

**JOINT REVIEW – 2005****Aide-Memoire****DRAFT 1 - 21 April, 2005***Some inputs have not been discussed with GoM***May 9, 2005****I. INTRODUCTION****II. OVERALL ASSESSMENT****III. ASSESSMENT OF GOVERNMENT PERFORMANCE IN PARPA IMPLEMENTATION IN 2004 AND KEY RECOMMENDATIONS FOR 2005****A. Poverty and Macroeconomic Management****Performance in 2004**

1. **Overall progress is satisfactory.** The Mozambican economy continues to grow strongly with the inflation rate coming down to a single digit. Improvements are registered in integrating the PES, OE and CFMP and in strengthening the *Balanço do PES* to monitor the PARPA. Significant improvements are also made in quantitative poverty analysis and dissemination. Steps to improve the monitoring system are also noted.

2. **Growth and poverty** performance are quite robust in a stable economy. Real growth in 2004 is 7.2% with agriculture (X%), commerce (Y%), government services (3%) and mega-projects (A%) being the main contributors. The inflation rate is again at one digit reaching 9.1% at end-December, decreasing from 13.8% at end-December 2003. A tight monetary policy with a strong reduction in the trade deficit as mega-project exports are increasing sharply may have changed some of the economic fundamentals, producing a sharp appreciation of the Metical. Fiscal performance is below expectations with the collection of revenues lower than programmed by about 1 percentage point of GDP (even lower than the 2003 level) which contributed to the primary deficit target not being met by 0.7% of GDP; the deficit is 3.8%. The composition of growth indicates that its base continues to be broad and should have contributed to further reduce the poverty level; this can only be confirmed when a new survey is ran.

3. **Monitoring of PARPA** has improved. This continues to be the focus of the Government agenda. There was some progress against the key indicators (PAF) of ensuring integration of the PES, OE and CFMP and strengthening the Balanço do PES. The 2004 PES and OE are a good representation of improved linkages between core actions, outputs and outcomes to be achieved towards the implementation of the PARPA. The CMFP defines the base framework for the 2004 and gives a perspective for the period 2005-2008 but its dissemination to the main Government ministries is still weak. However, Government has included the CFMP in the 2005 budget. The *Balanço do PES*

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(BdPES) is a better reflection of the PES implementation but still needs to provide more information on main developments and obstacles to progress. In addition, the sector and provincial monitoring systems are not yet fully harmonized with the BdPES preparation. The relationship between the PES and OE is still weak and needs strengthening. This mainly covers the identification of unit costs, improved budget comprehensiveness with inclusion of off-budget and the beginning of budget programming, and these are still at an embryonic stage.

**4. Poverty Monitoring** is part of the PARPA and annual management instruments. On poverty analysis significant steps have been made with quality reports being produced in 2004 on various aspects of poverty, for example poverty determinants and profiles, and comparisons between the two household surveys of 1996/7 and 2002/3. These surveys provide reliable information on poverty analysis but they are too infrequent, and thus do not allow for shorter term analysis and improved linkages to the PES and PARPA revision. Further work also needs to be done with respect to the drivers of poverty in Mozambique which will assist the PARPA II preparation.

**5. Women's limited participation** is among the determinants of poverty. In spite of the PARPA and the PES already including some indicators on education and health related to women's advancement and several critical actions being developed towards the set up of an institutional framework for the advancement of women, including the design of an action plan and the preparation of a National Gender Policy, the PARPA, PES and OE hardly mention gender equality, nor do they address the issue. Research needs to be done and close collaboration is needed between the Planning and Finance agencies and the sector ministries involved in the advancement of women.

