

Sector Budget Support in Practice
Desk Study
Agriculture Sector
in
Mozambique

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List of Acronyms

CFFM	Common Flow of Funds Mechanism
CUT	Central Treasury Account
DPA	Provincial Directorate of Agriculture
GBS	General Budget Support
GDP	Gross Domestic Product
GoM	Government of Mozambique
MADER	Ministry of Agriculture and Rural Development
MDG	Millennium Development Goals
MoF	Ministry of Finance
MINAG	Ministry of Agriculture
MoU	Memorandum of Understanding
MPD	Ministry of Planning and Development
MTEF	Medium Term Expenditure Framework
ODA	Official Development Assistance
ODI	Overseas Development Institute
OE	State Budget
PAAO	Annual Work Plan and Budget
PAF	Performance Assessment Framework
PAPs	Programme Aid Partners
PARPA	Poverty Reduction Action Plan
PES	Economic and Social Plan
PPG	PROAGRI Partners Group
PROAGRI	National Programme for Agricultural Development
PWG	PROAGRI Working Group
SBS	Sector Budget Support
SBSiP	Sector Budget Support in Practice
SIG	Management Information System
SISTAFE	Mozambican Public Financial Management System
SPA	Strategic Partnership with Africa
SWAp	Sector Wide Approach
UNDP	United Nations Development Programme

Executive Summary

This report summarises the findings of a desk study on the experience with sector budget support (SBS) in the agriculture sector in Mozambique. The desk study forms part of a broader study commissioned by the Strategic Partnership with Africa Task Team on Sector Budget Support which covers ten sector case studies from six different countries. The purpose of the study is to draw together experience of SBS to guide future improvements in policy and practice by partner countries and donors.

Sector Context

Agriculture sector performance for the last decade has been mixed. Since the end of the civil war agricultural production has been recovering but pre-Independence production per capita levels are still far from being restored. Some crops have recently experienced high rates of production growth and productivity has been gradually improving although it is still significantly below Southern Africa regional averages. Moreover, and despite progress, more than half of the rural population remains poor and food insecure.

By the end of the 1990s Mozambique was a major recipient of development cooperation and was battling with problems of aid coordination and absorption. Institutional capacity weaknesses in the public sector were significant, particularly in an area like agriculture which had throughout the 1990s suffered from a major disinvestment, fruit of structural adjustment policies which demanded privatisation of state functions and a reduced role for the state in the productive sectors. Mozambique's National Programme for Agricultural Development (PROAGRI) was developed in the mid-to-late 1990s as an attempt to address this coordination failure, and develop a common vision for national agricultural development. Under the first and second phase of PROAGRI there has been a significant increase in aid to the sector. A disproportionate share of these resources has been allocated to institutional development activities and not service delivery. Whilst progress has been made in strengthening institutions in the sector, there has been little or no expansion in service delivery as a result of this increase in public resources. MINAG has been through periods of significant instability and has suffered considerable losses in terms of qualified human resources. These have had an impact in terms of capacity to generate good policies and sustain the quality of policy dialogue with sector stakeholders. More recently, the GoM has started to make ad hoc, and more interventionist, policy pronouncements.

It is reasonable to conclude that public sector interventions in the agriculture sector have done little to address the challenges facing the sector. Little has been done to assist the development of input and output markets. Inadequate extension services have been some of the causes of low productivity, the low level of agricultural input use and limited access to technology. Weak progress on establishing and promoting inter-sectoral linkages, have contributed towards the lack of rural infrastructure and associated high transactions costs, absence of formal financial services in rural areas and a weak regulatory framework. This underlies poor market development in the sector.

Yet, over this period, the agriculture sector in Mozambique has benefited from forms of budgetary support to the sector ministry. A common funding mechanism was developed and adopted by a number of donors to support of PROAGRI, and various dialogue mechanisms were established alongside the common fund. This was largely effective in addressing the challenge of fragmentation and lack of coordination of development cooperation in the sector, but has not yet contributed to improving agriculture sector outcomes. Since 2005, however the aid environment has begun to become more fragmented.

The Nature of Sector Budget Support

The PROAGRI basket fund, which meets this study's definition of sector budget support, was introduced in 1999. It mobilised a significant amount of discretionary external assistance to support MINAG in pursuing its development policy for the sector. A total of US\$ 207 million had been disbursed by donors by 2006 and an additional US\$ 126 million were committed for the period 2007-09. The main objective of this funding arrangement was to improve the effectiveness of public agricultural programmes and institutions in order to promote equitable growth in rural areas, reduce poverty and improve food security. Most of this was to be achieved, initially, through a significant investment in improving institutional capacities of the Ministry of Agriculture and putting it in the driver's seat of development interventions in the sector. A reformed and streamlined ministry with a reduced set of core functions was expected to emerge from this capacity building process.

The development of the common funding arrangement has been through three main phases, marked by the signature of Memoranda of Understanding between GoM and its external funding partners: (i) an initial phase, between 1999 and 2000, when the mechanism was introduced and started being developed; (ii) a second phase, between 2001 and 2006, when the Common Flow of Funds Mechanism (CFFM) was consolidated and a number of additional donors joined the arrangement; and (iii) a third phase, which started in 2007, when the concept of sector budget support was first introduced and alignment with country systems was further strengthened.

Two types of modalities have been provided – the first was called a common basket fund, and the second sector budget support. In practice both are forms of sector budget support, and main differences concern the degree of earmarking and the focus of policy dialogue and conditions built into the funding arrangement. One modality is budgetary support earmarked broadly to MINAG to support its policies and systems. The other one corresponded to specifically earmarked funding provided by a reduced number of donors to strengthen support to specific sub-sectoral areas or activities. Despite this specific earmarking, which is related to the focus of the agencies' country programmes, these funds have been disbursed into the common basket fund and followed the commonly agreed financial management procedures.

Although the funding modalities have remained essentially unchanged over the years, there has been an evolution on several fronts. Procedures for managing the basket fund have become increasingly aligned with country systems – for example, the planning and budget calendar was progressively aligned with that of the State Budget and the PROAGRI procurement manual was replaced by the government procurement code in 2007. Performance assessment was introduced and a matrix of indicators and target developed to track government performance in agriculture. The link between the sector budget support arrangement and general budget support has been reinforced, through coordination in performance assessments and dialogue with government.

The Effects of Sector Budget Support

What were the main effects of SBS?

- Sector policy, planning, budgeting and M&E processes: channels for policy dialogue between GoM and donors were established as a result of the move to SBS. This led to strong ownership of PROAGRI and some improvements in agricultural laws and regulations (e.g. land management), although a clear role for the public sector in service delivery was never established and widely agreed. Dialogue, and technical assistance associated with SBS supported the establishment of integrated planning and budgeting framework (PAAO) with a bottom-up methodology. SBS funding contributed towards the mobilisation of a considerable amount of external funding to the sector, although a major share of this was allocated to institutional development, and not the delivery of services. Recently, the ownership of PROAGRI has waned on both the government and donor side, and the GoM

has taken policy decisions with little consultation, taking agriculture policy in a more interventionist direction.

- Procurement, expenditure control, accounting and audit processes: the establishment of SBS contributed to the establishment of the Common Fund Flow Mechanism in 2001. This established a set of common procedures (for procurement, accounting and auditing) covering a significant share of sector resources, thereby reducing GoM's transaction costs in managing external funds. These common procedures were progressively aligned with those of the whole of government. Another achievement has been support to the development of systems which allow the generation of detailed information about public spending and some improvements in systems and capacities in the areas of procurement and auditing. A key question is whether the concentration of resources on building internal management systems is justifiable in a sector where there are huge challenges to be addressed at the service delivery level.
- Capacity of sector institutions and systems for service delivery: PROAGRI resulted in both a decentralisation of sector resources and a significant concentration of resources on capacity building activities. Decentralised levels had an increased role in sector planning. There were improvements in staff capacities and systems in the areas of planning and financial management. However the focus was on building the capacity of existing staff, rather than expanding the capacity of institutions to deliver increased volumes of services.
- Domestic ownership, incentives and accountability in the sector: The role of Ministry of Agriculture as sector coordinator and regulator was significantly strengthened, relative to the situation of the mid 1990s. Early on there was improved government ownership (not only by the MoA but also by Ministry of Finance) as a result of achievements in alignment of aid management with country systems (CFFM). However later on ownership was eroded as PROAGRI failed to deliver results in the agriculture sector.

In terms of outcomes in the sector, there is little or no evidence that public service provision at field level has improved as result of the investments made in building institutional capacity of the sector ministry. Nor is there evidence that public sector actions in the agricultural sector have improved sector outcomes. It is reasonable to conclude that SBS in the agriculture sector has therefore not contributed towards improvements in agriculture sector outcomes.

Conclusions and Recommendations

The current dominant perception is one of disappointment, by both government and donors, about the experience with the funding arrangement developed to support the agriculture sector in Mozambique. Government has expressed disappointment over the lack of concrete outcomes from the significant investments made over the years in improving capacity of the Ministry of Agriculture. Donors have expressed disappointment over the fragility of the relationship with GoM and the fact that they are being left out of key policy processes, as illustrated by the recent policy directions taken by Government on agriculture policy matters.

Despite the high degree of scepticism and uncertainty about the future of the PROAGRI funding mechanism it is undeniable that budgetary support provided to MADER/MINAG over the past 10 years has had an impact in sector policies and processes. Through the provision of discretionary funding, dialogue, technical assistance and strengthened donor coordination, the funding mechanism has produced important effects on the relationship of external assistance and sector processes which have led to changes in sector policy, spending and management systems.

The mechanism has created the conditions for the Ministry of Agriculture to carry out a number of improvements to internal management systems and capacity. For example, it has, through the establishment of integrated planning and joint funding, improved the comprehensiveness of planning and budgeting processes at sector level, increasing GoM's control over the use of external resources flowing to the sector.

Outstanding outputs include improvements in financial management systems at sector level and strengthened government ownership and leadership of the sector which became clearly reinforced in comparison to the situation in the mid-1990s. It also needs to be recognised that the PROAGRI funding arrangement and the processes associated with it pioneered important changes in the ways of working within government - namely the relationship between the sector and the Ministry of Finance on planning, budgeting and financial management - and these have had an impact beyond the agriculture sector.

It is also undeniable, however, that with PROAGRI a significant volume of public resources to agriculture ended up being diverted towards MADER/MINAG internal management processes doing little to address constraints at service delivery level, transform the ministry or indeed improve analytical capacities and the ability to generate evidence-based policies. Evidence of impact at the outcomes level is scarce and the various evaluations carried out on PROAGRI are consistent in concluding that PROAGRI has been all about processes and procedures and very little about development results on the ground.

In judging the experience and the suitability of the SBS mechanism, it needs to be recognised however that agriculture is a peculiar sector within the public sector machinery. Foster et al. (2001) warned about the dangers of providing budgetary support to a sector like agriculture where: the state and the line ministry should in principle have a smaller and different role than in other sectors, government and donors disagree on the state role in the sector, the most important government roles in supporting agriculture are not about public expenditure at all but about policy making and regulation, and the most important public expenditures for supporting agriculture may not be in the agricultural sector (e.g. investments in rural roads).

The main implication from this analysis is to advise caution in applying SBS to support a sector like agriculture. Funding mechanisms, such as the form of SBS in use in Mozambique, can help to address problems of aid fragmentation and be an important source of revenue to overcome institutional capacity constraints. But to what extent is budgetary support earmarked to the agriculture sector a useful instrument to address 21st century challenges in developing countries' agricultures – namely, streamlining the state, promoting sector coordination, improving policy and regulatory frameworks, removing distorting state interventions? The volumes of funding involved with the basket and sector funding PROAGRI were arguable far in excess of what was needed to address these challenges. If there had been a clear drive to expand and improve service delivery – for example extension services – then the funding levels would have been appropriate. This was not the case.

In the absence of a consensus over the need to expand government services in agriculture, it is important to question the suitability of budgetary support mechanisms to the development cooperation purpose in the Mozambique Agriculture sector. As Foster et al. suggested back in 2001, the core message should be to ensure a good diagnosis of the nature of the challenges in the sector, as well as in the aid relationship, and develop a development cooperation approach which is locally appropriate.

The future of PROAGRI is uncertain. Many donor agencies are committed to increasing the proportion of programmatic forms of aid and there is also a strong interest in maintaining support to the agriculture sector. GoM is on its part keen to receive increasing proportions of discretionary funding through budgetary support but it has also shown signs of less openness to discuss policy options with donors (or indeed other players). This has left many donors apprehensive and, in the agriculture sector, is starting to raise questions about the sustainability of the sector budget support modality. Some donors are already thinking in risk spreading alternatives, including increasing earmarking of funding, working with other parts of government or even reverting to more traditional forms of development cooperation (i.e. project assistance).

In moving forward it is essential that the experience to date is carefully reviewed and that success conditions are identified and discussed. There are at least five key success conditions to bear in mind:

- Partners need to work towards the establishment a unified agriculture sector policy framework, embracing the new policy directions which have political backing from key government counterparts. At the moment it seems that the Presidency and the duo MoF-MPD are important drivers of agricultural policy processes, including resource allocation to the sector. It is therefore essential to secure these actors' engagement in the arrangement. Even if donors are unhappy with the policy direction and feel they are unable to support it financially, it is important that they play a constructive role and support such a process. This will ensure an entry point into key decision-making processes in the sector.
- Consensus on basic principles/philosophy underlying the financing agreement in support of any new agriculture policy should be established, particularly on the roles of the state vis-à-vis other sector stakeholders. This is especially important if donors feel they cannot support the overall agriculture policy that emerges. For example, if donors feel they can support the expansion of extension services in the sector, then this should be explicit. If there is no clear agreement on the role of the sector in service delivery, then the funding should be scaled back to levels commensurate with institutional development objectives. Such issues need to be resolved or at least discussed openly if the arrangement is to be sustained in the future. Unlike the previous ones, the current MoU is vague in relation to underlying philosophy of the financing arrangement.
- Involvement of all major sources of funding. In order for policy dialogue to be meaningful and to ensure the integrity of the planning and budgeting processes, all major sources of funding (donors) need to be involved in the sector programme, irrespective of the funding modalities used. It is therefore essential that donors providing sectoral budget support create the incentives for other donors (particularly those providing a large proportion of external funding to the sector) to be involved in the PROAGRI policy fora.
- Resolving capacity limitations in the critical area of monitoring and evaluation. The performance of the funding arrangement can not be tracked and assessed properly without a reliable M&E system in place, particularly one which links SBS with government performance (service delivery and investments) and sector performance. This is a crucial area which can not be left unattended for any longer.
- Reaching out to the sector. One of the main limitations of PROAGRI to date has been the inability to reach out to sector operators at field level (NGOs, the private sector and farmers). The lack of sector level outcomes is partly the consequence of failing to involve these key sector players.

1. Introduction and Study Objectives

1. This is a case study examining Sector Budget Support in the agriculture sector in Mozambique. It forms part of a broader study commissioned by the Strategic Partnership with Africa Task Team on Sector Budget Support (SBS) which covers ten sector case studies from six different countries.

2. The overall purpose of the study is to draw together experience of SBS to guide future improvements in policy and practice by partner countries and donors. The additional objective of this case study is to assess the lessons from experience to date in the agriculture sector and to provide the Government of Mozambique and donors with guidance that will help them improve the design and implementation of SBS in the future.

1.1 Methodology

3. The case study has been carried out using a methodology (ODI and Mokoro, 2008) which draws from evaluation frameworks of General Budget Support (IDD and Associates, 2006; Lawson and Booth, 2004; Caputo, Lawson and van der Linde, 2007), and the specific requirements of the Terms of Reference for the Assignment. The assessment framework has four levels:

- Level 1 breaks down sector budget support into inputs, both financial and non financial inputs such as dialogue, conditionality and associated technical assistance and capacity.
- Level 2 identifies the immediate effects of SBS inputs on the overall nature of external assistance to the sector.
- Level 3 examines the outputs influenced by SBS in terms of sector policy, budgeting, financial management, institutional capacity, service delivery and accountability systems and processes.
- Level 4 examines the likely influence of SBS on outcomes in the sector, in terms of the achievement of sector policy objectives and service delivery.

4. The assessment framework also recognises the importance of external factors on the effects of SBS, the context within which it is provided, and the existence of feedback loops between and within each of the levels. A diagram of the assessment framework is provided in Annex 1.

5. The primary question posed for the case studies by the terms of reference is as follows:

How far has SBS met the objectives of partner countries and donors and what are the good practice lessons that can be used to improve effectiveness in future?

6. The key purpose of the study is therefore the identification of good practice. Therefore the assessment framework, will be used as the basis for the identification of cases good practice. For the purpose of this study, good practice is defined as:

Instances where SBS inputs (level 1), and their influence on the overall nature of external assistance to the sector (level 2), have helped strengthen sector processes (level 3) in areas which have improved, or will plausibly improve, service delivery outcomes (level 4).

7. The case studies follow four steps in applying the assessment framework:

- The first step involves analysis of the country, sector, and aid environment, in particular evolution of sector systems and service delivery outcomes (i.e. the context from levels 1 to 4).
- The second step involves documenting and assessing the specific nature of SBS provided to the sector, and its effects on the quality of partnership in the sector (level 1).
- The third involves an assessment of the effects of SBS from inputs to outputs (i.e. across Levels 1 to 3). This is carried out along four dimensions:

- (i) Policy, planning and budgeting processes and monitoring and evaluation systems;
 - (ii) Sector procurement, expenditure control, accounting and audit processes;
 - (iii) Sector institutions, their capacity and service delivery systems; and
 - (iv) Domestic ownership, incentives and accountability.
- The fourth step involves an assessment of contribution of outputs influenced by SBS to improvements in sector outcomes (level 4).

8. The approach of this desk study involved the collection and review of documentation and a few selected stakeholder interviews.

9. The structure of this report follows the four steps. Under each of the four steps Main Study Questions have been identified, as shown in Box 1.

Box 1: Main Study Questions

Step 1: Setting the Country, Sector and Aid Context

SQ1.1: What have been the main national trends in poverty, economic performance, governance, and public sector delivery prior to and during the provision of SBS?

SQ1.2: How have sector processes, institutions, accountability and service delivery outcomes evolved prior to and during the provision of SBS?

SQ1.3: What has been the environment for external assistance at the national and sector level?

Step 2: The Key Features of SBS Provided and its Effects on the Quality of Partnership

SQ2.1: What are the key features of the SBS that has been provided?

SQ2.2: To what extent have SBS inputs derogated from country policies, systems and processes, and are these a result of country specific concerns and/or headquarter requirements?

SQ2.3: Has SBS contributed positively to the quality of partnership and reduction in transaction costs between development partners, the recipient government and civil society?

Step 3: The Influence of SBS in Practice on the Sector and Lessons Learned

SQ 3.1: What has been the influence of SBS on Sector Policy, Planning, Budgeting, Monitoring and Evaluation Processes, and what are the constraints faced and lessons learned in practice?

SQ3.2: What has been the influence of SBS on Procurement, Expenditure Control, Accounting and Audit Systems at the Sector Level, and what are the constraints faced and lessons learned in practice?

SQ3.3: What has been the influence of SBS on Sector Institutions, their Capacity and Systems for Service Delivery, and what are the constraints faced and lessons learned in practice?

SQ3.4: What has been the Influence of SBS on Domestic Ownership, Incentives and Accountability in the Sector, and what are the constraints faced and lessons learned in practice?

Step 4: The Effectiveness of SBS, and the Conditions for Success

SQ4.1: What are the main contributions that SBS has made to the improvement of sector policy processes, public financial management, sector institutions, service delivery systems and accountability, and what were the conditions for success?

SQ4.2: Have the improvements in sector systems and processes to which SBS has contributed, had a positive influence on sector service delivery outcomes, and are they likely to do so in future?

10. The conclusion draws out answers to the primary questions, and examines how the practice of the provision SBS to the agriculture sector can be improved in future.

1.2 Activities Carried Out

11. The Mozambique desk-study draws from available literature as well as telephone interviews with selected key informants in Mozambique.¹

¹ The list of people interviewed is provided in annex.

2. Country, Sector and Aid Context

2.1 Country Context

SQ1.1: What have been the main national trends in poverty, economic performance, governance, and public sector delivery prior to and during the provision of SBS?

12. Mozambique is considered one of sub-Saharan Africa successful stories of post war economic recovery. After a difficult period of post war reconstruction, economic performance has been relatively good since the late 1990s. Economic growth rates have remained high for a number of years, averaging about 8 percent from 1997 to 2007², and other macroeconomic indicators (such as inflation, interest rates and debt) have been generally stable.

13. Despite encouraging macroeconomic performance the country remains one of the poorest in the world. More than half of the population lies below the national poverty line and the country's Human Development Index ranks 168 out of 177, the lowest in the Southern African region. In 2003, about 47% of the population was undernourished and only 36% had access to an improved water source.

14. Mozambique is largely an agricultural economy with 64% of the population living in rural areas and agriculture employing just above 80% of total workforce and about 93% of rural workforce.³ Agriculture value added represents 28% of GDP.⁴ The sector is dominated by smallholder agriculture. About 99.6% of agricultural households farm in small size plots which cover 95% of total farmed area. Smallholder farmers practice subsistence agriculture, producing essentially maize and cassava which are the country's main food crops. The main cash crops are sugarcane, cashew nuts, cotton and tobacco. Cashew nuts, cotton and sugar are also the country's traditional export crops.

15. Mozambique is currently implementing its second Poverty Reduction Strategy (PARPA II) which aims to reduce the incidence of poverty from 54% (in 2003) to 45% by 2009. Poverty incidence has been declining (from 69% to 54% between 1996/97 and 2002/03) and some socio-economic indicators have shown notable progress. For example, the net enrolment rate in primary education increased by more than 25 percentage points between 1997 and 2003 and the maternal mortality ratio declined from 1,000 to 408 per 100,000 live births between the early 1990s and 2003 (Republic of Mozambique and UNDP 2005). But there is still a long way to go in the pursuit of the Millennium Development Goals (MDGs). A recent progress report on the MDGs indicates that a number of targets are unlikely to be met by 2015 (UNDP 2006).

16. Mozambique's current government is the third democratically elected since the end of the civil war in 1992. The Frelimo party has been ruling the country since Independence. The political context has been relatively stable although there are signs of change in the governance style of the current government headed by President Armando Guebuza, which could impact the course of ongoing economic and public sector reforms and the relationship with development partners. Donors have expressed apprehension about Mr Guebuza's authoritarian style (as well as his sympathy with Frelimo's traditional socialist values), his government's weak commitment to anti-corruption reforms and the lack of engagement with economic liberalisation reforms (EIU 2008). In contrast with the previous Presidency, Guebuza's government is more focused on domestic policy affairs. The Presidency organises field trips throughout the country on a regular basis and these

² World Development Indicators 2008.

