

**Annex IV – Reports for Pillars I – II- III – IV – V**

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## Pillar I – Macroeconomics and Poverty

### 1. Overview of the macroeconomic framework for 2010

The Mozambican economy has proved to be robust, in spite of the conjuncture of crisis in the world economy. In the first half of 2009, overall production increased by 7.0%<sup>1</sup> and average inflation<sup>2</sup> decelerated to 6.8% in June. Tax revenues, particularly internal ones, increased in corresponding real terms by 9.5%. The external State budget resources increased in nominal terms by 14.3%, while investment expenditure increased by 15.2% in real terms. Also in this half-year, the financial system continued stable, with the June loan interest rates<sup>3</sup> at 2.64 pp below the June 2008 level. This fact, together with the reduction of the Government's indebtedness in the banking system, allowed a growth of credit to the economy in corresponding nominal terms of 52.3% in June. The stability of the financial system and of the economy in general propitiated a growth of direct investment of 95.6% (including mega-projects) in the first half year.

However, the reduction of international demand and prices, together with the appreciation of the effective real exchange rate by 13%<sup>4</sup> in the first half year led to a fall of exports by 39.3% (41.8% excluding mega-projects), with a more accentuated fall for prawns, followed by cashew nuts, sugar, timber, aluminium and natural gas. This fall led to the aggravation of the balance of trade and current account deficits by 70% and 20.3%, respectively. However, the external aid flows, among other factors, allowed the maintenance of comfortable levels of reserves (4.6 months of imports).

The effects of the global economic crisis on exports may bring about a retraction of the processing and mining industry and transport and communications sectors, as can be assessed by their retraction in the first half-year of 2009 and by other effects of the crisis that may become evident with some delay. According to Government projections, the economy is expected to decelerate from 6.7% in 2008 to 6.1% in 2009. However, considering the delayed impact of the financial crisis on the African region, it is possible that the deceleration will be more accentuated.<sup>5</sup>

For 2010, the MTF 2010-2012 assumes that the world economy and the export markets recover, with an expected slight acceleration of growth to 6.3%. However, with the assumption that the developing countries may recover from the crisis with some delay, and adopting a cautious approach, the GDP growth projection can be adjusted to a lower level.

<sup>1</sup> Data about the GDP 2009 are only available for the first quarter, with a real growth of 5%.

<sup>2</sup> City of Maputo.

<sup>3</sup> For a 12-month maturity.

<sup>4</sup> Refers to the evolution of the 12-month moving average of the effective real exchange rate until June 2009, considering the currencies of the European Union, the United States of America, South Africa, India and China.

<sup>5</sup> The International Monetary Fund (IMF) and the World Bank (BM) currently estimate a growth for 2009 by about 4.5 percent for Africa and 5 percent for Mozambique.

It is estimated that average inflation will decelerate to 6.1% in 2009 and to 5.6% in 2010. However, the expected recovery of global demand, of the price of goods and a likely adjustment of managed domestic and fuel prices may be an inflationary factor in 2010.

According to the Government, the State Budget 2010<sup>6</sup> will continue consistent with the MTFF 2010-2012 perspective in the sense of giving priority to the allocation of resources to the strategic programmes, in addition to covering the costs of the salary policy and the cost of fuel allowances. The possible tax adjustments to accommodate potential changes in fuel prices may force reallocations in expenditure. In order to minimize these changes it will be important to continue making efforts towards a more cautious fiscal programming and the internalisation of external shocks. It will also be increasingly more important to contain the cost of the salaries account, given that this leads to the crowding out of the fiscal space for the introduction of policies in favour of economic growth, required for boosting labour-intensive small and medium-sized companies.

## **2. Brief analysis of the MTFF 2010-2012**

The partners note that this MTFF is prepared in a special year, of elections and when the long-term strategic documents – PQG and PARPA – are still in preparation. However, the perspective of the Government is to prepare the MTFF for the allocation of resources according to the need for reducing absolute poverty, based on the boosting of economic growth, the promotion of rural development, Public Sector reform, the development of infrastructures and decentralization.

### Economic assumptions:

This version of the MTFF considers as base context the global financial crisis that can have a negative impact through the reduction of global demand for primary products and the impact of the crisis on the economy of the donor countries, which may have consequences for the volume and composition of the aid made available. Given that the document was prepared in April/May 2009, but only approved in September, the updating and adjustments regarding the economic assumptions were not introduced in all areas, particularly regarding inflation, the exchange rate and fuel prices, but attempted to respond to the possible impacts of the crisis on the productive sector. Taking as a basis two economic growth scenarios (of 4.3% and 6.1% of GDP growth in 2009), a reduction of the level of tax revenues and a stabilization of the level of external resources is assumed. According to the more optimistic scenario, the total volume of resources will grow in nominal terms by about 23% between 2010 and 2012.

### Strategic resource allocation:

By sectors and programmes: The programmatic budgeting approach for investment expenditure will continue in the period 2010-12. The programmes selected as being strategic in the economic area are: Agricultural Production; Roads and Bridges Construction and Maintenance; Rural Electrification; Rural Development; Tourism;

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<sup>6</sup> Until now the Government did not make the main data of the OE 2010 available.