**Recommendations for 2005 and 2006**

**6. Growth and poverty reduction:**

- Economic growth in Mozambique needs to continue to be broad-based to impact poverty reduction. As the majority of the Mozambicans depend on the rural economy, this stresses the importance of the country having a comprehensive and coherent rural development strategy that focus on farming and non-farming activities and with the support of rural infrastructure, extension services and improved access to micro-finances. It is important that this issue is reflected in the PARPA II.
- A stable economy is fundamental for equitable growth. In addition, competitiveness and private sector development are also critical for sustaining long-term accelerated growth in the country. With the real depreciations that the country was gaining in the past, the economy was getting an additional enhancement in competitiveness. It may be the case that the fundamentals of the economy are changing and as exports keep increasing much faster than imports that the country to have a stable economy will see its exchange rate to keep appreciating in real terms from now on. In this environment, competitiveness can only be gained through structural change, productivity improvements and provision of infrastructure, all related to improving the investment climate in the country and ensuring that the private sector is the engine of growth.
- Fiscal policy and its different elements should be thought. Total expenditure may be capped over the long-term by the ability to raise revenues and mobilize external finance (this may be stable at the level of \$600-\$650 million a year). By 2010, foreign finance may be at the level of 4-5% of GDP. Total revenues if reach the level of 18%

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of GDP will determine that total expenditure will be at the level of 22-24% of GDP within the next 5 years. To ensure that fiscal policy continues to provide the necessary impact on economic growth and poverty reduction, it is critical that the PARPA II includes measures towards increasing efficiency and efficacy of expenditures. This efficiency and efficacy is not only related to spending on priority sectors but on how to guarantee that within the priority sector resources are properly allocated and used in the best results. Budget programming is becoming crucial as well as the preparation of a constant process of public expenditure reviews. Within the fiscal policy it is critical that a debt strategy be designed to cover not only aspects related to external debt but also on domestic debt that is having a huge burden on the use of budget resources.

- HIV/AIDS is an important vector for economic and human development in Mozambique. The PARPA II should address HIV/AIDS including its gender dimension.
- The gender issues needs also to be addressed by the PARPA II.
- Natural resource management is critical to sustain growth and to contribute to budget resources mobilization.

**7. Monitoring and Analysis:**

- Maintain commitment on integration of PES, OE and CFMP and of these with the PARPA in the single process (processo único) methodology,
- The revision of the PARPA should be used to develop an integrated comprehensive monitoring system which should include a study on the planning, budgeting and monitoring cycle to ensure that information from all levels is included in the Balanço do PES, also the prioritisation of the MD Goals in the Mozambican context. The monitoring system needs to engage the other stakeholders: civil society, churches, private sector, and donors.
- More frequent poverty analysis should be considered to improve the monitoring and efficiency of annual plans and budgets.
- PAPs need to work harder to improve their alignment with the Government cycle and instruments as well as the predictability of disbursements.
- Other donors need to improve alignment of their programs with the country's PARPA, processes and instruments.
- Government, development partners and civil society need to work together to promote the use of the available information for policy development, planning and decision making.

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**B. Governance**

**Performance 2004**

8. Overall progress in this thematic area was reasonable; some of the goals were achieved but there were many delays. The greatest progress against PAF indicators was seen in decentralization, though much remains to be done. With regards public sector reform, important preparatory progress was made with limited impact on service delivery. There was little progress in legal sector reform due to significant bottlenecks in the system. Without progress in the reforms underway, which aim to deliver efficient and transparent public services, the PARPA and MD Goals cannot be easily achieved. The

new Government is aware of this challenge and has given a strong political message that it plans to lead and energise the institutional reform process.

9. The PAF targets for **Public Sector Reform** (PSR) have been partially met. Progress in 2004 has consisted mainly of preparatory action, with only limited results in relation to impact on service delivery. The PAF target for completion and approval of Functional Analyses (FAs) for six ministries has been only partially met: out of the six FAs only two have been formally approved by CIRES (MADER and MIC), presentation of the remaining four has been rescheduled for the second quarter of 2005. Preparatory work was undertaken in 2004 for the Medium Term Pay Policy, scheduled for approval in 2005. The national study on good governance, corruption and provision of services was partially completed in the last quarter of 2004, with dissemination re-scheduled for the second quarter of 2005.

10. A preliminary assessment (to be confirmed after a fundamental review) points to slow progress of the PSR in 2004, independently of good work undertaken by UTRESP on several of the reform components, such as Quick Wins, SIFAP and E-government. There are, however, positive expectations in relation to progress of the reform programme in 2005 and beyond, with reference to the strong message from the incoming government regarding the need for progress in this area. There is a clear need for proactive and decisive political leadership, particularly in the implementing agencies, to ensure progress in each of the reform components. The reform agenda remains broad: it is important that the GoM clearly identifies priority areas of action and gives due focus to these.