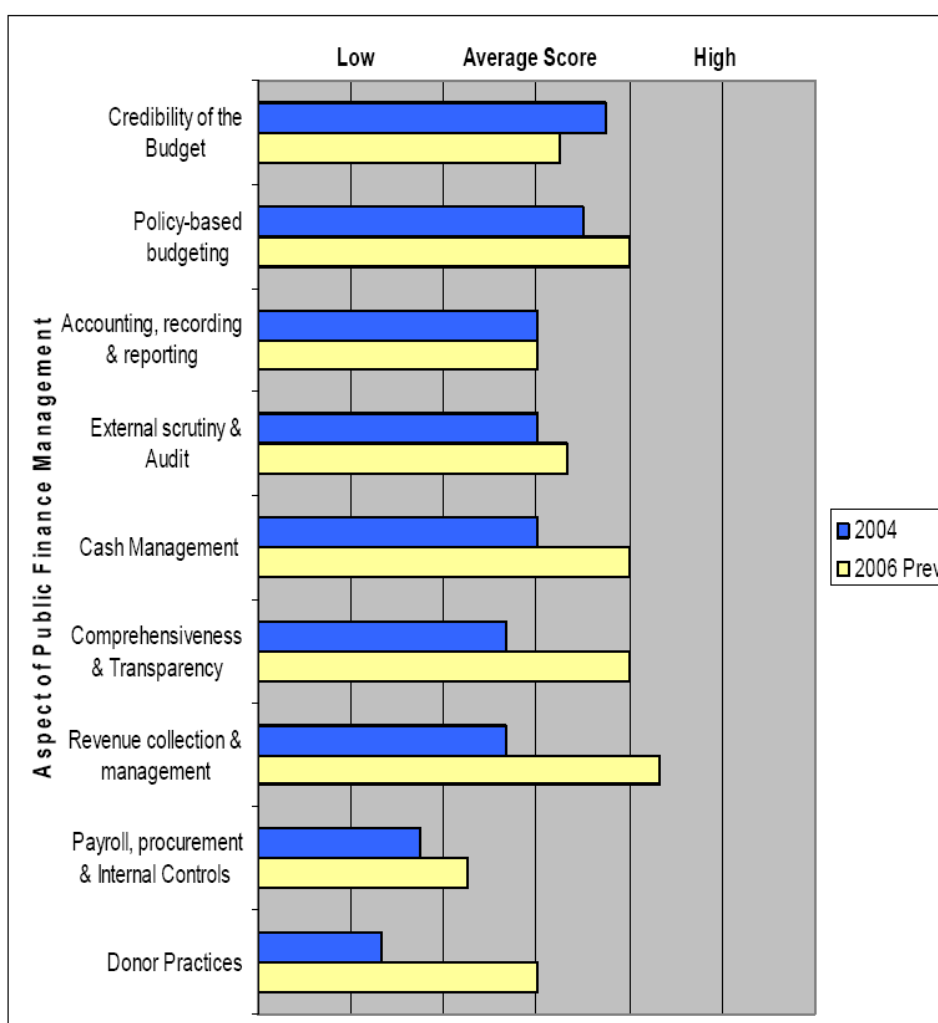
³ INE (2004) "Relatório Final do Inquérito aos Agregados Familiares sobre Orçamento Familiar 2002/03", Instituto Nacional de Estatística, Maputo.

⁴ World Development Indicators, Online Database (data retrieved on 17/11/2008)

constitute important policy moments where many of the current policy directives are defined by the President himself, particularly with regards to agriculture, as discussed further ahead. Decentralisation is also one of the government's main priorities and there have been a number of measures put in place to ensure greater allocation of resources to the district level. For example, districts are now a budget unit in the State Budget and have an annual budgetary allocation of about US\$ 300,000 to spend on vaguely defined community development activities.

17. Government institutions are weak and there have been substantial donor-supported investments to improve capacities of the civil service and reform the public sector and its management systems. Public financial management (PFM) is one of the areas which has received considerable assistance in recent years. In 2001, the Ministry of Finance introduced SISTAFE, a modern integrated financial management system, and after a few years of extensive design work results started to show in 2004. PFM assessments conducted in 2004 and 2006 document improvements made in PFM across a number of areas (Figure 1).

Figure 1: Assessment of PFM in Mozambique, 2004 and 2006 PEFA scores



Source: Lawson et al. (2006: Figure 1).

18. Overall, the State Budget is considered a credible document in the sense that final out-turns are reasonably close to the initial approved budget. There is a clear budget calendar which is generally followed and the process of legislative scrutiny of the Budget by Parliament conforms to international good practice norms, although there are still concerns about whether Parliament performs a serious challenge function. Systems of accounting, recording and reporting are

considered to be of average quality and with signs of improvement – programme-based budgeting has been part of the agenda for some time and could potentially improve significantly the link between policy objectives and resource allocation, which is still difficult to demonstrate. Considerable weaknesses remain, however, to be addressed, especially in the areas of internal control (control over the payroll, expenditure commitments and procurement processes), external audit (which is still of limited coverage and capacity to conduct it is extremely weak) and off-budget spending – the high levels of off-budget spending, financed both from internal government revenue and external project finance, undermine the integrity and comprehensiveness of the budget and the effectiveness of treasury management systems (Lawson et al. 2006).

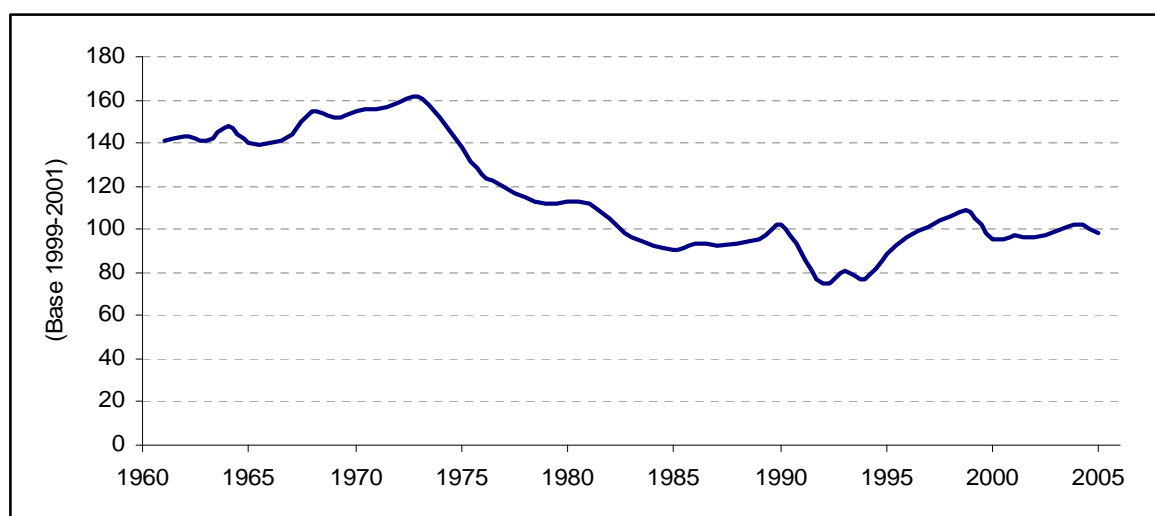
2.2 Sector Context

SQ1.2: How have sector processes, institutions, accountability and service delivery outcomes evolved prior to and during the provision of SBS?

Sector Outcomes

19. Agriculture sector performance for the last decade has been mixed. The sector was severely hit by the Independence and civil wars which lasted more than two decades. Since the end of the war agricultural production has been recovering but pre-Independence production per capita levels are still far from being restored (Figure 2). Some crops have recently experienced high rates of production growth (e.g. tobacco and tea) and productivity has been gradually improving (e.g. for maize and cashew nuts) although it is still significantly below Southern Africa regional averages. Moreover, and despite progress, more than half of the rural population remains poor and food insecure.

Figure 2: Evolution of Agricultural Production – Gross Production Index Per Capita, 1961-2005



Source: FAOSTAT (data retrieved on 17/11/2008).

20. The challenges facing the sector are significant. Mozambican agriculture is still battling to reverse low productivity levels and insufficient development of input and output markets. There are low levels of agricultural input use and farmers have limited access to technology. Agriculture markets are poorly developed, and associated with high transaction costs. Rural infrastructure is in a poor state, and few farmers have access to rural financial services.

Sector Policy Framework

21. By the mid 1990s the agriculture sector had no clear policy direction. The structural adjustment policies of the 1990s had pushed for privatisation and reduced state intervention in the productive sectors. Meanwhile there were a large number of fragmented aid operations in the sector which were poorly coordinated.

22. Mozambique's National Programme for Agricultural Development (PROAGRI) was developed in the mid-to-late 1990s as an attempt to address this coordination failure. The aim was to build a common vision for national agricultural development, which was owned and led by government and which brought together all major partners in the sector under an integrated policy framework. For that to happen effectively it was necessary to reform, modernise and streamline the institutional set up of the ministry of agriculture.

23. The first phase of PROAGRI was officially launched in 1998 as a joint effort by GoM and a number of development partners operating in the sector. PROAGRI I set three strategic objectives for the period 1998-2003: (i) to reform and modernise the institutional structure of the public sector interventions in support of the agricultural sector; (ii) to increase agricultural production and productivity and hence improve income and food security for rural householders, through better public service delivery; and (iii) to protect, conserve, develop and ensure sustainable access and use of natural resources. The programme was structured into eight 'vertical' components, each with specific objectives and strategies, determined largely by the organisation structure of the ministry of agriculture at the time.⁵ Basic principles and key milestones were also established jointly by GoM and donors to guide the implementation of the programme (Box 2). These principles emphasised the notion of 'core functions of government' and the need to restructure the ministry. They also emphasised the issue of decentralisation and empowerment of local government agencies and the need to provide an enabling environment for private sector development.

⁵ PROAGRI I components were: (i) institutional development, (ii) agricultural research, (iii) agricultural extension, (iv) support to agricultural production, (v) livestock production, (vi) land management, (vii) forestry and wildlife, and (viii) irrigation.

Box 2: PROAGRI Basic Principles and Key Milestones

At the 1998 PROAGRI joint appraisal mission, GoM and donors agreed to a set of basic principles and key milestones to define the nature and direction of the ministry of agriculture's transformation. These principles encapsulated the essence of the contractual arrangement between the two parties.

Basic principles	Key milestones
1. Poverty reduction	<ul style="list-style-type: none"> To be determined by Poverty Impact Monitoring.
2. Decentralisation and Empowerment	<ul style="list-style-type: none"> Deconcentration of decisions to province and district level agricultural offices. Stakeholder participation in decisions.
3. Good Governance – Transparency, Accountability and Participation	<ul style="list-style-type: none"> Transparent financial management. Services use most cost-effective delivery mechanism.
4. Attention to gender issues	<ul style="list-style-type: none"> Gender considerations systematically included in planning, implementation and monitoring. Gender institutionalised in MADER.
5. Increased attention to rights and needs of smallholder farmers concerning access to land, inputs and markets	<ul style="list-style-type: none"> Regulations adequately securing smallholder land rights being implemented.
6. Environmental and social sustainability	<ul style="list-style-type: none"> Socioeconomic and environmental assessment capacity established. Work plans include environmental objectives. Environmental impact assessments (EIAs) carried out and mitigation measures identified.
7. Market-Oriented Policy Framework	<ul style="list-style-type: none"> Enabling environment for competitive and efficient markets for agricultural inputs and outputs established.
8. MADER activities limited to core functions and MADER strengthened to carry them out	<ul style="list-style-type: none"> MADER restructures in accordance with recommendations of functional analysis. Functions limited to providing enabling and regulatory environment for private sector agricultural development, including provision of public good agricultural services, and natural resources management.

Source: Compton (2000).

24. The implementation of PROAGRI I started in early 1999 and was originally expected to run until 2003 but was extended until 2005. Under PROAGRI I many important institutional reform processes were pioneered, some of which reached beyond the agriculture sector. The ministry of agriculture was the first to conduct a functional analysis of its organisational structure and the first to introduce the language of 'core functions' and 'demand-driven' public services in Mozambique. It was also under PROAGRI I that a process of decentralised planning, resource allocation and management were initiated, which increased the share of resources allocated and spent at the local level. Other key achievements include the development of an integrated planning framework (the Annual Activities and Budget Plans, or PAAOs) and a common funding mechanism for development cooperation which allowed for better predictability, coordination and management efficiency of aid resources. Improvements were also noticeable in financial management procedures, including the unification of procurement rules, consolidation of accounts, creation or provincial financial management systems and external audits.

25. The second phase of PROAGRI started being prepared in 2003. A huge investment was made into this process which included numerous and onerous consultancies, studies and debates. A strategy document for PROAGRI II was eventually concluded in 2004. The PROAGRI II Strategy Document renewed the emphasis on core functions of government and demand-driven services and introduced a more holistic view of the agriculture sector which highlighted the need to coordinate interventions in critical areas outside the mandate of the ministry of agriculture (e.g. markets, rural infrastructures and financial services). The strategy was ambitious (and unrealistic, according to some views) in that it suggested, for example, the creation of an internal competitive bidding mechanism to access resources to fund core functions and the creation of a mechanism

for funding other sectors and activities at provincial level outside the agriculture ministry remit. It also proposed the creation of Multi-stakeholder Agriculture and Rural Development Councils at provincial level and a coordinating body within the ministry, the Horizontal Management Board. These were attempts to address the problem of coordination failure which remained strong in the sector. Yet, the strategy document for PROAGRI II never got to be translated into practice. The government changed before the strategy was approved by Cabinet and the new government followed a different policy direction.

26. The Ministry of Agriculture and Rural Development (MADER) was restructured when the new government took office in January 2005. A new Ministry of Planning and Development (MPD) was created and the Rural Development Directorate of MADER was placed there, leaving the new Ministry of Agriculture (MINAG) to focus solely on agriculture-related matters. This reflected the change in approach in relation to what had been proposed by the PROAGRI II Strategy, namely the focus on coordination across rural sectors. There was at the time a widespread distrust on PROAGRI due, to a large extent, to the lack of evidence on impact on the ground and the new government ended up dissociating itself from the PROAGRI II Strategy.

27. For a couple of years (between 2005 and 2007) there was a degree of uncertainty about PROAGRI and the government-donor relationship around the sector programme. No strategy document for the sector was available although GoM produced several policy documents, including the Agrarian Priorities Document and the Agrarian Intensification and Diversification Programme (see Box 3).

28. The new government introduced, however, a renewed emphasis on agriculture and the President has himself been strongly committed to strengthening the sector. Decentralisation and agricultural production have become main areas of focus. Contrary to the PROAGRI II Strategy's vision of having the public sector as a facilitating agent with interventions limited to some core functions, the current government is taking a much more interventionist approach with an important role given to local government authorities. Current policy directives are strongly oriented towards achieving agricultural production targets: the Agrarian Priorities document specifies annual production targets for priority products and the Agrarian Diversification Programme is also driven by a production target approach involving delivery of support services (including input distribution). The Green Revolution Document, produced in 2007, and the Food Production Action Plan (PAPA), produced in 2008, confirm this approach (Box 3).

Box 3: Recent Agriculture Policy Papers

Agrarian Priorities Document: this was a MINAG internal priority setting exercise focused on levels of agricultural production. The document specifies annual production targets for each priority product (food and cash crops, livestock and forestry products) as well as generic priority interventions to pursue those production targets.

Agrarian Intensification and Diversification Programme: this programme was announced by MINAG in 2006 as one of the highlights of its annual economic and social programme for 2007. The programme was set to address chronic food security and the country's structural cereal deficit through increased production and productivity. In order to reach these objectives it proposed to distribute agricultural inputs, disseminate technology and provide credit to selected farmers in areas of high agro-ecological potential.

Green Revolution Document: this was Mozambique's response to the AGRA initiative, offering a strategy for improved production and productivity, by increasing the production areas, seeds and fertiliser use, and investments in irrigation and mechanisation.

Agricultural Production Action Plan (PAPA 2008-2011): this is an action plan for the implementation of the Green Revolution agenda although with a strong focus on food production and enhanced self-sufficiency, across a number of selected priority food production areas. The plan is focused on a selection of agricultural products (maize, rice, wheat, cassava, potatoes, oil seeds, chicken, fish) and proposes a number of concrete activities to increase food production levels, including, inter alia: increased access to improved seeds, increase in the use of animal traction, rehabilitation and construction of irrigation systems, and increase in the number of public extension workers in the most high potential agro-ecological areas.

Sources: Cabral et al. (2007) and Gêmo and Cabral (2008).

29. The donor community has been contesting this reverse in approach and warning about the dangers of excessive direct intervention in the sector. In 2006, several donors expressed concerns regarding the compatibility of the Agrarian Intensification and Diversification Programme with the basic principles of PROAGRI which had been established back in 1998. In 2008, the World Bank and the group of donors providing funding to agriculture through the basket fund also raised concerns regarding the operational modalities for implementing PAPA, including having the state as a buyer of last resort, and the unclear role for the private sector in the input supply chain (Gêmo and Cabral 2008).

30. Although the post-2005 political environment and agricultural policy options raise questions about the nature of priority-setting and policy predictability, which in a way PROAGRI was expected to have reinforced (through better planning and budgeting systems and more coordinated dialogue between GoM and development partners), they do however illustrate stronger government ownership and pragmatism. Initiatives like the Agrarian Intensification and Diversification Programme and PAPA could be seen as a pragmatic reaction by GoM and MINAG to the lack of progress and visible impact from PROAGRI investments, as well as the food crisis which emerged in 2007/08.

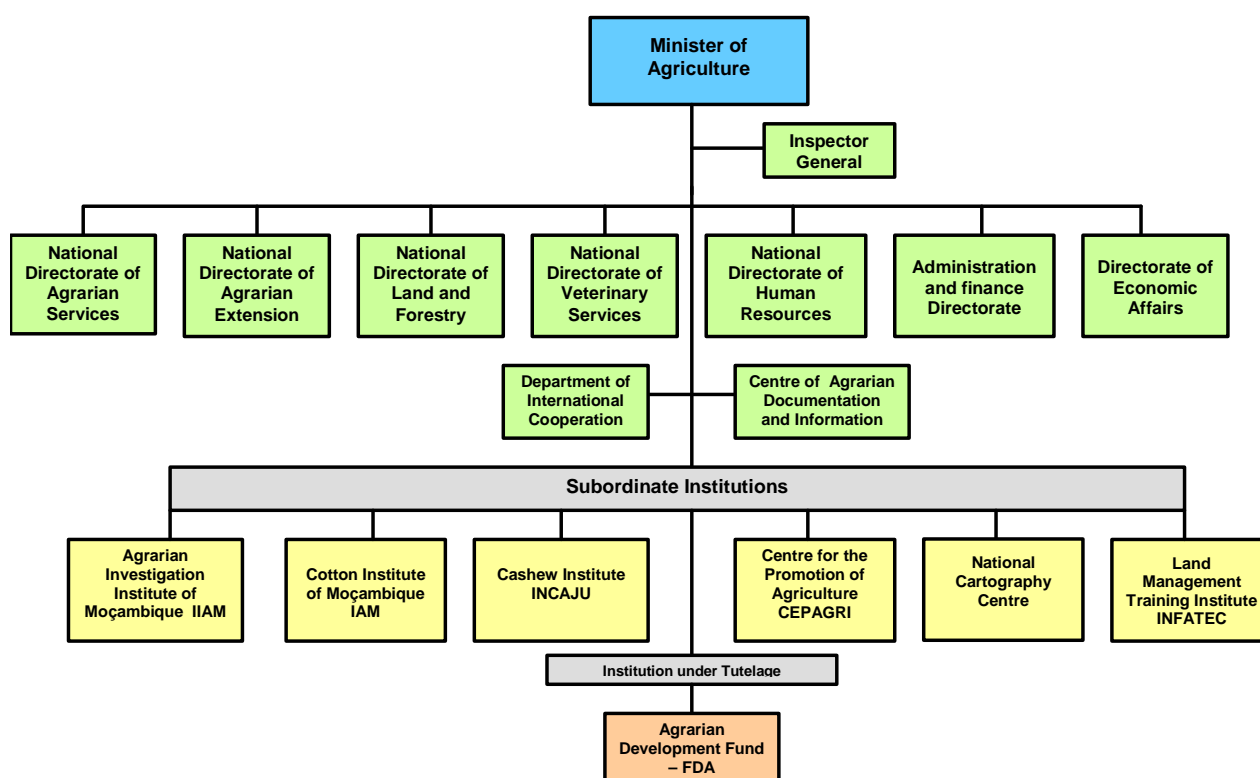
31. The concept of PROAGRI is now significantly different from that implicit in the 2001 MoU. It can no longer be claimed that PROAGRI stands for the government-led programme for agricultural development. In the post-2005, the concept has become increasingly associated with the common fund supported by a group of donors and the institutional arrangements developed to manage that fund (essentially the policy dialogue fora involving GoM and basket fund donors). Several factors contributed to this (and these are discussed in more detail ahead). An important factor was the exit of major agriculture sector donors from the common fund. These donors continued providing funding to the sector but gradually removed themselves from the policy dialogue mechanisms involving basket fund donors and developed separate channels for interaction with sector stakeholders. Another important factor was the unfavourable reputation that PROAGRI gained towards the end of its first phase, namely the perception that a huge amount of resources had been wasted on improving working conditions within the ministry and very little had been done to

improve service provision to farmers. Such bad reputation led the government, or at least parts of it, to distance itself from PROAGRI.

Institutional Structure of the sector

32. The ministry of agriculture (MINAG) is mandated with directing, planning and implementing government policies on agriculture, land, livestock, forestry, wildlife and irrigation. It is structured into seven national directorates, covering various sub-sectoral areas: agrarian services, extension, land and forestry, veterinary services, human resources, and planning, finance and administration (Figure 3). There are also six subordinate institutions covering areas such as research, commercial agricultural support services, land management and registry and support services to specific commodities, such as cotton and cashew. In the provinces, the ministry is represented through Provincial Directorates of Agriculture (there are 10 in total, one per province) which are mandated with policy dissemination, provincial planning and budgeting and coordination of activities in the province. At the district level, the ministry is represented through the Economic Activities District Service, within the District Administration Office.

Figure 3: MINAG's central level organisational structure



Source: MINAG.

33. Main public services provided by MINAG and its subordinate institutions include: the issuing of agricultural policy directives and legislation on agriculture and natural resource management, agricultural research and extension, veterinary services and community land delimitation.

34. Other government agencies have also an important role to play in agricultural policy and sector development. These include the Ministry of Industry and Trade, which is responsible for matters related to agricultural commercialisation, the Ministry of Civil Works, which is mandated with infrastructures development, and the recently created Ministry of Planning and Development

(MPD) which has incorporated the rural development section which was, until 2004, under the Ministry of Agriculture and Rural Development (MADER).

35. The capacity and political leverage of the agricultural ministry had been significantly eroded by the mid-1990s, with many of the high cadres of what was then the Ministry of Agriculture and Fisheries fleeing to other jobs inside and outside government. Towards the end of the 1990s there was a donor-backed move to support the rehabilitation of the ministry aiming to reform its institutional set up in the context of an emerging market economy. This happened at a time when it was also necessary to address the severe problem of aid fragmentation which emerged during the years of post-war reconstruction. Aid fragmentation had given rise to problems of coordination and policy coherence and had resulted in high transaction costs of aid and loss of government ownership of development interventions in the sector.

36. PROAGRI I was essentially focused on reinforcing institutional capacity of the ministry of agriculture (as well as its subordinate institutions at central and local levels), focusing strongly on planning and financial management systems and procedures. The programme was arguably more concerned with internal management and capacity of the ministry of agriculture rather than service provision at field level. This focus on institutional capacity is argued to have come at the cost of development results on the ground (Garrido-Mirapeix and Toselli 2002, Cabral et al. 2007). Despite this, some of the initiated institutional reforms failed to materialise or were left unfinished. The organisational restructuring of the ministry of agriculture is an example of this. The functional analysis conducted in 2002/03 was not reflected in the restructuring of the organisational structure and revised mandate of the ministry. It is argued that changes made produced a more centralised and heavier structure rather than the intended modern and streamlined one.⁶

37. Despite the investments made in institutional capacity since the late 1990s, sector governance is characterised by a weak and unstable agricultural ministry⁷, lack of coordination between the various sub-sectors poor capacity at local level and limited and uneven coverage of public services.