Road Development; and Economic Development of the Districts, thus confirming that the sectors to which more resources will be channelled are those of infrastructures, Agriculture and Rural Development. The document presents very general descriptions in terms of the actions to be taken in each one 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. No information is included about the important fuel allowance cost component. The information about projects with external financing is still very limited.

By geographical level: The projections made for 2010-12 continue to reflect the Government's effort for the decentralization of the execution of funds for current expenditure in the budget line for staff expenses to the provincial and district level. At provincial level, a greater proportion of resources was attributed to the more populous provinces, with an increase of the appropriation of the internal investment component. A deeper analysis of this component, also in relation to the appropriations by programmes, still has to be prepared.

By budget item: For 2010 a greater volume of expenditures is planned in the budget lines of General State Charges and Current Expenditure, reflecting expenditure with the Salary Policy and the Provincial Assemblies in 2010 and the Monetary Policy in 2012. In 2010 about 62% of the total of current expenditure will be absorbed by Salaries and Remunerations, with the inclusion of the cost of the implementation of the Salary Policy (856.9 million Mtn) and the Localization Allowance (85 million Mtn) and the continuation of the salary decompression policy) and about 25% absorbed by Goods and Services. No information was included about new recruitments, reforms, types of increases, among other aspects. There is also no detailed information about Financial Transactions, Transfers and Allowances.

Given that was not possible to make an analysis of the coherence between the macroeconomic framework, the MTFE and the budget proposal for 2010, the available information and the more recent developments, the partners see the need to continue this analysis in a more profound way and particularly to understand how the following issues are treated in the proposal for the OE 2010:

- Updates of the economic assumptions, particularly regarding inflation, the exchange rate, international fuel prices and how these are reflected in the totality of resources available in real terms;
- The strategic allocation of resources on the basis of more detailed information based on the programmatic classifiers and sector information, so as to be able to assess more clearly how the strategic objectives and resource allocation policies express themselves in effective appropriations in the priority sectors for expenditure;
- How the decisions of financing new priorities (particularly fuel allowances) and expenditure pressure points imply the taking of decisions about the reallocation of resources and how the budget balance is maintained, the sustainability of public expenditure and the close link with the strategic resource allocation objectives.

Particularly, considering that the recent decision to introduce a de facto fuel allowance has an expected cost in 2009 of about 0.5% of GDP, in the context of highly volatile international fuel prices the real cost of this allowance may be higher if the international oil prices increase even more. Though one can understand the

political and social pressure of this measure and that the Government has indicated the intention to return to the normal mechanism of announcing the prices in the beginning of 2010. The Government already declared its intention to withdraw the allowance gradually in 2010.

On the other hand, considering that fiscal sustainability is one of the objectives of the medium-term salary policy, and that the projected costs are already beyond the cost limit of 8.4% of GDP, established in this salary policy, there is a risk that an expansion of the size of the public sector (the planning of which is not known by the partners), and its salaries account may limit the fiscal management space, jeopardizing the sustainability of actual economic growth. The partners would like this discussion to consider also the relation with the strategic resource allocation priorities that the Government intends to pursue.

### 3. Indicators and targets for the PAF 2010 and indicative targets for 2011

Though the ToR for the present exercise requires the proposal of targets for 2010 and 2011 in the context of budgeted resources, the information about the MTFF was only made available just before the submission date of the working group reports, making it almost impossible to analyse the relation between the agreed targets and the resource allocation policy. However, it was assumed that the various working groups took the respective existing sector proposals for the PES and OE 2010 as far as possible into consideration.

The situation for the 9 indicators and targets of the pillar is as follows:

- **Provincial Development Observatories (OD)** (indicator 1): Although the indicator has been modified in 2009 to include more qualitative aspects, the targets for 2010 and the indicative target for 2011 were set in agreement with the level of accomplishment in 2008. The schedule of the Development Observatories (OD) for the first quarter of the year is more desirable for the creation of synergies with other processes, especially the planning and budgeting inputs. The target agreed for 2010 and the indicative target for 2011 is the implementation of provincial ODs in 11 provinces.
- **Aggregate expenditure as a % of the approved OE** (indicator 2): The text of the technical note was updated to better reflect the specificities of the evaluation. The targets agreed for 2010 and the indicative targets for 2011 continue being an aggregate expenditure, in terms of percentage of the approved OE, of between 95% and 105%.
- **Allocation of the OE in line with the MTFF** (indicator 3): The indicator and the target agreed for 2010 remain as in the previous years. However, the technical note was updated to better reflect how to evaluate the budget cycle improvement process. The dialogue about how to improve the link between the budgeting process and the MTFF was started, but the analysis still needs to be deepened. The indicative target for 2011 and possibly the indicator should be defined later.
- **Public Expenditure Tracking Survey ("PETS")** executed on a biannual basis (indicator 4): Target agreed for 2010, for the start of PETS fieldwork in the Health sector, and indicative target for 2011, for survey done and implementation plan agreed.

