

The Second Generation Poverty Reduction Strategy Papers (PRSPs II)

The Case of Mozambique



African Forum and Network
on Debt and Development

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(PRSPs II)**

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About AFRODAD

AFRODAD Vision

AFRODAD aspires for an equitable and sustainable development process leading to a prosperous Africa.

AFRODAD Mission

To secure policies that will redress the African debt crisis based on a human rights value system.

AFRODAD Objectives include the following:

- 1 To enhance efficient and effective management and use of resources by African governments;
- 2 To secure a paradigm shift in the international socio-economic and political world order to a development process that addresses the needs and aspirations of the majority of the people in the world.
- 3 To facilitate dialogue between civil society and governments on issues related to Debt and development in Africa and elsewhere.

From the vision and the mission statements and from our objectives, it is clear that the Debt crisis, apart from being a political, economic and structural issue, has an intrinsic link to human rights. This forms the guiding philosophy for our work on Debt and the need to have African external debts cancelled for poverty eradication and attainment of social and economic justice. Furthermore, the principle of equity must of necessity apply and in this regard, responsibility of creditors and debtors in the debt crisis should be acknowledged and assumed by the parties. When this is not done, it is a reflection of failure of governance mechanisms at the global level that protect the interests of the weaker nations. The Transparent Arbitration mechanism proposed by AFRODAD as one way of dealing with the debt crisis finds a fundamental basis in this respect.

AFRODAD aspires for an African and global society that is just (equal access to and fair distribution of resources), respects human rights and promotes popular participation as a fundamental right of citizens (Arusha Declaration of 1980). In this light, African society should have the space in the global development arena to generate its own solutions, uphold good values that ensure that its development process is owned and driven by its people and not dominated by markets/profits and international financial institutions.

AFRODAD is governed by a Board of seven people from the five regions of Africa, namely East, Central, West, Southern and the North. The Board meets twice a year. The Secretariat, based in Harare, Zimbabwe, has a staff compliment of Seven programme and five support staff.

Preface

National poverty reduction plans, known in the development community as PRSPs, or Poverty Reduction Strategy Papers, have evolved since the late 1990s as key instruments that provide the basis for concessional assistance from the World Bank, IMF, UNDP and other donors. This occasional renaming of PRSP is significant in that the designers of the approach expect that PRSPs are to be country-driven, locally owned and based on broad participatory processes for their design, implementation and monitoring. The expectation is that governments will design and direct poverty reduction strategies for their countries in consultation with local government, civil society and communities. PRSPs despite their shortcomings have been adopted in a number of countries as country development programmes, around which donor support is anchored.

The rationale for adopting Poverty Reduction Strategies (PRSs) as a key instrument for achieving the MDGs is clear. PRSs provide an opportunity for policymakers to formulate coherent, focused strategies and policy measures to address issues of national priority; including the achievement of the MDGs. African countries have achieved varying degrees of alignment of their PRSs to the MDGs. Drawing on case studies undertaken by the AFRODAD, this report on Mozambique highlights the opportunities and challenges associated with Mozambique's second PRSP and how it aligns to the MDGs and other development initiatives.

AFRODAD has embarked on studying the second generation PRSPs as a follow-up to its earlier work in 10 Sub-Saharan Africa countries on the first generation of PRSPs. This study on Mozambique examines the particular challenges and opportunities -especially participation, poverty diagnosis, content, public expenditure management, and capacity issues and donor behaviour confronting countries that are formulating and implementing their 'second generation' PRSPs. While there is clearly an element of continuity in the technical, institutional and political context confronting the second generation of PRSPs, they also differs from the first in a number of respects: one of which is the way the various stakeholders- government, donor and civil society organizations- have been geared and prepared to engage with the process after the first PRSPs shortfalls. This case study thus aims to make a contribution to the debate on the relevance of the PRSP approach to sustainable development in Africa and elsewhere in the developing world.

To improve ownership, leadership and accountability, the study among other things recommends genuine representation of stakeholders and improved quality of their participation in the design, formulation, implementation and monitoring of national development strategies by building and enhancing technical capacity for policy design, decision making, implementation and monitoring. It further calls for improved accountability to parliaments and the citizenry in the spirit of strengthening domestic accountability.



Charles Mutasa

Executive Director

AFRODAD

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List Of Abbreviations/Acronyms

AFRODAD	African forum and Network on Debt and Development
CAS	Country Assistance Strategy
ESAF	Enhanced Structural Adjustment Facility
FRELIMO	Front for the Liberation of Mozambique
GDP	Gross Domestic Product
HIPC	Highly Indebted Poor Countries
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IFIs	International Financial Institutions
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MoU	Memorandum of Understanding
NEPAD	New Partnership for Africa's Development
PARPA	Plan of Action for the Reduction of Absolute Poverty
PO	Poverty Observatory
PRGF	Poverty Reduction Growth Facility
PRSPs	Poverty Reduction Strategy Papers
RAP	Annual Report of Poverty
RENAMO	Mozambican National Resistance
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USD	United States Dollars
VAT	Value Added Tax
WB	World Bank

1.0 Executive Summary

This document aims to share the Mozambican experience in engaging with Poverty Reduction Strategy Programs (PRSPs); the context in which they emerged internationally and in Mozambique. An outline of PARPA I and PARPA II is presented to facilitate their comparison regarding process, content, capacity, monitoring and evaluation. The document also presents the link between Poverty Reduction Growth Facility (PRGF) and PARPA II to evaluate the extent of their similarities and/or the existence of conditionalities and mutual commitments. Finally, links between Millennium Development Goals (MDGs) and PARPA II are established to show to what extent the Government is taking into consideration the commitments set out in the MDGs in its poverty reduction program.

2.0 Introduction and Background

Mozambique is one of the countries where the incidence of poverty is still affecting large parts of the population, especially in rural areas. Despite development efforts made by the government straight from independence, the outbreak of civil war that killed lots of people, made internal and external displacements and destroyed social and economic infrastructures; the occurrence of natural disasters, negative external factors, external debt and internal constraints, made Mozambique one of the poorest countries in the world, as per world indicators for 1992. Government commitment to improving the living conditions of the population continued despite the obstacles mentioned above. The signing of a Peace Agreement between FRELIMO and RENAMO to end the hostilities in 1992 opened up doors for reconstruction and implementation of development programs.