11. Government is on-track for the **decentralization** PAF targets. Concerning the introduction of district planning, the 2004 target has been exceeded. Although approval of the regulations for Law 8/2003 was delayed, it was approved by the Council of Ministers in April 2005. Despite overall good progress many challenges remain, however. Issues about the integration of district development plans and budgets into a poverty focused national planning and budgeting system still need to be addressed within the context of the PARPA, the PSR strategy and the Government's Five Year Plan. Budget allocation and execution at sub national levels remain a concern and the percentage share of the budget which goes to provinces and districts is stagnating. There is also a concern that the Government has focused more on consolidation rather than quantitative and qualitative expansion. Resources are also not allocated where poverty indices are highest. Other challenges ahead remain the reconciliation of the roles and functions of sectoral and territorial planning; the definition of specific functions and resource endowments for each level of public administration and in the sector; and better integration of cross-cutting aspects into policies and programmes, notably concerning gender, the environment, natural resource management and HIV/AIDS.

12. Little progress has been seen with regards to the **legal sector reform**, due to serious bottlenecks in the system. Correspondingly the PAF targets have not been met. The challenges for the future related to poverty reduction are the need to reorient the provision of services to the most poor and ensure the promotion of economic growth in an environment that favors private sector development. Slow progress in the reform of the legal and judicial sector may reduce the citizens trust in the institutions, so impacting on the state's capacity to combat crime and corruption, establish the rule of law and

promote social justice. A new dynamic can be achieved if improved inter-sectorial coordination on planning, budgeting and monitoring of performance exists.

### **Recommendations for 2005 and 2006**

#### **13. Public Sector Reform**

- There is a need for a government endorsed fundamental review of the approach and progress of the reform process in order to inform the ‘implementation phase’ (2006 – 2011). This should be in advance of the MYR, to provide the basis for rethinking the PAF targets so they better measure the impact of the reform.
- Government should identify priority areas for action and give due focus to these.
- The donor community must make a further effort to streamline their coordination and simplify the management of the funding of UTRESP.

#### **14. Decentralisation**

- The formulation of a decentralisation policy and its roadmap for implementation, including in the sectors

#### **15. Justice**

- *To be included later*

### **C. Public Financial Management**

#### **Performance in 2004**

16. **Performance in this area is mixed.** Importantly: (i) spending in priority sectors reached 64.1% of total expenditure, of which 51.4% was in education and health; (ii) critical progress on SISTAFE was made with the initiation of its rollout in Planning and Finance; (iii) progress has also been made in the review of internal audit functions, and; (iv) steps were made towards the establishment of the central revenue authority. Less positively, (i) procurement reform has been delayed, although recent developments are promising, and; (ii) revenue performance is disappointing. A key concern for the PAPs is that dialogue on the monitoring of external auditing functions in Government remains absent. A further central concern for government and PAPs was the failure to produce the 2004 Public Financial Management, Assessment in time for the Joint Review, hampering a comprehensive PFM assessment.

17. The late response by government and a predominantly donor led process on the **PFM assessment** report for 2003, led to a time constraint for the preparation of the report for 2004. Since it was considered that a good quality joint process was more important than the timely delivery of the report, the 2004 PFM assessment report was not delivered in time for the Joint Review.

18. In the area of **budget execution**, spending on priority sectors continues to be the main focus of fiscal policy. Despite a slippage on revenues and the costs of the general elections, the Government spent 64.1% of total expenditures on PARPA priority sectors. This represents an increase compared to 2003 and is seen as satisfactory progress towards

the 65% PAF target. Progress in improving the comprehensiveness of the budget is slow, with just 52% of externally financed investment expenditures recorded in budget reports. The flow of funds to sectors and provinces during the year remains uneven and unpredictable.

19. **SISTAFE** started roll-out in Planning and Finance on the 1<sup>st</sup> of November 2004 allowing financial execution of the State budget through e-SISTAFE. According to the PAF indicator it had been expected that general budget execution of the 2004 State Budget, as well as direct budget execution in MPF and Ministry of Education through e-SISTAFE, also would have been initiated in 2004. For a number of reasons this was not accomplished. Consequently the 2004 PAF indicator has only partially been met.

