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Deutsches Institut für  
Entwicklungspolitik



German Development  
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Discussion Paper

12/2013

# Mozambique's Economic Transformation

Are efforts to streamline the fragmented  
aid landscape undermined for good?

*Frank Vollmer*



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Bonn 2013

Discussion Paper / Deutsches Institut für Entwicklungspolitik  
ISSN 1860-0441

Die deutsche Nationalbibliothek verzeichnet diese Publikation in der Deutschen Nationalbibliografie; detaillierte bibliografische Daten sind im Internet über <http://dnb.d-nb.de> abrufbar.

The Deutsche Nationalbibliothek lists this publication in the Deutsche Nationalbibliografie; detailed bibliographic data is available in the Internet at <http://dnb.d-nb.de>.

ISBN 978-3-88985-615-9

**Frank Vollmer**, German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE),  
Researcher, Department "Bi- and Multilateral Development Cooperation" / Project: "Development Policy:  
Questions for the Future. Visibility and Division of Labour in the Context of More Effective Development  
Cooperation"

E-mail: [frank.vollmer@die-gdi.de](mailto:frank.vollmer@die-gdi.de)

© Deutsches Institut für Entwicklungspolitik gGmbH  
Tulpenfeld 6, 53113 Bonn  
 +49 (0)228 94927-0  
 +49 (0)228 94927-130  
E-mail: [die@die-gdi.de](mailto:die@die-gdi.de)  
<http://www.die-gdi.de>

## Abstract

Mozambique is undergoing a strong transformation in its economic structure. This – mostly resource-led – transformation has not only attracted “new donors” such as China and Brazil; it has also impacted on efforts to make development assistance in Mozambique more effective by better harmonising Mozambique’s aid system. For instance, the anticipated resource boom acts as a disincentive for the government to lead efforts to better streamline Mozambique’s aid architecture, because it anticipates that its aid dependency will decline in the coming years. On the other hand, traditional donors with stagnating or declining aid shares do not want to exit this (potentially) emerging economy, despite the argument that their transaction costs offset the potential development outcomes from their aid provision (e.g. transaction costs for reporting that burden the administrative capacity of the government). Thus, opportunities aside, the economic transformation also bears challenges for development cooperation between Mozambique and its development partners. Efficiency gains through greater rationalisation are untapped as commercial and geo-strategic interests of the current 36+ donors present in Mozambique supplant development objectives. Based on a desk review and field research, the paper assesses how the economic transformation affects attempts of the traditional donor community, the emerging donors and the government of Mozambique to overcome donor proliferation and aid fragmentation in Mozambique.

Keywords: Donor Proliferation, Aid Fragmentation, Division of Labour, Mozambique, Political Economy, Collective Action



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## Abbreviations

AfDB	African Development Bank
BPA	Busan Partnership Agreement
BS	Budget Support
CoC	Code of Conduct
CPA	Country Programmable Aid
CRS	Creditor Reporting System
DAC	Development Assistance Committee (OECD)
DaO	Delivering as One
DIE	Deutsches Institut für Entwicklungspolitik / German Development Institute
DoL	Division of Labour
DPG	Development Partners Group
ECDPM	European Centre for Development Policy Management
EU	European Union
EWG	Economists Working Group
FTI	Fast Track Initiative
FDI	Foreign Direct Investment
FRELIMO	Frente de Libertação de Moçambique (Front for the Liberation of Mozambique)
G19	see PAP
GAVI	Global Alliance for Vaccines and Immunisation
GBS	General Budget Support
GDP	Gross Domestic Product
GEF	Global Environment Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GNI	Gross National Income
GoM / GdM	Government of Mozambique / Governo da República de Moçambique
HQ	Headquarters
HoC	Head of Cooperation
HoM	Head of Mission
IAEA	International Atomic Energy Agency
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
JP	Joint Multi-Annual Programming
MINEC	Ministry of Foreign Affairs
MinFin	Ministry of Finance
MoU	Memorandum of Understanding
MPD	Ministry of Planning and Development
MT / MZN	Metical (unit of Mozambique's currency)
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PAP	Programme Aid Partnership (also known as G19)
PAF	Performance Assessment Framework

PARP(A)	Plano de Acção para a Redução da Pobreza Absoluta (Mozambique's accelerated Programme for the Reduction of Absolute Poverty – PRSP)
PES	Balanço do Plano Económico e Social (Economic and Social Plans)
PD	Paris Declaration on Aid Effectiveness
PRSP	see PARP(A)
SWG	Sector Working Group
TF	Task Force
TFWGDL	Task Force on Working Groups and Division of Labour
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNTA	United Nations Transitional Authority
USAID	United States Agency for International Development
WG	Working Group
WP-EFF	Working Party on Aid Effectiveness (OECD-DAC)

## Introduction

Interviewer: *Mozambique has traditionally been quite reliant on development assistance from donors. Now that you are discovering new wealth and new resources, how do you think your relationship with development partners should evolve, notably with the EU?*

Guebuza: *I believe the relationship has to continue. But the relationship will probably change in the sense that as time goes on, and as we have more resources in our budget, we are going to need more business and commercially oriented relations with those countries that have traditionally provided development funding. It will shift as time passes; in about 10 years time we will not be relying on donations like we are today. We can expect a gradual shift in the focus of the relationship.* – President Armando Emilio Guebuza of Mozambique in an interview with the European Centre for Development Policy Management (ECDPM 2012, 2)

What constitutes ineffective aid? Since the first High Level Forum on Harmonisation of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in Rome in 2003, it is a key understanding that the continuous proliferation of providers of development assistance and the fragmentation of aid in the partner countries is harmful, creates efficiency losses and undermines the potential of official development assistance (ODA) to be applied in its most effective way. Therefore, managing aid effectively requires curbing the proliferation of its providers and streamlining its delivery on the ground. To this end, the Busan Partnership Agreement (BPA) – whilst welcoming the “*diversity of development co-operation actors*” under §25 – calls on developing countries to “*lead consultation and co-ordination efforts to manage the diversity at the country level*”, while “*providers of development assistance have a responsibility to reduce fragmentation and curb the proliferation of aid channels.*” In the good tradition of the Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008), the Partnership Agreement warns that efforts to reduce fragmentation shall “*not lead to a reduction in the volume and quality of resources available to support development.*” It calls the signatories to “*make [by 2013] greater use of country-led co-ordination arrangements, including division of labour, as well as programme-based approaches, joint programming and delegated co-operation.*” Additionally, “[p]roviders of development co-operation will deepen and accelerate efforts to address the problem of insufficient delegation of authority to their field staff” (OECD 2011a).

At the policy level, this is a clear directive. Though how is this operationalised at the country level? What challenges appear that can explain the perceived gap between normative reasoning and practical implementation? After all, the challenge to harmonise aid – although at the core of the aid-effectiveness agenda since its began – is still apparent and probably even greater today than it was in 2003.

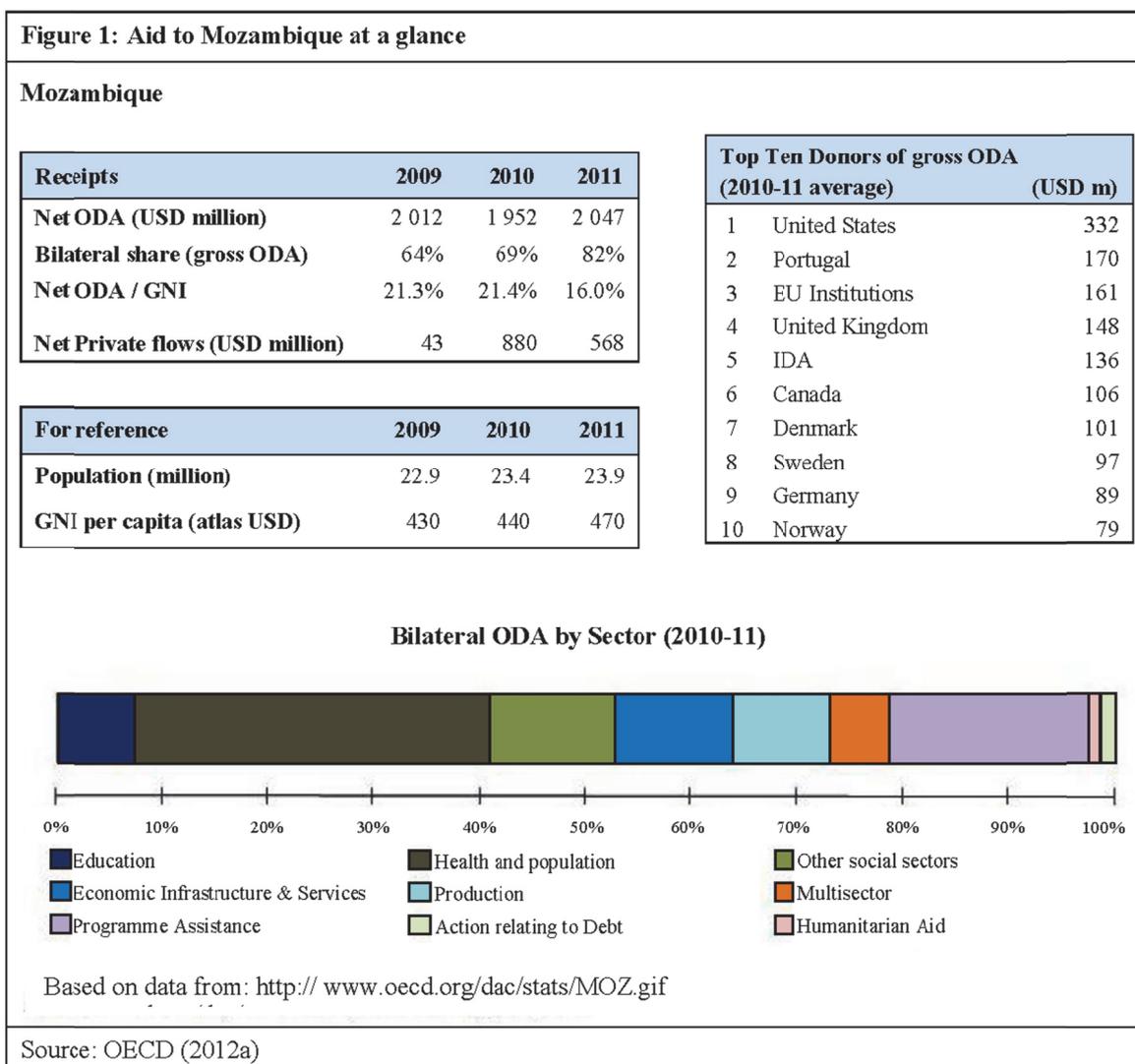
To this end, the paper analyses an acknowledged case of a convoluted aid system, namely Mozambique. Mozambique is a low-income country with a population of 23.9 million and had a gross domestic product (GDP) in 2011 of US\$ 12.8 billion, which translates to gross national income (GNI) per capita of US\$ 470 (World Bank 2012). In terms of development cooperation, Mozambique is characterised by three features that are important for an analysis of its aid system:

1. Mozambique is an aid-dependent country. ODA to Mozambique amounted to US\$ 2.05 billion in 2011 – roughly the same amount as over the last three years – of which 82 per cent was delivered in the form of bilateral aid, according to the Creditor Reporting System (CRS) of the OECD (see Figure 1). The five biggest development partners are the United States, Portugal, the European Institutions, the United Kingdom and the World Bank.<sup>1</sup> Since 2005, ODA has averaged 22 per cent of GNI, according to the OECD (OECD / Government of the Republic of Korea / UNDP 2012), yet decreased to 16 per cent in 2011. Aid dependency – measured as the ODA share (grants and loans) of the state budget (Orçamento do Estado), which in 2011 consisted of US\$ 3.7 billion in revenues, versus expenditures of US\$ 4.44 billion, amounting to a deficit of 5.4 per cent of the 2011 GDP (CIA World Factbook 2012) – decreased from 51.4 per cent in 2010 to 39.6 per cent in 2012 and is predicted to decrease further to 31 per cent in 2014 (AfDB et al. 2012; OECD / Government of the Republic of Korea / UNDP 2012).<sup>2,3</sup> Thus, although in absolute terms it is stable, aid is losing its relative importance as a source for financing the state budget (yet, aid dependency still exists).
2. Mozambique's aid landscape is fragmented: according to a report of the OECD on cross-country fragmentation of aid based on data from 2009 (2011b), Mozambique received US\$ 1.8 billion in country programmable aid (CPA) and is characterised by a) an above-average presence of donors overall (36: 20 DAC countries and 16 multilateral agencies) versus the global average (21: 11 DAC countries and 10 multilateral agencies) and 24 per country in Africa; and b) by an above-average presence of DAC donors (20 vs. the African average of 12).

Mozambique	Average Global	Average Africa per country
36	21	24
Source: Author's own compilation based on OECD (2011b)		

This proliferation of actors explains partly the high amount of at least 12 “non-significant aid relations” in the country (to be explained in Section 2.1), which ranks Mozambique among the 44 countries with the “*greatest opportunities for rationalisation and efficiency gains*” (2011b, 7).

- 
- 1 The Programme Aid Partnership donors were by far the largest aid providers, in the realm of US\$ 1.7 billion in 2011 (Bruschi 2012, 9). In terms of aid modalities, project-type interventions constituted the greatest share with US\$ 1.26 billion in 2011, whereas General Budget Support amounted to US\$ 435 million (according to the CRS). With more than 50 per cent of total bilateral aid flows, social-sector support constituted the largest share, followed by programme assistance and economic- and productive-sector support (please see Figure 1).
  - 2 Please note that the decrease is also due to the appreciation of the Metical (the national currency) over the last two years (Bruschi 2012, 10).
  - 3 The OECD measures aid dependency in another way, which is country programmable aid (CPA) as a share of gross national income (GNI). For Africa, it calculated that “*CPA represented on average 2.4% of GNI in 2010, but [that] in six African countries it was more than 20% [namely Burundi, Cape Verde, Liberia, Malawi, Rwanda, and Sao Tome and Principe].*” The report classifies Mozambique into the highest class of aid-dependent countries, those whose share is above 10 per cent – in 2010 it had a 17.3 per cent share, which is expected to decline to 14 per cent in 2013 (OECD 2011c).



