technical notes for each indicator were updated and in some cases specified, as stated in Appendix III. The indicative targets for 2011 were established for most of the indicators.

With regard to the PAF 2010 matrix of the GoM

40. It was decided to reformulate indicators 29, 34 and 40:

- Indicator 29 (Study concluded, investment strategy under implementation, regulations in force and recommendations implemented in the INSS) was reformulated and now has a new text: “Sustainability of the social security system”, seeking to strengthen coverage of the social security system and to improve provision of services to contributors and beneficiaries

of the system. The technical note should be drawn up by 31 October for approval by the Joint Steering Committee (JSC).

- It was decided to keep indicator 34 (No. of local communities with land demarcated and recorded in the registry atlas), which had been proposed for alteration. But the technical note was reformulated.
- It was decided to keep indicator 40 (Cumulative number of strategic district development plans, with the spatial component included, drawn up and approved), and finalise the Technical Note by 31 October for approval in the Joint Steering Committee (JSC).

41. It was agreed to replace indicators 26, 28 and 31:

- Indicator 26 (No. of new dispersed sources built) was replaced by the indicator “% of population with access to clean drinking water”.
- Indicator 28 (Submission to the Council of Ministers/Parliament) was replaced by the indicator “Productive sector, insurance area and complementary pension funds competitive, transparent and complying with international standards”. The Technical Note should be drafted by 31 October for approval in the Joint Steering Committee (JSC).
- The replacement of indicator 31 (Cost of hiring and firing workers) by “simplification of licences for exercising business activity”. The target for 2010 was defined as: approval by the Council of Ministers of a legislative package for simplifying all licenses for the exercise of business activity and for 2011 the indicative target is - an electronic licensing system established.

42. New indicators:

- On the other hand, it was decided to introduce a new indicator 26b for the Sanitation area. The working group proposes to assess the sanitation component, crucial for the well-being of the population, despite the difficulty of monitoring it effectively. The new indicator is: “% of population with access to adequate sanitation”.
- It was exceptionally agreed to insert a new indicator (number 41) on the fee for Land Use Rights (DUAT). A working group was set up to define the specific indicator on this matter, establish targets, and draw up the respective Technical Note for 2010. It was agreed that the group will present its proposal by 31 October for approval in the Joint Steering Committee (JSC).

43. As for reflection on the indicators which show 2010 targets that are very different from the indicative plans, we should mention:

- The target for indicator 6 “Total revenue as percentage of GDP” was dropped from 18.1% to 16.7% due to revised projections of revenue resulting from the negative impact of the economic crisis on the productive sector and on international trade in Mozambique. This target and estimates are those made in CFMP 2010-12, in the more optimistic perspective of a 6.1% growth in GDP.

- The target for indicator 19 “Coverage rate of DPT3 and Hb in children aged 0-12 months” was adjusted from >95% to 89% as a result of the introduction of new recording and monitoring instruments.
- The target for indicator 22a was changed from 190 000 to 170 900.
- The target for indicator 32 was changed from 529 500 to 400 000.
- The target for indicator 33 was changed from 3000 to 2500.

44. Indicators 3, 8, 9, and 14 do not have indicative targets for 2011 because the respective working groups have proposed their replacement for 2011.

With regard to the 2010 PAF matrix of the PAPs:

45. Due to drawing up the Code of Conduct on development cooperation and because the targets of the Paris Declaration were defined up to 2010, the PAP’s and the Government have agreed only to set targets for 2010. It should be noted that the PAF matrix of the PAP’s considers only ODA for the Government sector. With regard to the replaced, eliminated, new or reformulated indicators, the following may be noted:

46. Indicators eliminated:

- Indicator 18 “Donors and GoM agree on ‘quiet period’ and its implementation”. This indicator was eliminated since the new MoU on General Budget Support establishes the two quiet periods (December/January and August).
- Indicator 21 “% of sector CT (expanded) as a percentage of total CT of the PAPs”. The need to increase more coordinated CT is an imperative that this indicator was trying to measure. However, the current indicator is based on an estimate that does not necessarily correspond to the real situation, and so this indicator was eliminated. It will be necessary to set an indicator next year to measure this dimension of CT.

47. New indicators:

- Indicator 3b “PAP has a rolling, multi-year programme for not less than 3 years”. This is a new indicator which complements indicator 3a. This indicator reflects the commitment of the Accra Agenda for Action on medium term predictability.

48. Reformulated indicators:

- Indicator 6 “% of ODA of the PAPs registered in the State Budget compared with the ODA programmed for the fiscal year”. The objective of the indicator is to measure the relationship between the aid programmed by the PAP and that which is registered in the OE. This indicator was specified in order to better reflect the Paris Declaration.
- Indicator 16 “% of total missions of the PAP which are undertaken jointly”. The points for this indicator are increased to reflect the importance of this indicator for the Government. The PAP that meets this target receives 2 points. The definition in the technical note on what a mission is has been specified.

49. Indicators replaced:

- Indicator 8 “The information on the programme aid of the PAP for the CFMP is predictable”. This indicator was altered to reflect the quality of the information provided for the CFMP with regard to programme aid. The technical note defines the measurement of the indicator.

50. The targets for 2010 were agreed, based on performance in 2008 and the targets of the Paris Declaration. Some targets defined for this year were already surpassed in 2008. For this reason, some targets for 2010 have been increased (indicators 12^a, 12b, 12c, 13 e 19).

51. The PAF Planning Meeting decided that the bilateral agreements will be analysed to provide a solid basis to assess the close harmonisation between the bilateral agreements for General Budget Support and the MoU and the adherence of the PAPs to the common conditionality of General Budget Support.

52. At the meeting of the High Level Forum in Accra-Ghana, where the Accra Agenda for Action was approved and adopted, it was agreed that the donors should give regular and detailed information, in useful time and in a transparent way about the volume, allocation and results of the aid. The ODAMoz data base provided a useful tool in this regard and it is suggested that the quality of information put into ODAMoz by the PAPs will be accompanied through an indicator after the finalisation of phase two of the development of ODAMoz. It is also recommended that once the development of phase two is completed, ODAMoz becomes the source of verification of the PAP PAF indicators on volumes of aid.

V ANALYTICAL STUDIES TO BE HELD JOINTLY BY THE GOVERNMENT AND AND THE PARTNERS IN 2010

53. In the MoU the Government promises to make regular analyses of Public Finance Management and the provision of public sector accounts.

54. The finalisation of some studies and assessment of PARPA II are scheduled for 2009, as well as surveys on the poverty situation in Mozambique. These studies will form the basis for deeper analytical work that should continue in 2010 - 2011.

55. In the more specific context of the Public Financial Management (GFP) system, the following studies will be held in 2010 for presentation in the Annual Review of 2011:

- PETS (Public Expenditure Tracking Survey) in the health sector: field work and preliminary report to be concluded by the end of 2010
- PEFA (Public Expenditure and Financial Accountability) Assessment: field work to begin in 2010, covering the 3 complete financial years 2007-2009.

56. Other studies or additional analytical work, such as, for example, work on a Public Expenditure Review (PER), or a deepening of studies already held, may be specified and agreed later.

57. As for performance audits, it was agreed that the two audits (on the agricultural sector and natural disasters) to be started this year and the preliminary reports should be completed by March 2010 to feed the annual review process. The final reports should be ready by April 2010.

58. In the MoU, the PAPs promise to do analytical reviews and other analytical work together with and in prior consultation with the government. During the PAF-PM, work began on a survey of the analytical studies to be done jointly to minimise unnecessary overlapping and other burdens.