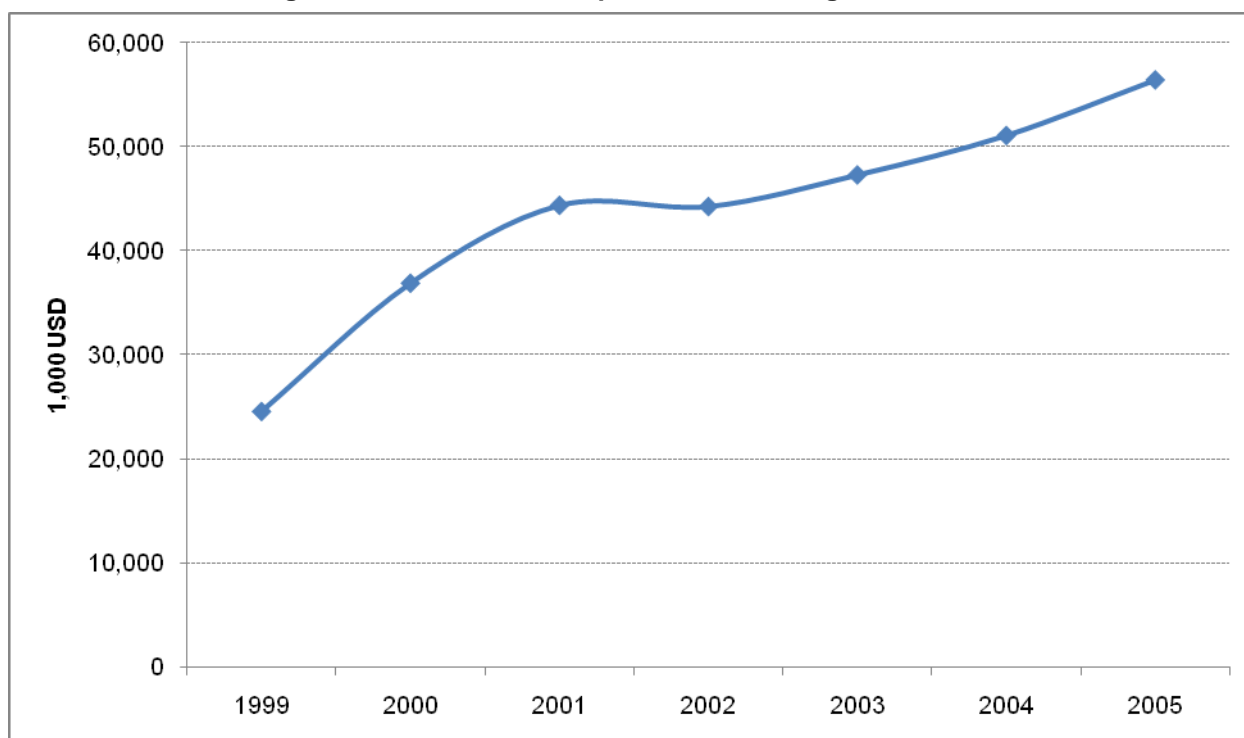
Sector Expenditure

38. Between 1999 and 2005 the agriculture public sector mobilised about US\$ 360 million. Overall public spending in agriculture remained stable at approximately 1% of GDP and 4% of the State Budget.⁸ In nominal terms, expenditures increased from \$25m in 1999 to \$56m in 2005.

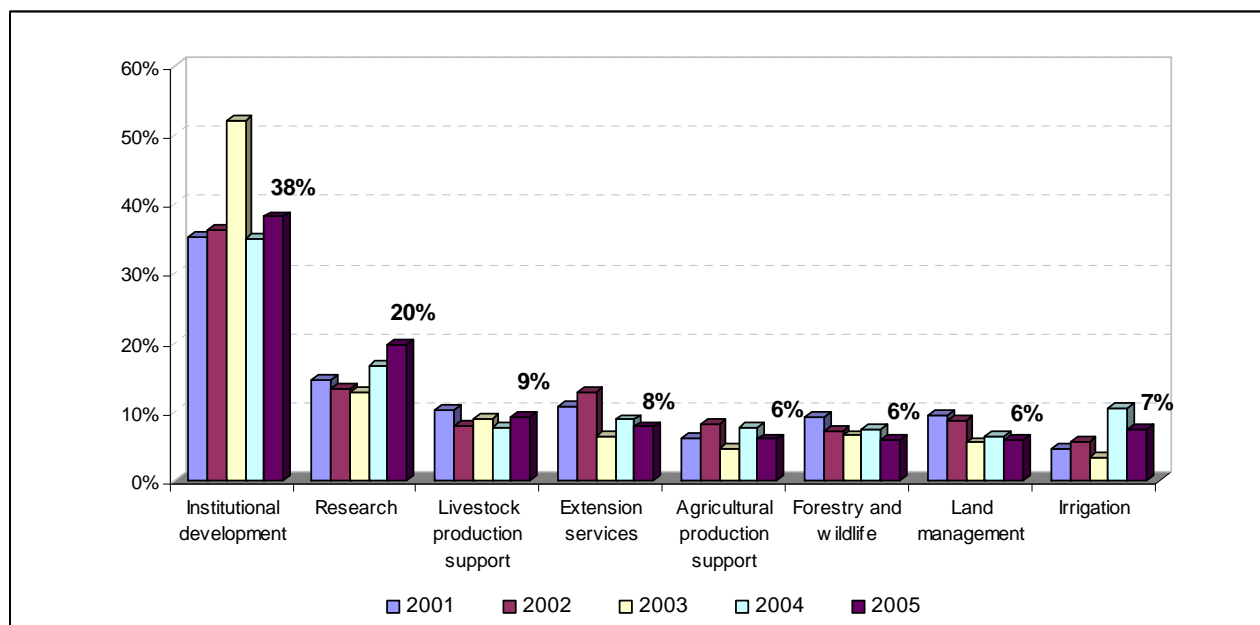
⁶ Cabral et al. (2007) provide a detailed discussion about the functional analysis and organisational reform of the ministry.

⁷ The ministry has suffered frequent institutional restructuring over the last decade. Its current organisational structure was approved in 2005 following a process of institutional reform of the ministry and driven by the change in government.

⁸ These are approximate estimates and do not include, for most part, off-budget expenditures and other agriculture-related expenditure outside the budget of the Ministry of Agriculture.

Figure 4: Overall Public Expenditure in the Agriculture Sector

39. In terms of spending patterns, available data shows a concentration of agricultural spending on institutional capacity activities, which were the centre of focus of the first phase of the programme. Institutional development was a major component of PROAGRI, absorbing on average more than 35% of resources (Figure 5). Expenditure on extension services only constituted 8% of the sector budget in 2005.

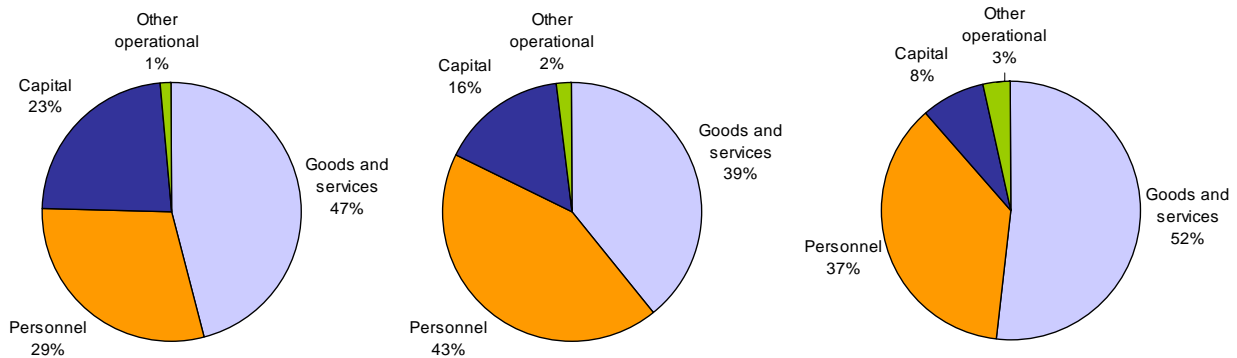
Figure 5: Public Expenditure in Agriculture by PROAGRI Component, 2001-2005

Source: Cabral et al. (2007: Fig. 14).

40. Data also reveals that operation costs constituted the bulk of spending in the sector. Between 2003 and 2005, personnel costs (salary and salary-related payments) accounted for 29% to 43%

of overall spending and good and services (consultancy services, office equipment, repair and maintenance of equipment and buildings, etc.) for 39% to 52% (Figure 6). Capital expenditure represented a relatively small share of spending which declined from 23% to 8% over the period.

Figure 6: Public Expenditure in Agriculture by Spending Category, 2003-2005



Source: *Ibid* (Fig. 13).

Sector inputs, outputs and the effect on outcomes

41. There is little evidence that agricultural service delivery have actually improved during the implementation of PROAGRI I. The final evaluation of PROAGRI I (PriceWaterhouseCoopers 2007) concluded that the most effective result of the programme was the establishment of instruments of programme management and coordination and that the programme did less well on actual service delivery. District level surveys revealed that demand for agricultural services has been left largely unmet by policies and as result of the changes in the role of the state in the sector.

42. The coverage of public services in agriculture remains limited and uneven. For example, public extension and research are still limited in terms of resources, coverage and outputs. The public extension system comprises about 700 field extension workers while the Agrarian Research Institute has approximately 150 researchers (and less than 20 PhD holders). Research still focuses mainly on “on station” activities with little on-farm and applied research. Although NGOs and private enterprises have contributed to increase extension coverage, total coverage has been varying only between 10% and 13% in the past 5 years. Total extension staff is low if compared to neighbouring countries and agricultural extension services only reach a minority of the population. According to a World Bank study there is an average of 1.3 extension agents per 10,000 inhabitants and only about 6% of the rural population live in a village with an extension office.⁹ Livestock support services have recorded a gradual decline with PROAGRI (PriceWaterhouseCoopers 2007).

43. Given these factors, it is reasonable to conclude that public sector interventions in the agriculture sector have done little to address the challenges facing the sector. Little has been done to assist the development of input and output markets. Inadequate extension services have been some of the causes of low productivity, and the low level of agricultural input use and limited access to technology. Weak progress on establishing and promoting inter-sectoral linkages, have contributed to the lack of rural infrastructure, absence of formal financial services in rural areas and a weak regulatory framework. This underlies poor market development.

⁹ World Bank (2005) ‘Impacts of Extension Services in Rural Mozambique’, Environment, Rural and Social Development Department, Africa Region, World Bank, August.

2.3 Context for External Assistance

SQ1.3: What has been the environment for external assistance at the national and sector level?

44. Mozambique is one of the largest aid recipients in Sub-Saharan Africa. Official development assistance (ODA) reached US\$ 1.1 billion in 2006 (gross disbursements), corresponding to about 17% of GNI or US\$ 52 per capita.¹⁰ More than two thirds of ODA are provided under bilateral programmes. In 2006, Social Infrastructure and Services absorbed more than 40% of total disbursed aid, followed by Commodity Aid and General Programme Assistance¹¹ which absorbed about 26% of aid. More specifically, General Budget Support accounted for 21.3% of disbursed aid and the agriculture sector for 3.9% (Table 1).

Table 1: Sectoral Breakdown of Official Development Assistance in 2006 (gross disbursements)

Sector	US\$ million	Percentage
Social Infrastructure and Services	449	40.8%
Economic Infrastructure	135	12.3%
Production Sectors	63	5.7%
<i>of which Agriculture</i>	42	3.9%
Multisector	39	3.5%
Commodity Aid / General Programmatic Assistance	271	24.6%
<i>of which General Budget Support</i>	235	21.3%
Action Relating to Debt	89	8.1%
Emergency Assistance and Reconstruction	8	0.7%
Administrative costs of donors	5	0.5%
Support to NGO's	5	0.5%
Unallocated/Unspecified	36	3.3%
Total	1,101	100.0%

Source: OECD-DAC Online Database (Creditor Reporting System).

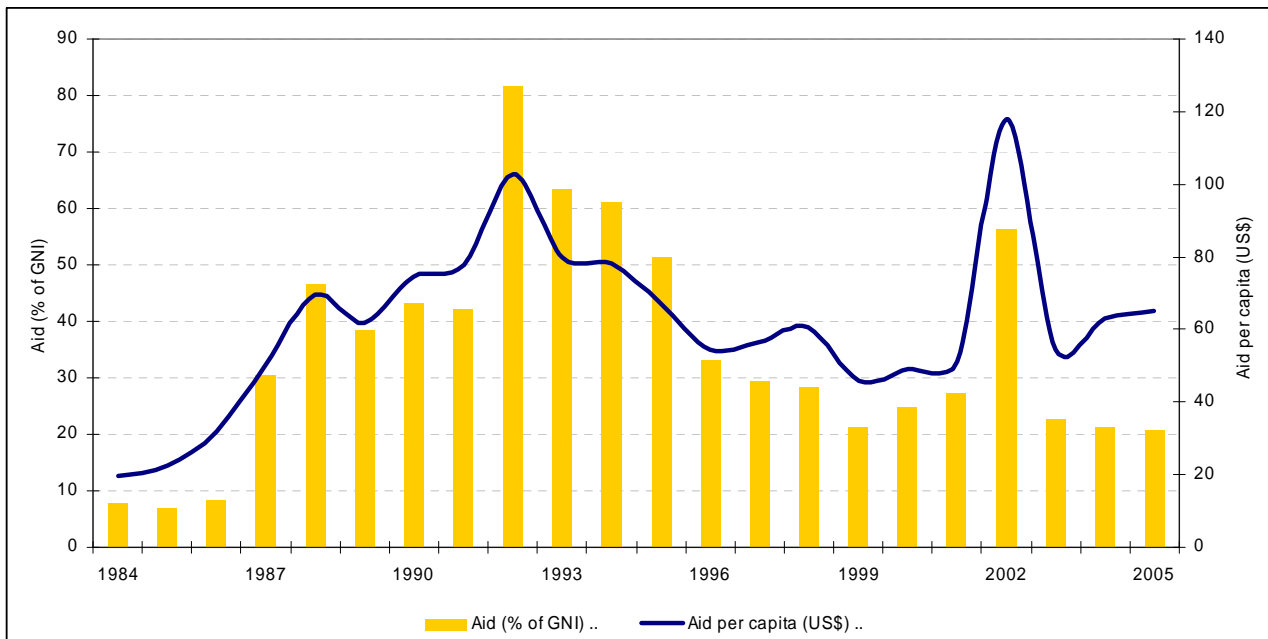
45. Aid flows to Mozambique became significant after the introduction of an economic and social rehabilitation programme in 1987, which was supported by the Bretton Woods institutions and bilateral (western) donors. In 1990, GoM and IMF agreed to a structural adjustment programme and in 1992 aid flows reached 81% of GNI, remaining above 50% until 1995 (Figure 7). Aid flows have since then stabilised around 20-30% of GNI; 2002 was an exceptional year with aid flows practically doubling.¹²

¹⁰ Sources: OECD-DAC Statistics Online (Creditor Reporting System) and World Development Indicators Online Database (data retrieved on 26/11/2008).

¹¹ The DAC category 'Commodity Aid and General Programmatic Assistance' includes general budget support, food aid and other commodity assistance.

¹² The jump is explained by action related to debt relief.

Figure 7: Official Development Assistance to Mozambique, 1984-2005



Source: World Development Indicators 2006.

46. Despite the relative stability of aid flows over the past ten years, aid delivery approaches and the aid instrument mix have been changing quite significantly, reflecting trends in aid thinking and practice internationally. The late 1980s and early 1990s were a period dominated by structural adjustment and macroeconomic stabilisation policies and significant influence by the IMF and World Bank. During these years balance of payments support, food aid and project aid were the dominant aid modalities. International NGOs became particularly active in Mozambique since the 1992 Peace Settlement and with them came the proliferation of projects to support post-war reconstruction and restore service delivery in essential areas.

47. In the mid-to-late 1990s bilateral donors started playing a more prominent role – bilateral aid increased more than twofold between 1998 and 2002 (Batley et al. 2006) – and the focus of development aid was directed to public sector structures and service provision, centrally and at provincial level, to counterbalance the effects of several years of budgetary austerity which had compromised (and in some cases disrupted) service delivery and poverty reduction efforts. Sector wide approaches (SWAs), as well as other donor harmonisation arrangements at sector level (such as sub-sectoral basket funds), started to emerge. These aimed to support restoring public services in key sectors through improved aid harmonisation and policy coordination while attempting to rethink and modernise the state's presence in those sectors. PROAGRI, in the agriculture sector, was the first SWAp to be introduced in Mozambique.

48. In the early 2000s, the focus on the social sectors (education and health) and their contribution to poverty reduction was strengthened and the Poverty Reduction Strategy (PARPA) and the MDGs were placed right at the centre of the development cooperation doctrine. Aid delivery mechanisms adjusted accordingly directing aid flows increasingly upstream – SWAs in the social sectors were being consolidated and General Budget Support (GBS) rapidly became a major aid instrument as well as an important platform for policy dialogue with GoM. Between 2000 and 2006, GBS increased from about 2.7% to 21.3% of ODA with some donors channelling nearly 50% (e.g. Netherland and EC in 2004) of their assistance through this modality (*ibid*). In 2006, DFID allocated as much as 65% of bilateral programme in Mozambique to GBS, becoming the largest bilateral user of this modality.

49. The development of programmatic forms of assistance (first SWAPs and later GBS and forms of SBS) has brought several changes to the focus of development cooperation and the nature of the aid relationship in Mozambique. Government policy and planning instruments, particularly PARPA and the State Budget (OE), have become main guides to policy priority setting and aid allocation. The use of country planning, budgeting and financial management systems to channel aid has been promoted and specific support has increasingly been directed to strengthening these systems. The nature of aid conditionality has also changed, becoming more oriented to reform processes and development results.

50. Although SWAPs were instrumental in initiating alignment with country public financial management systems, GBS has taken alignment one step further by focusing on systems across the whole of government. GBS has also put significant emphasis on managing for development results. A performance assessment framework (PAF), with process and results indicators and targets linked to PARPA objectives, has been developed as a guiding tool for dialogue between GoM and GBS donors on government performance. Crucially, GBS has also introduced the concept of mutual accountability in Mozambique by developing a 'reversed-PAF' focusing on donor performance (monitoring progress on aid predictability, conditionality, tied aid, etc.).

51. Information sharing, coordination and harmonisation of policy positions across development partners has increased significantly with SWAPs and GBS. Specific fora have been created to assist the exchange between donors and dialogue with Government. The Programmatic Aid Partners (PAP), for example, includes 19 donor agencies currently providing GBS to GoM. The group has developed a complex structure and meets regularly to exchange information, discuss policy issues and coordinate dialogue with GoM – the structure and functions of the PAPs are described in Box 4.

Box 4: Programme Aid Partners' Structure and Functions

The PAPs structure for dialogue comprises the Heads of Mission group (HoMs), the Heads of Cooperation group (HoCs) and the Economists Working group (EWG). There is also the Troika plus, at HoCs level, which has the mandate, delegated by the HOMs group, to represent the group as necessary, prepare and facilitate PAPs' decision making processes associated with MOU implementation. There is also a Secretariat assisting PAPs in the dialogue between them and with the government, through provision of supporting services and facilitating information sharing.

Group	Objective	Mandate	Functions	Meet
HoMs	Oversight and discussion underlying principles	Political Governance	Political dialogue, including link to EU HoMs (e.g. on demarches)	Quarterly and as required
HoCs	Steer work of PAF Coordination Group and EWG to deliver	Overview of performance against PAF and PAP commitments	Define PAP strategy and annual work programmes Key development partner for GoM	Monthly
Troika plus	Assist the HoC group functions	Representation of the HoC group	Facilitation of the decision making and preparation of key meetings	Fortnightly
EWG	Dialogue with GoM and performance assessment at technical level	Analytical work for the MoU implementation and government performance assessment	Report and advice the HoCs group on progress within the EWG's areas of responsibilities	Fortnightly

Source: PAPs website: www.pap.org.mz.

52. As for the agriculture sector, throughout most of the 1990s aid to the sector was delivered predominantly through fragmented projects. This changed dramatically in 1999, when a common basket fund was formed in support of PROAGRI I. Memoranda of Understanding (MoU) were signed between GoM and seven donors¹³ in January of that year, whereby donors committed to support an agricultural programme with a budget of US\$ 202 million over a period of five years. Donors agreed to channel resources through a basket fund to support implementation of PROAGRI by the Ministry of Agriculture and Fisheries. A unified MoU was signed two years later, in May 2001, by GoM (by then the Ministry of Agriculture and Fisheries had become the Ministry of Agriculture and Rural Development – MADER) and eight donors¹⁴, introducing additional arrangements to improve financial management of the fund, including: a common flow of funds mechanism (CFFM), a mechanism for direct disbursement into the provinces, common procurement procedures, common reporting and auditing and joint supervision missions (these features are described in more detail in Section 3.1). Most donor agencies continued making disbursements into the basket fund after 2005, despite the lack of a formal agreement or a guiding strategy for the sector programme as a whole. Two major sector donors (the World Bank and USAID) did not renew their agreement to fund PROAGRI through the basket fund after 2006. From this moment on, PROAGRI was no longer referring to the national agriculture sector programme (as there wasn't one) but became instead associated more narrowly with the common basket fund which a number of donor agencies continued to replenish, as well as the institutional arrangements in place to manage that fund.

53. The MoU for the second phase of PROAGRI was signed in January 2007, introducing the concept of sector budget support and adding some new features to the approach, including stronger alignment with the national policy framework and systems, links with other aid modalities and a performance assessment framework (discussed in detail in Section 3.1).

54. Policy dialogue in PROAGRI is conducted through the PROAGRI Partners Group (PPG), which comprises all donors providing resources to the PROAGRI basket fund (further described in section 3.1). Recently, the links between GBS PAPs and donor groups at sector level has been strengthened. The PAPs have formed working groups by areas of knowledge/expertise around the PAF main issues (grouped around the 4 PARPA pillars: poverty and macroeconomic management, governance, economic development and human capital). There are about 30 of these groups (with varying degrees of institutionalisation and dynamism). In agriculture this working group coincides with the PPG.

55. With such developments, policy dialogue between development partners and GoM has become more continuous and focused on a more comprehensive set of issues. Monitoring and dialogue processes follow an annual review process aligned with GoM's planning, budgeting and monitoring cycle. There are two joint GoM-PAP reviews on programme aid: the annual review (following the production of the Economic and Social Plan (PES) implementation report) and a mid-year review (prior to submission of the PES and OE to Parliament). The annual review is focused on coming to a joint view on performance, which serves as the basis for commitments. The mid-year review focuses on dialogue on forward planning and budgeting and agreement on the PAF.¹⁵

56. Has the quality of the partnership improved? Programmatic aid (either at sector level or at the broader level) has no doubt contributed to strengthening aid alignment and harmonisation, results focus and mutual accountability, in line with the commitments made in the 2005 Paris Declaration. If these are the criteria for assessing the quality of the partnership then the conclusion is that such

¹³ AUSAID, FAO, IFAD, Irish Embassy, Netherlands, UNDP and the World Bank.

¹⁴ Danish Embassy, DFID, EC, Irish Embassy, Netherlands, Swedish Embassy, USAID and the World Bank.

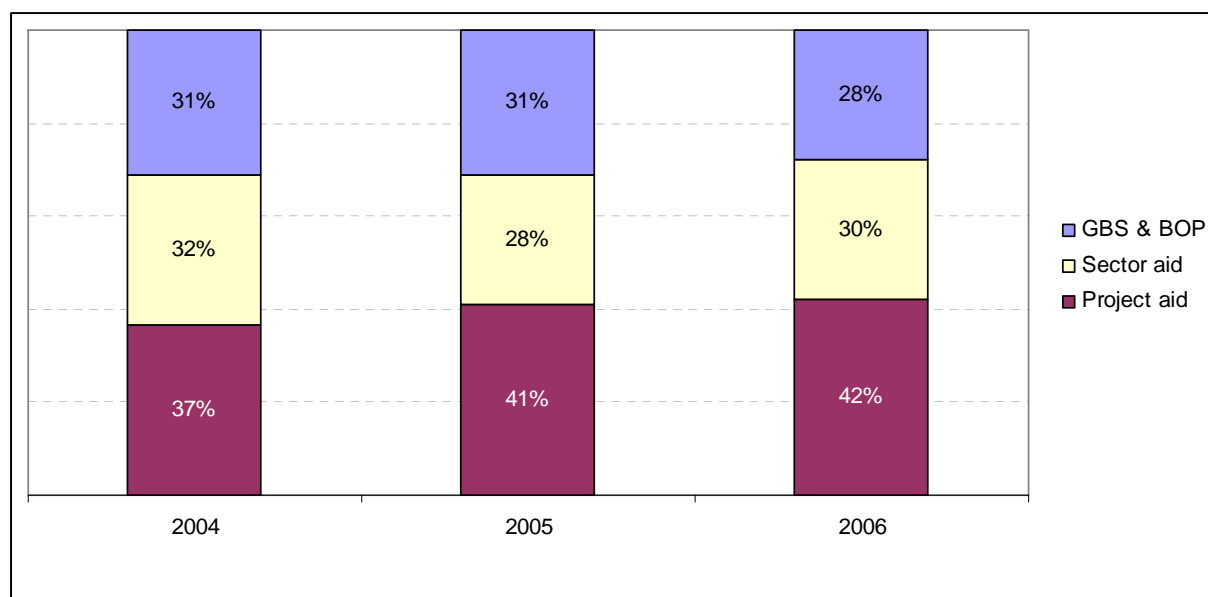
¹⁵ Policy dialogue arrangements in the agriculture sector are discussed in 3.1.

partnership has indeed improved. But it could also be argued that the current aid relationship has made donors to intrude excessively on government affairs and that this could be compromising country ownership of the development process.