3. Mozambique is undergoing a “dramatic transformation in its economic structure” (Babb / Freemantle 2012, 1). In the 10 years prior to 2011, GDP real growth rates averaged 8 per cent annually and are predicted to be sustained at a rate of 7.5 per cent until 2017 (in 2012, Mozambique’s GDP real growth rate was 7.4 per cent, making it the 18th fastest-growing economy in the world) (Babb / Freemantle 2012). The Economist Intelligence Unit actually predicts that revenues of the mining sector will be substantially larger than donor support totals by 2017 (Bruschi 2012, 9). The positive trend is reflected in the net private flows to Mozambique, which increased significantly from US\$ 43 million in 2009 to US\$ 568 million in 2011.

This combination of factors – declining, though still high, aid dependency from a bloated aid architecture in light of a looming resource boom – impacts on the discussion about the role played by development cooperation in this economic transformation<sup>4</sup> as well as on the question as to whether, and to what degree, development partners and the government of Mozambique (GoM) should remain engaged and dedicated to the bulky aid-harmonisation

4 See Klingebiel (2012) for instance, who asks how much development has happened through aid to Africa.

agenda in light of the declining importance of ODA for the state budget. Bruschi, for instance, asks what effect the reduced aid dependency – coupled with the geopolitical changes associated with Mozambique’s economic transformation – will have on the relationship between the government and Mozambique’s development partners (Bruschi 2012, 9).

In this paper I will analyse a particular element of the relationship between the GoM and the donor community, their mutual effort to harmonise aid to turn it into a more efficient and effective source for the state budget and, ultimately, for institution-building and for the government structure to improve public-service delivery. The paper departs from the research question whether Mozambique’s economic transformation undermines efforts to streamline the fragmented aid landscape for good.

It comprises two steps of analysis: a desk review that looked at the fragmentation of aid in Mozambique based on quantitative data provided by the OECD, triangulated with relevant secondary literature and 16 interviews conducted between 4–27 September 2012 in Maputo, Mozambique (please see list of interviewees in Annex 1). The interviews were semi-structured and were conducted with various bilateral donors of the Programme Aid Partnership (PAP), the multilaterals the European Union (EU), United Nations Development Programme (UNDP), the World Bank and the International Monetary Fund (IMF), the emerging donor Brazil, civil society and academic representatives, as well as the US Agency for International Development (USAID). The interviews took the quantitative fragmentation analysis of Mozambique as the point for departure and centred on questions regarding attempts in Mozambique to tackle the proliferation of donors and fragmentation of development assistance in 2012 by each actor individually and the Mozambican aid system as such. Thus, the aim was also to offer a political economy analysis for the reasons of the (limited) implementation of in-country division of labour process in Mozambique to streamline the aid system.<sup>5</sup>

The paper is structured in the following way: in Chapter 1, specifics about Mozambique’s economic transformation and the role of ODA are illuminated. In Chapter 2 “fragmentation” is “presented”: What is fragmentation? How is it measured? What methodology is used to define a “significant” aid relation? This is followed by an “explanation” for fragmentation: What are the causes for fragmentation and why is it considered a problem? What are the effects of aid concentration on the effectiveness of aid and what are the challenges with the working term “fragmentation”? And finally, what are the tools for greater donor harmonisation? This will help in understanding the analysis of fragmentation of development cooperation in Mozambique (Section 2.3). Following this, actions are presented for tackling fragmentation in Mozambique (Sections 2.5 and 2.6). In Chapter 3 the most recent efforts on defragmentation are presented and assessed, which were taken following the presentation of the latest Poverty Reduction Strategy Paper (PARPA – Plano de Acção para a Redução da Pobreza Absoluta) in April 2011. Chapter 4 looks into the political economy of aid and collective-action problems in Mozambique that explain successes and failures of attempts to overcome fragmentation. The paper ends with a conclusion that answers the paper’s research question and its implications for Mozambique’s national process to implement the BPA.

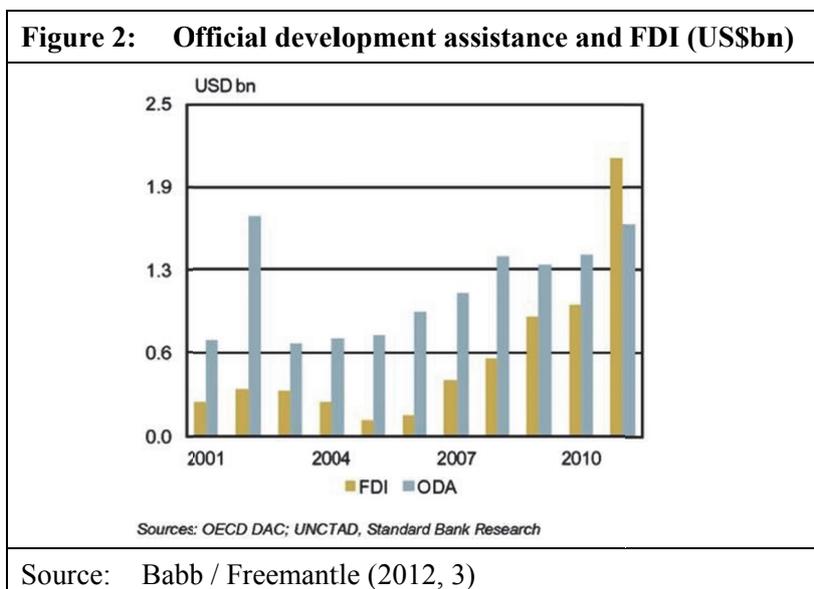
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5 A call put forward by the Task Team Division of Labour and Complementarity and EU Fast Track Initiative on Division of Labour (FTI) during a regional workshop from 28–29 September 2010 in Uganda on “Country-Led Division of Labour, Progress and Challenges on the Road to HLF 4” (Weingärtner 2010, 26).

## 1 Mozambique’s economic transformation: aid less important but still crucial

Mozambique is undergoing a strong economic transformation. In the 10 years prior to 2011, GDP real growth rates averaged 8 per cent annually and are predicted to be sustain at a rate of 7.5 per cent until 2017 (in 2012, Mozambique’s GDP real growth rate was 7.4 per cent, making it the 18th fastest-growing economy in the world). This is mainly accredited to “activities in the natural resource sector (coal and gas in particular) [that] underpin a structural improvement in Mozambique’s external sector, growing and diversifying export revenues, while attracting considerable amounts of FDI [foreign direct investment]” (Babb / Freemantle 2012, 1). Particularly, newly discovered recoverable gas reserves in the Rovuma Basin off the coast of Mozambique – estimated at 70 trillion cubic feet, which is the fourth greatest reserve in the world and which estimates predict will allow gas exports by 2018 – and the coal sector, which turned Mozambique into a world exporter of minerals in 2011 with its first overseas coal exports, are considered to be real game-changers for Mozambique’s economic outlook<sup>6</sup> (Babb / Freemantle 2012; AfDB et al. 2012).

Mozambique had a trade deficit of US\$ 276 million in the fourth quarter of 2011 (Tradingeconomics 2012), which was due to low aluminium and coal prices and capital goods imports for infrastructure and mining investments. This amplified the current account deficit to 12 per cent of GDP in 2012. The balance of payments is financed through a mix of FDI flows – which is estimated at US\$ 2.5 billion in 2012 and is predicted to reach US\$ 4 billion per annum by 2018 – and support from development partners in the form of grants to the budget and concessional loans. However, it is expected that support for the current account from budget grants will fall by 43 per cent year over year to 19.8 billion Mozambican Meticais (MZN) (approx. US\$ 0.66 bn) in 2013 (the same level as around 2005), which means that in 2011 FDI eclipsed, for the first time, ODA as the main source for the balance of payments (see Figure 2) (Babb / Freemantle 2012, 3–4).



6 It is predicted that South Africa – Africa’s largest coal exporter with recoverable coal reserves of 55 billion tonnes – will face serious competition from Mozambique in the coming decade, not due to quantity (it is estimated that the Mozambican reserves are 23 billion tonnes), but quality (Mozambique offers metallurgical coal, which is of higher value than South Africa’s thermal coal) (Babb / Freemantle 2012, 12).

Mozambique's budget in 2011 had a deficit of 5.4 per cent of GDP that was expected to increase to 7.6 per cent in 2012 and is expected to increase to 8.3 per cent in 2013 – total expenditure is set to reach approximately US\$ 5.8 billion in 2013 (35 per cent of GDP), which constitutes a 7.6 per cent increase relative to the 2012 budget (Babb / Freemantle 2012, 4; CIA World Factbook 2012). Financing the deficit is planned through external financing from development partners (mostly concessional loans and grants), yet the GoM also aims to diversify funding sources for its fiscal policies, which include domestic resource mobilisation – which is growing by approximately 20 per cent year over year and has reached MZN 114 billion (approx. US\$ 3.8 bn, which was 23 per cent of GDP in 2012) – and financing on non-to-semi-concessional loans, mostly sought from the IMF under its Policy Support Instrument programme. This means that public debt will grow to approximately 45 per cent of GDP by 2015 – up from 40 per cent in 2012, which already resulted in a 5.6 per cent increase from 33.4 per cent in 2011 (Babb / Freemantle 2012, 1, 3; CIA World Factbook 2012).<sup>7</sup>

With regards to ODA, it is expected that grants will fall from 8 per cent of GDP in 2012 (constituting 21.3 per cent of the total budget) to 4 per cent in GDP in 2013 (11 per cent of the total budget) (Babb / Freemantle 2012, 4).<sup>8</sup> Thus, although aid dependency is declining – particularly by the share of grants – it remains an important element, firstly, to finance the fiscal policies of the GoM, and secondly, to support the social sectors such as education, population and health (please see Figure 1).

This can result in two interpretations on the discussion regarding the fragmentation of aid and efforts to increase the efficiency and effectiveness of development cooperation. Either development partners and the government await and actively pursue a declining aid dependency to a level of insignificance for the state budget that allows them to disengage from the bulky aid-effectiveness agenda; or it can be interpreted to advocate for an even greater imperative to increase efficiency of a declining force that nevertheless remains an important funding source, *particularly* for financing and sustaining public-sector services.<sup>9/10</sup>

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7 Muianga et al. (2012) correctly highlight the danger of the “*current dynamics and patterns of accumulation in Mozambique*”, namely that FDI – important as it is – is currently “*driven by capital intensive megaprojects and large export markets [with a] focus on primary (unprocessed) products*” and that investments in Mozambique are mainly financed externally, through foreign-aid finances, FDIs and external and internal debt-making (US\$ 900 million for 2010–2013). According to the AfDB et al., “[e]xternal debt is expected to double over three years, from the USD 2 billion in 2010, to USD 4.2 billion in 2013” (AfDB et al. 2012, 9). In light of these developments, Hanlon (2013) actually predicts that aid dependence will be supplanted by mineral-resource dependence that possibly carries in its wake social and political conflicts.

8 See also the aforementioned results of the 2011 Survey of the OECD on Donor's Forward Spending Plans 2011–2013, which predicts a declining programmable aid share to the GNI of 14 per cent in 2013 (OECD 2011c, 35).

9 Although it is losing its relative importance, ODA remains crucial for the GoM. This is exemplified in the government bill submitted to the parliament in May 2011 to amend the state budget of 2011. The government intended to increase public expenditure by US\$ 306.7 million to a total of US\$ 4.72 billion, which resulted in a deficit of US\$ 2 billion, which has had to be covered by pledged grants (US\$ 1.17bn) and loans (US\$ 0.82bn) of Mozambique's development partners (AllAfrica 2011).

10 Mozambique's economic transformation is certainly a chance to reduce dependency on external financing by the state budget. On the other hand, it remains an open question whether FDI will be successfully turned into a pro-poor instrument. Ramdoo, for instance, asks whether investors will be “*a better trigger for Government to improve the delivery of public goods and services or [whether]*

If the second view is adopted, it is worth reminding about the possible gains of better harmonisation. By a 2009 estimation, if Europe alone were to have gone ahead and implement commitments of the aid-effectiveness agenda with the harmonisation agenda at its core, some €5 billion in savings and gains could have been made (in 2009 alone). The “*hypothetical gains from a full coordination of country allocation*” is actually estimated at €7.8 billion (Bigsten / Platteau / Tengstam 2011). To understand why such “efficiency gains” are so easily passed by, it is crucial to get a better understanding of the working term “fragmentation”, which will be dealt with in Chapter 2.<sup>11</sup>

## 2 Fragmentation of aid

### 2.1 What is fragmentation, how is it measured and what methodology is used to define a “significant” aid relation?

The OECD defines fragmentation of aid at two levels: across and within countries. Across countries, the problem is identified as being “*too little aid from too many donors*” and within partner countries it is defined as being the “*donor spread across many sectors at country level and small project size*” (OECD 2011b, 3). The fragmentation of aid is thus closely related to donor proliferation, which is the number of actors that are actively involved in a country.<sup>12</sup> The OECD measures fragmentation by the number of aid relations, which is defined as “*the sum of all aid activities by a donor or a multilateral agency in a country [measured] by country programmable aid*” (OECD 2011b, 4).<sup>13</sup> Whereas the OECD applies no financial threshold on multilateral aid relations, a country-level threshold for bilateral donors has been set at US\$ 250,000 in order to concentrate the analysis and exclude the “noise” generated by very small aid relations (“micro-aid relations”).<sup>14/15</sup> By applying this threshold the analysis sets forth that, globally,

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*withering aid [carries] in its wake weathering support to institutional building and better governance structures?”* (Ramdoo 2012, 7).

