

## Input to the Governance Pillar

Final Draft 31 March 2006

### Executive Summary

Though the PAF indicators for 2005 were not fully achieved, progress was noted in the following areas: Government defined the district as the basis for development and combating of poverty and allocated the provision of a district budget of 7 billion MZM per year for each district in the 2006 budget. Decree 11/2005, which regulates the Law on Local State Organs, and defines the structure and the new functioning of the provincial and district governments was approved, and the structure of an integrated model for the district government was defined. Important strategic documents, including the National PPFD Strategy and the policy and strategy for municipal development (2006-2010), were formulated.

The National PPFD Strategy will be approved by Government in 2006 as a basis for a national programme for 2007 and onwards, allowing for a better harmonized support to the provinces and the districts. Government will continue to prioritize the formulation of a decentralization policy, which will provide clarification on the long-term decentralization process, the division of roles and responsibilities between local governments (provincial and district) and the municipalities, as well as on inter-sectoral relations with a view to increasing Government's efficiency and transparency in the provision of public services and strengthening the democratic process. Government will furthermore prepare studies and proposals for the creation of new municipalities.

Priority issues for 2006 include: institutional and human capacity development at the provincial, district and municipal levels; support to districts and municipalities in the areas of planning, budgeting and implementation of their plans; improvement of the participation and accountability mechanisms. In 2007 the budget allocations for the districts should be based on specific criteria. Measures will be taken to ensure that the FCA and FIL transfers will reach the prescribed levels.

The progress in the 2005 PAF indicators was not fully achieved. However, the following established targets were achieved:

- The process of formulation of a Decentralization Policy and Strategy was initiated, but the document was not finalized as foreseen in the PAF. Two important contributions to the Decentralisation Policy/Strategy were however prepared, namely a National PPFD Strategy and the policy and strategy for municipal development for 2006-2010. Both documents still need to be approved.

- The allocations to the districts for 2006 were made on a uniform basis without the use of criteria distinguishing between the districts, something which will be corrected in the 2007 budget process.
- The FCA and the FIL were transferred to each municipality, but not evenly and not at the promised levels (1% instead of the 3% as defined by law). No perceivable progress was made in terms of fiscal decentralization in 2005. Due to lack of information on local revenues on a national level it is not possible to make a comprehensive analysis of the total revenues.

## **1. Backward Looking**

2005 showed significant political shifts. In June, Decree 11/2005 was approved. It emphasizes the role of the district as pole for development and combating poverty,. The decree strengthens territorial governance, integrated provision of services and introduces accountability structures through the introduction of the Permanent Secretary at the provincial and district levels. The Integrated Model for district governments was defined in support of the implementation of their new responsibilities under LOLE. 7 billion MZM per year for each district were allocated through the state budget for 2006. However, the preparation process for the 2006 PES/State Budget and the allocation of the 7 billion Meticals to the districts has placed significant demands on the provinces and the districts, and poses a challenge for capacity development. The guidelines given for the preparation of the OIIL (Investment Budget for Local Initiatives) were weak. In the future the municipalities, which represent 25% of the population of Mozambique, should be included in this preparation.

## **2. Forward Looking**

The Decentralization Policy and Strategy, which is under preparation, will provide clarity on the degree of devolution of functions to the sub-national levels of governance for each sector, on fiscal transfers, gradualism, and on mechanisms for democratic participation. It is important to institutionalize the inter-sectoral coordination and integrated planning within the National Budget as well as the positioning of territorial and municipal plans and budgets with regard to the sectoral plans and budgets. The capacity to efficiently provide services at the local level requires that the territorial plans include sectoral plans and budgets. It is hoped that the Policy will help to clarify the division of roles and responsibilities among the local governments (provinces and districts) and the municipalities as well as the question of leadership and inter-ministerial cooperation in the area of decentralization.

The resources allocated to the municipalities should be sufficient to allow them to comply with their mandates. It is necessary to grant the legal mandate to the municipalities to control their revenues and expenditures. It is necessary to strengthen the democratic processes of the municipalities through training and increasing participation, for example in the preparation of urbanization plans and municipal budgets. A larger presence of the

representatives of local communities in the municipal assemblies is another mechanism, which would help to ensure an effective decentralization at the municipal level. The role of SISTAFE in the municipalities should be clarified.

**Capacity development:** In order to ensure that the allocation of budgets to the districts and municipalities be accompanied by a sufficient local management capacity, allowing for the provision of relevant services of a good quality, it is crucial to strengthen the capacity of all participating units. Likewise, certain bodies within the provinces need to be strengthened to be supportive of the districts and the municipalities. Capacity development should be one of the key components of the National Decentralization Policy and Strategy.

**Participation:** The guidelines for participation have been institutionalized in the LOLE regulations through the establishment of IPCCs. These consultative mechanisms require further improvement in order to be truly representative in particular to the interests of women. Mechanisms for accountability of the local administrations towards the citizens should be put in place, on the one hand as a way of increasing transparency and raising revenue and, on the other, to contribute to increased accountability and improved public financial management. The PARPA II foresees increasing the role of IPCCs to include monitoring of PARPA implementation. The engagement and participation of civil society with regard to decentralization requires more attention.

**HIV/AIDS:** The impact of HIV/AIDS on the decentralization process should not be underestimated. Vulnerability in general has an impact on both community participation and the capacity of local administrations. Strategic lines of action should be developed to deal with, for example, capacity development and provision of public services in a context of high prevalence.