In 1996/7 the Government conducted a family survey to identify the extent of poverty and its causes as well as define strategies aimed at reducing the number of people living below the poverty line, through implementation of adequate programs and activities. The survey showed that 70 percent of the population lived in absolute poverty, mainly in the rural areas. It also revealed that 60 percent of the population was illiterate, especially women; only 12 percent of people in rural areas had access to clean water; maternal mortality and infant mortality were 175/100,000 and 147/100,000, respectively. Poverty affected more women than men due to their low level of education and lack of access to productive assets. The incidence of poverty was also accentuated in certain provinces, with Inhambane, Tete and Sofala the most affected ones with 82.60 percent, 82.27 percent and 87.92 percent, respectively (1).

In Mozambique PRSP is termed PARPA (Plano de Acção para a Reducção da Pobreza Absoluta - Plan of Action for the Reduction of Absolute Poverty). To reverse this situation, in 1999 the government designed a program - PARPA (Plan of Action for the Reduction of Absolute Poverty) aimed at implementing activities with the view of reducing the number of people living in absolute poverty.

In 2000, following the emergence of PRSPs formulation and implementation as one of the conditionality for accessing resources from the International Financial Institutions (IFIs), PARPA was then revised to become the Mozambican first PRSP. The revision consisted in ensuring that economic growth was linked to poverty reduction and that there was a compliance with macroeconomic requirements as defined by the International Monetary Fund and the World Bank. It was also required that all the country's stakeholders were involved in the process of PRSP formulation.

Through PRSPs, IFIs wanted to make sure that their resources were allocated to countries' poverty reduction priorities, defined in a participatory way to allow for countries/people ownership of the development processes. Overall, International Financial Institutions defined five core principles for PRSPs as outlined below:

- Country-driven, promoting ownership of strategies through broad-based participation of civil society;
- Result oriented and focused on outcomes that will benefit the poor;
- Comprehensive in recognizing the multidimensional nature of poverty;
- Partnership oriented, involving coordinated participation of development partners;
- Based on long-term perspective for poverty reduction.

The principles set above are significant and would bring fast impact to poverty reduction if they were implemented in an equal and fair world environment. Over the years, the world has been characterized by an unequal development system with the developed world setting the rules of the game in development cooperation. The implementation of structural adjustment programs and associated conditionalities by developing countries has set the framework for their development policies.

Through several cooperation instruments established between IFIs and poor countries, the latter are required to privatize their companies, leading to considerable lay offs with a consequent rise in unemployment; reduced government expenditure leading to a shortage of staff or ill-paid workers resulting in bad service provision; eliminate agriculture subsidies pushing farmers out of business with consequent rise in unemployment of rural workers. The unfair terms of trade, difficult access to international markets, unsustainable external debt are also other factors that hamper poor countries' efforts to poverty reduction.

PRSPs emerged in a world where the development framework had already been set and the developing countries were already implementing several conditionalities within existing cooperation agreements. Unless these constraints are dealt with in a comprehensive way in the overall context of development, poor countries' efforts to poverty reduction will have a slow impact in the lives of people.

Developing country governments should also promote true citizen participation in decision making processes, improve the performance of public institutions and be accountable to the people to reduce poverty and bring a real change in the lives of the populations.

2.1 Research Objectives and Methodology

This study is meant to give a general background to Mozambique's experience and engagement with the PRSPs, while identifying and critically discussing the key similarities and differences in the first generation and second generation PRSPs. It addresses the extent to which institutional capacity needs of the various stakeholders that were not addressed in the first PRSP were addressed by the second generation PRSP, elaborates on the planning instruments of partner governments and that of donors, and identifies the degree of institutionalisation of CSO and private sector consultation. Finally, it is meant to link the formulation of the second generation PRSP with and promotion of the MDGs campaign.

3.0 Country Experience in Engagement With PRSPs

3.1 PARPA I

PARPA I was a medium term plan which contained the strategic vision for poverty reduction, including the main objectives and key actions for the period 2001 - 2005. Its specific objective was to reduce the incidence of poverty from 70 percent in 1997 to 60 percent in 2005.

Recognizing that the concept of poverty is complex and its definition is evolving overtime, there is a need for further reflection to make sure that the adopted poverty reduction strategies tackle the root causes of poverty. Based on the above definition, the Government selected the following areas, as well as their respective objectives, as fundamental for poverty reduction. For each area the government also defined objectives that would lead to the achievement of the expected results.

- **Education**

Expand education network, improve quality, revise curricula and develop capacity of the following subsystems: primary education; literacy and adult education; secondary education; vocational/technical education; teachers training; higher education; professional training; special education. It was also envisaged the combat of HIV/Aids through the education system.

- **Health**

Improve primary health care with focus on maternal and infant health and youth reproductive health; improve health care for the fight against HIV/AIDS and other endemic diseases; improve health network; improve nutrition; develop human resources and planning and management of the health sector.

- **Infrastructures**

Contribute to the expansion of markets, in particular agriculture markets. Guarantee access by road to districts with high economic potential; establish links between the main regions of the country and develop the main corridors; improve the quality of construction, rehabilitation and maintenance of roads. Expand access to potable water and sanitation and to sources of energy, especially in rural areas.

- **Agriculture and rural development**

Build the capacity of producers to increase productivity and feasibility of their activities; transform the role of public institutions to become facilitators and servers of producers. Support rural development through interventions in the areas of rural extension; research; support to agriculture production; animal husbandry; forestry and wild fauna; management of agriculture land; irrigation; microfinance; rural communication and institutional development.

- **Governance**

Implement and support the process of decentralization and de-concentration; transform and reinforce public institutions dealing with private sector; reinforce negotiation and inspection capacity in the process of concessions; protect frontiers and inspect the coast; rationalize and reinforce public finance system; combat corruption.

- **Macroeconomic and Financial Policies**

Improve macroeconomic and financial indicators through the implementation of the following policies: fiscal and monetary policies; policy for mobilization of budgetary resources; policy for management of public expenditure; policy for the development of financial markets; policy for international trade and policy for management of public debt.