57. Despite the rapid switch (by some agencies) to programmatic forms of assistance, complementarity between different aid instruments has been emphasised, partly as an attempt to diversify risk (budgetary support is recognised to have a high level of fiduciary risk attached) and as a way of exploring complementary entry points into different levels of policy-making. The GBS evaluation in Mozambique recommended that the aid strategy should be designed considering “the advantages of different aid modalities and how each might be used” (Batley et al. 2006: 137). The emphasis on complementarity may also be seen as a way of justifying the still significant presence of project aid, which may be in fact again on the rise (Figure 8).

58. It is worth noting that with the latest developments in SISTAFE (particularly the unification of the treasury system) project modalities can now be used by donors without compromising the alignment commitment. Project funding can now be fully integrated with PFM systems (on-budget) and donors are starting to resort to that option, in addition or in complement to forms of budgetary support.

Figure 8: Mix of Aid Modalities in Mozambique: 2003-2006



Source: Ernest & Young (2006) 'Review of Program Aid Partners' performance in 2005 and Performance Assessment Framework targets for 2006', Maputo, April.

3. Key Features of SBS Provided and Effects on the Quality of Partnership

3.1 Key Features of SBS

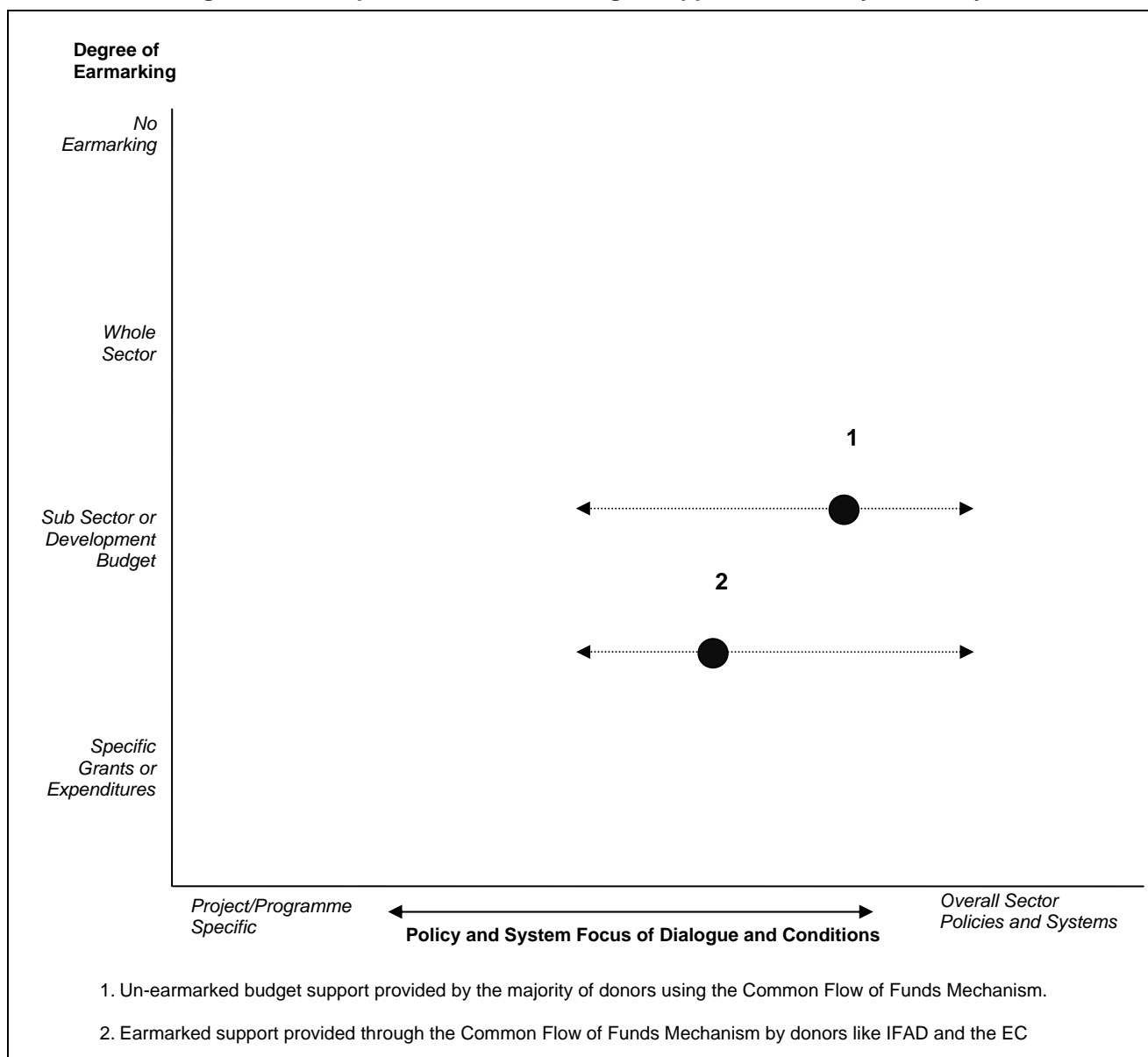
SQ2.1: What are the key features of the SBS that has been provided?
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59. The concept of sector budget support (SBS) in the agriculture sector in Mozambique is relatively recent. It is mentioned officially for the first time in the MoU signed in January 2007 by GoM and development partners for the implementation of PROAGRI II. However, a basket fund with many features of a typical SBS modality had been in operation since 1999.

60. Three different stages in the development of the agriculture sector basket fund/SBS can be distinguished. These are marked by the signature of MoUs between donors providing budgetary support to agriculture and GoM. The first one corresponds to the period between 1999 and 2000, when the basket fund for PROAGRI I was first established. The second corresponds to the period between 2001 and 2006, when the basket fund and associated common financial management procedures were consolidated and funding channelled through the mechanism stabilised around US\$ 30-35 million a year. In the third stage, which started in 2007, the concept of SBS was introduced and financial management procedures became further aligned with country systems, as explained below.

61. Over this period, two slightly different funding modalities have been in use under the common label of, first, basket or common fund and, more recently, SBS. Differences relate to the degree of discretion of funding, policy dialogue focus and conditions built into the funding arrangement. One is un-earmarked budgetary support provided to MADER/MINAG to support its policies and systems, provided, of course, these are consistent with the agreement, including its basic principles and conditions. The other corresponds to earmarked funding provided by a reduced number of donors to strengthen support to specific sub-sectoral areas (e.g. public extension, in the case of IFAD) or activities (e.g. human resources training, for some of the funds provided by the EC). Despite the earmarking, which is related to the focus of the agencies' country programmes, these funds have been disbursed into the common basket fund and have followed the commonly agreed financial management procedures. These two modalities are plotted in Figure 9.

Figure 9: The Spectrum of Sector Budget Support Covered by the Study



General features and objectives of the funding arrangement over time

62. The MoUs signed in January 1999 by the then Ministry of Agriculture and Fisheries, the Ministry of Planning and Finance (MPF) and seven donors created the basket fund to support the implementation of GoM's development programme for the agriculture sector. The overall goals of this programme were defined as improving the impact and effectiveness of Mozambique's public agricultural programmes and institutions in supporting environmentally sustainable and equitable growth in rural areas with the aim of reducing poverty and improving food security.

63. After years of supporting agricultural investments and activities through a large number of individual projects, a group of donors had agreed to move away from financing discrete projects and commit funds to a common programme of expenditure based on commonly agreed basic principles that defined the nature and direction of transformation of the Ministry of Agriculture. PROAGRI was expected to pursue its policy goals by reforming the Ministry around a reduced set of core functions and by harmonising donor support to agricultural development programmes, while enhancing ownership by Mozambican authorities. Public sector agricultural activities to be carried out by the Ministry within the PROAGRI framework were to be consistent with jointly agreed Basic

Principles and oriented towards achieving Key Milestones established by GoM and donors in the 1998 PROAGRI Appraisal *Aide Memoire* (c.f. Box 2).

64. In May 2001, a joint MoU was signed by the Ministry of Planning and Finance (MPF), the Ministry of Agriculture and Rural Development (MADER)¹⁶ and eight donors, introducing some new features into the funding arrangement and its financial management procedures (discussed in detail below).

65. PROAGRI I was initially scheduled to run for 5 years (until 2003) but was later extended to the end of 2005. Over this period, the programme focused mainly on building the institutional capacity of MADER, including: defining core state functions in the sector, pursuing organisational restructuring of the ministry, training human resources, improving planning and financial management capacity and systems, building capacities at local level, etc. After 2005, and with the new government, the policy focus shifted to agricultural service provision and impact on the ground. The new Ministry of Agriculture (MINAG)¹⁷ became particularly concerned with agricultural production and food self-sufficiency and took on a more interventionist approach, generating some anxiety within the donor community in relation to the implications for the role of the state and its core functions in the sector.

66. During 2005 and 2006 there was some uncertainty about the future of PROAGRI although donors (or at least some of them) never stopped disbursing funds into the common fund. In January 2007, a new MoU was signed for the provision of sector budget support to the implementation of the second phase of PROAGRI, or rather the continuation of budgetary support to the sector. This MoU was signed by MINAG, the Ministry of Planning and Development (MPD), the Ministry of Finance (MoF) and eight donors.

67. The 2007 agreement secured continuity of the common funding arrangement to support GoM's agriculture sector policy and introduced some new features. These included: (i) stronger reference to and alignment with GoM's policy framework beyond the narrow agriculture sector remit (e.g. the principles behind the mutual commitment to PROAGRI II are now derived from the principles underlying PARPA¹⁸), (ii) alignment with the international commitments on aid effectiveness¹⁹, for example through the decrease in the number of donor specific exceptions to the common arrangement established in the MoU, and (iii) an explicit link between the agricultural SBS and the funding arrangement between GoM and donors providing general budget support.

68. The overarching goals of PROAGRI II continue to be poverty reduction and improved food security. Specific objectives are defined as: (i) supporting smallholders to develop their agriculture and natural resource related activities, (ii) stimulating increased agricultural and natural resource based production and development of agro-industries, and (iii) guaranteeing sustainable natural resources management and conservation. These specific objectives denote the increased focus on outcomes and impact rather than institutional development processes within the ministry which had dominated the first phase of the programme.

¹⁶ With the new government which took office at the beginning of 2000, the Fisheries Department was moved into a new Ministry of Fisheries and Rural Development was merged with Agriculture, creating the Ministry of Agriculture and Rural Development, MADER.

¹⁷ Rural Development was moved into the new Ministry of Planning and Development and the Ministry of Agriculture became concentrated exclusively on agricultural services.

¹⁸ These principles are: adoption of a market and liberalised economy, decentralisation of responsibility and authority to local levels, rationalisation of the government role in agriculture and increasing aid harmonisation and alignment.

¹⁹ Reference is made on the very first page of the MoU to the Rome Declaration on Harmonisation and the Paris Declaration on Aid Effectiveness.

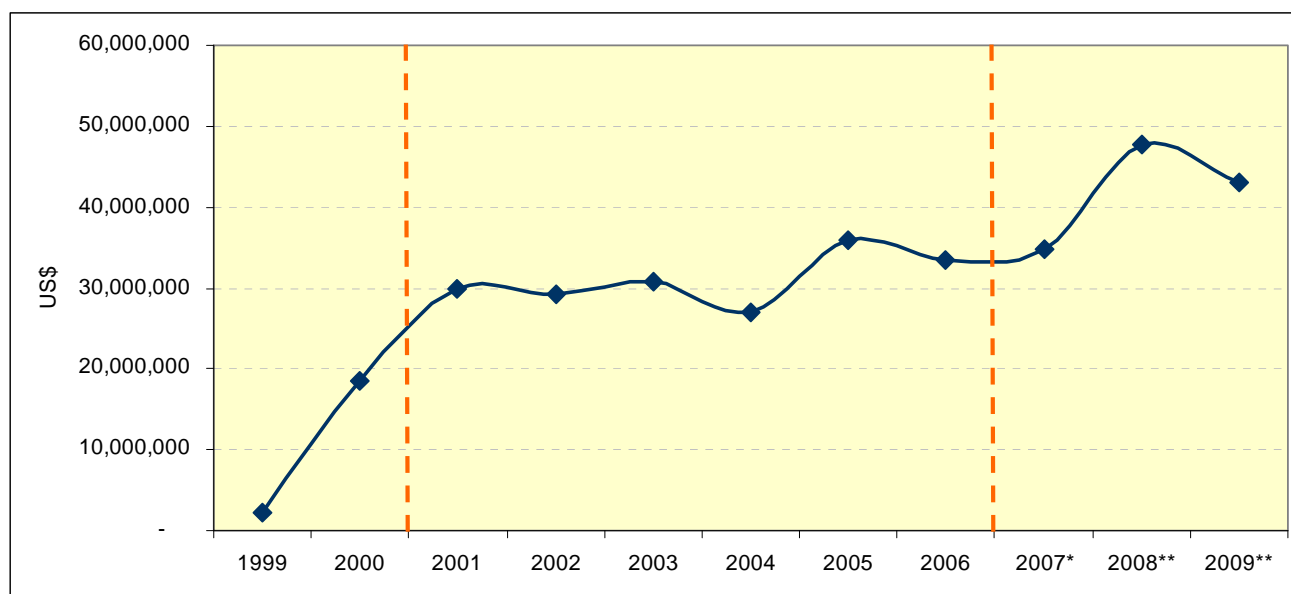
69. PROAGRI's scope and some of its underlying principles have changed considerably in the post-2005 period. The term 'PROAGRI' no longer stands for the agriculture sector policy programme as such but is rather confined to the financing arrangement between donors and government. And crucially, major sector donors (such as the World Bank and USAID) are now outside the framework and therefore the ambition to create an integrated sector programme bringing together all major sector players has failed to be sustained. Also, the streamlining and modernisation of the ministry which were dominant concerns during the first phase of PROAGRI, are, in the current policy context, no longer on the table.

Volume and sources of funding over time

70. Total donor disbursements into the PROAGRI common fund reached US\$ 207 million in 2006. During the first two years, disbursements totalled US\$ 21 million, having then stabilised around US\$ 27 to US\$ 36 million a year, between 2001 and 2006. Commitments to 2007 amounted to US\$ 35 million. Planned disbursements in 2008 and 2009 are, respectively, US\$ 48 and US\$ 43 million. There has therefore been a progressive increase in external funding to PROAGRI through the sector programme modalities (first basket fund and then SBS), despite the slight reduction in the number of donors using these funding modalities, including the exit of two major donors, USAID and the World Bank (Figure 10 and Table 2).

71. The European Commission (EC) has over the years been the largest funding source of the common fund, followed by USAID and the World Bank during the first phase of PROAGRI. In the second phase, Sweden and Canada are the second and third largest donors in the common funding agreement, respectively, according to the latest available data on commitments and planned funding for 2007-2010.

Figure 10: External Funding to PROAGRI Common Fund, 1999-2010



Sources: MINAG and PPG. Figures for the period 1999-2006 correspond to actual disbursements. * Commitments. ** Forecasts.

Table 2: External Funding to PROAGRI Common Fund by Donor Agency, 1999-2010

	1999	2000	2001	2002	2003	2004	2005	2006	2007*	2008**	2009**	2010**
Austria								2.51	1.14	1.42	0.57	0.57

Canada						1.84	5.50	4.29	4.10	4.55	4.10	4.10
Danish Embassy		1.05	3.55	2.13	5.47	1.50	1.50	2.00	1.87	2.82	3.12	3.16
DFID		0.67	1.19	1.04								
EC		5.32	0.60	10.46	6.37	12.01	8.00	9.03	16.25	24.00	19.89	
Finland							2.37	5.02	4.55	5.68	4.55	
IDA - World Bank		1.42	7.03	2.57	3.91	3.91	6.66	4.00				
IFAD	0.87	2.66	2.01	0.75	1.00	1.00	0.75	0.33	0.30	1.05	2.20	4.05
Ireland	0.39	0.62	1.30	2.00	3.22	2.80	2.48	2.54	1.99	2.84	2.56	2.84
Italy					1.17		2.37					
Netherlands	0.34	0.72	1.00	2.50	1.50	2.00						
Swedish Embassy			1.08	1.20	1.59	2.00	2.00	3.70	4.71	5.29	5.99	5.99
UNDP	0.68		1.02									
USAID		6.11	11.01	6.61	6.60		4.40					
Total	2.28	18.57	29.79	29.26	30.82	27.05	36.02	33.43	34.90	47.65	42.96	20.70

Sources: MINAG and PPG. Figures from 1999 to 2006 correspond to actual disbursements. * Commitments. ** Forecasts.

Earmarking, additionality, traceability and funding flows

The PROAGRI common fund has since its creation been traceably earmarked (see 72. Box 5 below for study definitions of these terms) to a commonly agreed agriculture sector programme, operationalised in the annual PAAOs. The total amount disbursed by signatory partners has been allocated to investments and activities carried out by MINAG. Funds allocated by donors to PROAGRI can be tracked through investment side of the State Budget.

Box 5: Earmarking, Traceability and Additionality

Earmarking is a requirement that all or a portion of a certain source of revenue, such as a particular donor grant or tax, be devoted to a specific public expenditure. The *extent* of earmarking can vary. It involves the *ex ante* assignment of funds to a particular purpose and can range from the very broad and general to the narrow and specific.

Traceability refers to whether donor funds are separately attributable to a specific use. Funds are either traceable, or not:

- (i) **Traceable**, whereby allocation, disbursement and spending of funds is via specified and separately identifiable budget lines. This bypasses the normal procedure by which revenue is pooled with all other revenue in a general fund and then allocated among various government spending programmes. *De facto*, a traceable aid instrument must involve a degree of earmarking, although this may be very broad - this is often referred to as *real earmarking*.
- (ii) **Non traceable**, whereby external funding is not identifiable by separate budget lines. If earmarked, the allocation of funds is justified against budget allocations to pre-agreed institutions or budget lines, and is pooled with other government revenues in the general fund. When non traceable SBS is accompanied by earmarking - this is often referred to as *notional earmarking*.

These two dimension combine to form three main types of SBS funding:

	Earmarked	Un-earmarked
Non Traceable	Non-traceable Earmarked SBS	Un-earmarked SBS
Traceable	Traceable Earmarked SBS	

Additionality refers to requirements from the donor that the provision of external funding earmarked to a set of expenditures leads to an increase in total expenditure allocations to those expenditures. Additionality attempts to address the problem of fungibility, which arises because government resources can be substituted for aid resources. If aid finances any activity that the recipient would otherwise have financed itself, the resources that the recipient would have spent on that activity become available to finance something else.

Source: SBSIP Literature Review

73. The 2001 MoU defined as 'eligible expenditures' to be financed under the PROAGRI arrangement, those which were consistent with the PROAGRI Basic Principles and were included in the approved PAAO. The 2001 MoU also mentions that the financing of eligible expenditures by any one donor is also dependent upon the terms of the bilateral agreements between the donor and GoM. The 2007 MoU is less precise (more flexible?) on eligibility, mentioning only that funds will be used to fund the implementation of the PAAOs.

74. Over the years, some signatory partners have introduced exceptions to the principle of broadly earmarked sector budget support, by earmarking funds to specific sub-sectoral areas under MINAG's remit. The EC is the donor reported to earmark funds the most – specific areas targeted by EC funding include: outsourcing, the sugar sub-sector and human resources training. IFAD provides another example of sub-sectoral earmarking as the agency is since 2007 directing its contribution to the PROAGRI common fund (a loan worth US\$ 20 million) specifically to the area of public agricultural extension through the Agricultural Support Programme (Box 6).

Box 6: IFAD's Agricultural Support Programme – a 'project' inside the SBS arrangement

The Agricultural Support Programme (ASP) is an IFAD loan providing support to GoM's National Programme of Agricultural Extension. The Programme has specific objectives, principles, activities and targets defined in addition to the PROAGRI general arrangement. It promotes a new extension approach based on demand-driven service provision, which guarantees the quality of services provided to farmers. The Programme targets small farming households, especially in the poorest localities, and ensures that disadvantaged groups such as women, youth, the elderly and HIV/AIDS-affected households are involved in programme activities. Programme activities include: introducing low-cost techniques and technologies that will help raise productivity for crop and livestock farmers, broadening access to technical support services, helping establish farmers' organizations, and building capacity within the agricultural sector.

ASP funds follow the CFFM and all financial management procedures are aligned with those of PROAGRI.

For example, procurement will observe the procedures of PROAGRI II and IFAD will make disbursement into the PROAGRI basket fund account. ASP represents an evolution in terms of financial alignment, in relation to previous IFAD operations. IFAD funding is however targeted to concrete activities (eligible expenditures) in the area of public extension.

Source: IFAD <http://operations.ifad.org/web/ifad/operations/country/project/tags/mozambique/1326/project%20overview>

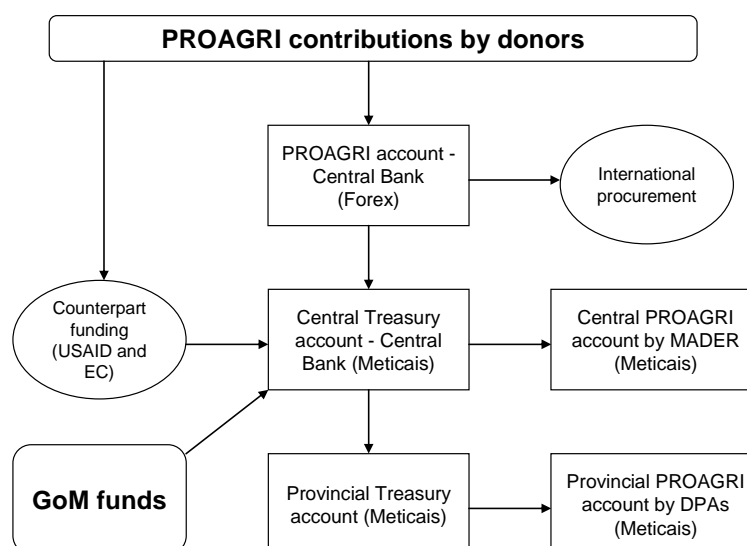
75. Additionality of donor funds to PROAGRI has never been guaranteed. Donor commitments are confirmed before the State Budget is approved by Parliament in December (at the end of the annual Mid-year Review Meeting which takes place in August/September) and therefore there is no guarantee that external funds are additional to those allocated from domestic sources. In fact there has been over the years a relative compensation between domestic and external funding to PROAGRI (see Figure 12 in section 4.1).

76. The MoU signed in January 1999 for the first basket fund established the operating rules for a transitory funding mechanism. According to these rules donors would channel support to a single account denominated Common Pool of Foreign Exchange. The creation of this account represented an important step towards moving external support provided to agriculture on-budget.

77. The 2001 MoU introduced additional features to the transitory funding arrangement of PROAGRI I, making it more aligned with country systems. These included: a common flow of funds mechanism (CFFM), a mechanism for direct disbursement into the provinces, common procurement procedures, common reporting and auditing and joint supervision missions. The CFFM was set up to increase alignment with the country's public financial management systems. The mechanism worked as follows. Donor contributions to the basket fund were deposited in a

foreign exchange (Forex) account designated for PROAGRI held in the Central Bank. International procurement was carried out using directly those funds. Funds to be used in local currency (Meticais) were channelled to GoM's Central Bank Treasury Account where they were merged with other GoM funds. Funds to finance PROAGRI were then transferred from the Treasury directly to MADER's PROAGRI Account or to the PROAGRI accounts held by the Provincial Directorates of Agriculture (DPAs), via the Treasury Accounts of the Provincial Directorates of Planning and Finance. The CFFM is represented in Figure 11.