20. Progress has been made in the review of the **internal audit** functions. The Ministry of Finance (MoF) presented the a diagnostic study on the situation of the internal control institutions at national level, a 2005-2009 strategic plan and a 2005 activity plan and budget for the internal control subsystem. Concerning **external audit**, neither the assessment of the progress towards the 2004 PAF target nor the discussion on the indicators and targets for 2005-2007 could take place.

21. In **Procurement**, the 2004 PAF indicator to approve a new procurement regulation, was not met due to delays in consultations with the different stakeholders. On the basis of conclusions made at a workshop discussing the fourth draft regulations, a final draft shall now be elaborated by government and the consultants.

22. **Tax reform** showed mixed performance, achieving the PAF target to submit the draft legislation on the creation of a revenue authority to parliament, but failing the revenue collection target of 14.7% of GDP, by about 1%. Weak performance was observed across all taxes. Submission to Parliament of draft law creating the CRA was done in August 2004. However, due to new Constitution in force since end 2004, Parliament returned the law for examining consistency with the Constitution, resulting in resubmission scheduled for X date 2005.

### **Recommendations for 2005 and 2006:**

#### **23. PFM Assessment Report 2004 and 2005**

- Government and PAPs agree that the 2004 PFM Assessment report should be ready for the mid-year review 2005. The 2005 report should be prepared in time for the joint review 2006.

#### **24. Budget Execution**

- Government and PAPs agreed to develop a new indicator for measuring budget allocations to priority areas for poverty reduction until the mid-year review.
- An improved picture on multi-sectoral expenditure on HIV/Aids is essential for coordination and planning, as well as for demonstrating government commitment.

#### **25. SISTAFE**

- UTRAFE needs to develop a change management strategy and to ensure adequate management capacity in order to respond more proactively to the changes

associated with the reform within Ministry of Finance (MF), as well as within line ministries.

- UTRAFE will elaborate an updated and user-friendly overview of the public financial management reform and its principal elements. This would include a full roll-out plan and a realistic timetable for the e-SISTAFE roll-out to be refined with the experience from Ministry of Education and Culture (MEC).
- Government and PAPs agree to increase budget coverage to gradually include all own-generated revenues donor funds and to include these funds in e-SISTAFE budget execution. It was agreed to aim to include the major part of external funds to MEC and MF into SISTAFE during 2005.

## **26. Audit**

- Government needs to mobilize resources to implement the internal audit 2005-2009 strategic plan.
- Government will urgently resume the dialogue with "*Tribunal Administrativo*" on the monitoring of external auditing functions.

## **27. Procurement**

- (To be defined 21 April)

## **28. Tax Reform**

- The consolidation of VAT and income taxes introduced in 2003 is of critical importance.
- An action plan needs to be developed during 2005 for the creation of the central revenue authority, addressing critical issues of customs and tax integration, change management, strengthening information management and capacity building.

### **Agreed outstanding PAF indicators for 2005**

The following PAF indicators left open for 2005 were agreed:

## **29. SISTAFE**

- Preparation of a semi-annual budget execution report on the basis of the e-SISTAFE using new budget classifiers (due 15 August, 2005).
- Roll-out of e-SISTAFE to the Ministry of Education and Culture (MEC) will be completed by December 2005.

## **30. Procurement**

- (to be defined 21/4)

## **31. External Audit**

- (to be defined 21/4)