Apart from the fundamental areas, PARPA I also dealt with other areas that contribute to poverty reduction such as: employment and entrepreneurial development; social action; housing; mining, tourism and industry; transport and communications; technology and environment and reduction of vulnerability and natural disasters.

The fundamental areas of PARPA I are the same as the objectives set out in the Government Five Year Plan for 2000 - 2004 period. This plan prioritizes: i) poverty reduction through education, health and rural development; ii) fast and sustainable economic growth through the creation of a favorable environment to the private sector; iii) economic development focused to the reduction of regional disparities and iv) consolidation of peace and national unity through the promotion of justice, democracy and patriotic consciousness.

The selection of the fundamental areas was based on the following criteria: i) importance, ii) expected impact on poverty reduction and growth and iii) institutional and financial viability. Their implementation was expected to result in expanded employment; increase in investment; increase in supply and demand of goods and services; increase in wellbeing of people through socio-economic development and inclusive and sustainable economic growth.

Macroeconomic and financial management is fundamental to poverty reduction given that is a crucial requisite to fast economic growth and job creation. However, the extent to which its related policies and strategies are implemented should not go against its basic principles of poverty reduction and job creation. Cuts in Government expenditure are a contribution to reduce inflation but they have reduced government capacity to hire and train teachers and health workers, preventing poor children from attending school or having low quality education and health services. Privatization has a negative effect on the poor, as does the introduction of a heavy VAT (17 percent) that is borne by the consumer, including the poor. Therefore, gains from macroeconomic and financial policies should be weighted against their negative impact on poor and poverty reduction goal.

Economic growth does not lead automatically to poverty reduction, there has to be a deliberate action from the Government to ensure that gains from economic growth are channeled to the poor. Although there have been some efforts in this direction, disparities between rich and poor as far as income distribution is concerned are enormous.

3.1.2 Process of PARPA Formulation

The formulation of PARPA I followed the same mechanism used in other government programs, with the particularity that PARPA required the participation of all the country's stakeholders. As mentioned above, the Government had produced a poverty reduction plan in 1999/2000 following the normal procedures of sector coordination that bring together technicians of different sectors to discuss and validate data of their specific area of activity. The process starts at provincial level with the different provincial directorates formulating their plans in accordance with their respective ministry guidelines. This information is then sent to the ministry of tutelage to be harmonized with central information. Each sector uses as basic documents the strategic plans and other relevant planning instruments. The Ministry of Planning and Finance coordinated the overall process, organizing multi-sector meetings and compiling the final document.

To ensure participation of civil society and other stakeholders, the Ministry of Planning and Finance started a process of consultation to disseminate information contained in the draft document and sought comments and inputs. The consultations took place at central and provincial levels through the realization of seminars and they involved civil society representatives, private sector representatives and donors' representatives.

The Ministry of Planning and Finance also led the process of formulating the Medium Term Fiscal Scenario that provides information on expected revenues and expenditures and allows for the prioritization of projects and activities on resource allocation.

3.1.3 Participation

What happened in the formulation of PARPA I was consultation and not participation of civil society and other stakeholders. The following factors could have contributed to this situation:

- lack of an institutionalized mechanism for civil society and private sector participation;
- the country was affected by floods and the Government had to devote a lot of efforts to minimize the suffering of thousands of people.
- there was a pressure on timeline to conclude the document to access HIPC II resources.

- The kind of participation required in this process was not a normal way of doing business in the country.

Different ministries consulted civil society for the formulation of their strategic plans when and how they wanted to. There was no mechanism to evaluate the quality of participation or consultation. As a result, for PARPA I formulation the meetings were called at short notice, the documents were not distributed on time and some civil society members did not also fully understand the whole process and ended up not showing appropriate interest.

Civil Society organizations also faced challenges in capacity to engage in such complex policy formulations and discussions on macroeconomic issues, given its traditional role of project/program implementation. The bulk of their efforts were devoted to demanding more participation and an institutionalized space than properly discussing the issues. However, in the social area, they were able to give meaningful contributions given their knowledge of community development issues. Another aspect that civil society brought as a contribution and was accommodated was the need to include governance issues in a clear and comprehensive way.

Overall, the process was a learning experience. From the consultations exercises it was possible to validate the priority areas of action. The participants made the following suggestions:

- inclusion of governance issues with a focus to decentralization and deconcentration for participatory planning at local level, specifically in the districts
- strengthen policies to combat corruption and ensure change of attitude of public institutions
- improve policies in agriculture commercialization, promote agriculture industries, promote national enterprises and develop financial services, especially in rural areas.

Development partners (IFIs and donors) played a role of making sure that the PRSP principles were understood and macroeconomic principles were properly articulated in PARPA. This is due to the fact that PRSP is a process imposed by the IFIs and they had to ensure its implementation. Moreover, they have policy experts that could easily engage in the exercise, as opposed to the civil society, private sector and even the government. Donors also have a special interest of overseeing the allocation and use of their money. Thus they push for transparency and good management issues as well as for the definition of indicators that allow them to monitor the use of their resources.

It is important to mention that Mozambique started to implement structural adjustment programs in 1987. For almost two decades it has been complying with IFIs conditionalities. Therefore the framework to the country's macroeconomic policies was set before the emergence of PRSPs through previous cooperation agreements.

The parliament did not participate in PARPA I formulation. PARPA does not also require parliament approval but that of the Council of Ministers. However, there is a need to strengthen the capacity of its members to allow them to properly monitor poverty reduction efforts.

3.2 PARPA II

Government efforts towards reducing poverty through the implementation of PARPA I and other development activities made it possible to reduce the incidence of poverty from 70 percent in 1996/7 to 54 percent in 2003. This figure was 5 percent higher than the target set out in PARPA I. This number is challenged by some segments of civil society organizations because while acknowledging Government efforts and their related impact to poverty reduction, the extent and depth of poverty in some communities is still critical and the impact of HIV/AIDS has been hampering country's poverty reduction efforts. However, no further evaluations were made to confront the above number.