Figure 11: PROAGRI I Common Flow of Funds Mechanism



Source: PROAGRI I MoU 2001.

78. Common procurement procedures were also established in the PROAGRI Procurement Manual²⁰ to manage all procurement processes to be financed with funds channelled through the CFFM. Audits to the pooled fund accounts (limited to the Forex account, the MADER and DPA accounts) were conducted by an independent auditor appointed by GoM, under terms and conditions acceptable by the development partners. Supervision was done through joint missions with terms of reference agreed jointly by GoM and donors. Two PROAGRI meetings were established to present the common report on progress in implementing PROAGRI and approving the annual work plan and budget (PAAO) for the agriculture sector for the following year.

79. The concept of sector budget support (SBS) to refer to the funding arrangement for PROAGRI was introduced for the first time, as noted above, in the 2007 MoU. Main changes in terms of alignment with national PFM systems concerned the replacement of the PROAGRI procurement rules with the standard GoM procurement rules for public works, state services and goods provision²¹ and the creation of a PROAGRI Transit Account.

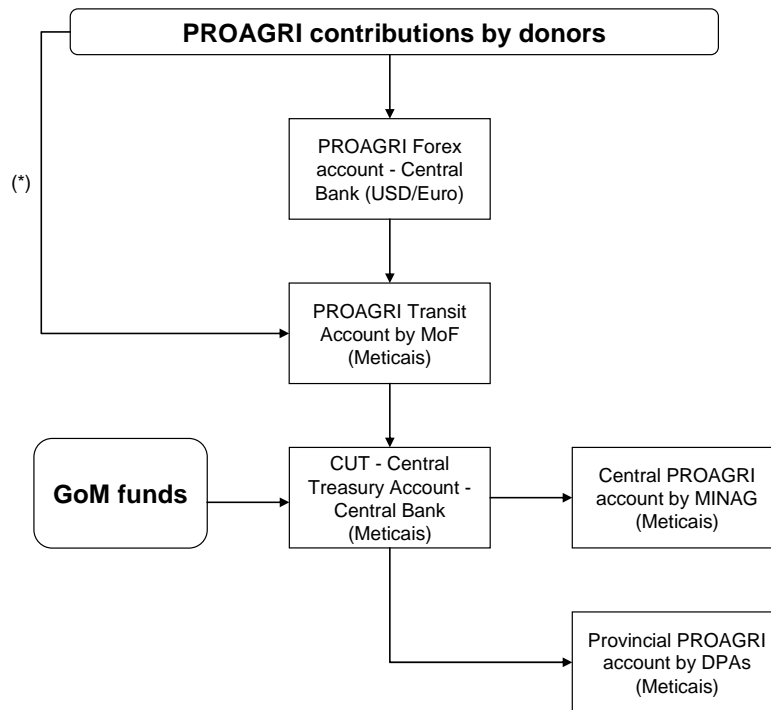
80. The PROAGRI Transit Account is an account held by the MoF in Meticais which receives funds from the PROAGRI Forex Account and transfers funds into the unified Central Treasury Account (CUT). Donors deposit their financial contributions either in foreign exchange in the Forex Account or in Meticais in the Transit Account. Funds are then transferred into the CUT, in accordance with the agreed treasury plan (*plano de tesouraria*), and used as MINAG budget

²⁰ Which drew on World Bank's procurement rules.

²¹ New procurement rules for the public sector had in the meantime been produced. These were approved by the Decree n. 54/05 of December 13.

revenue and recorded in the State Budget. The reason for creating this transit account is that, according to the Mozambican law, the CUT cannot be audited by international auditors. The CFFM for PROAGRI II is represented in Figure 12.

Figure 12: PROAGRI II Common Flow of Funds Mechanism



(*) Direct deposit in PROAGRI Transit Account for donors who pay directly in local currency.
Source: PROAGRI II MoU 2007.

81. In addition to these changes, the 2007 MoU establishes a more explicit link between funding and implementation of PROAGRI and the budget cycle, including the elaboration of a three-year Medium Term Expenditure Framework (MTEF) and the annual State Budget (OE) approved by Parliament. MoF and MPD are expected to ensure that financial resources detailed in the MTEF and OE are channelled to the sector in a timely manner and that contributions from the OE combined with donor funds channelled through the SBS arrangement are sufficient to finance the approved PAAO.

Mechanisms for policy dialogue and conditionality

82. Over the years, the mechanisms for policy dialogue between GoM and PROAGRI donors have remained more or less the same. The 2007 MoU is however more thorough in detailing the arrangements for interface between GoM and donors. Civil society organisation and the private sector have been left outside these arrangements, except for the occasional consultation and invitation to specific events.

83. Since the start of PROAGRI, two annual review meetings between the two parties (GoM and donors) have been taking place. The first meeting – now called Agriculture Joint Review Meeting – occurs in the second quarter of each year (around March/April) and is the moment when the Ministry of Agriculture presents PROAGRI signatory partners with a report on the implementation of the programme during the previous year (the Annual Report). A draft PAAO for the following year is also presented, including expected funding commitments, disbursements schedules and a

procurement plan. Donors announce their planned commitments for the coming year in, what is since the 2007 MoU called, the Harmonisation Report. The second meeting – the Agriculture Mid-year Review Meeting – takes place in the third quarter of each year (around August/September).²² This is the moment when donors and government confirm their respective contributions to PROAGRI, based on the PAAO funding needs. GoM is represented in these meetings not only by MINAG but also by MPD and MoF (MPF before the split in 2005).

84. In addition to these annual meetings, special fora for dialogue have been established. The PROAGRI Working Group (PWG), which includes representatives from both MINAG and donors, has been in operation since the start of the arrangement in 1999. The group is chaired by the PROAGRI Coordinator (which sits within MINAG) and is the main platform for dialogue on operational matters. The group convenes at least every month.

85. There is also a higher level policy dialogue forum, the *Fórum de Concertação*. This is defined in the 2007 MoU as the principal forum for dialogue on policy and strategic direction for PROAGRI II. It is chaired by the Minister, Vice-Minister or Permanent Secretary of MINAG and comprises senior nominees of the MPD and MoF, donor representatives and relevant MINAG senior staff (depending on the topic to be discussed). It convenes at least every three months. PWG operates under the jurisdiction of the *Fórum*.

86. The conditionality framework established for PROAGRI II has new features in relation to that in place for PROAGRI I and is more in tune with the latest international thinking on results-based management. During the first phase of PROAGRI, disbursements were essentially based on bureaucratic planning and financial management procedures. The 2001 MoU stated that donor disbursements were to be based on the existence of approved PAAOs and quarterly disbursement forecasts, a successful annual review and audit and would be triggered by a formal request from the Ministry approved by the Financial Management Committee. No details were provided on the annual review process or on indicators to be monitored. PROAGRI I was indeed criticised for being too concerned with processes and failing to track development results on the ground.

87. The 2007 MoU introduces the concept of performance assessment, which was already in use as part of the GBS arrangement. A matrix of agriculture sector performance indicators was derived from that of the GBS Performance Assessment Framework (PAF), forming now (according to the 2007 MoU) the major part of the annual monitoring systems of PROAGRI II implementation. The GBS PAF includes three indicators for the agriculture sector, focusing on: public extension, irrigation and land registration (Table 3).

Table 3: Agriculture Sector Performance Indicators in the GBS PAF 2007-2009

Objective	Actions	Responsibility	Indicator	Target 2007	Target 2008*	Target 2009*
Increase access to technology and extension information	Divulgate and dissemination of agricultural technologies	MINAG / Agricultural Extension	Total number of peasants assisted by public extension services, including sub-contracting	222,300	222,300	411,000
Promote the construction and	Construction and rehabilitation of	MINAG / Agricultural	Number of new irrigation hectares	4,000	3,400	3,000

²² This used to take place later in the year, around October/November, but has been anticipated to ensure better alignment with the budget cycle.

rehabilitation of agricultural infra-structures	water collecting infra-structures for the agriculture sector	Services	rehabilitated with public funds and put under the management of the beneficiaries			
Improve communities' access to natural resources in an equitable manner for sustainable use and management	Stocktaking, mapping of land occupation, use and utilization	MINAG / Lands and Forests	% of processes channelled and registered in 90 days	90%	95%	99%

* Indicative targets.

Source: GBS Performance Assessment Framework 2007-2009. Available on www.pap.org.mz.

88. The three agriculture sector indicators included in the GBS PAF were considered insufficient to assess performance of MINAG (and PROAGRI) and therefore a more detailed matrix of indicators was developed, the so-called PROAGRI Performance Assessment Matrix (or agricultural PAF). Twenty three indicators were defined and annual targets established (Annex 3). These indicators and target were expected to be reviewed annually by GoM and donors in the Agriculture Mid-year Review, which is part of the broader GBS review.

89. Despite being a welcomed development, the process of developing the agricultural PAF was far from perfect, and this had an impact in the quality of the matrix generated. The process was strongly driven by donors and its development was done on an *ad hoc* basis, through individual consultation with different parts of MINAG. As result, the matrix has never been taken seriously by MINAG departments as this is confirmed by the disconnect between MINAG annual activity plans and the indicators and targets in the matrix. Also, the matrix has been outdated by recent changes in the policy framework. As it currently stands it no longer accounts for the latest developments in sector policy thinking and practice, particularly the policy directives expressed in the Green Revolution Document and PAPA. There are also concerns about the quality of selected indicators (which do not say much about development impact of MINAG policies), the quality of the reporting and M&E systems and their capacity to generate reliable data.

90. The weaknesses of M&E systems continue therefore to be a major concern for donors, particularly those providing broadly earmarked support to the sector, as it makes it extremely difficult to track what funds are being used for.

91. Accountability in PROAGRI is essentially about the interaction between GoM and the donors which are part of the common fund. There has been little involvement of non-state actors in policy dialogue and monitoring of PROAGRI performance. The notion of mutual accountability was introduced with the SBS arrangement, drawing largely on the experience with the GBS modality. The 2007 MoU includes a section on donor commitments where signatory partners commit to provide timely information to GoM on their financial support to PROAGRI in order to improve predictability of external funding and strengthen GoM's resource allocation process.

Links to Technical assistance and capacity building

92. The first phase of PROAGRI was largely about improving the institutional capacity of the Ministry of Agriculture and its subordinate institutions, at central and local levels. As MINAG's spending pattern indicates (see section 2.2), capacity building activities absorbed a considerable share of resources flowing to the Ministry. These activities included the development of planning and financial management systems and procedures, activities linked to the functional analysis and organisational restructuring of the ministry, staff training, consultancies and studies, as well as improvements to the physical working conditions within the ministry (refurbishing of offices, acquisition of vehicles, etc.).

93. Although there has been a considerable degree of discretion in the allocation of funds by donors (into the basket fund) some agencies have earmarked funds to capacity building components. The EC, for example, has earmarked funds flowing through the CFFM to human resource training activities. There has also been technical assistance support provided by some donors in complement to the basket fund.

Donor harmonisation and links with other aid modalities

94. Donor harmonisation has been at the heart of PROAGRI since its creation and PROAGRI was a pioneering experience with donor coordination in Mozambique. The basket fund established in 1999 had as one of its main objectives to address the problem of fragmentation of development cooperation in the sector. Prior to PROAGRI, donors funded about 90% of public expenditure in agriculture through more than 50 separate projects (Compton 2000). Donor harmonisation efforts were initially focused on establishing a common funding arrangement but over the years have become progressively more focused on policy dialogue and assessment of sector performance.

95. The main platform for donor harmonisation is the PROAGRI Partners Group (PPG). This group comprises all the signatory partners of PROAGRI and meets at least every month. The objective of these meetings is to ensure coordination and harmonisation of approaches and policy positions between development partners and to identify issues to be discussed at the PWG.

96. Since 2007, donor harmonisation efforts in the sector have become increasingly aligned with those pursued at the level of the GBS arrangement. The 2007 MoU establishes that the two annual PROAGRI meetings should be coordinated in function and timing with the Joint Review and Mid-year Review cycles of the GBS arrangement. The *Aide Memoires* resulting from the PROAGRI annual meetings are used to inform the wider GBS review. Connections between the agricultural SBS and GBS are also found in relation to the performance assessment mechanism put in place for PROAGRI in 2007 (discussed above).

97. Links between the PROAGRI common funding arrangement and other aid modalities used to support the agriculture sector are less explicit. Donors report however that they are using other aid instruments to complement SBS. For example, Sweden is, in partnership with the International Food and Poverty Research Institute, assisting MINAG's capacity in policy analysis and strategic planning through a regional project called Regional Strategy Knowledge Support System (ReSAKSS).

98. The involvement of donors which are active in the sector but are outside the PROAGRI funding arrangement in the PPG is occasional and done on an *ad hoc* basis. The World Bank and USAID are major agricultural donors but since stopping their contribution to the common fund in 2005/06 have been somewhat detached from the dialogue within PROAGRI donors. AfDB is another important sector donor (working mainly on irrigation) but also outside the PROAGRI donor harmonisation framework. However, there are some signs of an approximation by some of these major partners (particularly the World Bank and the AfDB) which is more likely to be driven by the GBS framework and headquarter commitments on harmonisation rather than the PROAGRI experience itself.

3.2 Derogations from Country Policies, Systems and Processes

SQ2.2: To what extent have SBS inputs derogated from country policies, systems and processes, and are these a result of country specific concerns and/or headquarter requirements?

99. Over the years, the trend with the PROAGRI funding arrangement has been towards a gradual approximation to country systems, particularly those related to planning and financial management. The SBS mechanism put in place for PROAGRI II is no doubt more closely aligned with country systems than previous mechanisms. This approximation has to some extent been driven by the

MoF and made possible by reforms introduced over recent years in PFM systems in Mozambique. International trends in aid thinking and pressure from donor agencies' headquarters to align their country strategies and programmes with aid effectiveness commitments (i.e. Paris Declaration) have also been playing a major role. The EC, for example, has committed to provide 80% of its funding as budgetary support (general or sectoral) in the next financing cycle. The experience with GBS has also shown that Mozambican PFM systems are sufficiently robust to ensure a sound management of aid.

100. Despite the strong push towards alignment, there are examples of derogations from country systems and processes within the framework of PROAGRI. One of these is the special reporting on performance requested by SBS donors to compensate for the lack of an adequate M&E system to assess MINAG performance, and thereby justify the use of SBS. A report was produced in 2006 and 2007 by MINAG in complement to the regular annual activities report (known as *Balanço do PES*) produced by all sectors, by MPD's request, as part of GoM's institutionalised mechanism for reporting to Parliament. These special reports provide a more detailed account of the activities that MINAG has carried out during the year. Technical assistance has been provided to help MINAG developing the report.

101. The PROAGRI performance assessment matrix, introduced in 2007, could be seen as another example of derogation, as the development of the matrix has been strongly driven by donors and has so far had little traction within the ministry.

102. It should also be noted that despite progress in making the common funding arrangement more aligned with country systems, it has also become more detached from policy processes at sector level. PROAGRI has arguably never been as inexpressive in sector politics as it is today with the current government, as discussed below.

3.3 The Effects of SBS on the Quality of Partnership in the Sector

SQ2.3: Has SBS contributed positively to the quality of partnership and reduction in transaction costs between development partners, the recipient government and civil society?

103. The PROAGRI common funding arrangement initiated in 1999 has no doubt contributed to improving the relationship between the donor agencies which are signatory of PROAGRI MoU and between them and GoM. Knowledge about each other's policies and programmes has improved and this is seen as having contributed to better effectiveness of cooperation, including a better understanding of comparative advantages, niches and scope for synergies. The PROAGRI mid-term review conducted in 2003 concludes that, at the time, "*a high degree of co-ordination, openness and confidence [had] been achieved, both among donors and between the Government and the donors*". And it adds that "*PROAGRI [had] been successful in establishing the institutional capacity needed for MADER to increasingly take ownership of its responsibilities, and for donors to abolish traditional projects in favour of joint donor programme support*" (T&B Consult and CONSIA consultants 2003: 1).

104. Nevertheless, since the beginning, a key challenge has been the fact that the common funding arrangement has never covered the totality of external resources flowing to the agricultural public sector. Even at the outset, key agriculture sector donors kept projects outside the PROAGRI framework. Also, over time, important donors in the sector (World Bank, USAID, DFID, the Netherlands and Italy) moved out of the common fund. Some of the reasons for this include differing views over the programme's objectives, disappointment over the thrust and pace of reforms and differing views over the role of the state in the sector, policy priorities and the most effective instruments to address them. The current perception is that the number of agricultural projects managed outside the PROAGRI framework (and often outside the structures of MINAG) is on the rise and that the common funding arrangement is becoming less important in donor agricultural policy and practice in Mozambique (Cabral et al. 2007). Some of the long standing

agencies in PROAGRI are even considering their continuity in the common funding arrangement in the future.

105. The aid relationship between GoM and PROAGRI donors, which was carefully nurtured and progressively strengthened during the first phase of the programme, has suffered in the last couple years. The influence of PROAGRI donors over decision-making and allocation of resources in the sector has according to several accounts declined since 2005. This can be explained both by the general sense of disappointment over PROAGRI achievements during its first phase (discussed in 2.2) but also, and crucially, by the current politics and GoM's approach vis-à-vis development cooperation – the current government allows less intrusion by donors in government policy affairs and is less willing to respond to donor preferences. Donors feel they are being left outside the policy process and are presented with the facts ex-post, despite their significant contribution to the sector's budget.

106. With regards to partnerships with other sector operators, such as civil society (there are numerous national and international NGOs active in the sector) and the private sector, there has never been any significant effort to invest in this level of interface, or at least not in association with the PROAGRI arrangement. Although originally intended to be a sector-wide approach, PROAGRI never managed to reach outside the government-donor relationship. Despite a positive experience with outsourcing, involving NGOs and the private sector²³, PROAGRI remained largely focused on internal MADER/MINAG institutional reform issues.

²³ Two outsourcing pilot experiences on extension were launched in 2003 in northern Mozambique and between 2003 and 2006 about US\$ 40 million were invested in outsourcing initiatives, involving NGOs and the private sector.

4. Sector Budget Support and its Effects in Practice

107. This section draws extensively on the findings of the mid-term evaluation of PROAGRI conducted in 2003 (T&B Consult and CONSIDA consultants 2003) and the final evaluation conducted in 2007 (PriceWaterhouseCoopers 2007). It therefore refers in more detail to the effects of the arrangement as it was prior to introduction of the SBS concept in 2007. Although it is early to discuss the effects of the new features introduced in 2007, a few remarks are made about current perceptions and emerging trends.

4.1 Influence on Sector Policy, Planning, Budgeting and M&E Processes

SQ 3.1: What has been the influence of SBS on Sector Policy, Planning, Budgeting, Monitoring and Evaluation Processes, and what are the constraints faced and lessons learned in practice?

108. The common funding arrangement set up to support PROAGRI has over the years had noticeable impacts in sector policy, planning and budgeting processes. Less impact has been felt at the level of monitoring and evaluation despite some efforts made to tackle this critical area.

Influence on sector policy processes

109. At the sector policy level, the PROAGRI arrangement has provided the ground for contributions to the debate and thinking on core state functions and the role of the state vis-à-vis other players in the agriculture sector. Dialogue between donors and GoM has helped to develop the view that the ministry is only one of several players in the sector and one which should focus essentially on policy formulation and market regulation. It has also promoted the introduction of new approaches to service provision such as outsourcing and demand-driven services, in what was then a highly interventionist public sector.²⁴ Also importantly, it promoted the view of cross-sectoral policy making and coordination which aimed to bring together all relevant and interlocked sectors contributing to agriculture and rural development (such as trade and infrastructures). The set of PROAGRI Basic Principles and Milestones established in 1998 and the 2004 PROAGRI II Strategy Document incorporate many of these contributions.

110. Some of these reformist ideas were driven by the donor community and only got to be operationalised by GoM to a limited extent. For example, the process of leaving the provision of private goods to market operators has not progressed sufficiently, as documented by the PROAGRI mid-term review. This was partly because of the absence of a sufficiently developed private sector to take on some of the state functions but also because the Ministry was reluctant to abandon its interventionist approach.

111. Sector-wide coordination also failed to materialise. The agriculture sector programme never managed to reach beyond the narrow remit of the Ministry of Agriculture failing to promote horizontal coordination across relevant ministries (such as trade, fisheries or infrastructures). The failure can be partly explained by the lack of broader competencies cutting across the narrow technical fields within MADER/MINAG to deal with all the relevant issues.

112. On a positive note, the many new competences created through lengthy investments in institutional capacity (discussed further in 4.3 below), which were made possible by the increased amount in discretionary funding available to the Ministry through the basket fund, contributed to improvements in laws and regulations which are now in place for various areas of the ministry of

²⁴ With a long tradition of direct interventions and provision of inputs to farmers, often in an ineffective and inefficient manner.

agriculture's mandate. An example provided in the mid-term review and final evaluation of PROAGRI is land management. Both reviews highlight PROAGRI's achievements in land management and conclude that the programme has been successful in supporting the land reform process, having led a process of simplification of procedures in land allocation across the country.

113. Another important achievement at the sector policy level has been the institutionalisation of channels for joint policy dialogue between GoM and donors, such as the PROAGRI annual meetings and fora described in section 3. These have helped to develop a common vision for the sector and to some extent tackle the problem of coordination of development interventions by government and donors.

114. The influence of the PROAGRI arrangement over sector policy was more pronounced during the first phase of the programme. Since the new government took power in 2005 agricultural policy-making has become more domestically driven and less permeable to the principles and priorities of development partners. Policy making has also become more *ad hoc*, populist and opaque, being characterised by limited use of evidence to back policy decisions and little stakeholder consultation. Policy dialogue arrangements created under PROAGRI have to some extent been ineffective in sustaining the openness and transparency of the agricultural policy debate which had been achieved during the earlier days of PROAGRI. According to some accounts this has resulted from the loss of credibility in dialogue taking place in some of these *fora*, partly explained by the limited involvement of senior management representatives and the increasing proportion of lower ranking attendants, both from government and donor agencies (Cabral et al. 2007). But the new style of policy making in Mozambique, particularly the direct intervention by the President in setting priorities and directions for the agriculture sector, has been an important factor shaping dialogue with the donor community.

Influence on planning and budgeting processes

115. PROAGRI has offered important contributions in the area of planning and budgeting. The main achievement has been the development and operationalisation of a common planning and budgeting framework (the PAAO) which, coupled with a common funding mechanism, ensures a degree of comprehensiveness in the resource allocation exercise.

116. The PAAO constituted a pioneering experience with integrated and bottom-up sector planning in Mozambique. It is recognised as having helped to develop a more integrated vision of the sector and generated a more balanced planning of investments and activities. The PROAGRI mid-term review documents: *“PROAGRI has succeeded in introducing a planning and budgeting tool, the PROAGRI Financial Planner that produces the PAAO. This is today seen as a useful instrument focusing on the activities of the institution (MADER) and not on specific projects promoted by individual donors. As a result most donors are today supporting the PROAGRI budget as a whole instead of attributing their funds to specific components or provinces, as was the case earlier on”* (T&B Consult and CONSIA Consultants 2003: 26).

117. The PAAO has also promoted bottom-up planning which has significantly reinforced the planning process in the sector and capacities at local level. Considerable efforts were put into the development of a planning routine which started with community consultations at district level which were built up into provincial and national consultations.

118. The common funding mechanism has strengthened the integrated planning framework, allowing better predictability of available resources and more balanced resource distribution across priority areas and expenditure types (investment and recurrent). It has enabled the Ministry to play a leading role in resource planning and allocation and to have a more comprehensive picture of resource availability and spending patterns.

119. Another acclaimed achievement has been the capacity to produce expenditure plans broken down to the activity level, through a purposely built planning software, Financial Planner.

This has generated a lot of detailed information. However, the software has failed to establish a logical connection between these detailed activities and agriculture policy objectives and has therefore been of limited use to assess the Ministry's performance vis-à-vis stated policy objectives. In spite of the huge investment made in improving planning and budgeting processes, the capacity to generate relevant information and analysis and feed it into planning and budgeting has remained limited (Cabral et al. 2007).