- 11 Please note that Chapter 2 deals with the literature on aid fragmentation from a purely theoretical perspective. The impact of Mozambique's economic transformation on efforts to overcome aid fragmentation will be discussed in greater detail in Chapters 3 and 4.
- 12 In this paper, I follow the distinction put forward by the OECD for aid fragmentation (“*the problem at the receiving end*”) and donor proliferation (“*problem at the donor end of the relationship*”) (OECD 2010a, 3). Please note that in the academic literature, definitions vary, for example Knack / Rahman (2007) and Knack / Smets (2012) use the term “donor fragmentation”.
- 13 CPA is the “*subset of total ODA susceptible to programming at country level and for which donors generally prepare multi-year forward expenditure plans. CPA is defined through exclusion, by subtracting from total gross ODA aid activities that are (i) are unpredictable by nature (humanitarian aid and debt relief); (ii) entail no cross-border flows (administrative costs, imputed student costs, promotion of development awareness, and research and refugees in donor countries); (iii) do not form part of co-operation agreements between governments (food aid and aid from local governments); or (iv) are not country programmable by the donor (core funding of NGOs)*” (OECD 2011b, 21). Total DAC countries' CPA was US\$ 57 billion in 2010, “*representing 55% of DAC countries' gross bilateral ODA*” (OECD 2012b, 16).
- 14 As the OECD delineates: “*Without applying a threshold, there were 3860 aid relations between 46 donors and 152 partner countries in 2009. Of this total, 603 were micro-aid relations, resulting in 3257 aid relations being examined in [the OECD] analysis applying the threshold*” (OECD 2011b, 4).

*slightly fewer than 4,000 pairs of donor/country aid relations in the landscape including all DAC members and major multilateral agencies [exist]. This is just the tip of the iceberg, and excludes the aid relations of the remaining 200-plus multilateral organisations, emerging donors and other non-DAC donors. Furthermore, many donors have more than one agency providing aid, which is not taken into consideration in this overall analysis, and which adds to the complexity of the aid architecture [...]. In 2009, the average donor was present in 71 out of 152 ODA-eligible countries (73 for DAC countries and 69 for multilateral agencies). From the partner country perspective, the average number of donors present in each country was 21 (11 DAC countries and 10 multilateral agencies).* (OECD 2011b, 4–5)

Based on this analysis, the OECD applies a methodology to define significant from non-significant aid relations in financial terms. An aid relationship is considered significant in financial terms if “*the donor provides more than its global share of CPA and/or is among the top donors that cumulatively provide 90% of the CPA to that partner country*” (OECD 2011b, Annex B). The first part of the assessment attempts to assess whether the relationship is concentrated from the donor’s point of view; the second part whether the relationship is considered important from the partner countries’ points of view (OECD 2011b, 5–6).<sup>16</sup>

To help with the analysis, a concentration and fragmentation ratio is constructed based on the donor’s and partner’s point of view whether the donor’s portfolio of aid programmes is fragmented. The “*concentration ratio measures the number of donors’ significant aid relations compared to all of its aid relations. The higher the concentration ratio, the less a donor’s portfolio is fragmented*”, whereas the “*fragmentation ratio measures the number of non-significant donors compared to the overall number of donors. The lower the fragmentation ratio, the less fragmented are the donors’ aid programmes in that country*” (OECD 2011b, 5–6). With this methodology applied, the OECD assesses that the global fragmentation ratio in 2011 – based on 2009 data from the OECD/DAC – was 40 per cent, “*meaning that two out of every five donor-partner country relations are non-significant*”,<sup>17</sup> whereas the average concentration ratio of DAC countries was 55 per cent in 2009 and 60 per cent of all donors (OECD 2011b, 7, 9). Opportunities for concentration have been identified in 44 countries that have had “*12 or more non-significant aid*

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15 “*These micro-aid relations often take the form of non-project technical co-operation, which includes activities such as scholarships, volunteers and trainees and minor grants channelled through NGOs or multilateral organisations, and usually does not bring about any significant transaction costs [note that multilateral donors are not engaged in these types of activities, wherefore “the threshold of excluding aid relations below the level of USD 250,000 is only applied to bilateral donors”]. Nevertheless, micro-aid relations represent 16% of all aid relations (per partner country on average 4 aid relations), but correspond to only USD 50 million or 0.1% of all global CPA*” (OECD 2011b, 4–5).

16 Note that this is – as always – a crude indicator on fragmentation. As acknowledged by the OECD, whether a donor provides more than its global share of CPA to the partner country will put a “*bias towards smaller donors based on the fact that they are usually involved in fewer partner countries, which makes it less difficult for them at country level to exceed their global share of aid*”, whereas the latter part of the assessment “*includes a bias towards larger donors, for which it is less difficult to be among the top donors that cumulatively provide 90% of aid volume at the partner country level.*” The OECD believes that merging both assessments will equalise these biases (OECD 2011b, 6).

17 Stemming “*mostly from bilateral sources, since nearly half (45%) of bilateral aid relations are non-significant compared to one-third (34%) of multilateral aid relations respectively*” (OECD 2011b, 7).

*relations and an average fragmentation ratio of 55%, meaning over half of all donor relationships in that country are non-significant” (OECD 2011b, 7). Mozambique is one of these countries and thus presents – according to the OECD – “the greatest opportunities for rationalisation and efficiency gains, and therefore merit particular attention” (OECD 2011b, 7).<sup>18</sup>*

## 2.2 What causes fragmentation and why is it problematic?

As outlined above, the OECD asserts that *“aid fragmentation is still increasing, especially in low-income countries and fragile states [and that it] stems to a large extent from bilateral sources” (2011b, 19). Causes for fragmentation can be found in collective-action theory that “seeks to understand how groups of individuals are able to cooperate to overcome social dilemmas, assuming that being a self-interested, short-term maximiser is the default position” (Bray 2008). Applied to development cooperation, Kanck and Rahman asserts that*

*aid entails a set of collective action problems when there are multiple donors, each concerned with development in the recipient country, but with their own national goals as well, that sometimes conflict with development objectives. Donor countries all have their own commercial and security objectives, and their aid agencies additionally have the objective of maximising aid budgets, requiring them to cater to key domestic constituencies in parliament and among aid contractors and advocacy groups. This latter objective often requires making the results of aid programs visible, quantifiable, and directly attributable to the donor's activities – even when doing so reduces the developmental impact of aid. From the perspective of a recipient country's welfare, incentives for any one donor to shirk on activities that maximise overall development in favor of activities that contribute to donor-specific goals strengthen as the number of donors increases. (Kanck / Rahman 2007, 177).*

As *“the market for aid is not like other markets”, delineated as such by Djankov et al., it is observable that “many new organisations enter every year, but no significant organisation has even exited.<sup>19</sup> Regardless of how inefficient donors may be, they stay in the aid business. This often results in overwhelmed government officials, who spent their time meeting donor delegations” (Djankov / Montalvo / Reynal-Querol 2009, 217). This is one of the reasons why fragmentation of aid has to be regarded, in general, as problematic for the development process in the partner country.<sup>20</sup> Such transaction costs –*

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18 Certainly, any indicator or indicator set on aid fragmentation that also comprises donor aid shares, as used by Knack / Smets (2012), for instance, will give only part of the picture. Neither the OECD measure of fragmentation nor the donor aid share addresses *“fragmentation at the sectoral level, delegation of implementation of aid by one donor to another, or coordinating donor missions or country analytical work” (Knack / Smets 2012, 17). This problem will be picked up again in Section 2.2 where the complications of the working term “fragmentation” are discussed.*

19 *“Klein and Harford (2005). See Chapter 2: A century of entry but no exit” (in Djankov / Montalvo / Reynal-Querol 2009).*

20 Knack / Rahman (2007) and Knack / Smets (2012) assert that an increase in aid fragmentation among donors diminishes the quality of government bureaucracy in the recipient country because donors with a small share of the aid market tend to hire the most talented public managers in order to deliver successful projects. In addition, Anderson argues – based on econometric analysis – that *“the fragmentation of bilateral donors' aid across many recipients tends to raise their administration costs”*

classified by Acharya et al. as direct and indirect<sup>21</sup> – are the result of a lack of “*concerted and co-ordinated aid allocation practices*” (OECD 2011b, 3) and accrue to donors and partner countries alike:

*For donors, aid relations incur some fixed transaction costs, irrespective of programme or project size. These include costs associated with maintaining a minimum in-country professional presence and with different phases of the project or programme cycle, including identification and planning, negotiations and consultations with relevant stakeholders as well as monitoring, reporting and evaluation of interventions. At the country level, a large number of donors with different and often uncoordinated management practices (i.e. in the absence of lead donor arrangements) places a heavy burden on the administrative capacity of partner governments. The assumption is that this administrative burden can be reduced and donors can achieve efficiency gains when rationalising their overall donor-partner country aid relations. (OECD 2011b, 3)*

Thus, not only do empirical results hint towards the verification of the hypothesis that “*aid proliferation involves a negative effect on economic growth of the recipient countries*” (Kimura / Sawada / Mori 2007),<sup>22</sup> the accrued transaction costs for donors due to the fragmentation of bilateral donors’ aid across recipient countries is a financial burden and could be reduced “*by US\$2.5 billion per year through greater recipient country specialisation, [...] without affecting the total amount of aid received by any one recipient*” (Anderson 2012, 799). Yet, a precondition for such efficiency gains is that greater country specialisation is pursued in a coordinated manner: “*if uncoordinated [...], greater country specialisation could mean a reduction in the total amount of aid*” (Anderson 2012, 800).

Based on the critical fragmentation literature, Knack and Smets argue<sup>23</sup> that the benefits from concentrating aid among fewer donors in a partner country outweigh the risks associated with the accommodating power concentration; namely, that the concentration leads to a less diffused responsibility for development outcomes, which means that donors “*are less likely to indulge in practices that undermine aid’s effectiveness. A donor with a larger share of the aid market in a country has a stronger incentive to maximise the*

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(Anderson 2011, 5). Finally, Djankov / Montalvo / Reynal-Querol assert that donor proliferation reduces economic growth in part through “*the resulting increased corruption in the recipient country’s government*” (Djankov / Montalvo / Reynal-Querol 2009, 218).

- 21 The direct transaction costs are in line with the explications of Knack / Rahman (2007). The indirect costs are twofold: “*Where there are many aid donors, they are frequently in clear, and sometimes visible, competition with one another—for attractive projects, for the time and attention of senior policymakers, for the assistance of good public servants, or for influence over the policies of the recipient government. This competition can spill over into their relationship with one another, and lead, for example, to the ‘hoarding’ of information, and for less than wholehearted engagement in the processes normally labeled ‘donor coordination’.* [Moreover] a multiplicity of donors in one recipient country can contribute to a lack of a sense of responsibility for the outcomes of aid. The more donors there are, the easier it is to assume or assert that the lack of development progress is someone else’s fault; and the greater are the temptations for individual donor agencies to focus efforts on obtaining good results from their own projects, even if this impinges adversely on overall aid performance” (Acharya / Fuzzo de Lima / Moore 2004, 8).
- 22 Please note that this observation is context-specific and may not apply to Mozambique. Mozambique is experiencing stable growth rates despite an above-average presence of donors.
- 23 Their analysis used a model of donor behaviour adopted from Knack / Rahman (2007) and is based on collective-action theory (Knack / Smets 2012, 17).

*development impact of its aid instead of pursuing commercial or other non-development objectives*" (Knack / Smets 2012, 2). In particular, the analysis of Knack and Smets of the effects of aid fragmentation on aid tying reveals that *"lower fragmentation is associated with less aid tying"* (Knack / Smets 2012, 2). The authors explain this with the reputational pressure that donors with a high aid share in the partner country are exposed to in order to produce development outcomes.

Certainly, while a monopolistic reliance on one donor, or a small group of donors, should be avoided<sup>24</sup> – keeping in mind that a market for aid<sup>25</sup> has the advantage of providing healthy competition among aid providers, which offers recipients the option to choose between varying funding sources and areas of donors' expertise – it is clear that aid concentration with a handful of donors that have a greater market share is to be favoured over a patchwork of aid relationships with little market share that operates in an uncoordinated fashion. Collective-action theory and the observation that the *"more donors there are, the easier it is to assume or assert that the lack of development progress is someone else's fault"* (Acharya / Fuzzo de Lima / Moore 2004, 8) offer abundant reasons to verify this assumption. Additionally, as donors tend to have multiple objectives beyond poverty reduction (commercial, security or other strategic interests), inevitable trade-offs may be less harmful if such trade-offs appear for a smaller number of aid providers.<sup>26</sup>

Thus, the challenging task in using the working term "fragmentation" is – aside from its narrow definition and way of measurement – to distinguish harmful fragmentation from a) unavoidable, b) possibly useful and c) non-financial-related fragmentation and its possible added value for the effectiveness of aid. Regarding a), it may well be that fragmentation of aid in the programme implementation phase is unavoidable due to a lack of capacity of implementing agencies to absorb large amounts of funds (an argument frequently put forward by my interview partners in Mozambique). It may also be that an increasing fragmentation trend is a normal consequence of higher aid flows. Regarding b), fragmentation of aid can be useful if the benefits of demand-driven aid – with its associated healthy competition and diversity of ideas among aid providers – outweigh the higher transaction costs of the fragmentation (Rogerson 2005). Regarding c), it may well be that non-significant aid relations in financial terms are *"well-targeted and have significant impact at the country level"* and/or have a non-financial value, for instance in knowledge-transfers and diplomatic relations (OECD 2011b, 6). Yet, as the OECD argues, *"these aid relations necessarily come with important transaction costs, and therefore*

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24 Rowlands / Ketcheson (2002) and the OECD (2011b) actually warn of the dangers of relying on solely one single large donor, because in cases of such "monopoly power", the donor may exercise its leverage to influence domestic policy-making in the partner country. Additionally, the partner country may be vulnerable to a more volatile ODA environment due to such dependency.