PARPA II is the continuation of PARPA I efforts to insure the achievement of poverty reduction objectives as set out in Agenda 2025, Millennium Development Goals (MDGs), NEPAD, 2005 - 2009 Government Five Year Plan, sector strategic plans and other relevant instruments. In fact, PARPA II priorities are the same as the objectives of 2005 - 2009 Government Five Year Plan. Specifically, it aims at reducing the incidence of poverty from 54 percent in 2003 to 45 percent in 2009 (2).

¹ Plano de Acção para a Redução da Pobreza Absoluta 2006 – 2009, República de Moçambique

It shares the same priorities with PARPA I in the areas of human capital development through education and health. It also prioritizes improved governance, development of basic infrastructures and agriculture, rural development, and better macroeconomic and financial management. However, it differs from PARPA I because its priorities include greater integration of national economy and an increase in productivity.

Additionally, PARPA II gives special attention to district based development, creation of a favorable environment to growth of the nation's productive sector, improvement of the financial system and measures to help small and medium-size enterprises flourish in the formal sector, and the development of both the internal revenue collection system and the methods of allocating budgetary funds.

A positive aspect in the formulation of PARPA II was the joint definition of work methods and procedures. The definition of pillars in which all development actions were included to allow for program consistency and integration and the creation of working groups as a basis for wider and methodical participation were also a fundamental planning aspect.

3.2.1 Pillars of PARPA II

PARPA II was organized in three pillars. The definition of pillars allows the country to focus on following functions: i) social organization through the State; ii) development of the capacities of individuals and iii) creation of wealth to improve the wellbeing of the citizens. It also allows the country to analyze the links of the three functions for the achievement of the overall goals.

- **Governance**

Priority areas: public sector reform; reform of justice, legality and public order. Other areas include peace, political and social stability; social justice; legality and security and information and communication

- **Human capital**

Priority areas: education and culture; health; water and sanitation; HIV/AIDS; youth and sports; women and social action; old fighters; housing; food security and nutrition and science and technology.

- **Economic development**

Priority areas: Macroeconomic management; improvement of business environment; financial system development; promotion of the creation of a strong, dynamic, competitive and innovative private sector; promotion of priority sectors, enlargement of entrepreneurial basis and job creation; improve the insertion of the country in regional and international economy; promote integration and consolidation in national markets.

Apart from the pillars above, PARPA II defined transversal issues that should be taken into consideration when analyzing and defining strategies and activities for priority areas identified in each pillar. These are: de-mining; environment; calamities, HIV/AIDS, food and nutritional security, science and technology and rural development. Indeed, they have an impact in all development activities. Therefore, if neglected they can undermine the overall development process.

Governance is extremely important in the process of poverty reduction. Poverty also encompasses the lack of access to services, exclusion from decision making, lack of participation, high exposure to abuses from public servants (including corruption) as well as high exposure to criminality. Governance pillar seeks to transform the State into a promoter of development of human capital and of the economy. The government promises to undertake its work according to principles and laws that ensure transparency, accountability, fight against deviations and mismanagement of public funds and resources and an appropriate application of laws against criminal and corrupt actions.

The government is already taking some steps to improve governance in the country. It has produced SISTAFE for the control of public funds produced a law against corruption and there is an Anti-Corruption Unit as well as a National Authority of Public Function. There is a lot of work to do to ensure that these instruments and institutions deliver what they are expected to in an impartial way. Mozambicans are awaiting for the clarification of pending corruption cases.

Family Law and the Law against Domestic Violence recently produced with involvement of civil society organizations are a step forward towards improving the wellbeing of women.

However, there are still a lot of challenges to assure the observance of the law at all levels and the applications of adequate corrective measures, should a violence act occur.

Human capital endowed with capacity is an important asset for the initiative and action of citizens and all institutions of society. This capacity should be permanently upgraded as a way of strengthening human rights. Through priority areas listed above, the government realizes distributive policies of income and wealth increase the wellbeing of the populations, contribute to the creation of basis for the improvement of efficiency of working processes.

The government has done a lot of effort in developing human capital through investment in education, health, water and sanitation, prevention of HIV/AIDS, assistance to vulnerable groups such as women, children, people with disabilities and the elderly. There is a deliberate action to promote women's status through adult and vocation training and girls' education. However, there are still some challenges regarding the achievement of Dakar Education for All Goals and MDGs. Unless additional effort is made in terms of capacity and resources, the country will fall short on its promises.

Sustainable economic development is one of the necessary conditions for poverty reduction. Through this pillar the government expects to stimulate and promote the increase in per capita income of economic activity; increase productivity and links between sectors; creation and improvement of quality of work and self-employment; development of infrastructures and technical and scientific capacities applied to productive activity at rural and national levels; expansion of a strong, dynamic, competitive and innovative private sector; development of monetary and financial systems; deepening of tax reform and gradual integration of national economy in regional and international markets.

Specific activities to be undertaken in this pillar should aim to ensure stability in macroeconomic and financial indicators to expand pro-poor growth and the creation of a good environment for investment. Thus, they should prioritize the implementation of activities that provide life skills and promote employment and self-employment, with focus on women, youth, the disabled, elderly and other vulnerable groups. They should also simplify business license procedures and facilitate access to credit by poor people.

3.2.2 Process of PARPA II Formulation

A remarkable step given by the government in the preparation of PARPA II was the creation of space for joint definition of the process and content of PARPA II. Government, civil society organizations and donors participated in this exercise. Working groups were created to allow for better participation and specialization and were organized by the following themes:

Table 3.1 PARPA II Working Groups by Theme

Theme	Working Group
Macro economy and Poverty	Economic Growth and Macro Stability
	Poverty Analysis and Monitoring System
	Management of Public Finances
Governance	Public Sector Reforming
	Decentralization
	Reform of Justice and Judicial Power
Economic Development	Financial Sector
	Private Sector
	Agriculture
	Infra-structures: Roads, Telecommunications, Ports and Railways Infra-structures: Energy
Human Capital	Health
	Education
	Water and Sanitation
Transversal Issues	De-mining
	Gender
	Environment
	Calamities
	HIV/AIDS
	Food and Nutritional Security
	Science and Technology
	Rural Development

At a later stage, the government created two additional working groups on housing and social action. The subgroup on private sector also discussed the issues on tourism, fishery, mining and industry. People were free to choose one or more working groups of their preference. Government, civil society and development partner representatives were all actively involved in the working groups.