## **D. PRIVATE SECTOR AND FINANCIAL INSTITUTIONS**

## **Performance 2004**

32. Overall assessment...

**33. Financial Sector Reform:** The group assessed performance against the PAF indicators as fairly good. Progress is rated as good for 4 targets, fair for 2 targets, and poor for 2 targets (see PAF annex). For those rated as poor – the submission of the bankruptcy law (LFL) to Parliament and the development of a strategy to regulate the participation of public companies in the financial sector - the target may not be met in 2005. The target for the forensic audit of Banco Austral has not been met, but the contracting of the audit company is planned before the end of the joint review. The group was not able to conclude on the GoM's performance against the broader objectives. While the supervision capacity of Banco de Mozambique continues to be reinforced, there is limited information to assess whether there has been improvement of financial intermediation especially for micro, small and medium enterprises. For the JR 2006, the group will obtain the necessary information to assess the performance against objectives. The specific IMF benchmark of the establishment of a Financial Investigations Unit by December 2004 was not met, though the an action plan and timetable will be developed by end May, 2005, and to have the unit established by December 2006 (with assistance from the AfDB under the FSTAP). There have been efforts made to strengthen banking supervision. During 2004, the banking sector showed an improvement in capital adequacy indicators and asset quality indicators. However, while interest rates fell and the spread decreased, there was no increase in private sector credit. The micro and rural finance sub sector has shown continued growth in terms of outstanding portfolio although the number of credit clients has grown only modestly.

34. **The agriculture** group found that overall progress on the PAF quantitative indicators was satisfactory (see annex X), though headway made on institutional questions was less so. Growth in the agricultural sector in 2004 remained strong. At close to 9% in real terms it exceeded the target set in the 2001-2005 PARPA by about 1.1%. This was achieved despite of the constraints of disease, adverse climatic conditions and deterioration in international markets for key export goods, which reflected in reductions in output registered in cashew nut, copra and sugarcane crops. The sector's performance against the other PAF indicators was varied. Some advances were recorded in institutional reform, namely the revision of the instruments of organic operation of the sector. Less progress was made in the plan for the restructuring of human resources. Disbursement constraints continued to hamper normal implementation of the sector's activities; out of the total amount foreseen for 2004, only 62% of the investment budget was disbursed. Specific budget execution concerns include: (i) the lack of uniform mechanisms for presentation of the financial execution of the projects the execution of which is done outside of the PROAGRI mechanisms; (ii) the information regarding financial execution of the external investment budget at provincial level is not sent on to central level by the DPPFs; (iii) the lack of information on MADER's procurement account.

*Concerning the cross-cutting issues, the gender strategic plan and ProAgri II environmental assessment are being drawn up. In the area of HIV/AIDS, the results were presented by the consulting firm Verde Azul of the impact of this disease on the MINAG staff.*

35. Improvements are noted in important components of **infrastructure** national network. The **energy sector** shows progress in most of the indicators set in the sector policy and strategy. Most significantly, EdM had implemented the goals for connecting new consumers and distribution networks for low-cost technologies and energy types are being established. A new funding mechanism for FUNAE (National Energy Fund) has been identified and significant progress achieved in drafting new regulations for natural gas distribution and electricity. However, no study of outages had been carried out, the Mozambique-Malawi inter-connector had not been agreed and efficiency goals for EdM were not achieved. The PAF indicators for **roads** maintenance and rehabilitation were in general achieved, with the routine maintenance target accomplished in 103%, but only 84% achievement in the target for periodic maintenance. The rehabilitation indicator was significantly overcome by 184%. However, no resources for investment budget were channelled through the MPF to the Road Fund. Timely reimbursement of VAT to contractors and consultants, as well as legal and contractual inconsistencies in works contract documents remain important risks for the sector performance.

### **Recommendations for 2005 and 2006**

#### **36. Financial sector**

- The Financial Sector Working Group has begun working on defining new objectives, actions and indicators for the PAF 2006 which will be linked to those in the GoM's five year plan.

#### **37. Agriculture**

- The setting of concrete goals and tangible objectives as part of the preparation, discussion and approval of an action plan showing clearly the stages to be followed in the reform process as a whole, in accordance with the plan approved for 2007 (CIRESPP).

#### **38. Infrastructure**

- Need to establish a monitoring and evaluation system in the energy sector for coherence between existing planning and monitoring instruments and enhancing fulfilment of sector indicators.
- For the roads sector, the performance monitoring system at central and provincial levels needs to be improved, as well as the reporting system for alignment of overall PARPA objectives and road activities including main institutions (GATE, ANE, Road Fund, INAV), provincial directorates and donors. For the PAF matrix 2006 it is proposed to add an indicator reflecting *capacity analysis*, as the percentage of planned funding versus actual financing.