25 A "market for aid" attempts to alter traditional power relations established between supplying donors and receiving partners. Faust and Messner, in analogy to Klein / Harford (2006), discuss the possible introduction of a "voucher scheme", a financing instrument based on recipient demand in which developing countries can use a supplied voucher to *"purchase development services in an international market made up of donor agencies."* Although it would strengthen *"partner-country 'ownership, [...] lower transaction costs [and emphasises] customer-oriented competition between suppliers"*, it also challenges partner countries in terms of administrative capacity, transparency and the insurance to establish a participatory tendering process (Faust / Messner 2007, 19).

26 Certainly, the presence of these non-poverty-related interests complicates any effort to convince "non-significant" aid providers to exit a country.

*some rationalisation may be worthwhile to reduce transaction costs on both ends of the delivery chain*” (OECD 2011b, 6). Additionally, an unintended effect of acknowledging the non-financial value of aid relations (in the sense that aid is a tool in the box of diplomatic relations between donor and recipient countries) is the implicit endorsement and blessing to justifiably politicise international development assistance even further.<sup>27</sup>

In all these cases, assessing fragmentation is not an easy and straightforward task. To achieve development impacts, trade-offs between the goals of the aid-harmonisation agenda may even be inevitable. Budget support to five sectors is certainly a more fragmented approach than project aid delivered to three sectors. Yet, it may as well be more effective, as government systems are strengthened and parallel project-implementation units are reduced.

The problem of only partially being able to measure fragmentation certainly diminishes the strength of recommendations for aid rationalisation in partner countries based on such quantitative findings. Complications with the measurement will be picked up during the fragmentation analysis of Mozambique in Chapter 3.

### 2.3 What is known about the fragmentation of aid and the proliferation of donors in Mozambique?<sup>28</sup>

According to the aforementioned OECD 2011 report on the division of labour that was based on data from 2009 (OECD 2011b), Mozambique received US\$ 1.8 billion in CPA and is characterised by a) an above-average presence of donors overall (36: 20 DAC countries and 16 multilateral agencies) versus the global average (21: 11 DAC countries and 10 multilateral agencies) and 24 per country in Africa; and b) by an above-average presence of DAC donors (20 vs. African average of 12).

This explains partly the high amount of at least 12 non-significant aid relations in the country, ranking Mozambique among the 44 countries with the *“greatest opportunities for rationalisation and efficiency gains”* (OECD 2011b, 7). Yet, only three of these non-significant aid relations were DAC donors: Australia; France and Korea. This compares to the nine multilaterals that have had aid relations in Mozambique and that were, strictly financially speaking, non-significant: Arab Agencies, GAVI, GEF, GFATM, IAEA, IFAD, UNDP, UNFPA and UNTA (OECD 2011b).<sup>29</sup> Thus, multilateral agencies have

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27 This can then act as a valid excuse to not exit a country / sector, which is identified as one of the main problems of the aid market and one of the main inhibitors of the implementation of the DoL agenda.

28 The following section is based on the OECD (2010b; 2011b; d; e). Please see also Annexes 2 and 4. The author acknowledges that despite the general confidence levels in the data work provided by the OECD, measurement errors remain a possibility and that the quality of reporting varies from donor to donor and from year to year. Please also note that the sectors are based on CRS sector classifications.

29 Global Alliance for Vaccines and Immunisation; Global Environment Facility; Global Fund to Fight AIDS, Tuberculosis and Malaria; International Atomic Energy Agency; International Fund for Agricultural Development; United Nations Development Programme; United Nations Population Fund; United Nations Transitional Authority.

more “non-significant” aid relations in Mozambique (9) than bilateral agencies (3), which is an interesting observation, because globally, this is the other way around (2011b, 7).<sup>30</sup>

Another interesting observation is that, despite the high proliferation of donors in Mozambique (36), the fragmentation ratio for Mozambique is, at 33 per cent, lower than in comparison to other countries that have 12 or more non-significant aid relations (55 per cent) – 33 per cent is even slightly below the African average of 36 per cent (OECD 2011b).

<b>Table 2: Non-significant aid relations (based on data from 2009)</b>		
Mozambique total	DAC countries	Multilateral agencies
12	Australia, France, Korea	Arab agencies, GAVI, GEF, GFATM, IAEA, IFAD, UNDP, UNFPA, UNTA
Source: Author's own compilation based on OECD (2011b)		

The picture becomes even more nuanced if the figures for 2009 are compared to data from 2010 (see Annex 4). Here it can be seen that the presumed multilateral “fragmenters” actually show – with the exception of UNDP – an above-average concentration ratio for Mozambique (so above 53 per cent).<sup>31</sup> In contrast, the “non-fragmenter” Germany, which is considered to have “significant” aid relations in Mozambique, continues to have “non-significant” relations in 6 out of the 11 sectors it is engaged in.<sup>32</sup> This also means that Germany has, with 45 per cent, a lower concentration ratio in Mozambique than with its average globally (81 per cent – data from 2009), and in comparison to the total of 53 per cent for Mozambique.

Further complications in interpreting the picture emerge if one looks at the aid fragmentation / donor proliferation table for Mozambique in Annex 2, which “shows the changes in the number of donors and the volume of aid disbursements from 2005 to 2009 for each sector (11 sectors + budget support)” (OECD 2010b). By looking at the “aid fragmentation by sector” table, it can be seen that, *in total*, the CPA trend points upwards, which can certainly be interpreted as a positive trend. At the same time, the fragmentation trend points upwards too, which should be interpreted as a negative trend. So the question is whether an increase in the CPA trend warrants an increase in the fragmentation trend. In a perfect scenario, an increased CPA trend is coupled with a decreased fragmentation trend. Unfortunately, there is no such case by sector for this time period. Further, the CPA trend points upwards for all sectors except economic infrastructure and government and civil society. Yet, fragmentation did not decrease in any one sector between 2005 and 2009. On a positive note, there is not a single case in which the CPA trend points downwards at the same time that the fragmentation trend points upwards. Yet, neither is

30 Please note that the 2011 OECD report focusses on cross-country comparisons. Hence, for 2009, the OECD counted the IAEA and UNTA as “non-significant” aid providers. It can be assumed that neither of the agencies was active in Mozambique.

31 This is in line with the global trend, meaning that on average, multilateral agencies – with 66 per cent – a higher concentration ratio than DAC countries (55 per cent).

32 This is the same total amount of “non-significant” sectors such as the “non-significant” DAC donor Australia (also six, yet only out of eight sectors they are engaged in).

there a single case of an increase of CPA and a reduction in the fragmentation trend (which would have been the most straightforward positive interpretation).

Regarding the *proliferation* of bilateral donors, it can be seen that *on average*, both the CPA and proliferation trends point upwards. So the same question emerges as with the fragmentation trend: Does an increase in the CPA trend warrant an increase in the proliferation trend? Of all bilateral donors, only Belgium showed the desired CPA increase while at the same time showing a decreased proliferation trend – yet, at the same time, their concentration ratio, at 25 per cent, was as low as Australia's, which was one of the three non-significant aid providers in 2010 (OECD 2011e). At the same time, a handful of donors show a downward proliferation trend, which is certainly a commendable trend, notably Luxembourg, Norway and the United Kingdom. Their problem is that they all show simultaneously a decreased CPA trend (Luxembourg phased out actually). Of particular interest is Italy – although its CPA level decreased over the period from 2005 to 2009 whilst its proliferation trend increased, with 64 per cent it showed a relatively high concentration ratio in 2010 (OECD 2011e). It is engaged in 11 sectors (high proliferation in total); yet of these sector engagements, seven are classified as very significant, and only four as non-significant.

Finally, regarding donor proliferation of multilateral agencies, the total CPA trend as well as the proliferation trend point downwards. Hence, gains in concentration may be offset by the decreasing CPA flow. Only the United Nations Children's Fund (UNICEF) shows the desirable increase in the CPA trend while simultaneously showing a decreasing proliferation trend, whereas GEF and UNDP show the worst-case scenario of a downward CPA and an upward proliferation trend.

Without question, it will require some strong leadership and thorough debate in Mozambique about how to best use these findings in order to develop meaningful recommendations to effectively concentrate the aid system better without jeopardising total CPA flows. Presumably the best way forward is for every agency to thoroughly engage in a self-critical analysis to see where efficiency gains are possible. A central task will be to scrutinise how the aid delivery is organised and to identify entry points for better aid concentration. For instance, non-significant aid relations could be redirected, where possible, into pooled funds. Another way forward is offered by the OECD, which proposes to set

*relative targets, where for example donors below DAC average could commit to reach the current DAC average concentration ratio, and those already above the average could commit to improving their existing levels without a fixed target. Such a commitment could have the target date of 2015, by which at least some significant progress should be demonstrated. As a minimum, the donor community should stop further aid fragmentation and progressively strive to reduce fragmentation in line with mutually agreed targets.* (OECD 2011b, 19).

This is a reasonable request, particularly for the DAC donors of the European Union. Despite the fact that Mozambique is a partner country of the EU's Fast Track Initiative (FTI) on Division of Labour (EU 2008), which calls on EU donors to minimise their active involvement in a partner country to a maximum of three sectors (and max. 3–5 EU donors per sector), all bilateral EU donors were active in more than three sectors in 2010,

and all of them had, in fact, non-significant relations in at least three or more sectors (OECD 2011e).<sup>33</sup>

Thus, based on the data described above (OECD 2010b; 2011b; 2011e) and the recommendation given by the OECD, the following agents in particular are on display for rationalisations to achieve efficiency gains:

- DAC countries: Australia, France and Korea for their non-significant aid relations, and Italy for having an increased proliferation trend whilst simultaneously having a decreased CPA trend. For Australia and Korea, the trend over 2005–2009 is complicated: it shows an increasing CPA trend, accompanied by an increased proliferation trend. For France, the trend of proliferation is not clear (it shows an increased CPA trend though).

<b>Table 3: Donors on display for rationalisation and efficiency gains</b>		
DAC countries	Multilateral agencies	Donors with below the average concentration ratio of Mozambique (53%)
Australia, France, Korea, Italy	Arab agencies, GAVI, GEF, GFATM, IFAD, UNDP, UNFPA	Australia (25%), Austria (33%), Belgium (25%), Canada (40%), Finland (45%), France (50%) Germany (45%), Japan (45%), Korea (40%), Portugal (25%), Sweden (50%), Switzerland (50%), UNDP (20%)
Source: Author's own compilation based on OECD (2010b; 2011b; 2011e)		

- Multilateral agencies: Arab agencies, GAVI, GEF, GFATM, IFAD, UNDP and UNFPA for their non-significant aid relations in Mozambique. GEF and UNDP are on display in particular, for having in addition a downward CPA trend accompanied by an upward proliferation trend over the timeframe of 2005 to 2009. UNDP's concentration ratio in 2010 was only 20 per cent, which is due to the fact that of its involvement in five sectors, four were non-significant in financial terms (OECD 2011e).
- By concentration ratio: Any country with a below-average share of concentration ratio for Mozambique, which is 53 per cent (which is even below the global average of 60 per cent), should rethink their portfolio, even though the number is inflated through several multilaterals (GAVI, GEF, GFATM, IMF, Nordic Development Fund, Joint United Nations Programme on HIV/AIDS, UNFPA), who all have a 100 per cent concentration ratio stemming from the fact that they are only engaged in one or two (max. three) sectors where they are considered to be significant donors. Nevertheless, these countries and organisations are: Australia (25 per cent), Austria (33 per cent), Belgium (25 per cent), Canada (40 per cent), Finland (45 per cent), France (50 per cent) Germany (45 per cent), Japan (45 per cent), Korea (40 per cent), Portugal (25 per cent), Sweden (50 per cent), Switzerland (50 per cent) and UNDP (20 per cent) (see Annexes 2 and 4).

33 Tools to address the fragmentation of aid will be discussed in more detail in the forthcoming Sections 2.4, 2.5 and 2.6.

Certainly, the question is: Where does Mozambique stand in relation to the results for 2012 and 2013? This is a complicated question, as results of any rationalisation taken now *“will only be visible in aid statistics reported in the next few years”* (OECD 2011b, 19). Judging from my interviews and the 2011 OECD Survey on Donors’ Forward Spending Plans, however, which collected information on planned donor exits from 2011 to 2015, some donor exits do take place. Although not aggregated by donor or country, the 12 participating DAC EU countries of the survey are planning 67 exits in Africa in total, 45 of which are considered to affect non-significant aid relations (quoted in OECD 2011b, 11). Additionally, data from 2011 will allow for an early assessment as to whether donors have increased their concentration ratio in comparison to 2010 (please see Chapter 3).

Yet, it remains to be seen to what extent Mozambique is affected. It also remains to be seen whether a) sector exits take place in a coordinated fashion or reflect an uncoordinated – and thus possibly harmful – “inward-looking” process only; and whether b) possible benefits from sector exits are offset by sector entries elsewhere. According to the 2012 EU Accountability Report on Financing for Development, EU Member States exited 90 sectors in the reporting period, yet also entered 71 new sectors (EC 2012, 76).