Discussion sessions took place at a time and schedule previously defined, and were chaired by government technicians working in a specific area under discussion. There were also coordinators for each pillar that made sure the sessions happened according to plan and were responsible for harmonizing the information coming from the pillar's different subgroups.

The establishment of Poverty Observatory (PO) in 2003, as a forum for dialogue between the Government, civil society and development partners, institutionalized civil society participation mechanism in the political agenda. This was a turning point on the way the Government viewed civil society and its participation in poverty reduction efforts. From then on, the consultation mechanisms and the quality of communication between the Government and civil society changed dramatically, giving the latter an opportunity for increased participation.

The Government also created Provincial Development Observatories in all provinces. These are replicas of the PO and aim at creating space for development dialogue within the province. It is through this platform that the province elicits ideas and positions to feed into PARPA formulation and participate in its monitoring and evaluation.

Following the realization of the first PO in which 20 representatives of civil society organizations took part, civil society created the G20, a civil society platform for its participation in poverty observatory and engagement in development dialogue. Presently with more than 60 members, G20 has been able to bring together organizations, networks, religious groups, private sector associations, trade unions and individuals of different persuasion around a common agenda: to bring the voice of poor people hidden behind government statistics to decision makers. For civil society, numbers alone do not explain the impact of services provided or the distress of those who did not benefit. To complement the numbers, civil society produced a report that brings information regarding demand, impact and the voice of beneficiaries of services provided.

Indeed, in 2004, G20 members went to provinces, districts and localities collecting data on the perception of vulnerable people about poverty and what they could do to reduce it. Based on their information an Annual Report of Poverty (RAP) was produced and presented to the PO in 2005. This has been a yearly contribution to Poverty Observatory and to the society at large. It has also been an input to PARPA through its recommendations on critical aspects of poverty reduction, including the need to re-define poverty in such a way that incorporates all the elements associated to it.

G20 has created provincial focal points (provincial G20) that mobilize people and ensure their participation in poverty reduction activities. It is through these focal points that G20 involves civil society in the RAP formulation exercise and guarantees its participation in Provincial Development Observatories.

Building on this experience, civil society organizations came together and defined a participation mechanism for the formulation of PARPA II, in accordance with their specific areas of work and interest. They created working groups similar to those already created by the government and promoted discussions around PARPA themes. They also identified experts to help in facilitating discussions and producing position papers to feed into the official documents. Finally, they produced an integrated position paper that was presented to the Government as their contribution to PARPA II. This document was also presented at the Poverty Observatory in 2006. Civil society contributions have been welcomed by government and donors and their inclusion in the final document has been gradual and satisfactory. More lobbying has to be done to make sure that all the concerns are accommodated in development policies and strategies.

Overall, documental evidence shows that the content of PARPA I and PARPA II was based on Agenda 2025, MDGs, Five Year Government Plans 2000 - 2004 and 2005 - 2009 and sector strategic plans. However, donors and IFIs brought

contributions related to their specific interest within macroeconomic policies and good governance and transparency.

3.2.3 PARPA Monitoring

The implementation of PARPA is carried out through government annual plans and not as a separate plan. After the approval of PARPA each sector or ministry makes sure that its objectives and activities are included in annual plans. The Ministry of Planning and Development, the Government entity responsible for the overall planning process in the country including the formulation of PARPA, confers if this integration was properly done and gives technical assistance to other sectors, if necessary.

Following annual plan implementation and monitoring, it is possible to verify to what extent PARPA components included in annual plans are being achieved. This information allows for deciding whether to maintain the pace of implementation or accelerate it with the view of achieving the overall targets. In PARPA II this exercise is made easier by the existence of clear matrixes and indicators.

One of the issues raised by civil society regarding monitoring and evaluation, is the lack of qualitative indicators that would measure the level of citizen satisfaction as a result of provision of a certain good such as school, health unit, justice services, etc. Civil society organizations have also been monitoring some aspects of PARPA implementation, according to their capacity. Organizations like the Mozambican Debt Group and G20 have been building the capacity of their members to participate in monitoring processes. Capacity building activities have been delivered in terms of seminars and debate sessions.

The Annual Report on Poverty has been an instrument used to monitor specific aspects of poverty reduction programs. After selecting specific areas for evaluation, G20 teams undertake research using appropriate tools to capture the perception of communities about the state of poverty, the impact of government services, the extent of their participation in poverty reduction actions and what could be improved and by whom.

The first research undertaken in 2004, with a focus on "Combating the Causes of Poverty", covered 102 out of 146 existing rural districts and urban centers. Overall, this process involved more than 10,000 people and 100 civil society organizations. This work has been invaluable in feeding into PARPA I implementation and the formulation of PARPA II.

In 2005 the second Annual Report on Poverty focusing on "Participation in Combating the Causes of Poverty in Mozambique" was produced. It covered 124 districts located in the 10 provinces of the country. This report also looked at the extent to which recommendations made in the previous RAP were taken into account in PARPA I implementation and PARPA II formulation. It also made further recommendations to PARPA II.

Joint reviews are also a space for mutual accountability and monitoring. This is a forum where Government and development partners evaluate their commitments regarding poverty reduction against their performance. Government is evaluated on the implementation of planned activities and the achievement of objectives and results. Development partners are evaluated on timely delivery of their financial commitments.

This process allows for the improvement of performance and sharing of common concerns. As a result, development partners are increasingly coordinating their support and more resources are being channeled to the State Budget. There are also harmonizing reporting procedures which reduces the number of reports that the Government has to prepare. However, some critiques caution that donors' coordination can worsen the already existing unbalance of power between donors and government.

IFIs also monitor PARPA through monitoring implementation of cooperation programs. When the World Bank monitors the targets set out in Country Assistance Strategy and the International Monetary Funds monitors the compliance with Poverty Reduction Growth Facility are monitoring some elements of the achievement of PARPA targets.

3.2.4 Differences between PARPA I and PARPA II

PARPA II states that the main distinctive feature between PARPA I and PARPA II is that the latter includes in its priorities higher integration of national economy and the increase in productivity. Particularly, it focus on local development at district level, on the creation of a favorable environment to the national productive sector, to the improvement of the

2 Mozambique PARPA Gender Brainstorming, Gender Action, 2005

financial system, prosperity of small and medium business within the formal sector, and development of both internal revenue collection and allocation of budget resources systems (2).