- **Percentage of total State Budget directly executed** (indicator 5): The indicator for 2010 was slightly changed to emphasize the focus and the current e-SISTAFE implementation challenges to use the systems effectively. The new indicator is: "Percentage of total State Budget directly executed." The target for 2010 corresponding to this indicator is: 37.5 % of total expenditure executed directly. This target follows the tendency to monitor the implementation of SISTAFE at a more aggregated level and to focus increasingly on the real use and impact of the system. This target considered the current direct budget execution levels (23.61% at the end of 2008), the current position and the perspectives of some reform initiatives that will allow an increase of the level of execution. No indicative target was set for 2011.
- **State revenues as % of GDP** (indicator 6): The target proposed for 2010 was revised downwards in relation to the previous indicative values, reflecting a fall in the estimated level of execution for 2009 and the expected effect of the economic crisis on the productive sector and on international trade. The values of the targets are those of the MTFF 2010-12 and need to be confirmed by the Ministry of Finance after the submission of the OE 2010 to Parliament.
- **System of Procurement operational** (indicator 7): Indicator and target agreed. The technical note was updated to better reflect, in the subset of proposed indicators, the recommendations of the evaluation of the public procurement system (CPAR) carried out in 2008. However, it has been complicated to include most of the specific framework suggested during the CPAR process. The new M&E data suggested by the CPAR should be available until the end of 2009 but will only be so at the end of 2010.
- **% of organs at central and provincial level with operational internal control units (OCIs)** (indicator 8): The group agreed not to change the indicator for 2010 and confirmed to keep the target of 100% that will be met on the assumption that there will be State budget cover for internal control. However, it was decided to update the technical note and to introduce some changes in the classification of the operational OCIs. For 2011, the group agreed to find a new indicator and to start a dialogue about this.
- **Coverage of the OE audited by the TA according to INTOSAI technical standards and according to Mozambican legislation** (indicator 9): The target of 37 % was agreed for the year 2010 for the audits' coverage of the State Budget. The commitment of the Administrative Tribunal with the PLACOR targets, regarding the 2009 and 2010 audits, was also reconfirmed. The technical note was updated. Agreement about the need to start a dialogue about this area and to define a new indicator for 2011.

### Indicators without indicative target for 2011

The following indicators need a broader discussion in the context of Public Finance Management (PFM), with a view to the improvement of their quality, or to a better link with the defined strategic objectives, or still a better link with the development of the PFM vision and strategy.

- Allocation of the OE in line with o MTFF: given the need for greater emphasis on the necessary reforms in the budgeting process, particularly with the development of the programmatic classifier and a better link between strategic

objectives, physical targets, their financing and expression in a better quality budget process, it was agreed that the discussion should be deepened and that this indicator should be improved for 2011 and in the context of the new PARPA.

- **SISTAFE. Direct OE execution:** The Ministry of Finance is preparing an action plan for the continuous development of e-SISTAFE and its modules in the next few years. Thus, it is more appropriate to set the target when this plan is approved. Besides, there is a determination to continue to improve the monitoring of the use of e-SISTAFE, so the target for 2011 can be defined to include the accomplishment of the execution rules and the impact of the implementation of SISTAFE.
- **State revenues as % of GDP:** there is a need to reflect about the reform effort and the increase of revenues, on the basis of the tax policy and base.
- **Internal audit:** The definition of the new indicator should take into account: (i) Internal control Indicators in the context of the PFM; (ii) What is intended to be achieved in terms of objectives in relation to the indicator to be defined; (iii) What type of indicator is intended: of impact, of action, of product or an indicator related to the macroeconomic policy; (iv) Relation between national and international indicators (PEFA, INTOSAI, IMF); (v) Quantitative versus qualitative Indicators. (vi) Indicators that reflect immediate or long-term objectives.
- **External audit:** The definition of the new indicator in this area should take into account, among other points: (i) The reduction of the gap between audits made and audits passed; (ii) The reduction of the audit durations; (iii) The follow-up given to the audits; (iv) The explanation / improvement of the risk matrix that justifies the selection of the institutions to be audited and (v) The number of audits / audited institutions as percentage of the total volume of institutions that need to be audited.

About indicator 7, regarding the procurement system, in spite of an indicative target for 2011 having been agreed, some system monitoring elements still have to be defined and improved, as defined in the technical note in the subcomponent of institutional and management capacity, and of integrity and transparency.

#### **4. Issues deserving special attention: progress and main challenges in 2010**

The issues of special attention under the responsibility of the pillar are:

*4.1. To ensure, at medium-term, greater **equity and efficacy in the allocation of resources**, strengthening the **MTFF programmatic planning and budgeting approach and related instruments**:*

One of the roles of the MTFF is to establish a link between the strategies and the allocation of public resources. Although this instrument is subordinated to the long-term strategic instruments, the PQG and PARPA, the approved MTFF 2010-12 was prepared in a context in which these documents are still in preparation. However, the MTFF plans the allocation of resources with the objective of reducing absolute

poverty, based the boosting of economic growth, the promotion of rural development, Public Sector reform, the development of infrastructures and decentralization. In 2009 the Government continued the emergent approach of programmatic budgeting. This methodology aims at strengthening the traditional sector planning, thus seeking to improve the prioritised allocation of resources to aspects that de facto contribute in a more direct way to the accomplishment of the objective of the reduction of the levels of absolute poverty. Indeed, the MTFF gives greater priority to the materialization of the activities included in the strategic and priority programmes. According to the MTFF document, in the three-year period 2010-12 greater attention is given to the allocation of a larger proportion of resources to the provinces with a larger population, but it is also recognised that the population factor should not be the only determinant to guarantee equity, and that in the economic realm the equity scenario is more complex than in the social services provision realm. The alignment between the planning and budgeting instruments will be improved through the implementation and deepening of programmatic budgeting and the ample use of the other classifiers (such as the functional) to the various levels of government.