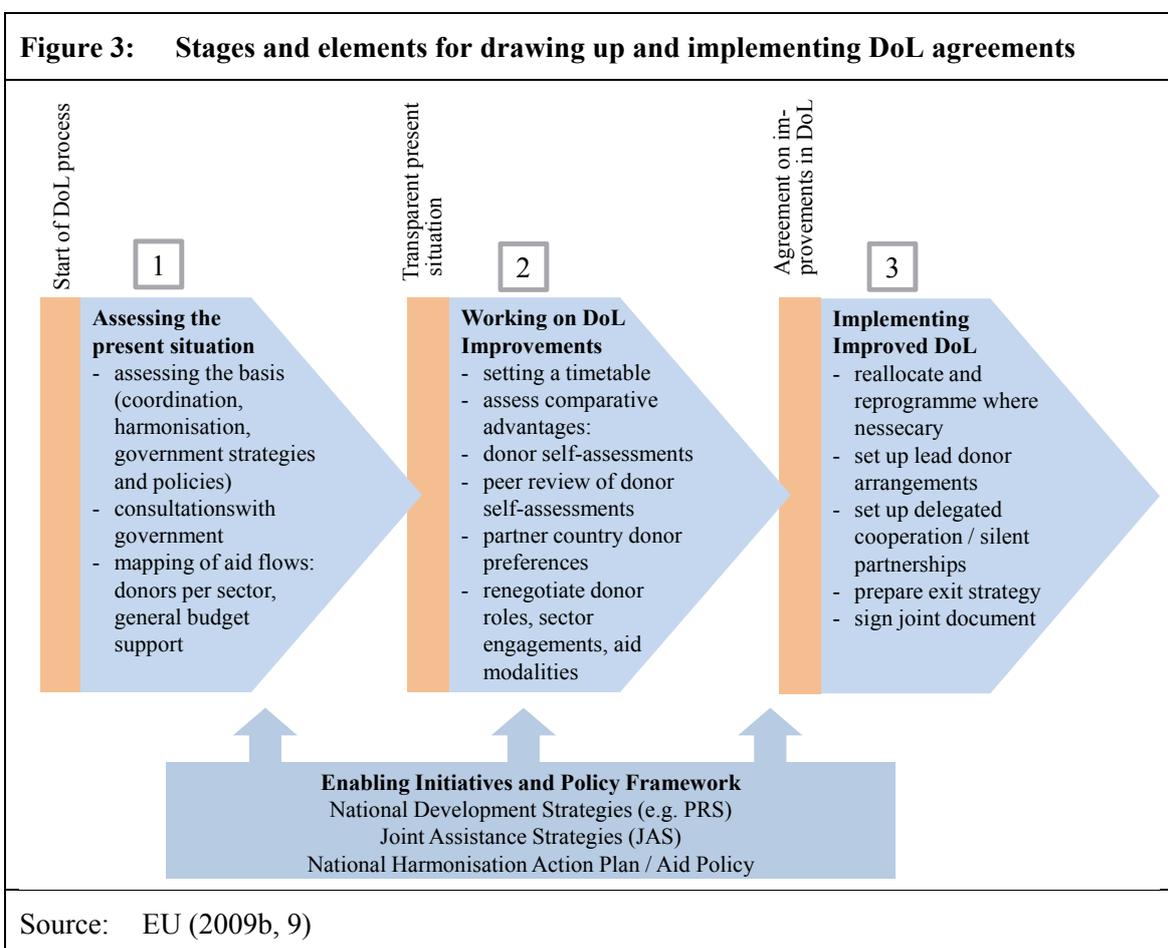
Discussing these trends was the focus during my interviews, which are outlined in Chapter 3. To be able to understand the analysis, some background information on the international tools to address aid fragmentation and on the institutional mechanisms on aid coordination in Mozambique is essential (to be discussed in Sections 2.4 and 2.5).

## 2.4 What are the tools available to address fragmentation?

Several political tools have been developed to tackle fragmentation. The most well-known initiative is the EU Code of Conduct on Complementarity and Division of Labour (CoC-DoL), which was adopted by the EU Council of Ministers in May 2007 (EU 2007). The CoC operates on three levels: in-country, cross-country and cross-sector. The code’s implementation at the partner-country level has been supported since 2008 by the EU’s FTI, which facilitated the implementation of in-country DoL in about 30 partner countries (including Mozambique) (EU 2008). Fourteen EU Member States and EU Delegations were involved in the initiative, which ended in mid-2011 and which has been complemented since 2009 by an Operational Framework on Aid Effectiveness that aims to coordinate the code’s implementation at the policy level (EU 2009a). The code is *“voluntary and flexible and should be implemented by means of country-based approaches”* that require two indispensable prerequisites: *“a keen interest of the partner government in Division of Labour [and a] solid political will and resolute engagement of the highest decision-making levels in donor headquarters”* (OECD 2011 f.). In order to better implement the DoL process – roughly divided into the three stages “Assessing the present situation”, “Working on DoL Improvements” and “Implementing Improved DoL” (please see Figure 3 for an overview of the in-country DoL process) – the EU and Member States divided roles and responsibilities in a number of partner countries. A “lead facilitator” is supported by various “supporting facilitators” that are equipped by the EU with a “Toolkit for In-Country DoL” (EU 2009b). For the case of Mozambique, the

lead facilitator has been the Netherlands, supported by Denmark, the European Commission, France, Germany, Ireland, Italy and Portugal.<sup>34</sup>

Implementation of in-country DoL was monitored by three surveys (EU 2009c; 2009d; 2011), that also included participation by the partner government and non-EU donors. Yet, according to my interviews, the GoM did not approve the responses given by the facilitators to the latest survey conducted in December 2010. Thus, the main challenges of the FTI identified were “*the active involvement and leadership of partner governments and the mixed performance of facilitating donors*”, while “*its shared and formalised objectives, clear responsibilities and team approach, its country-level focus and direct communication channels between EU HQ and field level as well as direct contact to partner country governments via the facilitating donors*” were singled out as the initiative’s main strengths (OECD 2011 f.). Results of the third monitoring survey for Mozambique will be presented in Section 2.6.



Further initiatives on the donor harmonisation agenda to tackle fragmentation are the EU’s Joint Multi-Annual Programming (JP) efforts that the EU has been pushing since 2008 and that started in Haiti and South Sudan in 2011, as well as in Ethiopia, Ghana, Guatemala, [Mali], Laos and Rwanda in 2012 (for the upcoming country programming period 2014–

34 Please also take note of the “International Good Practice Principles for Country-led Division of Labour and Complementarity” published by the Working Party on Aid Effectiveness of the OECD (OECD 2009) and the “Eight Good Practice Principles for Good Multilateral Donorship” (OECD 2011g).

2020). JP attempts to coordinate and – wherever possible – integrate the various aid strategies of the EU and its Member States at an early stage of the aid delivery, during the programming phase. It consists of a joint analysis of the partner country’s development strategy, a joint response of the EU and its Member States to that strategy, the identification of sectors of intervention, an in-country division of labour and an indicative multi-annual financial allocation. Assumed benefits include a better alignment with the partner country’s strategy, more complementarity among the Member States and, as a consequence, a less fragmented aid landscape and hence, a more effective delivery of aid (OECD / Government of the Republic of Korea / UNDP 2011). The suitability of JP in Mozambique was positively assessed in 2012 by the Heads of Missions.

The United Nations “Delivering as One” (DaO) process, initiated in 2007 in eight pilot countries, including Mozambique, is another harmonisation initiative (United Nations 2006). Evaluated in 2012 by the United Nations, DaO – composed of its four principles: One Leader, One Programme, One Budget, One Office / Common Services – has provided greater coherence in advocacy and policy dialogue and has gained partner governments stronger ownership of their UN programmes. Yet, the main impediment for greater alignment remains to be “*the existence of strong organisation-specific accountability systems*” caused by the nature of the UN development system as a myriad of independent agencies, each characterised by its own structures, norms and performance assessments (United Nations 2012). In Mozambique, for instance, a total of 20 agencies work in the country, some of which have their only country presence in Africa in Maputo (i.e. the United Nations Interregional Crime and Justice Research Institute). Based on the findings of the evaluation, Weinlich and Zollinger put forward the proposal to strengthen the DaO approach by replacing “*the current consensus-based decision making process at the country level with an Arbitrator System [that] empower[s] the Resident Coordinator [with] authoritative guidance to agencies*” and the model of three to four “Operational Lead Agencies” at partner-country level – such as UNDP, UNICEF, the World Food Programme or the United Nations High Commissioner for Refugees – to which smaller agencies “*entrust their operational activities [by fully integrating them] into one of the [Operational Lead Agencies] country programmes*” (Weinlich / Zollinger 2012).

Experiences with the donor harmonisation agenda were discussed during the fourth High Level Forum on Aid Effectiveness in Busan, South Korea, in December 2011. In the “Building Block on Managing Diversity and Reducing Fragmentation”, the notion of *country compacts for effective development cooperation* was born, which, being more inclusive than the narrow EU focus on DoL, aims to develop and implement strategies that “*strengthen partner countries in their management of the increasing diversity of external support while actively involving all relevant domestic stakeholders (parliaments, [civil society organisations], private sector)*” (OECD et al. 2011). The building block asserts that “*depending on the country context, strategies to reduce fragmentation could include division of labour, sector-wide and programme-based approaches, joint assistance strategies or joint programming*” (OECD et al. 2011). Less “technocratic” than the EU’s CoC-DoL and its associated toolkit, such country compacts would be narrowed on “*a limited number of concrete, high impact and measurable commitments [...] based on a broad consultation and involvement of the local donor/development partner group, parliament, civil society and private sector actors.*” The main advantage is seen in the institutionalisation of leadership at the partner-country level (OECD / Government of the Republic of Korea / UNDP 2011).

From the theoretical overview in this section, the paper moves to the Mozambican context and presents issues regarding the fragmentation of development assistance, efforts to tackle it and a political economy analysis of the challenges ahead. Considering that reducing fragmentation is a continuous process, it is important to present issues on harmonisation within a context of analysis and commentary.

## 2.5 Tackling fragmentation of aid in Mozambique: What are the institutional mechanisms of coordination?

In 2010, the government of Mozambique – mainly consisting of Mozambique's predominant party FRELIMO (Frente de Libertação de Moçambique / Front for the Liberation of Mozambique) – adopted an International Cooperation Policy and Implementation Strategy (Política de Cooperação Internacional da República de Moçambique e sua Estratégia de Implementação), which defines firstly, the objectives, guiding principles and priority actions for international cooperation in the country, and secondly, the division of labour between the institutions responsible for aid coordination and effectiveness (GdM 2010). The Ministry of Planning and Development (MPD) ought to be responsible for aid coordination and effectiveness,<sup>35</sup> the Ministry of Finance (MinFin) for implementation and management, and the Ministry of Foreign Affairs (MINEC) for bilateral and diplomatic issues. In practice, however, the Strategy is of little importance and many overlaps between the ministries exists (KPMG Mozambique 2010, 23; own interviews).

Cooperation dialogue and coordination between the government and the donor community takes place with the Programme Aid Partnership,<sup>36</sup> which has been gathering, since 2000, those donors providing direct support to the Mozambique state budget. In 2004 the government signed a Memorandum of Understanding (MoU) with the 15 donors at that time (13 bilateral donors, the European Commission and the World Bank) for programme aid, which was renewed in 2009 by the then 19 donors<sup>37</sup> and the three associate members, the IMF, the United Nations and the United States. The MoU includes an annual and mutual Performance Assessment Framework (PAF) to monitor progress in priority areas identified to meet the objectives of Mozambique's Poverty Reduction Strategy Paper PARPA. PAF includes specific indicators and benchmarks for both the government and Programme Aid Partners (approx. 40 for the GoM and 20 for donors, some of which are directly related to the aid-effectiveness agenda, such as reducing the number of project-implementation units, use of country systems or the conduct of joint missions), by which their performance is monitored, and on which basis decisions for commitments for budget support for the following year are taken. Such commitments are taken four weeks after the end of the Joint Review that takes place every March / April after the MPD reports on the Balanço do Plano Economico e Social, the evaluation of the annual Economic and Social Plan (PES) of the previous year, through which PARPA is operationalised. Results of the

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35 Within the ministry, even an "aid coordination team" deals with the budget-support donors and acts as a focal point for OECD-DAC activities (KPMG Mozambique 2010, 23).

36 Unofficially called the G19, the name depends on the number of active budget-support donors.

37 African Development Bank, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom, World Bank.

Joint Review are summarised in an Aide Mémoire that brings together conclusions of the approximately 27 working groups active in the review process, each consisting of representatives of the GoM, Programme Aid Partners, other development partners and civil society. Negotiations on the target indicators of PAF take place during the mid-year review in August / September, thus prior to the submission of PES and the state budget to parliament (Assembleia da Republica) by September 30 (PAP s. a.; EU 2010).

In order to steer the dialogue between Programme Aid Partners and the GoM, a troika chairmanship system has been set up called the “Troika plus”. At Head of Cooperation level and on behalf of the Head of Missions level, it rotates annually to represent Programme Aid Partners as a group in a Joint Steering Committee with the government (consisting of the chair, the co-chair and the outgoing chair) (PAP s. a.). Table 4 summarises the structure and mandates of the various groups into which Programme Aid Partners are structured:

<b>Table 4: Structure of Programme Aid Partnership</b>			
Group	Objective	Mandate	Functions
<b>Head of Mission (HoMs)</b>	Oversight and discussion underlying principles	Political governance	Political dialogue, including link to EU HoMs (e.g. on demarches)
<b>Heads of Cooperation (HoCs)</b>	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
<b>Troika plus</b>	Assist the HoC group functions	Representation of the HoC group	Facilitation of the decision-making and preparation of key meetings
<b>Economists Working Group (EWG)</b>	Dialogue with GoM and performance assessment at technical level	Analytical work for the MoU implementation and government performance assessment	Report and advise the HoC group on progress within the EWG's areas of responsibilities
The PAF Coordination Group and SWGs below are a coordination and consultative forum and groups, respectively, directly involved in the PAF process but not hierarchic dependent from the PAPs and may involve other non-PAP donors.			
<b>PAF Coordination Group</b>	Operational and coordinating donor forum	Assessment jointly with GoM of performance PAF commitments	Discuss and assess problem issues of relevance across sectors Share knowledge
<b>Sector Working Groups (SWGs)</b>	Coordinate donor-GoM engagement at sector level		Dialogue with GoM counterpart
Source: PAP (s. a.)			