## **E. SERVICE DELIVERY**

### **Performance in 2004**

39. Service delivery in 2004 showed fairly good **progress overall**. Performance against the HIV/AIDS PAF indicators was satisfactory, but the national response needs to be

stepped up in 2005 and beyond through enhanced political leadership at all levels and the implementation of a genuinely multi-sectoral response. Promising progress was made in the education sector, though much work remains to be done to address regional and gender disparities. Teacher training, especially in view of the impact of the HIV/AIDS pandemic, needs to better respond to needs in the sector. Satisfactory performance was made against PAF targets in both the health and water and sanitation sectors.

40. Overall performance against the three **HIV/AIDS** PAF indicators in 2004 was satisfactory. The targets for Prevention of Mother to Child Transmission (PMTCT) and Antiretroviral (ARV) treatment were met and exceeded respectively. Progress in the HIV/AIDS national emergency response was consistent throughout 2004 and there were significant improvements from previous years, with good progress was made in the application of the “Three Ones” principles. High-level political leadership is crucial in the national response, yet the CNCS Board (which should be spearheading this effort) did not meet in 2004. Few sectors have developed HIV/AIDS strategic plans and fewer still have dedicated financial resources for implementation despite the fact that HIV/AIDS is inextricably linked to gender inequality and poverty, and must be tackled through a coordinated multi-sectoral response. There have been significant delays in the development of a new workable Grant Management System (GMS). HIV/AIDS was addressed fairly comprehensively as a crosscutting issue in the PES 2005, particularly in the impact analysis section which considered the broader social, medical and macroeconomic implications. Nevertheless, the critical need to fight HIV/AIDS through a crosscutting, multi-sectoral approach was not well reflected throughout the rest of the document.

41. In the **education** sector, the indicators from the PES/PAF matrix were achieved, despite some constraints. Significant regional and gender disparities continue to exist. It was not possible to analyze the completion rate indicator because the 2004 exam results will not be available until May. Significant progress was registered in Primary Education. The Government abolished the payment of compulsory fees that were being made in primary schools. The implementation of the New Curriculum for Basic Education and literacy and non-formal education, as well as the HIV/AIDS Strategy constituted areas of progress. Important changes were seen at the post secondary education level. The revision of the Secondary School curriculum is in process with a view to transforming the curriculum in order to address concerns with improvement in quality and relevance of this sub-sector, as well as the changes in Primary Education. A reform of Technical-Professional Education is also in progress with the participation of the private sector and both national and international partners.

42. Nevertheless, MEC still faces serious challenges. The ESSP II has not been finalized as foreseen in the PAF, as a result of some weaknesses in the planning capacity at MEC. The difficulties observed in the area of financial management led to low budget execution, hindered the disbursements of FASE funds and caused delays in salary payments for teachers and subsidies for literacy trainers, thereby compromising MEC's programmes. Teacher training, including in-service training, and distribution of text books still do not respond to the needs in the sector. Similarly, the area of gender registered weak progress and continues to be a concern. HIV/AIDS continues to be a great challenge.

43. Provisional data from the Ministry of **Health** regarding the delivery of health services during 2004 indicate that the volume of activities (measured in 'Units of Service') grew by around 2.1% relative to 2003. As regards performance on the PAF indicators for health, they show a positive increase and a satisfactory performance for the sector such that two of the three targets were met, with the coverage of DPT3 and Hepatitis B vaccinations falling short. The expansion of essential obstetric care and the interventions done in the network contributed to the satisfactory quantitative and qualitative performance of the sector.

44. In **water and sanitation**, the PAF indicator for water aims for 41% coverage and the sector achieved 39.5% in 2004. Sanitation coverage figures for rural and urban areas are based on various surveys (the latest available data are from the 2002-2003 Household Consumption Survey or IAF), therefore the coverage cannot be updated on a yearly basis. Coverage in peri-urban areas shows a small reduction (down from 46.8 % in 2003 to 46.1 % in 2004). The government is still facing challenges in the improvement of sanitation services. Progress was made on the monitoring system (for which DNA is responsible), with several provinces and cities having updated sector data bases. Budget execution figures are still not finalized as the budget execution report does not coincide with either DNA or DPOPH financial figures and final figures will be available in the 'Conta Geral do Estado'. Internal investment spending at central level has improved to 55.5% (approximately USD7 M out of USD 12 M.). Execution of the external component of the investment budget at the central level, however, is alarmingly low at 22.8% due to slow disbursement of the funds. 70% of the provinces (Tete, Sofala, Maputo, Gaza, Nampula, Inhambane and Niassa) have reported investment execution rates of at least 70% and some report on-time disbursements from MF, while others report execution rates below 60% due to later disbursement from MF. Progress on the debt load reduction has been made and one third of the total amount has been reduced. Progress has been registered in international river management, in the elaboration of National Water Resources Strategy and in revision of the National Water Policy and Water Act.