*4.2. To accelerate the adhesion of the country to the **EITI initiative** as well as to launch competitive and transparent tendering processes with a view to avoid the appearance of conflicts of interest.*

Separate: text of the pillar report.

## **5. Main studies foreseen for 2010-2011**

During the year 2009 the conclusion of a few PARPA II studies and assessments is foreseen, as well as important inquiries about the poverty situation in Mozambique. These studies will certainly serve as a basis for broader analytical work that should continue in 2010 - 2011. Thus, in the area of macroeconomic management and poverty analysis, until the moment of the conclusion of the RP-PAF, specific analytical studies had not yet been planned and definitively agreed upon, but priority will be given to any necessary study related to the development of PARPA III, with emphasis on the analysis of the dynamics of poverty, economic policies that support a broad-based growth and sustainable development.

In the more specific context of the Public Finance Management (PFM) system and according to the understanding already reached in the context of partnership for the provision of Direct Budget Support, it is agreed that the following studies will be done in 2010 and be presented in the Annual Review 2011:

- PETS (Public Expenditure Tracking Survey) in the Health sector: fieldwork and preliminary report to be concluded until the end of 2010;
- PEFA (Public Expenditure and Financial Accountability) assessment: fieldwork to start in 2010, covering the 3 complete fiscal years 2007-2009.

Other studies or additional analytical work, such as for example a Public Expenditure Review (PER) study, or broadening studies already done, may be specified and agreed upon later.

## Pillar II - Governance

The Aide Memoire has precedence over this report

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### *Executive Summary*

The present report appears in the scope of the PAF – 2009 Planning Meeting, the objectives of which were the following: To agree about indicators and targets for the year **2010** (including technical notes for each indicator); To agree about indicative targets for the year **2011**; and to identify progress occurred in relation to the **Issues deserving Special Attention** raised during the Annual Review 2009 in the **Governance Pillar** comprising the **RSP, Decentralization and Justice Groups**.

This process noticed that there still is a need to refine the mechanisms for the timely collection and treatment of information.

### Indicators

In the **Public Sector Reform** area, (indicator 12) the target for 2009 was maintained and new targets for 2010 and 2011 were proposed, in agreement with the new salary policy approved by the Council of Ministers. In the **Decentralization** area, the Group evaluated the three (3) indicators and decided to maintain all of them (indicators 10, 11 and 13). Regarding the five indicators (14, 15, 16, 17 and 18) in the **Justice** area the target for 2010 and the indicative target for 2011 of indicator 18 were approved; the target for 2010 and the indicative target for 2011 of indicator 17 were approved; the target for 2010 and the indicative target for 2011 of indicator 16 were approved, with a reference note about point 2.6 regarding the value involved; a proposal for targets for indicator 15 was submitted to the partners and is still being negotiated; regarding indicator 14 it was agreed to negotiate the targets between the partners, the GoM and the High Court.

### Progress in the issues deserving special attention

#### **RSP**

#### **Accelerate the implementation of the anti-corruption strategy at sector level**

The Joint Review (RC) of April 2009 observed, among other aspects, the persistence of difficulties in the measurement of the impact of the implementation of the Anti-Corruption Strategy (EAC). Thus, it recommended to accelerate the speed of its implementation at sector level and to strengthen its monitoring through the improvement of the respective indicators and the intervention of the Development Observatories (OD) in the EAC monitoring process. The additional short-term activities that need to be performed and the respective indicators are presented in the following table:

<b>FOCUS AREAS</b>	<b>SPEEDING UP OF EAC IMPLEMENTATION</b>	<b>PRODUCT INDICADORS</b>
1. Evaluation of	Carrying out the 2 <sup>nd</sup> National	Report available and

FOCUS AREAS	SPEEDING UP OF EAC IMPLEMENTATION	PRODUCT INDICATORS
the implementation of the EAC	Research on Corruption and Governance, from November 2009 and its conclusion in April 2010 with the submission of the final report.	disseminated at national level.
	Introduction of the assessment study of the services offered to the citizens <sup>7</sup> —	Report available and disseminated at national level.
	Inclusion of the EAC evaluation in the BdPES 2009 through the sector and provincial Anti-Corruption Plans.	BdPES 2009 includes the evaluation of EAC activities
2. Anti-Corruption sector plans implemented: <ul style="list-style-type: none"> <li>• Health</li> <li>• Education</li> <li>• Justice</li> <li>• Interior</li> <li>• Finance</li> </ul>	Implementation of the activities included in the Sector Anti-Corruption Plans on the basis of the results of Government recommendations.	Sector Anti-Corruption Plans (revised) available and being implemented.
	Integration of the revised Anti-Corruption Plans into the PES.	Sector PESs 2011 integrate all Sector Anti-Corruption Plan activities.
3. Provincial and sector Anti-Corruption Plans concerning the sectors are not covered in the national plan	Revision of the provincial and sector Anti-Corruption Plans on the basis of the results of Government recommendations.	Provincial Anti-Corruption Plans (revised) available and being implemented.
	Strengthen the EAC supervision and monitoring mechanisms through the strengthening of the technical capacity of the provincial Development Observatories and the district consultative councils	Monitored by the various stakeholders of the sector anti-corruption plans process.