The second forum for cooperation dialogue among donors is the Development Partners Group (DPG), which meets once a month at HoM level, chaired by the World Bank and

the UNDP (EU s. a.). Whereas the DPG is more inclusive in terms of donor representation than PAP, it lacks official representation by the government. The backbone for donor coordination is the Aid Information Management System (ODAmoz) adopted in 2005 by the MPD, into which – as of October 2012 – 46 development partners provide information on their aid commitments and disbursements (Development Gateway s. a.).<sup>38</sup>

Due to the established coordination mechanisms, a Joint Assistance Strategy does not exist in Mozambique.<sup>39</sup> A Joint Action Plan, on the other hand, on “Accelerating the Fast Track Initiative on Division of Labour” was proposed in March 2010 by EU Member States and the Delegation of the European Union (see Box 1).

<p><b>Box 1: Joint Action Plan</b></p> <p>The Joint Action Plan identified nine subject areas of focus starting 2010:</p> <ol style="list-style-type: none"> <li>(1) To address the issue of overcrowded / orphan sectors that emerge due to a lack of coordination on decisions to enter and/or exit a sector;</li> <li>(2) To focus on a maximum of three sectors per development partner;</li> <li>(3) To better use the self-assessed comparative advantage that was captured as part of the annual mapping on country strategies, and to avoid further assessments;</li> <li>(4) To avoid giving a general directive to use the instrument of “Delegated Cooperation/ Silent Partnerships” but to leave it to individual donors to decide whether to get engaged. The rationale being that the instrument is perceived as cumbersome to set up while reductions in transaction costs seem to be “not very high”;</li> <li>(5) To restructure the Working Groups in 2011 following a proposal put forward by a group of HoCs to the G19 and the GoM in 2010;</li> <li>(6) To reduce from 2010 onwards the number of government-related activities that tend to increase, even though general budget support (GBS) and common funds are instruments strongly used in Mozambique;</li> <li>(7) To stimulate joint analytical work;</li> <li>(8) To streamline work on Technical Cooperation/ Technical Assistance related to GoM based on a first mapping exercise carried out by the Task Force on Working Groups and Division of Labour (TFWGDL) in August 2010;</li> <li>(9) To dialogue actively with the GoM on these issues.</li> </ol> <p>Source: EU (2010)</p>
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38 ODAmoz has been assessed as “a success story” by Development Gateway (2011) and as a database that “*is reasonably complete [with] the advantage over the CRS [Creditor Reporting System of the Development Assistance Committee] of including information on modality and [...] a greater aggregation of aid activities*” (HTSPE 2009, 59). On the other hand, the evaluation of the Paris Declaration Phase 2 for Mozambique highlights that there are “*serious concerns over data collection and quality*” on aid in Mozambique (KPMG Mozambique 2010, 60). The usefulness of ODAmoz relies on the discipline of the donors and the GoM to feed the system regularly. The biggest concern regarding data comparability is an acknowledged problem in the literature on aid effectiveness, namely that sector definitions between the DAC CRS and the ones used at the partner-country level tend to differ.

39 Officials interviewed privately asserted that in 2006 a TF called CS 19 (chaired by Sweden and Denmark, Germany and the United Kingdom as members) gathered information on donor-country strategies in order to harmonise the various agendas. During the process, it was decided to not engage in a Joint Assistance Strategy, as it was felt that firstly, the existing coordination mechanism was sufficient, and secondly, that such a strategy would need a development cooperation policy (which the GoM finally released in 2010).

A key element for coordination in Mozambique and the implementation of the Joint Action Plan was the TFWGDL, which was set up in 2008 in order to carry out an annual mapping of the country assistance strategies of PAP donors, the United States, the UN and Japan (EU 2010). Consisting of four to five members of the G19 and one to two members of the non-G19 – according to its terms of references (ToRs)<sup>40</sup> – the TFWGDL was very active up until 2011, confirmed to me by my interviewees in Maputo and grey literature. The task force (TF) produced various donor mappings in which sectors of concentration, exit strategies, self-assessed comparative advantages, the use of tools of delegated cooperation and silent partnerships as well as participation in Working Groups (WGs) were laid out; it suggested a new architecture for the arrangements of WGs and sub-Working Groups, which would also map the chairs and the type of membership envisaged (divided into active and silent). It additionally produced a “Good Practice” paper for SWGs, suggested ways to reduce the number of WGs to increase efficiency, and proposed a definition and an implementation plan for joint missions. Even in 2012 it conducted an informal survey in May to map donor strategies and enquired about EU Member States’ willingness for joint programming.

Yet, according to my sources, the TF was faced with several problems and had ceased to exist by the time of my field trip in September 2012. Foremost, the mandate of the TF constricted its influence right from the start. In its ToRs the TF was bound to report its activities to the G19 and the DPG, thus to the group it had to critically scrutinise. The ToRs further restricted the TF from any decision-making authority regarding the WGs and the DoL, which confined the TF to analytical work only. Secondly, although it attempted to reach out to government authorities, the TF suffered the lack of a government counterpart that could take over the political task of using the donor mappings to rationalise the aid architecture in a needs-based and demand-driven fashion. There was consensus among my interview partners that only the MPD, MinFin or MINEC possessed the necessary authority and legitimacy to make such decisions regarding aid rationalisations. And thirdly, the TF faced some internal pressures from the donor community due to some controversial proposals to restructure the WGs, which were perceived as being rather non-suitable to the needs of Mozambique – proposals that were based on a too narrow and technocratic understanding of the EU CoC. For instance, the TF proposed at one point to restructure the WG on procurement, due to its limited involvement of actors in the WG. Yet, interviewees asserted that, due to the importance of procurement, that such a WG deserved to be strengthened rather than put up for grabs to get rationalised away.

All these factors combined caused fatigue among the people working in the TF on the task. Basically, the TF ran out of steam due to the lack of visible progress in streamlining and eventually reducing the heavy aid-architecture in Mozambique. This observation reveals a general problem of the international attempts used to come to terms with convoluted aid systems at the partner-country level. Due to the legally non-binding nature of the EU CoC, JP or the UN’s DaO initiative for that matter, progress on aid harmonisation depends very much on personal commitment by dedicated staff members of bi- and multilateral development organisations working in the field to push both the donor community as well as the government to take meaningful action. Unlike the structure of PAP, which institutionalised the dialogue with the GoM, the TF was a rather ad-hoc and

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40 At the beginning it was chaired by France, then chaired by the Netherlands, with Belgium, the EU delegation, Germany, Norway and the UN as members in 2011.

un-institutionalised arrangement, set up to accelerate the FTI on DoL, yet without any decision-making power beyond analytical work. Momentum was lost for good when some of the staff members had to leave the TF due to ending contracts or changing ToRs.

## 2.6 Overcoming fragmentation of aid in Mozambique: assessment against DoL principles and implementing strategies

As outlined in the introduction, even though Mozambique's aid dependency is on the decline, the country is still aid-dependent and characterised by a fragmented aid landscape. To understand efforts to tackle the problem, three important reports are essential: firstly, the 2009 study "Aid Effectiveness Agenda: Benefits of a European Approach" (commissioned by Directorate-General Development and Cooperation of the European Commission), which looked into the Mozambican case to understand possible efficiency gains from better implementation of the aid-effectiveness agenda (HTSPE 2009). Secondly, the evaluation of the Paris Declaration (PD) Phase II – released in May 2011 – which looked into Mozambique as one of the 22 case studies conducted to understand if, and to what degree, the declaration has contributed to aid effectiveness and development results (Wood et al. 2011, iv; KPMG Mozambique 2010). And thirdly, the results of the 3rd Monitoring Survey of the EU FTI on DoL (EU 2011).

By looking into aid data from 2007, the 2009 study finds that Mozambique's fragmented aid landscape persists despite efforts of donor coordination and the implementation of some key elements of the donor harmonisation agenda (particularly the use of BS): *"although Mozambique is one of the best examples of donor coordination with a donor coordination platform, good database and a long history (and relatively positive experience) with budget support [...], donor proliferation and continuation with project modalities weakens these positive aspects."* It thus concludes that *"donor harmonisation and alignment with government systems through participation in budget support is not enough. Mozambique would be better served by a decrease in the number of EU donors present combined with more delegated cooperation"* (HTSPE 2009, 65). This assessment is based on the finding that 42 per cent of EU aid in 2007 was given through 367 projects, meaning that project aid was still the dominant aid modality that year. A more rationalised EU donor approach would yield great potential for annual savings (without being able to give an exact figure) (HTSPE 2009, 62–64).

The findings of the Mozambican evaluation of the implementation of the PD Phase II in 2011 are similar. The evaluators found that in Mozambique – despite some encouraging progress – DoL initiatives developed to tackle fragmentation still face the challenge of receiving the necessary leadership from the FRELIMO government and the full commitment of development partners:

*Some donors have been trying to push forward division of labour, notably the EU in the framework of their Code of Conduct on Division of Labour. A Joint Action Plan has been agreed by the EU while a wider donor Task Force on Working Groups and Division of Labour has been established. This has resulted in an extensive annual mapping and the establishment of comparative advantages for donors and proposed exit sectors for some. (KPMG Mozambique 2010, 37)*

Yet, the evaluation finds that efforts to implement the EU Code of Conduct on DoL have not resulted in actual sectoral rationalisation beyond a handful of bilateral withdrawals from selective sectors. This has been mainly due to pressures from donor headquarters to stay involved in certain sectors for political and visibility reasons and the government's concern that sector exits would not be managed in a coordinated way, thereby reducing sectoral and overall funding. Additionally, the GoM sees “*benefits in spreading risk by having a large number of donors in sectors*” (KPMG Mozambique 2010, 8). Thus, the reasons for limited implementation of the aid-harmonisation agenda in Mozambique are similar to those outlined in Section 2.2 – reasons that are related to collective-action theory.

These findings seem to be confirmed by the survey results of the third monitoring of the EU FTI from 2011 (see Table 5 below). Whilst donor mappings, comparative advantages and lead donor agreements are set up,<sup>41</sup> an action plan elaborated, and some reprogramming is underway,<sup>42</sup> the country case still misses agreed sector definitions and, mainly, the commitment of the Mozambican government in the process.<sup>43</sup> Therefore, whether aid across sectors became rationalised as a consequence of the FTI is unknown.<sup>44</sup>

A main concern in Mozambique is the absence of a Partner Country Development Strategy. More precisely, the dilemma is not that there is no such strategy (as Table 5 suggests), but that they are either not important in practical terms (Política de Cooperação Internacional da República de Moçambique e sua Estratégia de Implementação), or that the GoM and the donor community tend to refer to the Five-Year Government Program (2010–2014) or the third PRSP (PARP III: 2011–2014), respectively. My interviewees highlighted the challenge to harmonise programme

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41 According to my interviews, there are donor focal points for each WG, with some groups being more active than others. This depends very much on the personal commitments of staff members. EU Member States and the European Commission are represented in all the main WGs, thus adhering to the EU CoC. The WGs and their functions will be discussed in more detail in Chapter 3.

42 This question in the survey is a tricky one, as it asks whether donor concentration in focal sectors occurs, and whether orphan sectors are strengthened whilst relieving donor darlings through the use of delegated cooperation (EU 2011). The survey result hints towards a clear “yes”. Yet, as the survey is filled out by the EU facilitating donor without substantial quantitative backing of such a decisive answer, the results should be read with caution. During my interviews a more nuanced picture was painted, in so far that whilst aid concentration in focal sectors did in fact occur – or is currently occurring – delegated cooperation is an underused tool. Additionally, the donor mapping that gathered information on sector concentration is – as a tool – not used to reorganise the aid delivery as much as the decisive “yes” in the survey might suggest. Please see Chapter 3 for further information.

43 The survey distinguishes between four levels of government engagement in the DoL process: “*Leading role and directing the process; facilitating the process in close dialogue with donors; approving progress triggered by donor initiative; no interest in division of labour between donors, not approving progress.*” Aside from the Central African Republic, Haiti and the Kyrgyz Republic, Mozambique is the only FTI partner government that is categorised as showing no interest in the process (EU 2011).

44 Interestingly, transaction costs did not decline for either the donor or partner country, according to Table 5. Some of the interviewees for this paper believe that due to the introduction of the troika system in PAP, transaction costs for the chair and its co-chairs increased, but that it eased the interaction for their Mozambican counterpart. It is thus motioned that transaction costs were reduced for the GoM. It can further be expected that transaction costs would be reduced for donors if they engaged more in silent partnerships and delegated cooperation (where possible).

cycles in the absence of clarity about which cycle the synchronisation should take place in. Whilst PAF monitors progress mutually in relation to PARP, it is important to note that for internal political reasons, the Five-Year Government Program is of much greater relevance. Whilst officially PARP “*is the medium-term strategy of the Government of Mozambique for putting into operation the Five-Year Government Program*” (GdM 2011), content wise, both programmes are not in sync.<sup>45</sup> This parallel structure is highly problematic for the harmonisation agenda.

In sum, the DoL process in Mozambique is being slowed down in the important third stage – the implementation phase. Yet, as implementing DoL initiatives relies on a combination of technical aspects (such as operating with common sector definitions) and the political will of development partners and the partner government alike, reducing fragmentation through greater alignment with the help of DoL and other tools has to be considered a political process or continuation, rather than a one-off solution to a complex problem. Therefore, the evaluation of the PD Phase II looked ahead and expressed its hope that “*current plans for further exits and rationalisation by 2012 bear fruit and are carried out in a sufficiently coordinated way*” (KPMG Mozambique 2010, 37). It also expressed the “*clear need for a one-stop-shop that groups and shares analysis,*” an issue that would be currently considered by the TFWGDL (KPMG Mozambique 2010, 38).