From the information provided in the previous sections other differences can be found in terms of process, participation, capacity and coordination and are summarized as follows:

Process

The process for the formulation of PARPA I was conceived entirely by the Government. Civil society, private sector and other stakeholders were brought on board later to accommodate what had been already decided.

In PARPA II there was a joint planning of the whole process which included Government, civil society (including the association of business sector) and development donors. Working groups were created to allow for more participation and ownership of the process. There was a coordination of the different sectors to make sure sessions took place, information was compiled and organized according to the pillar.

Participation

In PARPA I there was no civil society participation but rather consultations that took place when the Government decided to hold them. This statement is supported by PARPA I document that systematically mentions consultation and not participation.

In PARPA II there was increased participation. Government, civil society and donors sat together in the working groups and discussed the methodology, structure and the content of the document. Civil society organizations created similar working groups to deepen their knowledge about PARPA issues and produce inputs to the process. They produced submissions to the working groups and to the compilation team of the overall document. They also presented their contributions to the Poverty Observatory with clear recommendations to the plenary.

The creation of Poverty Observatories as an institutionalized mechanism for civil society participation in development issues at central and provincial levels and the creation of G20 provincial focal points that allows the participation of civil society in development processes at provincial level were a remarkable achievement.

The parliament did not participate in PARPA formulation. They do participate in its monitoring through Government annual plans.

Capacity

Capacity was a challenging issue for both Government and civil society organizations. For the Government the challenge was more in terms of quantity of technicians to deal with the demands of such a complex process while responding also for other activities. For civil society there was both lack of skilled people on policy formulation and a limited number of employees that could be always present at discussion sessions.

For the formulation of PARPA II some of the capacity constraints were overcome. Civil society increased the number of people and their permanence in working groups. Where it lacked capacity, experts were hired to fill the gap. There is an effort from some organizations to train their members at central and provincial levels as well as at district level. However, the needs are still enormous and the challenge continues because there are not enough resources to continuously hire consultants nor is there enough adequate internal capacity.

The Government improved its sector coordination. Ministry of Planning and Development provided technical assistance on gender and HIV/AIDS mainstreaming to other sectors. The creation of provincial poverty observatory was a means of building structures at provincial level to engage in PARPA processes.

Donors possess resources and human capacity to interact with development processes. The existence of policy experts in their institutions gives them comparative advantage in articulating their contributions during the discussions.

4.0 Link Between PARPA II and PRGF

4.1 Poverty Reduction Growth Facility

Poverty Reduction Growth Facility (PRGF) is the International Monetary Fund's concessional facility for low-income countries. It is intended that PRGF supported programs are based on country-owned poverty reduction strategies adopted in a participative process involving civil society and development partners and articulated in a Poverty Reduction Strategy Paper (PRSP). This is intended to ensure that PRGF-supported programs are consistent with a comprehensive framework for macroeconomic, structural and social policies to foster growth and reduce poverty (3)

PRGF is the International Monetary Fund-owned document that sets out the macroeconomic framework for the formulation of PRSP. This document is entirely conceived by the Fund and its implementation is made effective through the establishment of a Memorandum of Understanding (MoU) between the Fund and interested countries. Once the MoU is signed, the macroeconomic targets set out in the PRGF become conditionality to PRSPs. Thus, the formulation of PRSP does not ignore the macroeconomic, structural and social policies set out in PRGF.

Although the PRGF policies help countries maintain sound economic targets and foster economic growth, they are often said to harm the poor due to their restrictive nature. Included in this category are privatizations that result in massive lay offs and lack of income to the affected people; restrictions in public expenditures that prevent governments from hiring more teachers and nurses resulting in shortage of those public servants and bad service provision, to name a few.

Mozambique has been receiving several support packages from the IMF to foster economic growth and reduce poverty, namely ESAF, PRGF and MDRI among others. Consequently, it has also been implementing strategies to meet the Fund's conditionalities over the years. Therefore, the macroeconomic targets set out in PARPA II that are in line with PRGF are a continuation of the implementation of macroeconomic policies over time.

In 2004, the International Monetary Fund approved a USD 16.6 million PRGF arrangement for Mozambique to support Government's economic program into 2006. This decision was preceded by the fourth review under three-year PRGF arrangement held in March and April 2006 by Fund staff and later joined by World Bank representatives.

Following the review, the Fund acknowledged and welcomed the substantial reduction in poverty realized over the last years. At the same time, it stressed the need to redouble efforts to further reduce poverty to reach the Millennium Development Goals. It also noted that a second wave of reforms was needed to deepen and accelerate structural changes to sustain high and broad-based growth. Efforts should aim at:

- Increasing tax revenues
- Strengthening public sector operations
- Reducing the cost of doing business
- Promoting labor intensive sectors
- Implementing a rural development strategy

Additionally, following the IMF Executive Board's discussion on Mozambique, the Deputy Managing Director and Acting Chairman stated that the country's economic performance was broadly satisfactory in 2003 and first half of 2004. Real GDP remained strong and the external position further strengthened. There was a significant reduction of people living below the poverty line, a decline of 70 percent in 1997 to 54 percent in 2002.

He also stated that the economic program funded through PRGF sought to consolidate macroeconomic stability and address an important agenda of pending structural reforms, in order to sustain growth, promote employment and further reduce poverty. There was a need to (3):

- i) Continue with fiscal consolidation: achievement of fiscal targets while allowing for additional resources for priority sectors, will require strict control over the wage bill and restraint in non-essential outlays, as well as further efforts to strengthen revenue and improve public expenditure management. The Government should also implement a reform of the public sector to increase its efficiency and improve the quality of government services;

- ii) With the assistance from the Fund, the Bank of Mozambique will take several steps to enhance monetary and exchange rate management in order to achieve the targeted reduction of inflation. In particular, the central bank will seek to strengthen monetary control by limiting its intervention in the foreign exchange market to achieving the program's international reserve targets;
- iii) The Government remains committed to strengthening the financial system, fostering a healthy competitive environment and expanding access to financial services by the poor. Vigorous implementation of the reforms envisaged in the program to lower the cost of doing business, ease labor rigidities and strengthen governance and judicial system will be the key to encouraging private sector development, sustaining strong growth and further reducing poverty.