<sup>7</sup> This study will focus on the 12 key services, namely: transport services (issue of driving licences); medical emergencies, licensing of contractors, customs and taxes (IRPS, IRPC, VAT), civil registration, criminal registration, issue of certificates (MEC), enrolments, distribution of school books (MEC), issue of DUATs, Opinions of the TA, retirement pension determination service. The study will be done from September to December 2009.

FOCUS AREAS	SPEEDING UP OF EAC IMPLEMENTATION	PRODUCT INDICATORS
	Integration of the sector and provincial Anti-Corruption Plans into the respective PES.	Provincial PESs 2011 include all sector Anti-Corruption Plan activities; Government methodology for planning the PES 2011 should include information about what is expected from the provinces.
4. Strengthening of the monitoring of EAC implementation	Monitoring at national level, by the UTRESP strengthened	Half-yearly/annual reports
5. Transparency and access to information.	Make relevant Government-approved information available in electronic format on the websites about budget planning, such as for example, State Budget execution documents, Medium-Term Fiscal Framework, Provincial Budgets.	Budget documents on the DNO/MPD/MF websites.
6 Anti-Corruption Law	Revision of the Anti-Corruption Law	Anti-Corruption Law revised/approved

## Justice

Improve the management of information necessary for the timely monitoring and evaluation of the governance pillar, in parallel with the need to prepare the action plan for the implementation of the recommendations of the justice sector performance audit.

In the scope of the monitoring of PARPA II activities, a performance audit was made to the Justice Sector, which was disseminated last March and proved to be quite important in the view of the Sector, both from the point of view of the observation of constraints and also of the improvement of the Sector's functioning to guarantee better services to the citizens. In this sense, the resulting recommendations were welcomed by the audited institutions and matrixes were prepared concerning follow-up actions, regarding the eleven audited central institutions. Two of these matrixes, foreseen for the month of June, were shared with the partners in the beginning of this month. Meanwhile, additional information is awaited regarding the other matrixes, to

be made available until 11 September of this year, as well as regarding the implementation of the actions by the respective institutions (Annex: Follow-up matrixes). The partners propose regular (quarterly) meetings with the sector, in the PEI monitoring forum, to monitor their implementation.

**Carry out the comparative study about the conformity of the anti-corruption legislation of Mozambique with the ratified regional and international conventions**

In the fight against corruption it is important to emphasize the approval, at the end of last July, of the National Plan for the Integrity of the Justice sector, as well as the start of the harmonization of the national anti-corruption legislation with the relevant international legal documents ratified by Mozambique, and three regional seminars were organised. In this context, it should be mentioned that a process is ongoing for the preparation of a Law about the protection of witnesses and denunciators. The Terms of Reference have been prepared for the contracting of consultants and the conclusion of the draft is expected until the end of December of this year (Annex: Terms of Reference for contracting consultants).

**Additional Information**

At this moment, the available information about studies to be done is limited to the Review of the Justice Sector, to be financed by the Embassy of Sweden.

## Pillar III - Human Capital

### PAF 2010 and 2011 targets and indicators

Most of the indicators of the pillar are maintained with the exception of the water and sanitation sector.

- Already in the last PAF-CoG (September 2008), the “*Distribution of mosquito nets to pregnant women under-fives in districts without spraying*”, indicator in the Health sector was replaced by the human resource component indicator “*Number of inhabitants per technical health agent*”.
- In the Water and Sanitation area, the previous indicator was replaced by the results indicator “% of the population with access to potable water (rural and urban areas)”, so as to cover the rural and urban environment; in addition, an indicator was included for sanitation: “% of the population with access to adequate sanitation (rural and urban areas)”.

It should be noted that an adjustment was made to the targets of some indicators, mainly the following:

- “*DPTHepBHib3 coverage rate for children under 1 year of age*” (Health), which is a consequence of the introduction of new registration and monitoring instruments of the vaccination activities, which are thought to be more real than what the programme until then offered.
- With the inclusion of the new indicators in the water and sanitation sector, targets for these indicators were also defined, indicating a level of annual growth of about 2.5% for water and sanitation.
- Social Action indicators, where the final targets for 2010 and the indicative target for 2011 were fixed in agreement with the level of accomplishment in the first half of 2009 and of the MTF 2010-2012, of 262,383 and 303,328 beneficiaries, respectively. The defined target continues however below the initially defined target (294,400 beneficiaries) in the PARPA II and PAF matrixes, as well as the universe of people in need of basic social assistance.

**Table 1: Indicators and targets of the Human Capital Pillar**

Area	Indicator	2008	PAF-COF Targets 12/09/08		New RP-PAF targets	
		Real	2009	2010	2010	2011
Health	1 DPTHepBHib3 coverage rate for children under 1 year of age	87%	95%	> 95%	89%	90%
	2 Coverage rate of institutional births	55%	60%	62%	62%	63%

	3	Number of inhabitants per technical health agent	1,310	1,306	1,202	1,202	1,064
	4	Number of adults with advanced HIV infection who receive combined ART (antiretroviral therapy) according to the national protocols	118,937	148,500*	190,000	170,900	197,900
	5	Number of children who benefit from paediatric ART	9,393	11,500	18,000	18,817	23,818
Education	1	Net enrolment rate at 6 years of age in Grade 1 - Girls	72.9%	76%	79%	79%	81%
	2	Primary education (EP) conclusion rate, girls	34%	44%	46%	46%	50%
	3	Student/teacher ratio in EP1	71	68	65	65	63
Social Action		Number of children, elderly people, deficiency carriers and women heads of family who benefit from social protection programmes		204,827	232,8277	262,383	303,328
Water and sanitation		% of the population with access to potable water (rural and urban areas)	n/a	n/a	n/a	59.2%	61.9%
		% of the population with access to adequate sanitation (rural and urban areas)	n/a	n/a	n/a	47%	50%

It is important to emphasize that, due to the official publication of new population data, the targets that depend on this information, mainly the coverage rates in education and health, will be adjusted.