This paper took this outlook as a point of departure for its field research in September 2012. Issues discussed were:

- The current status of DoL and reprogramming efforts to reduce fragmentation in Mozambique (do development partners concentrate their aid in focal sectors and, in turn, move out of other sectors or use the modality of delegated cooperation)?;
- Details about the annual donor mapping exercises, the definition of sectors used and the identification of comparative advantages;
- Details regarding proposed exit strategies (Who, when, defined by what criteria, i.e. significance of aid relations?) and the stand on “lead donor arrangements” (Which donor for what sector and what is the donor’s comparative advantage?);
- The current discussions concerning joint programming in Mozambique and the government’s engagement (if any);
- Impact of Mozambique’s economic transformation on the incentive system to harmonise aid.

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45 Following its approval on 3 May 2011, long-term Mozambican analyst Joseph Hanlon asserted that PARP III was mainly a donor-driven initiative and that “*Mozambique had not planned to do another Poverty Reduction Strategy Paper after the previous one finished in 2009.*” He continued: “*It is not expected to have any role in government policy or decision making*” (Hanlon 2011).

Table 5: Monitoring results of the EU FTI February 2011

Annex 1: Overview Table of Monitoring Results, February 2011

	1.a	1.b	1.c	1.d	1.e	1.f	1.g	2.a	2.b	3.a	3.a	3.a	3.b	3.c	3.d	3.d	3.a	5.a	5.b
	Partner Country Dev. Strategy	Donor Mapping	Comparative Advantage Assessment	Sector definitions agreed	Lead Donor Arrangements	Reprogramming underway?	Action plan elaborated?	Commitment of partner government	Participation by all donors?	Transaction costs partner diminished?	Transaction costs donor diminished?	Quality of sector dialogue improved?	Aid across sectors rationalised?	Contribution to Aid Effectiveness	Contribution to Development Effectiveness	Lead facilitators well prepared?	Satisfied with HQ communication?		
Albania	yes	yes	yes	yes	yes	yes	yes	Facilitating	no	don't know	don't know	don't know	don't know	don't know	small	yes	yes		
Bangladesh	yes	yes	no	yes	no	no	yes	Approving	yes	don't know	no	yes	don't know	none	none	no	yes		
Benin	yes	yes	yes	yes	yes	no	no	Approving	no	no	no	yes	no	Small	Yes	0	no		
Bolivia	yes	yes	no	no	no	yes	no	Approving	no	don't know	don't know	yes	don't know	small	small	yes	no		
Burkina Faso	yes	yes	yes	no	yes	no	yes	Facilitating	no	don't know	yes	yes	yes	medium	medium	no	yes		
Burundi	yes	no	no	yes	yes	yes	no	Approving	no	don't know	no	don't know	don't know	small	small	no	0		
Cameroun	yes	yes	no	no	yes	no	no	Approving	yes	0	0	yes	yes	medium	small	yes	yes		
CAR	No	No	No	No	No	No	No	No interest	No	No	No	No	no	Small	Small	No	yes		
Ethiopia	yes	yes	yes	no	yes	no	yes	Approving	no	0	don't know	yes	yes	small	medium	no	yes		
Ghana	yes	yes	no	yes	yes	yes	yes	Approving	yes	don't know	don't know	yes	don't know	small	small	yes	yes		
Haiti	yes	0	no	yes	yes	yes	no	No interest	no	don't know	don't know	don't know	don't know	small	small	no	no		
Honduras	yes	yes	no	no	yes	0	no	Facilitating	no	0	don't know	yes	don't know	small	none	0	0		
Kenya	yes	yes	no	yes	yes	yes	no	Facilitating	no	don't know	don't know	0	no	medium	medium	yes	yes		
Kyrgyz Republic	yes	no	no	no	no	no	no	No interest	no	don't know	don't know	yes	don't know	none	none	no	no		
Laos	yes	yes	no	no	no	no	no	Approving	no	no	no	yes	no	medium	medium	no	yes		
Madagascar	Yes	Yes	No	No	Yes	No	No	Facilitating	No	No	No	Yes	don't know	Small	Small	No	yes		
Malawi	yes	yes	no	yes	yes	no	no	Approving	no	0	0	yes	0	small	small	yes	no		
Mali	yes	yes	yes	no	0	yes	yes	Approving	no	don't know	don't know	don't know	don't know	0	0	0	0		
Moldova	yes	yes	yes	yes	yes	yes	no	Facilitating	yes	don't know	no	yes	yes	medium	small	0	yes		
Mongolia	yes	0	no	yes	no	no	no	Facilitating	no	no	no	no	no	small	small	0	0		
Mozambique	no	yes	yes	no	yes	yes	yes	No interest	yes	no	no	yes	don't know	small	small	yes	yes		
Rwanda	yes	yes	yes	yes	yes	yes	no	Leading role	yes	don't know	don't know	don't know	don't know	small	small	yes	yes		
Senegal	yes	yes	yes	no	no	no	no	Facilitating	no	don't know	don't know	no	no	small	small	no	no		
Serbia	no	no	no	yes	yes	no	no	Approving	no	don't know	yes	yes	no	0	0	0	0		
Sierra Leone	yes	yes	no	yes	yes	yes	no	Facilitating	yes	no	don't know	yes	yes	0	0	no	yes		
Tanzania	yes	yes	no	yes	yes	no	yes	Facilitating	yes	yes	yes	yes	yes	medium	small	yes	yes		
Uganda	yes	yes	yes	yes	yes	yes	no	Facilitating	yes	yes	yes	yes	no	medium	small	no	no		

Source: EU (2011)

Results of the field research are presented in Chapter 3. The analytical timeframe of the research covered the presentation of PARP III in April 2011 and September 2012. My field research in September was conducted during a very busy time for the GoM and the donor community. It coincided with a) the mid-year review of the GoM / PAP; b) the submission of PES and the state budget to parliament; c) preparations of FRELIMO's path-breaking 10th congress from 23–28 September, during which the new Central Committee was elected, which is the body responsible for selecting the party's presidential candidate for the 2014 presidential and parliamentary elections (Hanlon 2012); and finally d), negotiations among representatives of the government, traditional and "new" donors, the private sector, the parliament and the civil society regarding Mozambique's individual implementation of the Busan Partnership Agreement in the form of an Action Plan (to be completed by 2013) and a Code of Conduct, which is developed at the ministerial level (the MPD, MINEC and MinFin) to facilitate a more inclusive aid architecture.<sup>46</sup> Whereas all four happenings are important, it is particularly the last event that requires further monitoring, as it is Mozambique's attempt to bridge the limbo period that coincided with the research for this paper, namely the practical implementation of Busan's normative demand to move from aid to development effectiveness.

### **3 Efforts to reduce aid fragmentation since PARP III: What impact does the looming resource boom have on efforts to overcome aid fragmentation?**

Results of the field research present a picture of varied opinions across the board. They range from positive assessments of and attempts by the GoM and donor community to overcome fragmentation of aid to complete disillusionment with the aid-harmonisation agenda. Despite the great diversity of opinions about the fragmented aid landscape, the reasons for it and prospects for overcoming it, five general observations are possible that hint towards the existence of "pockets of effectiveness"<sup>47</sup> or "islands of efficiency". This means that Mozambique's aid landscape remains fragmented, but also that signs of improvement are observable in cases where the right mix of incentives, interests, timing and personal commitment of actors intersect. The common denominator in the interviews was that Mozambique's economic transformation impacted greatly on the inventive system of both the donor community as well as the GoM to scale-up efforts to address aid fragmentation.

The first three observations concentrate on the level of fragmentation (presented in Section 3.1); the following two focus on coordination issues (presented in Section 3.2). The five observations will then be helpful for the identification of six talking points regarding the political economy of aid and collective-action problems that explain the emergence and persistence of fragmentation of aid in Mozambique (presented Chapter 4).

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46 At the time of writing, the Action Plan and Code of Conduct are still under consultation and exist only as grey literature.

47 Please note that the term "pockets of effectiveness" is gaining prominence in academic literature. Roll, for instance, uses the term in the literature on state failure. Pockets of effectiveness emerge when *"public organisations and state-owned enterprises [...] provide public goods and services relatively effectively in a hostile environment dominated by bad governance"* (Roll 2013).

### 3.1 “Pockets of effectiveness”

Firstly, attempts to overcome the fragmented aid landscape with the potentially “inherent” harmonised aid instrument BS – to re-use a phrase from de Renzio et al. (2005, 25)<sup>48</sup> – have had some unintended consequences in Mozambique. The decision by Programme Aid Partners to suspend its BS between December 2009 and 18 March 2010 (Hanlon 2010a; b; Molenaers / Cepinskas / Jacobs 2010) had a severe impact on the relationship between the GoM and the donor community. Donors demanded “*promises from government for action this year on electoral reform, corruption and conflict of interest, and on the growing role of the Frelimo party inside the state apparatus*” (Hanlon 2010b). The government was only able to appease the donors by agreeing to give the new party’s MPs “*powers to initiate legislation and sit on legislative committees*” (Lapper 2010). The suspension was a sensitive issue. Proponents of the suspension argued that BS must have that punishment element in order to fulfil its full potential to improve state institutionalism and elicit adherence to the underlying principles of the MoU (see Faust / Koch / Leiderer 2012; Molenaers / Cepinskas / Jacobs 2010). On the other hand, the GoM felt resentment for this unequal punishment element in relationship to its aid partners.<sup>49</sup> The timing of the suspension was a further concern, as the follow-up to the 2004 MoU was only signed seven months prior to the suspension.<sup>50</sup> The suspension acted as an “eye-opener”<sup>51</sup> for the GoM to reduce its aid dependency quickly, by focussing on exporting its natural resources (primarily unprocessed products) and by internal and external debt-making (see Muianga / Ossemame / Mandlate 2012; AfDB et al. 2012). Opinions varied to what degree the GoM feels committed to the aid-harmonisation agenda whilst actively pursuing to reduce its dependency on aid, but generally speaking, the consensus seemed to be that for the GoM, other topics superseded in importance over the aid-harmonisation discourse (most importantly how to make best use of the looming resource boom).

Secondly – and as already highlighted in Section 2.2 – the way the OECD measures fragmentation (by the significance of aid relationships) proved to provide a weak basis for formulating recommendations for aid rationalisation, despite the merit of such an attempt to go beyond standard measures of concentration previously used to measure aid fragmentation, such as the Theil or the Herfindahl index (Bürcky 2011, 10). In my interviews in Maputo, it became abundantly clear that suggestions for donor rationalisation based on the findings of the OECD are easily undermined due to the narrow character of measuring fragmentation based on financial characteristics only.

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48 The use of the word “potentially” is intentional and due to the findings of a recent study by Leiderer and Faust that evaluated the use of BS in Zambia. One of the findings is that in Zambia, due to collective-action problems, coordination and harmonisation challenges remain with BS – challenges that were mainly caused by the absence of a secretariat to organise and structure the policy dialogue between the BS donors and the Ministry of Finance and National Planning (Leiderer / Faust 2012, 90).

49 Molenaers et al. actually pointed out that “*the government of Mozambique was very surprised, if not shocked, about the donor reaction [...] Apparently, they had not seen this coming at all, more so because their performance at the level of the PAF was more than satisfactory.*” Views also varied even within the G19, and “*some donors even went as far as considering to leave the G19 budget support group because BS was being linked to regime issues which went beyond the PAF*” (Molenaers / Cepinskas / Jacobs 2010, 29).

50 Please see Hanlon (2010c) for further background information on the BS suspension.

51 Molenaers et al. highlight that the relationship between PAP and the GoM “*has suffered greatly*” from the aid suspension, and that “*the confidence is gone and the government no longer sees the donors as predictable*” (Molenaers / Cepinskas / Jacobs 2010, 31).

Every country representative confronted with the figures could always hint towards the narrow analytical focus of these numbers and that the organisations' true merit rests in exactly those aspects not measured by the OECD. A second concern regards the methodology to identify a significant aid relation: particularly the second question to assess an aid relation as significant – whether a donor is among the top donors that cumulatively provide 90 per cent of the CPA to that partner country – may be questioned as to whether this is stern enough to put some real pressure on the donor community (particularly the mid-sized and smaller donors).<sup>52</sup> Therefore, a clear call for action of this paper is to restart a debate on a good indicator for fragmentation. It is an interesting observation indeed that despite the call given in the BPA “*to reduce fragmentation and curb the proliferation of aid channels*” (§25), no fragmentation indicator is contained in the approved set of indicators and targets to monitor progress of the implementation of the BPA at the global level (PBIG / WP-EFF 2012).<sup>53</sup>

Thirdly, most donors have indeed concentrated – or are in the process of preparing such concentration – their sector support in 2012 and 2013, according to interviews and grey literature. Ireland, for instance, reduced its sector support from 10 in 2011 to 3 (plus GBS) in 2012, following their mid-term review in 2009, according to my interviews and Irish Aid's Country Strategy Paper for Mozambique 2012–2016 (Irish Aid 2012a). As seen in Annex 5 (OECD 2012c), of the 10 sectors in which Ireland was involved in 2011, it showed significant sector relationships in education, health, agriculture and GBS. The sector of agriculture has even seen an increase in support from 2010 to 2011 (please compare Annex 4 to Annex 5), though, according to my interviews, it was one of the sectors dropped in 2012, aside from public-sector reform and HIV/AIDS (please note that the restructuring of the sector portfolios will only be visible in the statistics of the OECD in the coming year(s)). Equally, Denmark is in the process of concentrating on four sectors plus BS, reduced from 12 in the previous years. One of the sectors dropped will be education – a sector in which Denmark had a significant aid relationship in 2010 and 2011. This allows for some interesting observations:

1. To what degree these rationalisations can be attributed to the adherence of DoL principles needs to be heavily debated. According to my interviews, strategic thinking mostly at the headquarters (HQ) level is the prime medium for sector rationalisation decisions (for European donors it is often related to budgetary pressures due to the economic crisis), much more so than responding to needs identified in Mozambique, or any sort of donor mapping and comparative advantage analysis. For instance, the priority areas of Irish Aid in Mozambique are in line with Irish Aid's general priority areas in 2012 (Irish Aid 2012b). Agriculture – named as one of three priority areas of PARP III and a sector Ireland exited in 2012 – was actually a sector in which Ireland was engaged in a significant aid relationship from 2010 to 2011 and was lead donor in a silent partnership with the United Kingdom, which in fact increased its sector support to agriculture from

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52 Certainly, this question already puts a bias towards larger donors “*for which it is less difficult to be among the top donors that accumulatively provide 90% of aid volume at the partner country level*” (OECD 2011b, 6). However, in order to increase the pressure on mid-sized and smaller donors even more, a threshold of 70 to 80 per cent should be discussed.