#### **Key Recommendations for 2005 and 2006**

##### 45. **HIV/AIDS**

- Political leadership of the emergency response at all levels (national, provincial, district and community) and across all sectors must be strengthened.
- A coordinated, multi-sectoral response must be firmly established. CNCS needs to continue to focus on its 'core business' of coordinating, analyzing, leading and monitoring the national response.
- Partners also need to coordinate, harmonize and simplify in an effort to reduce transactions costs for government counterparts.
- National guidelines for access to ARVs need to be reviewed to ensure equity and transparency. An indicator capturing the number of people living with HIV/AIDS on ARV treatment should be reintroduced into the PAF/PES Framework.
- Civil society engagement at all stages of determining and implementing policies and strategies is key to the achievement of PEN II and PEN Saúde targets.
- It is critical that appropriate, specific and targeted programming be developed to address the inextricable link between gender inequality and HIV/AIDS.
- An analysis of HIV/AIDS expenditure should be undertaken to map and assess how and where HIV/AIDS funding is being channeled, and to what effect.

**46. Education**

- Finalization of the ESSP II and elaboration of the implementation plan including the financial plan and the implementation manual.
- Creation of conditions for the effective implementation of SISTAFE.
- Reinforcement of internal financing within the Education Sector.
- Implementation of the policies for Teacher Training, Technical and Professional Education and School Construction.
- Implementation of actions to accelerate progress in the area of gender, prioritizing those districts with the greatest disparities or gender gap, and; improvement in performance of cooperating partners with regards to their commitments and ways of working

**47. Health**

- Joint evaluation of the medium-term strategic plan, the first to include gender in the sector, is one of the key challenges that will contribute not only to the performance in the sector, but also to guide the revision and updating of the Sector Strategic Plan in the context of PARPA.
- Improvement of the quality of data in and information produced by the Health Information System (SIS).
- The implementation of the National Strategic Plan to combat STIs and HIV/AIDS as well as the control of large epidemics
- To improve the levels of absorption of health professionals trained both within and outside the Ministry of Health's training institutions, with a clear focus on alleviating regional disparities.
- Realisation of the national campaign of measles, polio and the administering of vitamin A.
- The institutionalisation of instruments for the collection of data disaggregated by sex, thereby improving analysis of gender disparities.

**48. Water and Sanitation:**

- A new monitoring system must be put in place to have reliable data on the PAF indicators (coverage). A consultancy underway for sector MDGs planning could be used to help implement an improved, unified, and transparent system which should be managed from within DNA. This consultancy, or a separate one, might be used to prepare the formats and implement the procedures for collecting and analyzing the information to be used in the joint and mid-year reviews.
- The Planning and Finance departments of DNA and the provinces must be strengthened. This will require support from the cooperating partners. Improved relations between MF and DNA should make it possible to have correct, timely data available.
- Budget execution of investment funds must improve, especially for the external component. An intensive effort to identify the key constraints to increasing expenditures (linked to improved sustainability of works) should be undertaken. Serious and systematic work is needed to have a better idea of the "on budget" and "off budget" amounts available to the sector.
- Agreements (MoU) with those partners working off budget should be facilitated in order to receive regular information. Donor harmonization needs to advance in

the water sector. More regular follow-up meetings of the core group of donors must take place during the year 2005, at least every 3 months to follow the joint review recommendations. In order to improve this mechanism DNA, with support of donors, has contracted a consultant to elaborate a National Strategy for achieving the MDGs. The scope of this consultancy will be widened to cover both the monitoring of the off-budget funding and the establishment of a data base for a performance monitoring process.

#### **IV. MOU IMPLEMENTATION AND AID EFFECTIVENESS**

*To be included later*