Influence on M&E processes

120. Monitoring and evaluation (M&E) has been on the PROAGRI agenda since the start of its implementation, as a key element to track progress and measure impact of the programme. The idea was to create an M&E system (known as Management Information System – SIG) with two components or sub-systems: a sub-system related to agricultural sector performance and another one related to internal performance of the Ministry itself. The division of M&E functions into the two sub-systems, addressing simultaneously operational indicators and strategic policy benchmarks, would allow for a clear distinction to be made between different indicators for different purposes and levels. Output indicators would be linked to internal resource allocation and the implementation of activities at the operational level, while outcome and impact indicators would measure the influence of policies and achievements related to policy objectives and core functions.

121. Despite the good intentions, M&E has been a problem since the start of PROAGRI. The mid-term evaluation of PROAGRI I documented a complete lack of progress which was later confirmed by the final evaluation conducted in 2007. Despite several attempts to integrate, improve and standardise existing information systems there are little improvements to report on. Data to track service delivery and its relation with public expenditure is not readily available. The only operational data collection system (the agricultural survey, or TIA) gathers data predominantly on sector performance (i.e. field level indicators)²⁵ and there is little on service delivery and other indicators related to the ministry's performance. Current M&E weaknesses should be a major concern for GoM and donors as a good information system is an essential base for sound policy formulation.

122. Failure to make progress in this area can be partly explained by the insufficiency of appropriate structures and competences at central level to manage the system, the high turnover of staff working in that area, as well as insufficient investment in training and advocacy at field level about the importance of M&E. The final evaluation of PROAGRI I notes the suspicious attitude of field technicians in relation to M&E which tends to be seen as a means for ascertaining whether they are doing their jobs adequately, rather than as a means of assisting them to improve their capabilities and respond to the community's problems.

123. Paradoxically, one of the consequences of the lack of progress in M&E has been the difficulty in assessing PROAGRI's outcomes and impact on the ground (i.e. linking sector performance with PROAGRI inputs and outputs).

124. The 2007 MoU takes a step forward in this regard by establishing a direct association between performance assessment and the funding mechanism, through the PROAGRI performance assessment matrix. It links the common fund with performance on a set of 23 indicators and targets related to MINAG institutional reform, financial administration and the provision of agricultural services across a number of sub-sectoral areas. The question is whether the selected indicators are appropriate to assess the Ministry's performance and whether the existing information systems will be able to generate the information required (with sufficient quality) to track progress on those indicators. The other important question relates to the use made

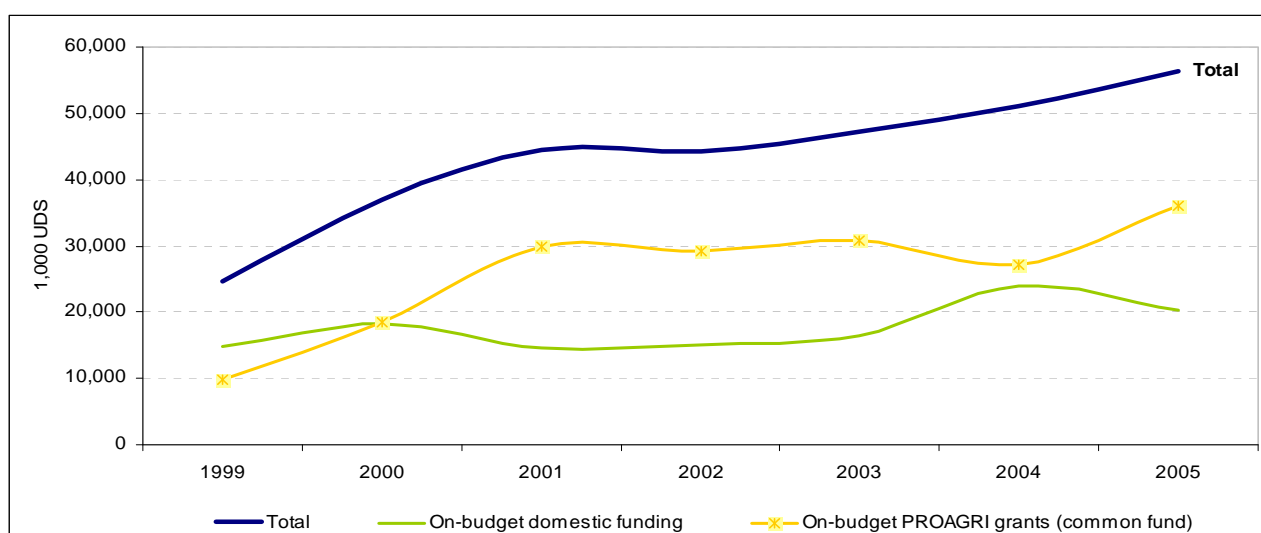
²⁵ TIA includes indicators such as: cultivated area, crop distribution, estimated production, productivity, use of agricultural inputs, etc.

of such performance assessment frameworks. The experience with GBS shows the perverse tendency to focus excessively and exclusively on the indicators and targets thereby limiting the scope and depth of policy dialogue with Government.

Effects on Public Expenditure

125. PROAGRI has attracted a considerable amount of external financing – US\$ 207 million between 1999 and 2006 – but the impact in total agricultural public spending has not been significant. According to available estimates, public agricultural spending remained more or less stable at around 1% of GDP and 4% of total government spending between 1999 and 2005 (Cabral et al. 2007), although it did over double in nominal terms between 1999 and 2005.²⁶ Whilst the increases in funding have been smooth, increases in external funds have been matched by a decrease in domestic funding to the sector (c.f. Figure 13 below). Only in 2008 is noticeable a substantial increase in the share of public spending in agriculture, which has risen to about 6% of total spending. This has resulted from a generous increase in the allocation of domestic resources to support the implementation of the Food Production Action Plan and is therefore unrelated to the PROAGRI process or the SBS arrangement.

Figure 13: Aid Public Expenditure in Agriculture, 1999-2005



Source: Cabral et al. (2007: Figure 11).

126. An important effect of the basket fund was the increase in the overall share of funds flowing to the provincial level. The CFFM allowed the direct transfer of resources from Treasury to the provinces and by 2004, the provinces were receiving 49% of the total MINAG budget (PriceWaterhouseCoopers 2007).

127. However, PROAGRI has had the perverse effect of skewing sector budget allocations at the ministry and provincial levels towards institutional development activities in the sector and not service delivery. A significant proportion of basket funding support to PROAGRI has funded expenditures on institutional development in the sector. This means that basket funding has not had much effect on levels of funding for service delivery.

²⁶ These are approximate figures which do not include off-budget expenditure and other agriculture-related expenditure outside MINAG's budget, such as rural infrastructure investments which may be recorded at the level of the Ministry of Public Works.

Lessons Learned and Good Practice

128. How do the various effects and outputs described above relate to the inputs provided through the common funding arrangement? The joint dialogue framework introduced with the PROAGRI basket fund promoted policy debate (about the role of the state, the need to reform the Ministry and introduce new approaches to service delivery) and helped to develop a common vision for the sector. Many ideas introduced were however donor-driven and the failure to build government ownership compromised their operationalisation. Investments made in capacity building activities, which were made possible by the increase in discretionary funds available to the Ministry through the basket fund, enabled the Ministry to make headway on a number of issues, including sector regulation, planning and budgeting systems. But they also drew attention away from service delivery.

129. The PROAGRI basket fund and associated inputs provided three clear examples of good practice:

- The integrated planning framework, with a bottom-up methodology, was made possible by the common funding arrangement.
- The establishment of policy dialogue fora between donors and between donors and government, although the effectiveness of such fora is currently under question, as GoM has shown signs of less openness to discuss policy options with donors.
- The consolidation of planning, budgeting and financial management systems is an important achievement which has strengthened internal capacities of the ministry.
- The channelling of significant share of funding to the provincial level.

130. However, failure to engage other sector stakeholders (governmental and non-governmental), has undermined the effectiveness of PROAGRI's policy dialogue mechanisms and the ideal of promoting sector-wide coordination under a common policy framework. The PROAGRI basic principles have been largely driven by donors and not owned by all key sector stakeholders (could it have been otherwise, given the contestation about the role of the state in the sector?). Dialogue has focused excessively on management systems and procedures rather than on M&E and impact analysis.

131. The most important negative consequence of PROAGRI has been its effect on resource allocation, skewing additional resources available to the sector to institutional development and not service delivery.

4.2 Influence on Expenditure, Accounting, Procurement and Audit Processes

SQ3.2 What has been the influence of SBS on Procurement, Expenditure Control, Accounting and Audit Systems at the Sector Level, and what are the constraints faced and lessons learned in practice?

132. The CFFM, established in 2001, is one of the programmes' main achievements. The CFFM was the first common funding mechanism put in place in Mozambique and one which has served as a model to other mechanisms which have been developed in other sectors (in health and education, for example). The CFFM has also had a major effect on financial management processes inside the sector. Firstly by developing a set of common procedures (for procurement, accounting and auditing) covering a significant share of sector resources, thereby greatly reducing GoM's transaction costs in managing external funds. Secondly by progressively making these common procedures aligned with those of the whole of government. The experience with the CFFM and associated common financial management procedures placed the sector in a better position to later adhere to the new PFM system for the whole of government (SISTAFE).

133. Another achievement has been the generation of detailed information about public spending. *Arco Íris*, an accounting software, was developed with EC technical support to generate data on financial execution by area of intervention (i.e. by PROAGRI component). This has enabled the generation of more detailed information on public expenditure than allowed by the government's standard accounting system, which still only details expenditure by economic classification. But the experience with developing this software was not without its problems. The process was initially strongly donor-driven and not sufficiently owned by MADER. There was also little initial consultation with MoF (PriceWaterhouseCoopers 2007). The task of developing the software was complex and 46 modifications (to make it more reliable) were recorded between 2001 and 2005. The current version is now compatible with MoF's codification system and it should give MINAG a comparative advantage in the conversion to the SISTAFE software, although this conversion might also render *Arco Íris* redundant.

134. In terms of procurement, the Procurement Management Unit of the Ministry of Agriculture was established in 1999 to comply with the preconditions set by donor agencies for PROAGRI implementation. Between 2001 and 2004, the capacity to handle procurement activities was reported to be good at both central and provincial levels (*ibid*). This capacity was eroded in 2005 when many of the trained personnel were moved from the provincial to the central level or resigned from the public sector. At the end of 2005, a new set of national procurement regulations came into effect and in 2007 the public sector procurement rules were incorporated into the PROAGRI arrangement.

135. While the procurement system is considered effective up to the approval level, the system does not record and account properly for capital goods (vehicles, buildings constructed or renovated, etc.), despite the requirements made by donors. The 2001 MoU specified, for example, that PROAGRI would manage donor financed vehicles and equipment through a fleet management policy. Such policy was never developed raising questions about abuse, high management costs and reduced life span of procured vehicles. Also, no policy or guidelines have been developed to monitor public works programmes and control visits are done on an *ad hoc* basis depending on very limited staff availability.

136. There have been noticeable improvements in auditing. In 1997 there was only one person in the ministry's internal audit unit. The unit grew to 4 people in 2001 and 8 in 2005 (*ibid*). But there remain weaknesses to be addressed. The team is still weak with no qualified or experienced auditors and it spreads too thinly throughout the country – there is no capacity to visit every province and district every year.

137. Annual external audits on PROAGRI have been carried out since the programme's inception. Before 2003, external audits took from 11 to 17 months to complete because of the lack of readily available and reliable documentation on expenditure and fixed assets. The situation improved in 2003 and 2004 when external audit reports were produced in six months. In any case, several procurement and accounting problems had been identified by the audits: including: high value purchases which had not been included in PAAOs, acquisitions at provincial level without proper approval from the central procurement department, acquisition packages split into several requisitions in order to fit into the provincial threshold and avoid central level's no objection and the difficulty of physically verifying procured goods (*ibid*).

138. In sum, the common funding arrangement has invested considerably on strengthening financial management capacity and systems of MADER/MINAG and, although there are still several difficulties to be addressed, this has resulted in improvements in procurement, accounting and audit processes. The question is whether the concentration of resources on building internal management systems is justifiable in a sector where there are huge challenges to be addressed at service delivery level.

Lessons Learned

139. The establishment of common financial management procedures represents an important achievement. They are aligned with country systems and are applied to a significant proportion of resources flowing to the sector.

140. A few exceptions to the common funding arrangement have been however retained by some donors, undermining the alignment and harmonisation objectives.

4.3 Influence on the Capacity of Sector Institutions and Systems for Service Delivery

SQ3.3: What has been the influence of SBS on Sector Institutions, their Capacity and Systems for Service Delivery, and what are the constraints faced and lessons learned in practice?

141. Strengthening institutional capacity of the Ministry of Agriculture was one of the main objectives of PROAGRI during its first phase and the common funding arrangement provided the resources to support the numerous capacity building activities. It is therefore no coincidence that PROAGRI resulted in a significant concentration of resources on capacity building activities.

142. Main achievements on this front are related to the development of institutional procedures and capacities, particularly those pertaining to planning and financial management, as discussed above. The introduction of a common planning and budgeting framework and common procedures for financial management has been the foundations for developing the internal administrative and management capacity of the Ministry. They have also helped preparing the ministry for the new requirements of the reformed PFM system for the whole of government.

143. The Ministry's capacities at the local level have also been considerably strengthened. As the PROAGRI mid-term review documents: the increasingly bottom-up planning process and the CFFM, allowing for direct transfer of financial resources from Treasury to the Provincial Directorates of Agriculture, have been instrumental to the decentralisation of resources. The decision to allocate a significant proportion of resources to the provincial level reinforced the decentralisation process.

144. Functional analyses in the public sector in Mozambique, which prompted a process of organisational restructuring of the Ministry of Agriculture, were pioneered under PROAGRI. The emphasis on core functions, sector-wide coordination and demand-driven services were important contributions by development partners into this process. But the organisational restructuring which has taken place over the years has not corresponded to the transformation envisaged by the PROAGRI Basic Principles. It is argued that despite the recommendations made in the functional analysis²⁷, the current MINAG structure is heavier and the ministry is still strongly oriented to direct intervention in the sector rather than acting as a modernised regulator and facilitator (Cabral et al. 2007). One of the reasons for this has been the lack of appropriation by MINAG (or at least some of its departments and senior staff) of the basic principles and the more reformist ideas pushed by donors.

145. Effects on systems for service delivery are hard to establish. PROAGRI has not contributed to increasing levels of service delivery. Unsurprisingly, the first phase of PROAGRI has been repeatedly criticised for failing to show results on the ground. There is indeed little evidence that public service delivery improved in spite of the volume of resources invested in internal reforms and capacity building: between 1999 and 2005, 45% of recorded agricultural spending was related

²⁷ Which included the rationalisation of structures at all levels and a clearer definition of the ministry's mission and core functions. Non core functions were suggested to be transferred, subcontracted, privatised or eliminated.

to institutional development activities (about US\$ 66 million). The final evaluation conducted in 2007 confirmed that the programme has focused essentially on MADER/MINAG internal institutional processes (management, coordination and capacity) and relatively less on service provision. For example, extension activities under PROAGRI I did relatively well on institutional development issues (e.g. establishing a unified extension system and improving qualifications of extension agents) but did less well on actual service provision.

146. Since 2005, GoM has no doubt manifested stronger concern about service delivery although the approach and operational modalities proposed are somewhat questionable. The funding mechanism in place gives the government significant scope for allocating resources directly to service delivery, if that is where GoM priorities lie (apart from some of the exceptions which earmark funding to institutional development components).

147. Overall, whilst the focus of dialogue and resources provided through the PROAGRI common funding arrangement contributed significantly to building the management capacity of the Ministry, at both central and decentralised governance levels, they did little to improve service delivery systems at field level.

Lessons Learned

148. Decentralisation of resources is important achievement, although this has been overshadowed by an excessive concentration of resources on institutional capacity building activities, leaving fewer resources to be allocated to service delivery.

149. The excessive focus on developing management systems and procedures vis-à-vis service delivery and tracking impact on the ground can be highlighted as an example of practice which needs to be corrected.

4.4 Influence on Domestic Ownership, Incentives and Accountability in the Sector

SQ3.4: What has been the Influence of SBS on Domestic Ownership, Incentives and Accountability in the Sector, and what are the constraints faced and lessons learned in practice?

150. Throughout the 1990s the Ministry of Agriculture suffered a considerable erosion of its capacity and role in the sector. This was due to structural adjustment policies, which pressured for privatisation and minimal state intervention in the productive sectors, and to the proliferation of development interventions in the sector outside the control of the Ministry, through numerous development cooperation projects.

151. The PROAGRI basket funding arrangement has contributed significantly to strengthening the capacity of the Ministry and restoring its role as sector coordinator and regulator. The mid-term review concluded that PROAGRI had been successful in establishing the institutional capacity needed for MADER to take ownership of its responsibilities. The investments made in institutional capacity at central and local levels, greatly improved the working environment and staff qualifications, thereby creating the conditions for the Ministry to assume a leading role in the sector. The integrated planning framework and common fund allowed the Ministry to get back in control of the allocation of resources of a significant share of development cooperation funds channelled to the sector.

152. The progressive improvement in alignment with country systems also contributed to strengthening domestic ownership of aid management, not only by MADER/MINAG but also by the Ministry of Finance who has now a more active role in the negotiation of the agriculture sector budget.

153. The initial preparation of PROAGRI had however been strongly driven by donors and a few key government counterparts. Ownership by the Ministry of Agriculture was generally poor as revealed by the fact that the PROAGRI Basic Principles and Milestones were drafted in English and the two key donor harmonisation meetings at the inception of PROAGRI were held in Europe to secure attendance by high level donor officials from Europe and the USA (Compton 2000).

154. Since the early days there have been some noticeable improvements in MADER/MINAG's ownership of PROAGRI and there is no doubt that GoM is today more strongly in charge of agriculture sector policies and the management of resources flowing to the public sector. Domestic leadership has also experienced a boost with the current government's governance style.

155. Paradoxically, however, government ownership over the common funding arrangement is currently being questioned. Since 2005, MINAG has grown increasingly detached from the cooperation framework with development partners. Despite the existing mechanisms for policy dialogue and joint planning of interventions, the perception is that policies and activities being carried out by the Ministry are not always in line with the discussions held (with donors) at PROAGRI fora and with the PAAOs approved in those fora. As mentioned before, policy making in the sector is increasingly characterised by *ad hoc* interventions (often with strong interventionist character and driven directly by the President) and these are often inconsistent with the activities programmed in the PAAOs and the targets set for PROAGRI. As result, PROAGRI donors are feeling increasingly detached from the agricultural policy-making process, despite the apparent high degree of alignment achieved with the SBS arrangement.

156. Overall, it appears that whilst the PROAGRI common funding arrangement has played an important role in strengthening government capacity and leadership of the sector, it has to some extent failed to establish a sector-wide, inclusive and predictable policy process. Policy dialogue remained for years focused on the government-donor relationship (failing to include other sector stakeholders) and even the quality of the interaction between these two parties is currently under threat.

Lessons Learned

157. The increased control by MADER/MINAG over resources flowing to the public sector, made possible by the common fund, helped foster ownership and also accountability.

158. However, this is a narrow form of ownership and accountability as policy dialogue under the aegis of PROAGRI is still limited to government and donors providing budgetary support and has failed to involve other key parts of government (and promote inter-sectoral coordination) and other non-governmental sector players. Furthermore, the failure of PROAGRI, and the donor funding which supported it, to show results on the ground undoubtedly undermined political ownership of the PROAGRI framework.

5. The Effectiveness of SBS and the Conditions for Success

5.1 The Main Outputs of SBS

SQ4.1: What are the main contributions that SBS has made to the improvement of sector policy processes, public financial management, sector institutions, service delivery systems and accountability?

159. It is indisputable that the financing arrangement put in place in 1999 to support the agriculture sector provided, over the years, important contributions on a number of fronts.

- It promoted the debate on core state functions in agriculture and public sector reform, which has influenced, to some degree, the organisational reforms which have been carried out by the agricultural ministry.
- It strengthened the agriculture sector policy framework, by bringing together all major sector partners (at least during the first phase of PROAGRI) under the ministry's leadership and improved coordination and consistency across interventions in the sector.
- It put in place an integrated and bottom-up planning process which contributed to improved capacities at local level.
- It increased the level discretionary funding available to the ministry of agriculture to support the integrated sector programme, thereby contributing to strengthening government ownership.
- It increased the proportion of agricultural resources allocated and managed at the local level.
- It improved planning and financial management capacity and systems in the sector and prepared the Ministry for the reforms to be later introduced in PFM systems – agriculture was one of the sectors piloting SISTAFE reforms.

160. There are areas however where progress has been somewhat disappointing.

- Inter-sectoral coordination which was one of the original intents of the approach has never been achieved. PROAGRI remained confined to the activities and processes internal to the agricultural ministry.
- Related to the above, PROAGRI never managed to bring on board non-state players or the private sector in an effective way, and policy dialogue remained largely confined to interactions between the agriculture ministry and donors disbursing into the common fund.
- The streamlining of the ministry has never really been achieved and, despite the functional analysis, the ministry has largely kept a heavy structure and has retained a strong orientation towards direct intervention in the sector rather than acting as the envisaged modernised regulator and facilitator.
- Meanwhile, the policy dialogue failed to establish a clear role for the public sector in promoting the development of the agricultural sector. A lot of it focused on what the sector should not be doing.

- M&E and analytical capacities have remained poorly developed, undermining the assessment of PROAGRI performance.
- The excessive concentration of resources in institutional capacity building activities, is a symptom of the absence a clear role for the public sector to which resources could be channelled. It further raises questions about the quality of the planning and resource allocation process and the capacity of the ministry to prioritise key areas for improving development impact in the sector.
- Despite the significant investments in capacity building and qualification of human resources it has proven very difficult to retain higher calibre staff, both at central and local level.

161. More recently, and especially after 2005, there has been a weakening of the arrangement, with regression in some areas where considerable progress had already been achieved.

- Key sector donors left the arrangement leaving the PPG significantly weakened and undermining the principle of comprehensiveness and integration of the PROAGRI framework.
- Policy dialogue between government and donors has deteriorated significantly since 2005 which is partly explained by the disappointment in relation to the first phase of PROAGRI but also by the new style of policy making by the current government.
- MINAG has been through periods of significant instability²⁸ and has suffered many losses in terms of qualified human resources which have had an impact in terms of capacity to generate good policies and sustain the quality of policy dialogue with sector stakeholders.
- Related to the above, the degree of predictability of the agricultural policy framework has worsened significantly. Policy-making has become more *ad hoc* and opaque and the PAAOs are no longer an accurate expression of current policy priorities and resource allocation.

162. What is paradoxical is that the weakening of PROAGRI is happening at the same time as greater flexibility and discretion is being given to the financing arrangement. The introduction of the SBS modality has taken alignment with country systems a step further and donor agencies' are attempting to simplify the arrangement (i.e. reduce donor specific exceptions to the MoU) and increase the degree of predictability of their funding..

163. Hence, despite its important contributions to coordinating and streamlining sector policy, planning and financial management the PROAGRI arrangement has been unable to sustain cohesion around the policy table. Important donors left, whilst other sector players have never been involved in any substantial way. Meanwhile, GoM disengaged, to some extent, and took the agriculture policy framework in a different direction, away from the idea of streamlining the ministry and minimising direct state interventions in the sector.

²⁸ A sign of this instability is the fact that between 2005 and 2008 MINAG had three different Ministers.

5.2 The Sector Outcomes Influenced by SBS

SQ4.2: Have the improvements in sector systems and processes to which SBS has contributed, had a positive influence on sector service delivery outcomes, and are they likely to do so in future?

164. Section 2.2 concluded that there is little evidence of agriculture service delivery improving. The coverage of extension services has remained very low, and neither research or extension appear to address the needs of farmers. In this context, there is little or no evidence that service provision at field level, or the implementation of sector policies, have improved as result of the investments made in building institutional capacity of the sector ministry, which has been the focus of SBS funding and associated inputs.