Both the Fund staff and vice chairman's remarks show the need to continue with macroeconomic reforms foreseen in the PRGF. These recommendations are part of an ongoing reform program included in previous Government documents. Therefore, PARPA II macroeconomic policies are in line with macroeconomic reforms foreseen in PRGF. Those macroeconomic policies that are not directly related to PARPA are enforced through other development instruments.

4.2 PARPA Macroeconomic Objectives

The Government acknowledges that sustainable economic development is one of the necessary conditions for the reduction of absolute poverty. It also acknowledges that to guarantee the achievement of a level of sustainable economic development that contributes to poverty reduction, it is necessary to have:

- i) A stable macro-economic situation
- ii) An institutional framework and a favorable environment to investment
- iii) A developed and comprehensive financial system;
- iv) Energy, good roads and transport infrastructure
- v) A modern and technical and technological capacity of companies and Mozambican workers;
- vi) Adequate conditions that allow for effective commercialization of goods and services in national and international markets.

Thus, PARPA II, through its pillar on economic development, envisages the following:

- i) Continue to guarantee macroeconomic stability through a solid and stable management of monetary and fiscal variables;
- ii) Continue to improve the State financial management, including the management of public expenditure, revenue collection and financial relations with development partners;
- iii) Promote the consolidation and integration of national markets through the improvement of basic infrastructure and transport systems, as well as the improvement of the regulation of commercial trade within the national market;
- iv) Improve business and work environments with the view of stimulating foreign and domestic investment, facilitating the formalization of the economy and contributing to creation of quality employment;
- v) Reinforce the regulation and supervision of the financial system to minimize the risks of financial crisis;
- vi) Modernize and expand the financial system, through the creation of new instruments and higher regional coverage, especially in rural areas, with the objective of increasing savings and availability of credit;
- vii) Contribute to the creation of a strong, dynamic, competitive and innovative private sector, through more integration of the economy, modernization of the national productive base, technical and technological capacity to companies and their employees and guarantee of a continued supply of energy and better transport infrastructures;
- viii) Promote the enlargement of entrepreneurial base, the development of priority sectors and activities;

- ix) Strengthen family sector economy, with emphasis on activities such as agriculture and fishery established primarily in rural areas;
- x) Continue to improve the insertion of Mozambique in regional and international economies through continued development of commercial and investment relations with the outside world, of gradual and progressive liberalization of international commercial trade and the growth of commercial and investment flows with the outside world and;
- xi) Contribute to a comprehensive and sustainable economic and social development that contributes to the well being of the citizens

All the recommendations made by the Fund are clearly articulated in PARPA II because they had been already incorporated in other Government documents. For this reason, there is a grey area as far as the definition of conditionalities to PARPA is concerned. The IMF states that its support is allocated to countries' priority development programs that aim to reduce poverty and are formulated in a participatory manner. However, to access these resources, countries have to comply with what is required in IMF macroeconomic policies set out in PRGF and made legally binding through the signature of Cooperation Agreements. These commitments are reflected in government plans that are the basis for the formulation of PARPA.

Privatizations is one conditionality that is not clearly spelt out in PARPA but that are underway with recent development showing private concession for the management of major ports, including Maputo, private management of water in five cities, private concession of energy, telecommunications and transport services.

Other conditionalities include reformulation of the Labor Law and the introduction of a 17% VAT. The new law leads to a loss of privileges by workers such as job security, sick leave, day care and work place flexibility. The VAT is higher compared to that of other countries and it is borne by the consumer, including poor people. These policies have a direct negative effect on the poor.

Unlike in PARPA I, there was no apparent pressure from IFIs regarding timelines for the conclusion of PARPA II. The Government worked on its pace in consultation with other stakeholders. The content was also concentrated in the working groups and it was based on other Government planning documents that had already incorporated commitments made with development partners especially in the areas of governance and transparency and financial and macroeconomic stability.

Civil society organizations continue to lobby for a re-evaluation of policies that have a negative effect on the poor. They also welcome IFIs consultative initiatives but lobby for timely and permanent dialogue regarding the formulation of their policies to allow for the inclusion of Mozambican people contributions.

As far as funding is concerned, at the last PO, development partners showed their willingness to support the program.

5.0 Link Between PARPA II and MDGs

Planning process took into consideration national, regional and international instruments for poverty reduction. Millennium Development Goals are closely linked to poverty reduction and urge governments and development partners to join hands and fight against poverty and adopt policies that foster growth and sustainable development.

The GoM, in conjunction with UNDP, were careful to link the priorities in the PARPA II with the Millennium Development Goals. Within PARPA II there are concrete activities that aim at achieving the MDGs and there are presented as follows:

Goal 1: halve the percentage of people living in absolute poverty and hunger by 2015

PARPA II envisages the reduction of absolute poverty from 54 percent in 2003 to 45 percent in 2009. Specific objectives set out in PARPA II for the achievement of this goal are presented as follows: i) increase access to technology and information of extension services; ii) increase the availability of seeds and agro-chemicals; iii) promote construction and rehabilitation of agriculture infrastructures; iv) promote food security nets for vulnerable groups; v) improve access to information about markets and to the markets; vi) promote the development of the private sector and production systems and vii) promote the organization of producers. There are also other activities that contribute to this goal such as the improvement of infrastructure through increased access to roads, telecommunications, ports and energy. The evaluation of 2006 economic and social plan shows that there was an increase in production and commercialization of basic food products and an improvement in the level of nutrition. This situation should be extended to gradually rich remote areas and the more vulnerable groups.

Goal 2: Achieve Universal Primary Education by 2015

The Government prioritizes activities that increase access, retention and completion of primary education by boys and girls; improve quality and school management primary schools. Efforts have been made to increase the education budget and expand education network. The challenges lies in improving the quality of education and ensure sufficient resources to hire, train teachers and put in place needed infrastructure as well as improve institutional capacity of education authorities.