### 1. List of analytical studies planned by MISAU and its partners during 2010

In the Health sector several analytical studies and assessments are programmed:

- Study about the determining factors of the patterns of institutional maternal health care use

- Study about the operational factors related to the inconsistency between vaccination coverage and other epidemiological data about diseases
- Study about the weight of traumas in Public Health in Mozambique
- Evaluation of the effectiveness of the use of rapid diagnostic malaria tests (TDRS)
- Study about Health insurance in Mozambique (pre-payment experience, community insurance)
- Epidemiological inquiry and establishment of advanced diagnosis techniques of African Human Trypanosomiasis
- Seroepidemiological studies about rubella
- Evaluation of diagnostic HIV techniques
- Evaluation of the immunity against diseases that can be prevented by vaccination
- Studies about the prevalence of respiratory viruses
- Evaluation of the anaemia and malnutrition status related to intestinal parasitoses and bilharziasis in children in Sofala Province.
- Evaluation of the health status of waste collection workers in Maputo City in relation to intestinal parasitoses
- Survey of the epidemiological aspects related to the transmission of urinary bilharziasis in Mozambique
- Study about the aetiology of fevers in the country's health units.

In 2010 the Education and Culture sector will concentrate on the evaluation of the implementation of its Strategic Plan with the main objective of creating a basis for the preparation of the new Strategic Plan 2011-2015. The evaluation will focus on the following:

- Definition of the current state of the sector, regarding its main indicators (2010)
- Analysis of the impact of the main sector reforms, designed in the context of the Strategic Plan to reach the defined targets.

In the water supply and sanitation sector the execution of two fundamental studies is foreseen, namely:

- Evaluation of the impact of the decentralization of funds to the districts and provinces.
- Survey of the level of water supply and sanitation infrastructure use.

In the social action area the following is being done during the year:

- Preparation of the Operational Plan for the National Basic Social Protection Strategy (will depend on the approval of this strategy);
- Evaluation of the Impact of the Food Subsidy Programme (PSA).

## 2. Pending Issues of the Annual Review 2009

### a. *Speeding up the implementation of special measures to mitigate the effects of the crisis on the poorer population segments, among others, in the Social Protection area*

The sector response, regarding measures to mitigate the effects of the crisis on the more vulnerable population segments is related to the limits of the budget allocated to the Sector, which have not been sufficient to cover all potential eligible beneficiaries (the constant annual exceeding of the targets is symptomatic of this situation). Therefore, the MMAS is preparing, with partner support, a proposal for the National Basic Social Protection Strategy, the objectives of which include, on the one hand, the expansion of the services to cover a larger number of beneficiaries and, on the other hand, the need for indexation of the food allowance values to the inflation figures.

### b. *Actions aimed at the reversal of the in-hospital child and maternal mortality rate*

In the scope of actions for the decrease of in-hospital maternal and child mortality during the year 2010, MISAU will give priority to the continuation of training activities for health workers as well as health community agents and the supervision and technical assistance to the Provinces by the group of gynaeco-obstetric and paediatric doctors. In addition, the tracking of cervix cancer will be strengthened and the supply of kits to the health units for the attendance of women and children will continue.

### c. *Actions aimed at the reduction of the chronic malnutrition rates in children*

In 2010, it is planned to implement and intensify the key interventions for the reduction of chronic malnutrition, through the implementation of intensive actions for the promotion of breast feeding, with emphasis on exclusive breast feeding. This will include the training of breast feeding support groups and the training of health professionals in child nutrition. A Food Supplement and Nutrition programme will be developed and implemented for pregnant and breastfeeding women, adolescent girls and children of 6-24 months of age. Actions will also be developed to improve the nutritional rehabilitation and basic nutritional care programme at health unit and community level, among others.

### d. *Actions aimed at better meeting the HIV pandemic and its prevention and mitigation*

The prevention and mitigation actions are cross-cutting. In this sense, MISAU will play an active role in the prevention of HIV, through the development of actions aimed at the promotion of health counselling and testing, and of the expansion and improvement of the quality of ART through the training of technicians and counsellors. The education sector continues the expansion of its prevention programmes in the whole country, and the implementation of the HIV/AIDS policy in the workplaces to mitigate the negative impacts on the sector and on the personal lives of its employees. To guarantee the

implementation of these programmes, the sector relies on the release of indicative CNCS funds.

e. *Issues related to partner performance*

The anticipated decrease of financing for the education sector from 2010, mainly caused by the decrease of external funds, is disquieting for the future maintenance and development of the system.