165. As service delivery was not a core objective of PROAGRI, it is not entirely fair to judge the success of SBS in terms of its support to service delivery. However, the overall picture of agricultural production is at best mixed, and there is little evidence that public sector actions and services in the agricultural sector more broadly have addressed the constraints faced by farmers, and consequently improved sector outcomes.

166. It is reasonable, therefore, to conclude, that SBS has had little effect on agricultural sector outcomes to date, and in its current form, is unlikely to do so in future. This is only likely to change if a positive role for the public sector in addressing the constraints faced by farmers is both agreed *and* implemented, with the support of SBS. For example, this may include actions such as increasing the access farmers have to new technologies through the expansion of extension services, combined with support to the development of input markets.

6. Conclusions and Recommendations

Primary Study Question: **How far has SBS met the objectives of partner countries and donors and what are the good practice lessons that can be used to improve effectiveness in future?**

167. The current dominant perception is one of disappointment, by both government and donors, about the experience with the funding arrangement developed to support the agriculture sector in Mozambique. Government has expressed disappointment over the lack of concrete outcomes from the significant investments made over the years in improving capacity of the Ministry of Agriculture. Donors have expressed disappointment over the fragility of the relationship with GoM and the fact that they are being left out of key policy processes, as the recent policy directions taken by Government on agriculture policy matters illustrate.

168. Despite the high degree of scepticism and uncertainty about the future of the PROAGRI funding mechanism it is undeniable that budgetary support provided to MADER/MINAG over the past 10 years has had an impact in sector policies and processes. Through the provision of discretionary funding, dialogue, technical assistance and strengthened donor coordination, the funding mechanism has produced important effects on the relationship of external assistance and sector processes which have led to changes in sector policy, spending and management systems. Table 4 below summarises the practices in the provision of basket funding support to PROAGRI which had positive effects and the practices which undermined its effectiveness.

Table 4: Summary of Practices with Positive and Negative Effects on Sector Outputs

Domain	Practice with positive effects	Practice with negative effects
Sector policy, planning, budgeting, monitoring and evaluation	<ul style="list-style-type: none"> - Integrated planning framework with a bottom-up methodology - Institutionalisation of policy dialogue mechanisms between donors and donors-GoM, although these are now proving to be of limited effectiveness 	<ul style="list-style-type: none"> - Failure to engage other actors in policy dialogue (key sectoral ministries and non-governmental sector operators) - Basic principles largely driven by donors and not owned by all key sector stakeholders (could it have been otherwise, given the contestation about the role of the state in the sector?) - Excessive focus on management systems and procedures rather than on impact and analysis - Poor attention to M&E (failure to set up a framework for assessing PROAGRI's impact)
Procurement, expenditure, accounting and audit processes	<ul style="list-style-type: none"> - Common financial management procedures for a significant part of resources flowing to the sector and progressive alignment with country systems - Decentralisation of resources 	<ul style="list-style-type: none"> - Exceptions to the common funding arrangement retained by some donors - Excessive concentration of resources on institutional capacity building activities (as well as recurrent expenditures)
Capacity of sector institutions and systems for service delivery	<ul style="list-style-type: none"> - Consolidation of planning, budgeting and financial management systems - Strengthening of MADER/MINAG capacities at local level 	<ul style="list-style-type: none"> - Failure to link internal capacity strengthening (essentially focused on planning and financial management) to service delivery systems and performance
Domestic ownership, incentives and accountability	<ul style="list-style-type: none"> - Increased control by MADER/MINAG over resources flowing to the public sector 	<ul style="list-style-type: none"> - Failure to involve other key parts of government (and promote inter-sectoral coordination) and other non-governmental sector players - Narrow notion of accountability focused essentially on the GoM-donors relationship

169. With regards to immediate effects, the mechanism has created the conditions for the Ministry of Agriculture to carry out a number of improvements to internal management systems and capacity. For example, it has, through the establishment of integrated planning and joint funding, improved the comprehensiveness of planning and budgeting processes at sector level, increasing GoM's control over the use of external resources flowing to the sector.

170. Outstanding outputs include improvements in financial management systems at sector level and strengthened government ownership and leadership of the sector which became clearly reinforced in comparison to the situation in the mid-1990s. It also needs to be recognised that the PROAGRI funding arrangement and the processes associated with it pioneered important changes in the ways of working within government - namely the relationship between the sector and the Ministry of Finance on planning, budgeting and financial management - and these have had an impact beyond the agriculture sector.

171. It is also undeniable, however, that with PROAGRI a significant volume of public resources to agriculture ended up being diverted towards MADER/MINAG internal management processes doing little to address constraints at service delivery level, transform the ministry or indeed improve analytical capacities and the ability to generate evidence-based policies. Evidence of impact at the outcomes level is scarce and the various evaluations carried out on PROAGRI are consistent in concluding that PROAGRI has been all about processes and procedures and very little about services and development results on the ground.

172. In judging the experience and the suitability of the SBS mechanism, it needs to be recognised however that agriculture is a peculiar sector within the public sector machinery. Foster et al. (2001) warned about the dangers of providing budgetary support to a sector like agriculture where: the state and the line ministry should in principle have a smaller and different role than in other sectors, government and donors disagree on the state role in the sector, the most important government roles in supporting agriculture are not about public expenditure at all but about policy making and regulation, and the most important public expenditures for supporting agriculture may not be in the agricultural sector (e.g. investments in rural roads).

173. The main implication from this analysis is to advise caution in applying SBS to support a sector like agriculture. Funding mechanisms, such as the form of SBS in use in Mozambique, can help to address problems of aid fragmentation and be an important source of revenue to overcome institutional capacity constraints. When fully aligned with country PFM systems, these mechanisms can also greatly enhance sector planning and budgeting systems. But to what extent is budgetary support earmarked to the agriculture sector a useful instrument to address 21st century challenges in developing countries' agricultures – namely, streamlining the state, promoting sector coordination, improving policy and regulatory frameworks, removing distorting state interventions? The volumes of funding involved with the basket and sector funding PROAGRI were arguable far in excess of what was needed to address these challenges. If there had been a clear drive to expand and improve service delivery – for example extension services – then the funding levels would have been appropriate. This was not the case.

174. In the absence of a consensus over the need to expand government services in agriculture, it is important to question the suitability of budgetary support mechanisms to the development cooperation purpose in the Mozambique agriculture sector. As Foster et al. suggested back in 2001, the core message should be to ensure a good diagnosis of the nature of the challenges in the sector, as well as in the aid relationship, and develop a development cooperation approach which is locally appropriate.

175. The future of PROAGRI is uncertain. Many donor agencies are keen to continue providing budgetary support, as they have, in the light of the 2005 Paris Declaration and the 2008 Accra Agenda for Action, committed to increasing the proportion of programmatic forms of aid. There is

also a strong interest in maintaining support to the agriculture sector, especially in the light of the recent surge of agricultural issues in the international agenda (food prices, biofuels and climate change). GoM is on its part keen to receive increasing proportions of discretionary funding through budgetary support but it has also shown signs of less openness to discuss policy options with donors (or indeed other players) and this has left many donors apprehensive and, in the agriculture sector, is starting to raise questions about the sustainability of the sector budget support modality.

176. PROAGRI will come once again under scrutiny at the end of 2009 or beginning of 2010, when a mid-term review of the second phase is scheduled to take place. This will be the moment to discuss the suitability of the current funding arrangement. Some donors are already thinking in risk spreading alternatives, including increasing earmarking of funding, working with other parts of government or even reverting to more traditional forms of development cooperation (i.e. project assistance).

177. In moving forward it is essential that the experience to date is carefully reviewed and that success conditions are identified and discussed. There are at least five key success conditions to bear in mind:

- Partners need to work towards the establishment of a coherent agriculture sector policy framework, embracing the new policy directions which have political backing from key government counterparts. At the moment it seems that the Presidency and the duo MoF-MPD are important drivers of agricultural policy processes, including resource allocation to the sector. It is therefore essential to secure these actors' engagement in the cooperation arrangement. Even if donors are unhappy with the policy direction and feel they are unable to support it financially, it is important that they play a constructive role and support such a process. This will ensure an entry point into key decision-making processes in the sector.
- Consensus on basic principles/philosophy underlying the financing agreement in support of any new agriculture policy should be established, particularly on the roles of the state vis-à-vis other sector stakeholders. This is especially important if donors feel they cannot support the overall agriculture policy that emerges. For example, if donors feel they can support the expansion of extension services in the sector, then this should be explicit. If there is no clear agreement on the role of the sector in service delivery, then the funding should be scaled back to levels commensurate with institutional development objectives. Such issues need to be resolved or at least discussed openly if the arrangement is to be sustained in the future. Unlike the previous ones, the current MoU is vague in relation to underlying philosophy of the financing arrangement.
- Involvement of all major sources of funding. In order for policy dialogue to be meaningful and to ensure the integrity of planning and budgeting processes, all major sources of funding (donors) need to be involved in the sector programme, irrespective of the funding modalities used. It is therefore essential that donors providing sectoral budget support create the incentives for other donors (particularly those providing a large proportion of external funding to the sector) to be involved in PROAGRI policy fora.
- Resolving capacity limitations in the critical area of monitoring and evaluation. The performance of the funding arrangement can not be tracked and assessed properly without a reliable M&E system in place, particularly one which links SBS with government performance (service delivery and investments) and sector performance. This is a crucial area which can not be left unattended for any longer.
- Reaching out to the sector. One of the main limitations of PROAGRI to date has been the inability to reach out to sector operators at field level (NGOs, the private sector and farmers). The lack of sector level outcomes is partly the consequence of failing to involve these key sector players.

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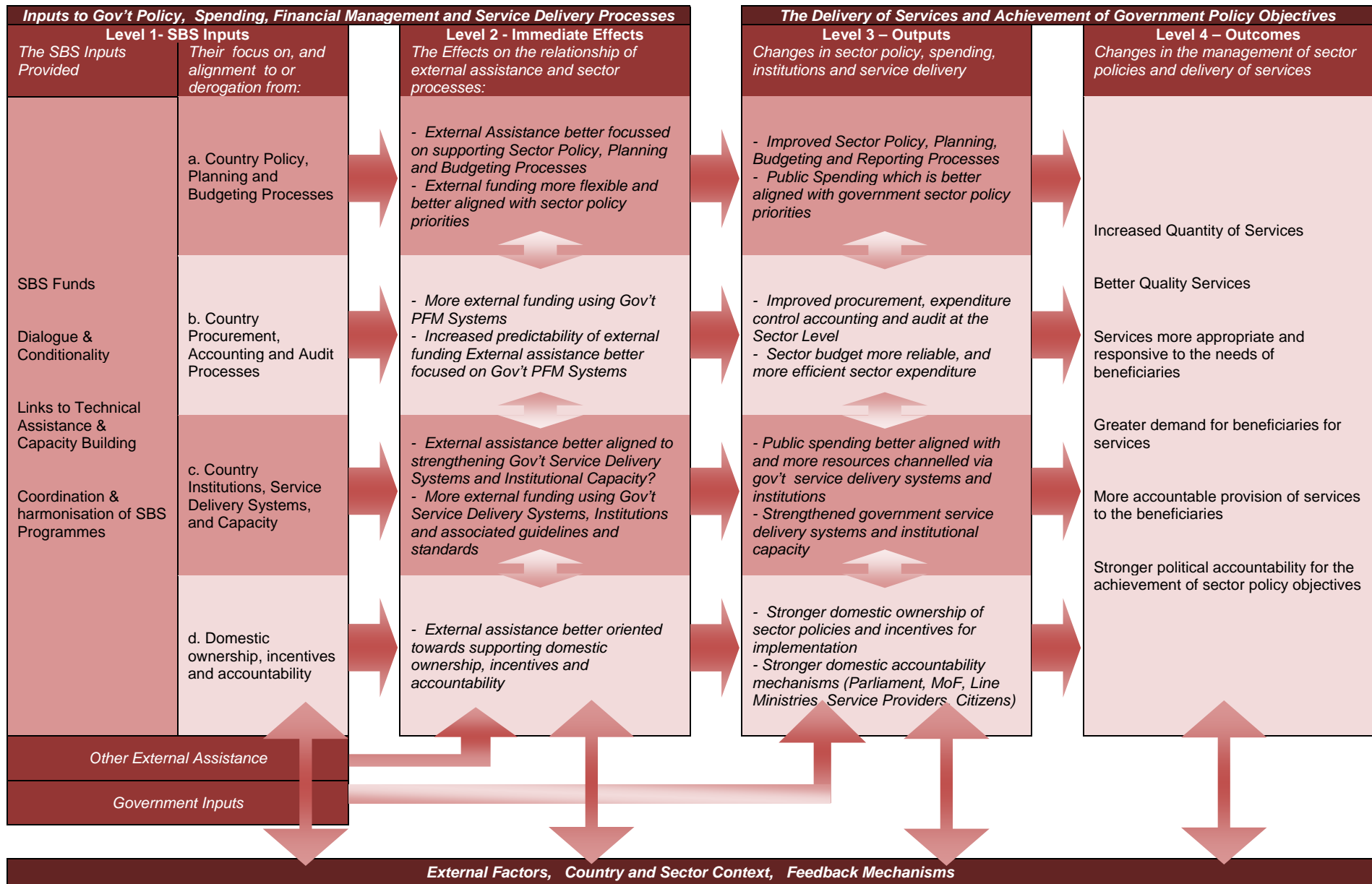
People interviewed²⁹

Ms Célia Jordão	Programme Officer for Sustainable Development, Netherlands Embassy
Mr Lasse Krantz	Coordinator/Programme Officer for Natural Resources, Rural Development and Private Sector Development, Embassy of Sweden
Mr René Desjardins	Rural Development Adviser and Chair of PROAGRI Partners Group Troika, Canadian Embassy
Mr Tiago de Valladares	Institutional Reform Adviser for Agriculture and Rural Development, European Commission

²⁹ Telephone interviews conducted between 28/11/2008 and 18/12/2008.

Annex 1 – Summary of Findings against Logical Framework

Figure 14: Logical Framework for Assessing Sector Budget Support in Practice



a) Context in which SBS has been Provided

	Country context	Sector context	Aid management context
<p>Mozambique agriculture (2007-)</p> <p>SBS late comer though preceded by not so different PROAGRI I Common Basket Funding, co-terminous with SWAp development</p>	<p><u>Policy</u>: Second PRSP (PARPA) in place.</p> <p><u>Growth</u>: Successful post-war economic recovery; good performance since late 1990s (growth rate 8% 1997-2007)</p> <p><u>Poverty reduction</u>: Significant progress on income poverty, reducing from 69% (1996/7) to 54% (2002/3). Rural poverty decreased though remain high (55%).</p> <p>Progress in education and health indicators but “long way to go”.</p> <p>Large regional disparities, historico-political roots, persisting to this day and even increasing (e.g. higher disparity between richest and poorest provinces; poverty increasing in poorest province).</p> <p><u>Institutional context</u> (unitary country)</p> <p>Decentralisation: Long-standing lack of commitment as might shift political (ruling party/opposition) balance. New government (2005) introduced some form of political decentralisation. As well, administrative de-concentration has given more responsibility to provinces and especially districts.</p> <p>Weak civil service capacity identified as one of the three most severe obstacles to policy implementation (very low capacity level at Independence - 1975; civil war; very slow progress with public sector reform).</p> <p><u>PFM</u>: Long history of reform, new system in 2001, progress according to PEFA 2004 and 2006 (though decline in budget credibility); But weak policy-budget link, and weak internal and external control.</p>	<p><u>Policy/plan/M&E</u></p> <p>Development of national programme for agriculture development (PROAGRI I) (mid- to late 1990s) to develop common vision and policy direction, and strengthen coordination. Eight components underpinned by basic (policy) principles (e.g. government ‘core functions’, decentralisation, enabling private sector environment). Progress (to 2005) mostly in institutional CD (including common funding mechanism for development resources, from 2001 onwards).</p> <p>Costly development process → PROAGRI II strategy document (over-) ambitious, taken over. New government adopted a different strategy; Lack of trust in PROAGRI due to lack of evidence of impact of PROAGRI I on the ground (no focus on sector outcomes).</p> <p>2005-07: Uncertainty over PROAGRI whilst government issued new agriculture policy documents. New policy direction, more interventionis thus diverging from PROAGRI basic principles, though reflecting PROAGRI I success in terms of stronger government ownership.</p> <p><u>Spending levels</u></p> <p>Overall public spending (1999-2005) stable (1% GDP, 4% state budget, excluding off-budget and spending outside of Ministry of Agriculture); Some “compensation” domestic vs aid funding; Spending on institutional development = 38% of PROAGRI (2001-05) budget.</p> <p><u>Sector results</u></p> <p>Long term decline in agricultural per capita gross production, starting to recover post-1991 though fluctuating and still far from pre-1960s level. PROAGRI I developed to accelerate recovery.</p> <p>Yet, no evidence of progress in sector outcomes and service delivery indicators over PROAGRI I (e.g.</p>	<p><u>General aid trends</u></p> <p>Aid growing since 1986 (country moving away from command economic model).</p> <p>In 2006 ODA = 17% GNI (52 US\$/capita), of which BS = 21.3% and agriculture sector 3.9%. Very high % GNI in early 1990s, down since, but still 50% government budget.</p> <p>1980s/early 1990s: projects, BOP, food aid; Late 1990s: Emerging SWAp and sub-sectoral Common Basket Funds; PROAGRI 1st SWAp; Early 2000s: focus on education and health, social sector SWAp, GBS and forms of SBS.</p> <p>GBS up from 3% ODA in 2000 to 21% in 2006 and 31% in 2008; Major policy dialogue platform, complex dialogue structure (19 donors), Performance Assessment Framework (PAF) and donor PAF (mutual accountability), focus on systems across government. Sector support (Common Basket Funds) 25-30%. Project support remains over 30%.</p> <p><u>Aid to Agriculture Sector</u></p> <p>Pre-1999: fragmented projects.</p> <p>1999: Common Basket Funding in support to PROAGRI I (MOU 1999). Substituted to projects (sharp trend up in Common Basket Funding in 1999-2001).</p> <p>Post-2005: PROAGRI = Common Basket Funding, shift to SBS (new MOU 2007) at the same time as loosing</p>

	<p><u>Recent trends:</u> Increasing corruption/political patronage; Donor fears over more personalised policy process, lesser commitment to economic liberalisation emerging with new government/President.</p>	<p>extension coverage from 10 to 13%, decline in livestock support services).</p> <p>Smallholding agriculture = part of the “stagnating” economy in Mozambique’s two-track economy.</p>	<p>policy framework function, and losing several major donors who developed parallel channels for interaction with sector.</p> <p>2006-08: Donors voicing concerns over new policy directions</p>
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b) Nature of the SBS Provided

	Types:	Timescale:	Donors:
Moz. Agric	Overall PROAGRI	1999-	Austria, Canada, Denmark, DFID, Finland, World Bank, Ireland, Italy, Netherlands, Sweden, UNDP, USAID
	Earmarked PROAGRI	1999-	IFAD, EC

	Funds and Financial Management	Dialogue and Conditions	T/A and Capacity Building	Links to other Aid
Moz. Agric	<p><u>Funding Level:</u> Increasing to consistently high levels from 2001 of \$30m-40m per annum since. Initially represented a switch from previous parallel projects</p> <p><u>Earmarking:</u> SBS funding involves traceable earmarking to PROAGRI expenditures. There are no explicit additionality requirements</p> <p><u>Traceability:</u> SBS funds are traceable. PROAGRI expenditures are separately identifiable in the budget and SBS funding is coded as external funding in the budget.</p> <p><u>Cash Management:</u> The equivalent amount of funding disbursed by donors is channelled to operational accounts. Normal GoM cash management procedures are therefore not used.</p>	<p><u>Dialogue Structures:</u> Dialogue is carried out in the context of SWAP structures which were established alongside SBS. This includes twice yearly review meetings, and more regular working group meetings. There is also a high level policy forum, which convenes every three months.</p> <p><u>Conditionality Framework:</u> Initially donors provided funding based on reviewing performance as reported on in the first of the twice yearly review meetings. Since 2007, a matrix of agriculture performance indicators was introduced, which is intended to form a major part of sector monitoring.</p> <p><u>Focus:</u></p> <p><u>Derogations:</u> There are no derogations from the established SWAP framework</p>	<p><u>Part of SBS Instruments:</u> A major share of SBS funding has been spent on institutional development activities. Some of the donors earmarked funding to capacity building activities.</p> <p><u>Links to other initiatives:</u> There are no explicit links to other initiatives.</p>	<p><u>Links to Project Funding in the sector:</u> The SWAP has focused on SBS funding, and there are limited links to other aid modalities in the sector which are provided in an ad-hoc manner. Since some major donors have left the PROAGRI framework, which means this problem is significant.</p> <p><u>Links to GBS:</u> The matrix of agriculture performance indicators is more elaborate than the agriculture section of the GBS PAF.</p>

	Funds and Financial Management	Dialogue and Conditions	T/A and Capacity Building	Links to other Aid
	<p><u>Use of Other Gov't FM Systems:</u> Otherwise PROAGRI funding uses normal government procedures for financial management</p> <p><u>Derogations:</u> The traceability of SBS funds and the cash management procedures are the major derogation from government systems.</p>	<p>which has evolved alongside SBS.</p>		
	Other important design features			
	N/A			
	Effects of SBS on the Quality of Partnership			
	<p><u>Quality of Dialogue:</u> The SWAP arrangements associated with SBS improved relationships between government and donors. Knowledge about each others programmes has improved and it is felt that this has improved the effectiveness of cooperation. In recent years the trend of strengthening relations has reversed, and donors feel they have less influence in the dialogue – over policy formulation and resource allocations. This is due to external factors, outlined below.</p> <p><u>Transactions Costs:</u> The SWAP has never covered the totality of sector resources, and parallel external assistance contributes to transactions costs. Projects outside the SBS/PROAGRI framework are becoming increasingly important.</p> <p><u>External Factors:</u> In recent years, government has taken some unilateral policy decisions, outside the framework of PROAGRI. Government is allowing less intrusion into policy making, and donors feel they are left out of the process. Donors supporting PROAGRI are uncomfortable with the policies which are emerging. This has led to tension.</p>			

c) The Effects of SBS in Practice

i) Policy, Planning, Budgeting, Monitoring, Evaluation and Expenditure

Inputs	Effects	Outputs
<p>SBS funding is on budget, is aligned with government policies and is reported on using government systems.</p> <p>Focus (TA/CD, dialogue, conditions) on sector policy, planning, budgeting, monitoring and evaluation processes?</p>	<p>External funding more flexible and better aligned with sector policies overall; assistance better focused on</p>	<p>SBS contribution to:</p> <ul style="list-style-type: none"> ▪ Public spending is better aligned with government sector policies. ▪ Improved Sector policy, planning, budgeting and reporting Processes

	Inputs <i>Derogations: why, justified, temporary?</i>	Effects supporting sector policy, planning and budgeting processes. <i>Effects of derogations</i>	Outputs <i>How do derogations affect outputs?</i>
Mozambique Agriculture	Contextual factors: Since 2005 domestic policy making has become more domestically driven but less transparent;		
	<u>Sector Policy, Planning and Budgeting Processes:</u> SBS supported the establishment of channels for joint policy dialogue between the government and donors, including annual review meetings and working groups. The dialogue structures associated with SBS have promoted a substantive policy dialogue around the core state functions and the role of the state in agriculture early on. However the openness and transparency of the dialogue has declined since 2005. SBS helped support the establishment of a clear planning and budgeting framework, supported by two tools, the PAAO and Financial Planner.	Dialogue was focused on overall sector policy, planning and budgeting processes. Complementary TA and capacity building support, funded from SBS were focused on strengthening these systems as well as the substance of policies, laws and regs, although not always well conceived.	SBS supported the development of consultative fora for policy development and review. The policy dialogue contributed to the development of the PROAGRI Principles and many of these were incorporated in the PROAGRI II document in 2004. SBS funding also supported improvements in the legal and regulatory frameworks, including land reform. However since 2005 the influence of the policy dialogue has declined, as policy making has become more domestically driven. The PAAO has enabled the strengthening of sector planning. It is a tool for bottom up planning, and has facilitated more balanced budgeting for activities and investments. Financial planner generates a lot of detailed activity level expenditure information. However these tools have failed to establish a connection between activities and the sectors stated policy objectives.
	<u>Monitoring and Evaluation Processes:</u> The joint dialogue framework and review meetings have been the forum for discussing performance. M&E has been a focus of policy dialogue. However despite early good intentions SBS failed to support any structured M&E systems, until 2007 when a Performance Assessment Matrix was developed, made up of indicators and targets related to institutional reform, financial administration and the provision of agriculture services.	Dialogue and technical support was focused on M&E and sector performance, but ineffective.	Despite the focus of SBS on M&E issues progress has been slow, despite several attempts to integrate and standardise information systems. The only routine data collected relates to overall agriculture sector performance and not public sector/service delivery performance. The Performance Assessment Framework represents a step forward, however the appropriateness of the indicators selected and the ability of the sector to generate the information is in question.
	PROAGRI has attracted significant external funding – US\$207m between 1999 and 2006. This funding was separately identifiable in the agriculture ministry's investment budget as external funding. The funds flow mechanism allowed for transfers to the provinces.	External funding was more flexible which in principle enabled better aligned with sector policies,	PROAGRI has contributed to an increase in sector expenditures, although this was undermined by reductions of domestic spending. In 2008 the sector got a significant boost in resources, however this was to support a policy unrelated to the PROAGRI process.