Goal 3: Promote Gender Equality and Women Empowerment

Gender disparity in primary education is still high but the trend is decreasing. Efforts have been made through sensitizing girls and their families about the need to educate the girl child. Mozambique did not meet the target of eliminating gender disparity in primary school by 2005. According to UNESCO 2005 EFA monitoring report, at present pace many countries, including Mozambique, will not meet the gender goal by 2015. Priority is also given to adult education and non-formal education with special focus to women and the implementation of income generating activities and self-employment for poor women heads of family. However, little resources are allocated to these areas.

Goal 4: Reduce Child Mortality

The goal is to reduce infant mortality rate from 178/100,000 to 140/100,000 through the improvement of care provided to new-borns, to under fives affected by common diseases. Efforts are made to improve the vaccination coverage by expanding vaccination units to the districts and reduction of vaccine waste through improvement of cold chain and transportation.

Goal 5: Improve Maternal Health

The Government intends to reduce the rate of maternal mortality from 182/100,000 to 168/100,000 through expansion of health units with capacity to offer obstetric services with operational communication and referral, especially in rural areas; training of human resources and guarantee of provision of essential drugs to all health units with maternity. Despite efforts made in this area, maternal mortality rates deteriorated from 182/100,000 in 2005 to 190/100,000 in 2006.

Goal 6: Combat HIV/AIDS, Malaria and Other Diseases

The Government defined a strategic plan for the combat of HIV/AIDS for the period 2005 - 2009.

Based on this document PARPA II prioritizes five actions: prevention, reduction of stigma and discrimination, treatment, mitigation of impact and coordination of National Response to HIV pandemic. Recent data show that prevalence rate is estimated at 16.2 percent, with women being three times more infected than men. The number of maternal orphans has been increasing, putting young children at a risk of all kinds of abuse and reproducing the poverty cycle. There is a need to redouble efforts to reverse this situation. Efforts have also been made in reducing the incidence of malaria through pulverization campaigns and sensitization of the population about preventive measures.

Goal 7: Ensure environmental sustainability

PARPA II aims to increase access to water and sanitation to urban and rural people, improve the management of water resources, including the prevention and mitigation of the effects of drought and floods. Several activities are underway including construction and rehabilitation of water sources, promotion of environmental health and the definition of a Strategy for Water and Sanitation and a Strategy for Sanitation for the health sector. Within the environment context, the Government aims to strengthen the capacity of individual sectors to include environmental components in their programs, as well as reinforce the National Council for Sustainable Development.

Goal 8: Develop a Global Partnership for Action

Goal 8 envisages the development of an open commercial and financial system, based on rules, predictable and non discriminatory including a commitment to good governance, development and poverty reduction. Within this framework the Government is reforming the public sector to promote efficiency and efficacy in public service; consolidate a judicial system that is accessible, transparent and inclusive and guarantee Law and Order. Some steps have been taken and include the introduction of a system for public funds management; the launch of African Peer Review Mechanism that aims to promote the adoption of policies, norms and practices that lead to political stability, fast economic growth, sustainable development and regional and continental integration and the production of a strategy for science and technology. It is important also to mention the establishment of partnerships with bilateral and multilateral partners and the launch of Joint Review Mechanism.

6.0 Conclusions and Recommendations

6.1 Conclusions

Poverty is a social phenomenon that affects millions of people around the world. Governments, civil society organizations, private sector and development partners have all been involved in finding solutions and undertaking actions to tackle the causes of poverty. Mozambique is one of the countries where the incidence of poverty still affects a large part of the population, especially in the rural areas.

The Government has been pursuing policies aimed at fostering economic growth and sustainable development with the view of reducing the number of people living in absolute poverty. Poverty reduction strategy programs (PARPAs) are instruments through which the government of Mozambique defines policies and actions to tackle the causes of poverty.

The formulation of PARPA requires broad involvement of all stakeholders ranging from Government, civil society organizations, private sector, citizens and the assistance of development partners. The institutionalization of civil society participation in Poverty Observatory and policy dialogue is a significant step towards consolidation of democracy in the country. In Mozambique, the process has been evolving overtime, from a simple consultation in the PARPA I to a wider participation in PARPA II. Sector coordination has been improved with the creation of working groups and assignment of responsibilities to ensure quality inputs and timely completion of tasks.

There was also an improvement in terms of content. PARPA II prioritizes more integration of national economy and an increase in productivity. Particularly, PARPA II focus its attention to local development at district level, in the creation of a favorable environment to the growth of national productive sector, to the improvement of the financial system and to the develop both internal revenue collection and budgetary allocation systems.

Capacity to deal with PARPA formulation has also improved at central and provincial levels. Civil society organizations have undertaken activities with the view of increasing their capacity for effective involvement. However, there is still a need to further capacity building to increase the number of people with required skills to participate in this complex exercise. There is also a need to create this capacity at district level to take advantage of the existence of district planning which aims at decentralizing decision making to that level and allowing the participation of community members in development processes.

Development partners have been supporting Government development efforts through their cooperation programs. They prioritize the allocation of their resources to programs that foster economic growth, promote sustainable development and reduce poverty.

PARPA formulation has been taking into consideration the priority set out in the main development instruments such as Agenda 2025, Millennium Development Goals, NEPAD, commitment set out in several development cooperation programs such as PRGF, CAS (Country Assistance Strategy), etc, and some inputs from national development actors. Although PRSP is said to be a country-owned document, its macroeconomic framework has been set in previous cooperation agreements and embedded in Government development policies.

6.2 Recommendations

Based on the information brought forward from this research the following is recommended:

- Further discuss the definition of poverty and take into consideration the inputs of the poor.
- Definition of quality indicators for PARPA monitoring.
- Expand the involvement of citizens in the formulation and monitoring of PARPA to district and community level.
- Continue building capacity at central and provincial levels and expand this activity to district and community levels to allow for an effective engagement in PARPA processes.
- Support civil society organizations' capacity building efforts to allow them to better articulate community needs.
- Build the capacity of the Parliament to allow a proper monitoring of poverty reduction efforts set out in government annual plans.

- Lobby development partners to engage/continue engaging in timely and permanent dialogue with civil society when formulating their development programs such as PRGF, CAS and others.
- Continue lobbying donors for more, timely and unconditional aid to support poverty reduction efforts.
- Promote seminars to share experiences on the PRSPs between countries.

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