## **Pillar IV - Economic Development**

### **1 PAF INDICATORS**

Indicators 28 and 29 were reformulated and indicator 31 was replaced, as well as the respective targets, as described in the technical notes, and the targets for the other indicators of the pillar for 2010 and 2011 were defined. It should be noted that the technical notes of all 9 indicators of the pillar were revised and updated. The introduction of a new indicator, 41, was also proposed to monitor the updating of the DUAT fees. The technical group for the agriculture sector should within 30 days submit the respective Technical Note after having analysed all implications and safeguarded the interests of the more vulnerable groups, mainly the communities.

### **2 ISSUES DESERVING SPECIAL ATTENTION**

#### **2.1 Creation of an environment favourable to the productive sector**

In view of the likely effects if the international financial/economic crisis on the Mozambican economy, the Joint Review 2009 recommended the Government of Mozambique (GoM ) to speed up the implementation of concrete measures to stimulate the development of the productive sector and attract investment, with emphasis on the rapid improvement of the business environment and on support to small and medium-sized companies.

In this sense, during the first half of 2009 the GoM has adopted a series of reforms aimed at the flexibilization of the resolution of work disputes, the operationalization of tax benefits, the flexibilization of the approval of investment projects, the improvement of the coordination of the inspection of economic activities, the facilitation of international trade, the simplification of activity licensing procedures, the combination of a few procedures for obtaining construction licences, as well as the simplification of the tax payment process. The combination of these reforms has resulted in a positive appreciation of the evolution of the business environment which led to an improvement of the country's position in the *Doing Business* ranking, from position 140 to position 135.

Nevertheless, one still observes a slow speed of the adoption and implementation of the identified indispensable reforms for the improvement of the business environment, key vector for the mobilization of important private sector resources to sustain the socio-economic development of the country. In general, the majority of the reforms recommended by the RC 2009 had not yet been adopted by the GoM, namely: the combination of procedures for setting up companies (statement of the start of an activity in the Tax Department, registration of the company for VAT purposes and the registration of the employees in the social security system); the simplification of the contracting of foreign workers and the clarification of the procedures for the contracting of foreign workers beyond the quota; the reduction of the necessary time to carry out an import and export through the elimination of pre-shipment inspections, and the broadening of the group of borrowers that can benefit from loans in foreign currency.

For 2010, the maintenance of indicator 30 is proposed (necessary time to carry out an import and export), the targets of which are 15 and 10 days for 2010 and 2011 respectively for both imports and exports. A new indicator 31 was proposed and

should monitor the “Simplification of licences for the exercise of business activities” with a view to the improvement of the environment for a flourishing dynamic and sustainable productive sector.

## **2.2 Agriculture Sector**

In the scope of the PAF process technical notes were analysed and prepared (see annex 1, 2 and 3) in which the targets for 2010 and indicative targets for 2011 were set. For the agriculture sector there was a need to include a brief description of the progress in the issues deserving special attention (Activities to facilitate a better understanding of the execution of the Land Law for the communities), raised during the Joint Review 2009.

For the indicators for which targets were proposed that are different from the planned ones, follows the justification of the agreed targets.

### **1.1 AGRICULTURAL EXTENSION SUBSECTOR – Indicator N. 32: “Total number of producers assisted by the Public Extension Services, including outsourcing”.**

For 2010 a decrease of the target is expected from 500,700 to 400,000 assisted producers due to the following facts:

The target of 500,700 was based on the assumption of the existence of 1024 extension workers and the implementation of PRONEA with a new approach based on the participatory extension model in which producers, facilitators and private entities (outsourcing) participate in the management of the extension and in the dissemination of technologies;

### **1.2 IRRIGATION SUBSECTOR – Indicator N. 33: “Number of hectares of irrigated fields rehabilitated with public funds and placed under the management of the beneficiaries.”**

The reasons for the non-accomplishment of the targets of the irrigation subsector are the following:

In the year 2009 ends one of the large-scale irrigation projects financed by the African Development Bank, which as a matter of fact contributed with a target of about 2500 ha and this was revised downwards to 1250 ha.

Rather long and complex completion of procedures; delays in VAT refunds to contractors, thus creating problems in the trade relations between the Project management units and the contractors; problems with the provision of good-quality services for the construction of hydro-agricultural works; rather high unit costs for the construction and rehabilitation of irrigated fields, which affects the achievement of the sector targets, if we take into account that the budgets are limited; few companies with professional expertise in the area of irrigation.

### 1.3 LAND AND FOREST SUBSECTOR – Indicator N. 34: “Number of local communities demarcated and registered in the land register”.

The issue deserving special attention resulting from the Joint Review 2009 was “Actions for facilitating a better understanding by the communities of the execution of the Land Law”. The following activities were carried out:

- The Government organized a national land seminary in May 2009, in which the meaning of *Generic Plans* for community areas was clarified and instructions were given in this respect. In these plans, the interests and the use that the community will make within the limits of the demarcated piece of land is defined in general terms, in a process and represented in a simplified drawing. It should be noted that the Government participates in and directs all demarcation cases, from the diagnosis until the registration in the land register and the issue of a title.
- In the same seminary the concept of community, as defined in the Land Law, was discussed.
- On the other hand, to consolidate the community demarcation process the Government is implementing the Survey and Inventory for Cadastral Mapping programme, the primary objective of which is to guarantee the populations' customary rights to land.