	Inputs	Effects	Outputs
		although funds were linked to the investment budget.	By 2004 the provinces were receiving 49% of the ministry budget. PROAGRI has had the perverse effect of skewing expenditures at the provincial and ministry level towards institutional development activities, and away from service delivery.

ii) Procurement, Accounting and Audit

	Inputs	Effects	Outputs
	<p>SBS funding uses government expenditure control, accounting and audit processes.</p> <p>Focus (TA/CD, dialogue, conditions) on strengthening government expenditure control, accounting and audit processes at the sector level?</p> <p><i>Derogations: why, justified, temporary?</i></p>	<p>External funding uses government FM systems more and is more predictable; assistance better focused on government financial management systems.</p> <p><i>Effects of derogations</i></p>	<p>SBS contribution to:</p> <ul style="list-style-type: none"> ▪ Improved sector procurement, expenditure control, accounting and audit at the sector level; ▪ Sector budget more reliable and sector expenditure more efficient. <p><i>How do derogations affect outputs?</i></p>
Mozambique Agriculture	Contextual factors: Improvements in PFM, including the introduction of e-SISTAFE later on.		
	<p>The common funds flow mechanism was developed in 2001 as a common set of procedures (for procurement, accounting and auditing) covering SBS. These procedures were progressively made more aligned with those of the whole of government. However, the funds transfers to spending units are still based on the SBS funds that donors disburse.</p> <p>The EC supported the development of an accounting package.</p> <p>A procurement management unit was established in the Agriculture Ministry in 1999, as a result of requirements from donor.</p> <p>Annual external audits have been carried out since</p>	<p>The Common Funds Flow mechanism allowed an increased share of external funding to use government FM systems.</p> <p>TA and capacity building was also better focused on public financial management systems.</p>	<p>As a result of the use of the common funds flow mechanism, and the increased use of government procedures, there have been improvements in procurement, accounting and audit processes. However it does continue to bypass governments' usual budget disbursement procedures.</p> <p>The development of the accounting software, prior to e-SISTAFE allowed the generation of financial data by PROAGRI component. However there were problems in its development. The software was made consistent with the MoF chart of accounts. It should give the ministry a comparative advantage in shifting to e-SISTAFE.</p> <p>The formation of the procurement unit helped establish functional procurement capacity, although capacity was</p>

	Inputs	Effects	Outputs
	1999 of PROAGRI SBS, in parallel to statutory audits.	There have been some significant derogations, including the bypassing of cash management systems and use of external audits.	eroded after 2005, and shortcomings in procurement were evident. Internal audit capacity has been strengthened. The external audits by private companies have become increasingly timely, with the increased availability of timely and reliable documentation. However this has diverted the focus away from the annual statutory audit.

iii) Capacity of Sector Institutions and Systems for Service Delivery

	Inputs	Effects	Outputs
	SBS use of government mainstream funding mechanisms and service delivery institutions (structures, guidelines, standards) Focus (TA/CD, dialogue, conditions) on devt and strengthening of mainstream service delivery institutions? Derogations: why, justified, temporary?	SBS contribution to focus aid (funds and other inputs) on govt service delivery systems & capacity Effects of derogations	SBS contribution to: <ul style="list-style-type: none"> ▪ Increased total funds flows through mainstream govt channels for service delivery, & used within regular institutional service delivery framework ▪ Stronger service delivery systems and institutions How do derogations affect outputs
Mozambique Agriculture	Contextual factors: Following the lack of “results on the ground” after PROAGRI I and reflecting a general strengthening of GOM assertiveness in policymaking, President-led policy shift to more interventionist role for government in agriculture, focusing on enhancing production, at odd with (donor-driven) PROAGRI “Basic principles” ³⁰ ; Major donors exited PROAGRI arrangements; Aid continued to be provided outside PROAGRI Common Basket Fund/SBS (this is probably on the rise as donors left).		
	SBS and PROAGRI I Common Basket Fund before it (through the CFFM) use government mainstream funding mechanisms and service delivery institutions (with SBS this is now also the case for procurement).	The effects of SBS are unclear as they may be undermined by the other aid flows of funds. The service delivery-orientation of the	Although additionality of donor funds to PROAGRI was never assured and in reality there has been “compensation” (lower domestic funding when external funding increased), total sector funding increased. Larger fund flows

³⁰ Including a market-oriented policy framework and core state functions focused on agricultural public goods (private sector-enabling regulatory framework, NRM)

	Inputs	Effects	Outputs
	<p>After the war and structural adjustment had left very weak institutions, PROAGRI I (funding and other inputs) heavily focused on institutional strengthening³¹. Although this targeted mainly upstream management functions, a number of inputs were oriented towards service delivery (community consultation in local planning system; unified extension service and improvement of agents' qualifications; support to land reform, simplified land allocation procedures). However, the dialogue, TA and condition inputs failed to produce a clear policy on service delivery.</p> <p>PROAGRI II pays greater attention to service delivery through the inclusion of related indicators in the <i>agricultural PAF</i>³² (<i>a derogation to government systems which in the sector is poorly owned</i>) and specific activities (e.g. IFAD earmarked funding focus on developing demand-driven extension) – but it is not clear that this fits with the GOM recent policy shift.</p> <p>Non-contributing donors may also be engaged in activities oriented towards service delivery (e.g. AfDB irrigation). Positive experiences with new service delivery approaches don't seem to have been picked up in PROAGRI³³.</p>	<p>SBS/ PROAGRI II PAF is not reflected in government structures' annual activity plans, and outdated by the recent government-driven policy shifts³⁴ - moreover, it would be difficult to assess progress considering the weakness of M&E systems; IFAD's extension "project within the SBS" has been undertaken very recently (2007).</p> <p>It is not known how "service delivery-aligned" other aid to the sector is as these donors (AfDB, WB, USAID among others) do not participate in the PROAGRI dialogue (any longer). PROAGRI and non-PROAGRI donors may get closer through the GBS framework and HQ commitments to harmonisation.</p> <p>To-date civil society and private sector operators have been left outside of the PROAGRI dialogue, which suggests a lack of attention to their role in service delivery in the sector.</p> <p>The effects of SBS here are likely to have been limited thus far.</p>	<p>were transferred to the provincial level, thus supporting the decentralisation process; but PROAGRI funding did not focus on service delivery.</p> <p>The use of the CFFM helped developing planning, budgeting, and FM systems and capacities at all levels, helping prepare the sector for the broader PFM reform; but this does not appear to have resulted in prioritisation of service delivery³⁵. This might change with the political drive towards increasing agricultural production prompted by the new government.</p> <p>Upstream institutional reforms were left unfinished and/or undermined by political decisions of re-organising the rural development and agriculture sectors reflecting GOM policy shift. The resulting structure of the Ministry of Agriculture is more centralised and heavier than intended, sub-sectoral coordination and local capacity have remained weak.</p> <p>The strengthening of extension capacity did not result in more/better services. Service delivery has by and large been untouched by PROAGRI³⁶. The inclusion of related indicators in the SBS PAF shows an understanding that the challenge is about implementation, which</p>

³¹ Definition of core state functions, functional analysis and organisational restructuring of the ministry, training, capacity building on planning and financial management and at local levels, improvement of working conditions in the Ministry

³² These indicators focus on extension service, farmers' access to market information and to markets, and land registration and management.

³³ Pilot extension outsourcing, involving NGOs and private sector, launched in 2003 in northern Mozambique, for approximately 40m US\$.

³⁴ The PAF development was heavily donor-driven with little government ownership as a result.

³⁵ E.g. it is not clear how community consultations are really taken into account in district planning.

³⁶ By 2007 extension coverage had increased from 10% to 13% over the past five years; there were 1.3 extension agent/10,000 inhabitants.

	Inputs	Effects	Outputs
	<p>The weakness of sector M&E systems (in spite of the supposed focus on them), making it difficult to assess service delivery performance, led SBS donors to <i>require special performance reporting</i>. <i>This has been supported through consultancy</i>.</p> <p>TA has been provided outside of the Common Basket Fund/ SBS, including by Common Basket Fund/SBS contributing donors (e.g. EC).</p>		<p>will require a change in people's mindset too. E.g. today field technicians are suspicious in relation to M&E (seen as a control mechanism rather than as a means helping them to improve their capabilities and respond to the community's problems).</p>

iv) Domestic Ownership, Incentives, and Accountability

	Inputs	Effects	Outputs
	<p>How do SBS inputs support</p> <ul style="list-style-type: none"> ▪ Stronger ownership of policies (all levels) and incentives to implement them (any particular effort)? ▪ Stronger domestic accountability³⁷/avoid parallel requirements & biasing accountability to donors (aid dialogue)? <p>Derogations to domestic accountability systems: why, justified, temporary</p>	<p>SBS contribution to aid influence on:</p> <ul style="list-style-type: none"> ▪ Strengthening ownership and incentives ▪ Strengthening domestic accountability/avoidance of parallel requirements & of diversion of attention <p>Effects of SBS derogations on aid influence on ownership, incentives and accountability</p>	<p>SBS influence on ownership, incentives & domestic accountability (stronger sense of responsibility & demand for performance etc.)</p>
Mozambique agriculture	Contextual factors: Following the lack of “results on the ground” after PROAGRI I and reflecting a general strengthening of GOM assertiveness in policymaking, president-led policy shift to more interventionist role for government in agriculture, focusing on enhancing production, at odd with (donor-driven) PROAGRI “Basic principles”; Major donors exited PROAGRI arrangements; Aid continued to be provided outside PROAGRI Common Basket Fund/SBS (this is probably on the rise as donors left).		
	<p>With PROAGRI (1st SWAp in Mozambique) funds have increasingly been under GOM control. Funds and other inputs helped build</p>	<p>PROAGRI has systematised GOM/donor interaction over policy; contributed to better aligning aid to priorities identified through the</p>	<p>PROAGRI was instrumental in strengthening GOM ownership of the policy process; in turn, this took actual policy in a direction diverging from the</p>

³⁷ Understood as accountability to parliament, of sector spending agencies to Min Finance, of scc providers to sector ministry/LG, of scc providers to citizens, of LGs to sector ministries (within respective mandates)

	Inputs	Effects	Outputs
	<p>sector management capacity. PROAGRI “Basic Principles” were supposed to have been jointly agreed. The SWAp mechanisms have been increasingly integrated with GOM processes. With the SBS PAF there is supposed to be greater (joint) attention to results and this is meant to be integrated in GOM accountability processes (PAF reporting integrated in annual report to Parliament).</p> <p>However, the “compensation” between domestic and external funding (noted above) suggests that there were limits to GOM ownership. Little attention seems to have been paid to incentives within the sector (particularly, with regard to service delivery). Also, the dialogue has never reached out to non-government stakeholders. The PAF development was heavily donor-driven, and reporting on it requires TA support. The PROAGRI II strategy, prepared with substantial (and costly) external inputs, was never approved and was taken over by the new GOM-driven policy developments.</p>	<p>dialogue; contributed to better align aid fund management with GOM management systems. This should have facilitated greater policy ownership, and supported domestic accountability lines and processes.</p> <p>However, the systematic interaction may have been seen as intrusion, which may have combined with the lack of results on the ground to explain GOM’s disaffection from the PROAGRI framework. Moreover, the SWAp failed to produce a consensus (among donors and between donors and GOM) on the role of public services in agriculture, which means that incentives and accountability in the sector continue to be unclear.</p> <p>Several major donors exited from the PROAGRI framework, developing separate channels of interaction with GOM, thus fragmenting donor policy inputs. It is not clear how this plays out with regard to GOM policy ownership and incentives.</p> <p>PROAGRI “system alignment” had positive planning and FM capacity effects as seen above but project funding continued to be important in the sector, thus potentially undermining the effect of Common Basket Funding/SBS on incentives.</p>	<p>donor-driven policy framework. Policymaking now takes place with allegedly “little stakeholders’ consultation”. However, PROAGRI’s consultation process seemed to have produced “appropriation” rather than ownership and didn’t extend to non-government stakeholders.</p> <p>The recent shift to more interventionist policies, outside of the PROAGRI framework, represents a shift towards greater genuine ownership and lesser readiness to “appropriate” inputs from outside. It responds to a demand for performance, which is also primarily emanating from outside the PROAGRI process and is rooted in domestic politics. In parallel with these GOM-owned accountability processes, the PROAGRI accountability processes focus around the interaction between GOM and donors, with no/little involvement of non-state actors.</p> <p>At the operational level, the PAF is not owned and therefore not reflected in the actual accountability systems (annual activity plans); PAF monitoring is seen as a threat by field workers, which suggests little change with regard to incentives and sense of responsibility for service delivery.</p> <p>PROAGRI “system alignment” facilitated the broader PFM reform, but it is not clear whether this resulted in greater accountability of sector institutions to the Ministry of Finance and Ministry of Planning and Development. Again, changes in accountability and incentives may emanate from the new government’s political drive.</p>

d) The Outputs and Outcomes of SBS

	Main SBS Outputs Influencing Outcomes	Outcomes Influenced by SBS

	Main SBS Outputs Influencing Outcomes	Outcomes Influenced by SBS
	Changes in sector policy, spending, institutions, service delivery systems and accountability influencing sector outcomes	Changes in the implementation of sector policies and delivery of services influenced by SBS
Mozambique Agriculture	<p>Early on, the main outputs of SBS related to improvements in the policy framework and institutional capacity in the sector. However, SBS-supported reforms managed neither to bring on broad non-state players, nor to establish a clear role for the public sector in service delivery, nor to foster inter-sector coordination. This led to an excessive concentration of resources on institutional capacity building activities. More recently policy has become more fragmented, as the government has developed policies outside the policy framework supported by SBS, to which the government has allocated significant resources.</p>	<p>However, there is little or no evidence that service provision at the field level or the implementation of sector policies have improved as a result of institutional capacity developed through SBS funding and associated inputs. Nor have public sector actions more broadly addressed constraints faced by farmers, and consequently improved sector outcomes.</p> <p>It is reasonable to conclude that SBS has had little or no effect on sector outcomes to date, and in its current form is unlikely to do so.</p>

Annex 2: Country and Sector Data

a) Core Country Data

Mozambique	1990	1995	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	SSA (2007)
Exports of goods and services (% of GDP)	8	16	12	13	18	25	28	29	32	33	41	39	34
GDP growth (annual %)	1	3	11	8	1	12	9	6	8	8	9	7	6
GNI per capita, Atlas method (current US\$)	170	130	220	240	230	230	230	230	260	290	310	330	951
GNI per capita, PPP (current international \$)	270	300	390	420	420	460	520	550	580	630	670	730	1,869
Gross capital formation (% of GDP)	22	27	18	20	31	20	30	22	19	19	19	19	22
Inflation, GDP deflator (annual %)	34	51	5	4	12	15	8	5	7	9	7	6	6
GDP (current US\$m)	2,463	2,247	4,240	4,448	4,249	4,075	4,201	4,666	5,698	6,579	6,961	7,790	847,438
Official development assistance and official aid (%GDP)	40	47	25	18	21	24	53	22	22	20	23	23	4
Official development assistance and official aid (current US\$m)	998	1,062	1,040	819	906	963	2,218	1,049	1,243	1,290	1,605	1,777	35,362
Revenue, excluding grants (% of GDP)	-	-	-	-	-	-	-	-	-	-	-	-	-
Total debt service (% of exports of goods, services and income)	26	35	18	17	12	8	6	6	4	4	2	1	5
Fertility rate, total (births per woman)	6	6	-	-	6	-	6	-	-	5	5	5	5
Population growth (annual %)	1	3	3	2	3	3	3	2	2	2	2	2	2
Population, total (m)	14	16	17	18	18	19	19	20	20	21	21	21	800
Income share held by lowest 20%	-	-	-	-	-	-	-	5	-	-	-	-	-
Poverty headcount ratio at national poverty line (% of population)	-	-	-	-	-	-	-	54	-	-	-	-	-
Agriculture, value added (% of GDP)	37	35	31	29	24	23	28	28	27	27	28	28	15
Primary completion rate, total (% of relevant age group)	26	26	13	14	16	19	22	-	30	42	42	46	-
Ratio of girls to boys in primary and secondary education (%)	-	-	-	74	75	77	78	-	82	83	85	85	-
Births attended by skilled health staff (% of total)	-	-	-	-	-	-	-	48	-	-	-	-	45
Contraceptive prevalence (% of women ages 15-49)	-	-	-	-	-	-	-	16	-	-	-	-	23
Immunization, measles (% of children ages 12-23 months)	59	71	64	66	71	74	77	77	77	77	77	77	73
Life expectancy at birth, total (years)	44	45	-	-	45	-	44	-	-	43	42	42	51
Malnutrition prevalence, weight for age (% of children under 5)	-	-	-	-	-	-	-	21	-	-	-	-	27
Mortality rate, under-5 (per 1,000)	201	190	-	-	184	-	-	-	-	174	171	168	146
Prevalence of HIV, total (% of population ages 15-49)	1	4	8	9	10	10	11	12	12	12	12	12	5
Roads, paved (% of total roads)	17	19	19	19	19	19	-	-	-	-	-	-	-
Improved sanitation facilities, urban (% of urban population with access)	-	49	-	-	51	-	-	-	-	-	53	-	-
Improved water source (% of population with access)	36	39	-	-	41	-	-	-	-	-	42	-	-

b) Additional Sector Data

PROAGRI Performance Assessment Matrix

Objectives	Result indicators	Base 2005	Target 2009	Realization (Actions)	Responsibility	Production indicators /Execution/ Source	Base 2005	Target 2006	Target 2007	Target 2008	Target 2009
Operation											
<u>Increase productivity and production to ensure food security</u>											
Increase access to technologies and extension information	% of farms assisted that have adopted at least one new technology, (TIA)	28%	36%	Divulgate and disseminate agriculture technologies	MINAG/ Extension	Total number of farmers assisted by the public extension service including outsourcing (Rep)	177,000	193,500	222,300	258,300	500,700
				Evaluate , create and transfer agriculture technologies adapted to the various agro-ecological zones	MINAG/IIAM (investigation)	Number of new culture varieties launched	4	4	4	3	3
						Quantities of improved seeds produced (MT)	10.050	11.050	12.000	13.050	14.500
Promote construction and rehabilitation of agriculture infra-structures	% farms using irrigation technologies (TIA)	4%	4.50 %	Construct and rehabilitate infra-structures for harvesting water	MINAG/Agriculture services	Number of ha of irrigation rehabilitated with public funds and management transferred to beneficiaries (Rep)	2,500	3,200	4,000	3,400	3,000
Increase availability and access to livestock inputs	% of farms using at least one livestock input (vaccine) (TIA)	3%	4%	Conduct animal health campaign	MINAG/Veterinary directorate	Number of vaccination against Newcastle	1,988,000	2,300,000	2,700,000	3,100,000	3,600,000
<u>Increase revenue and competitiveness of farmers</u>											
Improve access to information and agriculture	% farms with access to information on market prices through radio (TIA)	30%	38%	Promote information service on market opportunities	MINAG/Economy Directorate	Number of hours of radio program per year diffusing market information	87	130	173	173	173

markets	% farms with at least one member in an association (TIA)	6%	???	Support and capacitate producers association	MINAG/ Extension	Number of producers association assisted by MINAG, including outsourcing	2,476	2,550	2,700	3,050	4,250
Promote the development of private sector production systems in the value chain perspective	Value and Volume of exportations of cashew, cotton and sugar (US\$ millions) (Rep)	95.5	110	Define a set of norms on quality, sanitary and phyto – sanitary certification for a competitive market	MINAG/Directorates of Plant and Animal Health MIC/INNOQ	Number of licence and sanitary and phyto-sanitary certificate issued	2,000	2,500	3,000	5,000	7,000
Ensure environmentally sustainable management of Natural Resources											
Improve equitable communities access to natural resources in its use and sustainable management	% farms owned that have formal documentation (Rep)	1.20%	1.70%	Consolidate and divulgate law on Natural Resources	MINAG/Directorate of Land	% of processes (for the authorization of right, use and exploration of land) finalized in a delay of 90 days or less (Rep)	78%	85%	90%	95%	99%
						Number of local communities with land delimited and registered in the cadastre	180	198	220	242	266
						% of local communities, benefiting of the 20% from the exploration taxes on natural resources	0	10	20	30	60
Improve the inspection and control of the exploration of natural resources	NA	-	-	Ensure the obedience to the law on natural resources	MINAG/Land Directorate	Number of transgressions on forestry and fauna reduced	1,100	990	880	770	660
						Number of hectares reforested	1500	3000	4000	5000	5000
						% of fines on forestry and fauna paid	45	45	50	60	70
						% of taxes on land use with legal documentation collected	80	85	87	88	90
Institutional Reform											
Rationalize MINAG staff structure in conformity				Prepare proposals for redesigning the staff structure	MINAG/HRD	Number of directorate staff structure prepared and approved	0	CS (11) SI (03) TI (01) DPAs	- (03) - (10)		

with the Institutional Reform of the State and the conclusion of MINAG functional analysis				Filling up existing positions in the staff structure, replacing the contractual positions	MINAG/HRD	Number of positions filled up		(00)			
									CS (50) SI (70) TI (01) DPAs (300)	(75) (120) - (600)	(100) (170) - (600)
Promote inscription of MINAG staff to voluntary retreat program				Inform directorate and institutions on the	MINAG/HRD	Number of additional staff joining the program	54	200	300		
Decentralize MINAG staff manpower				Placement of technician in the districts	MINAG/HRD	Total number of technician with medium and superior level placed in the districts	SLT-108 MLT-793	SLT-90 MLT-75	SLT-90 MLT-85	SLT-45 MLT-70	SLT-45 MLT-50
CS- Central Directorate, SI- Subordinate Institutions, TI- Technical Institute, DPA – Provincial Directorate, MLT – Medium level technician, SLT – Superior level technician											
Financial Administration											
Providing a more efficient financial management of the financial resources contributed to MINAG				Strengthen internal control system ensuring timely reception of financial information (Arco Iris	MINAG/DAF	Provide the FMR on time (30 days after the end of the quarter)	T +45 days	T+45 days	T+30 days	T+30 days	T+15days
				Create basic conditions for the management of the funds at district level including the training of administrative	MINAG/DAF DE e DPAs	% of the funds decentralized to the districts relatively at the investment disbursement		45%	50%	60%	65%
HIV-AIDS strategy											
Promoting the improvement and prolongation of quality of professional				Provision of medical and medicaments assistance as per the law and the public health system	MINAG/HRD + Focal points	% staff benefiting that have declared their sero-positive condition		80%	90%	100%	

and social life of the staff living with HIV-AIDS				to the staf that have declared their sero-positive conditions							
				Provision of nutritional support to staff living with HIV-AIDS e their families	MINAG/HRD + DNEA + Focal points	% staff benefiting that have declared their sero-positive condition		70%	90%	100%	

Source: Republic of Mozambique and Signatory Partners (2007).