*It is important to emphasise that the demarcation of community land aims at consolidating the original right the communities already have by Law, irrespective of having a land title or not.*

The conclusions of the meeting were included in a report with a follow-up action matrix, which was sent to all provinces. As a result of this meeting, the demarcation of community land is continuing at a normal speed with the participation of the Government and NGOs, including the ITC – Community Land Initiative.

For the next few years the Government intends to consolidate the demarcation of community land, at national level, with targets per province, in addition to greater involvement of national and international partners in the programmes, with a view to cover the majority of the communities, according to the fragility of their rights.

Regarding the reformulation of the land indicator “Number of local communities demarcated and registered in the land register”, one of the main issues during the Joint Review, it was agreed that the indicator would be split up into two instead of being reformulated, so as to include adequately the aspect of the issue of titles, in the following way:

- “Number of local communities demarcated and registered in the land register”
- “Number of titles delivered to the communities after the registration in the land register”.

The change thus introduced may not be included in the current PAF matrix (Performance Assessment Framework), being instead assessed within the Strategic Matrix of the sector. At the same time, the targets of the indicator are adjusted, to be changed from cumulative to annual targets

## **2. Analytical Studies proposed for 2010**

The following joint studies are planned for 2010:

1. Study about the Architecture of the Aid in the Agriculture Sector that is occurring at this moment, with the objective of organizing ways to support the various activities of the sector and guarantee better coordination between the institutions involved.
2. Performance Audit of the Agriculture Sector, which is about to start and is expected to occur during the year 2010.

## **Pillar V - Cross-cutting Issues**

### **Introduction**

The Group of Cross-cutting Issues, in the scope of the ongoing planning exercise and in keeping with the Terms of Reference guiding the activities, presents by subgroup (i) the indicators and targets for the year 2010 (including technical notes for each indicator); (ii) the indicative targets for the year 2011; and the progress registered in relation to the issues deserving special attention, raised by the HIV and AIDS subgroup during the Annual Review 2009. The details inherent in the Indicators are presented in the annexes containing the respective technical notes. In the same way the list of joint studies to be done by the pillar in 2010 is presented in the annexes.

### **1. HIV and AIDS**

Indicator 37 about PTV and part of the Group of Cross-cutting Issues is maintained. However, the targets have been re-examined and redefined, since the calculation methodology of the number of women who need prophylaxis for the prevention of vertical transmission was changed. The technical note about this indicator explains these aspects and all justifications that consolidate the numbers given. The remaining indicators of the overall PARPA matrix were also revised, and projections were made for the indicative targets for 2010 and 2011.

Regarding the only issue deserving special attention, it is noted that in the last few months the sectors have intensified prevention and mitigation activities in the workplace, having doubled the number of counselled and tested employees, of whom less than 20% was sent to hospital for follow-up. Meanwhile, the Strategy for Accelerating Prevention is being implemented with the objective of increasing the actions of the fight against HIV and AIDS in the country, rendering the preventive actions better focused and coordinated. Two campaigns will be launched this year – one about multiple and concurrent partners and the other one aimed at the protection of the ‘window of hope’. Its objective is to strengthen the communication actions for training and behavioural change. An intervention strategy was also prepared for food aid to ART patients to stimulate their adhesion and stay in the treatment. In order that these interventions have the desired impact, ample mobilization of the partners will be imperative to concentrate their investment in areas and issues that the Government considers a priority, in keeping with the alignment laid down in the Paris Declaration on Development Aid and in strengthening the Three Ones principle.

### **2. Environment**

As PAF indicator 40 has been met there is a need to continue the preparation of district land use plans for the coastal zones with the application of new instruments, such as **Strategic Environmental Assessment (AAE)**, the objective of which is to harmonize the sector and district plans, to assist in the decision-making for the

implementation of the activities and to guide the population and investors regarding sustainable development alternatives. The proposed target is to have 50% of the coastal districts with land use plans prepared according to the AAE, until 2011.

### **3. Natural Calamities**

This is a proposal for an indicator that was not included in the original PAF, so that the Group requests its inclusion. The proposed indicator is: *% of provinces with operational Operating Emergency Centres (COE) and communities with Local Calamity Risk Management Committees (CLGRC)*, due to the need to decentralize the operational calamity preparedness and response structure already existing at central level. Its objective is to reduce the negative impact of the calamities on the Mozambican society.

### **4. Demining**

There is no indicator in the PAF. However, the sector has defined the following indicator to measure its performance: *Cumulative area demined in million Km<sup>2</sup>*. Its objective is to demine and destroy the localized unexploded devices, rendering the affected areas potentially suitable for socio-economic activities.

### **5. Rural Development**

The reformulation of the indicator is proposed to read as follows: *Cumulative number of Micro-Finance and Rural Finance Clients*. Its objective is to show the performance of the Micro-Finance and Rural Finance sector, its level of national coverage and its contribution to local economic development.

### **6. Gender**

The indicator included in the PAF is maintained. The proposals for indicative targets for 2010 and 2011 are presented in the technical note.

### **7. Science and technology**

Was never part of the PAF indicators. There is a need to clarify if the subgroup should reflect or not about possible indicators for the future PAF.

### **8. Food Security**

This is a proposal for indicators that were not included in the original PAF, so that the Group requests its inclusion: (i) *% of the population with an adequate (diversified) diet*; (ii) *Weight-height ratio for children under 5 years of age (acute malnutrition)*. Their objectives are presented in the technical note.