53 Please take note of a conference being organised by the German Development Institute in October 2013 titled “*Fragmentation or Pluralism? The organisation of development cooperation revisited*”, which will address this and other issues raised in this paper (such as to clarify whether more aid to a sector justifies more aid fragmentation) (DIE 2013).

2010 to 2011 significantly (please see Annexes 4 and 5). Similarly, Denmark dropped out of a sector (education) in which it was “significantly” engaged in the previous years. Certainly, there are “islands” of DoL adherence – for instance Finland phased out of the “sector darling” health following the donor mappings in 2011. Yet the decision also coincided with a HQ decision that, in Finland’s seven partner countries (Vietnam, Nepal, Mozambique, Kenya, Zambia, Tanzania, Ethiopia), only a maximum of three sectors plus BS would be funded (in the case of Mozambique: education, agriculture + forestry, and “multi-sector”). Furthermore, and this links to the second observation, such decisions are rarely in consultation with other donors (they are inward-looking).

2. Delegated cooperation and silent partnerships are concepts that – if used – are applied in a rather ad-hoc fashion. Most donors claim that the biggest disadvantage of the approach is the lack of visibility for the silent partner. However, some useful examples can be singled out as well, for instance Denmark engaged with Finland in a silent partnership during the last year of their engagement in the common fund on education shortly before they phased out in 2012 – education is a sector with which both donors had a significant aid relationship in 2011. Thus, even though most interviewees assert that the overall picture might appear to be messy, pockets of efficiency and effectiveness in terms of meaningful cooperation are observable.
3. Most interviewees reported that funding decisions were reported to the respective ministries (a “courtesy call”, as one interviewee put it), but that decisions were not challenged as long as the overall ODA level to Mozambique remained unaffected. This was an expected response from a partner assessed as one of four with “no interest” in the EU FTI and characterised by the evaluators of the PD Phase II as lacking ownership of the DoL initiatives designed in Mozambique. Some interview partners also raised the issue that due to political culture and customs in Mozambique, to openly challenge donor decisions – which could include discussing sector exits / entries in a demand-driven fashion – would be perceived as inappropriate behaviour towards donors.
4. Interviewees raised the concern that sector re-entries are always a possibility. In 2011, Canada, for instance, re-entered the sector water supply and sanitation – a sector not supported in 2010. Often, donors remain engaged in a sector even if funding drops severely. In the case of the Netherlands, for instance, sector support for education dropped severely between 2010 and 2011, yet a complete sector exit did not happen (meaning that the minimum presence will still carry transaction costs).<sup>54</sup>
5. Some positive observations are possible. Several donors have increased their concentration ratio, most notably Australia (from 25 per cent in 2010 to 100 per cent in 2011), Austria (33 to 63 per cent) and UNDP (20 to 40 per cent), meaning that, overall, the concentration ratio increased from 53 per cent in 2010 to 58 per cent in 2011 (and thus close to the global concentration ratio of 60 per cent). On a negative note, many donors are still below the average concentration ratio of 58 per cent (i.e. Germany actually dropped from 45 to 40 per cent) and the overall number of donors present per sector remained somewhat stable between 2010 and 2011 (please see Annexes 4 and 5).

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54 This observation reiterates the findings of the aforementioned EU Accountability Report 2012, namely that possible benefits of sector exits are offset by sector entries elsewhere (EC 2012, 76).

6. Interpreting the overall picture remains complicated. While in some sectors – such as agriculture – the fragmentation ratio actually decreased between 2010 and 2011 (from 41 to 26 per cent), it is observable that the drop in the fragmentation ratio was accompanied by a) a drop in overall funding to that sector (from US\$ 99 million to US\$ 81 million) and b) an increase in the number of donors active in the sector from 22 in 2010 to 23 in 2011. It is an open question whether the decrease in the fragmentation ratio should be regarded as a success when simultaneously the overall funding level to this identified priority sector in PARP III decreased as well. At the same time, cases in which the fragmentation ratio increased – such as in “multi-sector”, from 56 per cent to 69 per cent – were accompanied by an increase in overall CPA to that sector (from US\$ 150 million to US\$ 252 million). It is unknown whether an increase in the CPA level justified the increased fragmentation ratio. A rather more positive trend is observable though in the sector of economic infrastructure, which – despite an increase in the number of donors from 20 to 24 between 2010 and 2011 – has simultaneously witnessed a decreased fragmentation ratio (from 55 to 38 per cent) accompanied by an increased CPA level (from US\$ 199 million to US\$ 221 million).
7. Multilateral aid is greatly underused: the trend to “bilateralise” aid is clearly observable in Mozambique. The bilateral share of gross ODA increased significantly between 2010 and 2011, from 69 per cent to 82 per cent. This raises a question about the seriousness of donors in overcoming fragmentation, because the simplest tool to handle diversity – multilateralism – is used less and less.<sup>55</sup> It also highlights another trend in Mozambique – that ODA is very openly perceived as a foreign relations tool in a potentially emerging economy (see point 8).
8. Despite certain sector rationalisations, the total number of donors present in Mozambique remained static, meaning that no donor – no matter how small its aid share – wanted to exit the country (please see Annexes 4 and 5). This supports the aforementioned thesis of Djankov et al. that once an organisation enters the aid market, it is unwilling to exit. Australia, for instance, increased its concentration ratio from 2010 to 2011. Yet, a valid question remains: Why did Australia insist on its presence in three sectors (of which, only the sector support to “multi-sector” was categorised as significant by the OECD) and why did it not “multilateralise” its aid more? At the same time, why does Portugal – the second largest donor in 2011 – remain engaged as a BS donor despite the insignificance of its contributions to the budget in 2011? Irrespective of these particular cases, my interviewees highlighted that ODA is nowadays very openly discussed as a foreign policy tool towards the Mozambican government. Particularly BS is a relatively cheap way of developing closer relations with the GoM, in order to “buy influence” in an emerging market.<sup>56</sup> Thus, the positive prospects for

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55 Simultaneously, the tool delegated cooperation / silent partnership is greatly underused and the Joint Action Plan actually avoids providing a directive to use them.

56 See also Browne (2006) and Cutrone (2010) for further reading on the argument that foreign aid is a tool used to buy influence in partner countries. Fuchs et al. take up the argument that donor coordination is hampered by competition for export markets and political support (Fuchs / Nunnenkamp / Öhler 2013, 1).

Mozambique's economic development actually act as a disincentive to prepare country exits and to channel aid through multilateral organisations.<sup>57/58</sup>

Overall, coming to a final conclusion regarding fragmentation – or rather defragmentation – is complicated and unclear. Due to the at times unpredictable decisions at the HQ level to exit and maybe re-enter a sector, distilling a trend from the observations above of changes between 2010 and 2013 is complicated. Even if individual donors increase their concentration ratio in one year, the clear trend to “re-bilateralise” aid and to continuously use project aid as the main aid instrument carries the risk of manifesting a fragmented aid system, because a positive trend for donor A may be easily offset by an unfavourable development for donor B.

### 3.2 Challenges of aid coordination

Coordinating the aid system is an acknowledged challenge in Mozambique. Two talking points regarding coordination challenges emerged in the interviews and are important to reflect on: firstly, the process of restructuring the Working Group arrangements following the approval of PARP III in April 2011; and secondly, the discussion about the appropriate forum for coordination in light of the changing landscape of providers and modalities of development assistance.

Following the approval of PARP III in April 2011 with its associated “new” objectives (boost production and productivity in agriculture and fisheries; promote employment and human and social development) and support pillars (good governance and macroeconomic measures), the MPD announced its plans at the following planning meeting with Programme Aid Partners in September 2011 to restructure the existing Working Group and sub-Working Group structure of approximately 27 thematic and sectoral groups under the

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57 Portugal in particular is reaching out to investors in its former colonies of Angola, Brazil and Mozambique in response to its economic crisis. So-called golden visas (in the form of Portuguese residence permits) are issued to foreign nationals who either transfer capital of  $\geq \text{€ } 1$  million, make an investment that leads to the creation of at least 30 jobs or acquire real estate in value of  $\geq \text{€ } 500,000$  (prerequisite is the maintenance of the investments for a minimum of five years) (PLMJ 2012). Skilled personnel from Portugal emigrate to Brazil, Angola and increasingly to Mozambique to work in the mineral sectors. Despite its economic troubles, Mozambique remained the largest recipient of net ODA from Portugal in 2011 with US\$ 170 million (OECD 2012d).

58 Admittedly, this is a complicated discussion in light of ODA's renowned role as a catalyst for development (as highlighted in the BPA). Although unspecified in the BPA, ODA can be regarded as “catalytic” if – according to Rogerson, who based his analysis on Rosenstein-Roden, 1961 – it leverages “transformative” change; thus if ODA promotes “*growth [and capacity]-enhancing change in domestic policies, infrastructure and institutions*” and/or is “*crowding in [...] other development finance, specifically [...] long-term private capital flows.*” Interestingly for donors, Rogerson asserts that development assistance does not necessarily need to create a lasting impact on economic growth to be labelled catalytic. Investing in social service delivery could “catalyse” innovations and changes in private behaviour, which, in turn, will help create “*equivalent social benefits at lower public cost*” (aid catalyses savings and is “capacity-unlocking”) (Rogerson 2011, 2). As valuable as it is to regard ODA's role in this way, this approach carries the risk of labelling any ODA involvement as either capacity-enhancing or unlocking, giving donors an argument that tends to be against sector- and country exists.

new objectives of PARP III.<sup>59</sup> At the Joint Review in March 2012, the MPD motioned that in order to achieve the five objectives, a multi-sector approach was necessary, and that the 27 existing WGs with government counterparts should be restructured under two to three thematic areas per objective (for instance, for agriculture, to combine the thematic group's infrastructure with productivity; please see Annex 3). It was further motioned that the respective ministries should take leadership of the new groups.

The handling of restructuring caused mixed emotions. On the one hand, interviewees asserted that such a restructuring made sense and could be read as an initiative of the GoM to improve coordination – and as an initiative that was in line with subject 5 of the 2010 Joint Action Plan that foresaw a restructuring of the WG arrangements between Programme Aid Partners and the counterparts in government (please see Box 1, Section 2.5). The old WG structure gradually emerged after the first formulation of a Mozambican PRSP in 2001 and urgently needed to be modified. Duplication of work occurred and overlaps between the thematic and sectoral groups were observable. Perverse incentives were at play, in the sense that WGs and subgroups popped up quickly and with ease, often without a government counterpart (which explains the actual existence of up to 60 WGs). For instance, for the education sector, a range of WGs exist, such as a bilingual education subgroup and a pre-school subgroup, just to name a few. Throughout the board, it was asserted that there is a need for thinning the WG structure.

On the other hand, most interviewees assessed the restructuring as a process rather than a content-driven exercise. Instead of leading a content discussion of how best to achieve the objectives of PARP III and to design a conducive WG structure to that end, the MPD presented the new structure in a matter-of-fact manner. Temporarily, this caused the emergence of a double structure; despite the new structure being officially in place, it did not entirely replace the old one. WGs and subgroups outside the new structure continue to exist – a situation for which both the donors as well as the government have to take blame. While the government approached the restructuring in a top-down manner – causing resentment among Programme Aid Partners – many donor officials seemed to be reluctant to sacrifice their engagement in the respective WGs that they are active in. In other words, consensus exists that the WG structure is in dire need of being streamlined and that the GoM has shown some genuine “ownership” in this case; though that understanding reaches its limits if one's own personal WG is affected and up for debate. More valid concerns about the new structure regard doubts as to whether the respective ministries would have the sufficient technical *capacity* to lead in each WG, and whether the leaner WG structure would have enough technical capacity to deliver the work previously covered by the 27 WGs.

Certainly, interviewees expect that the double structure is only temporary and that it will be solved by the time the MoU is reviewed (in 2013) and a new MoU is presented (by 2014). A better dialogue between the parties is necessary though. To that end, a reviving of the TFWGDL would make sense. Jointly, the TFWGDL and the GoM need to make some of the tough decisions by answering the question: What is the best WG structure to achieve the five objectives of PARP? Certainly, overlaps exist between WGs such as with nutrition, agriculture and food security, but there are also differences between these topics – all of which are in need of specialised expertise. Identifying entry points to better

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59 There are approximately 27 Working Groups with active government counterparts, then there are WG and sub-Working Groups that are sometimes only donor WGs (altogether up to 60 approximately).

streamline the system is a great challenge that both donors and the government need to tackle jointly.

The second talking point regards the appropriate forum for aid coordination. As outlined in Section 2.5, a double structure exists in Maputo, in the sense that Programme Aid Partners as well as the DPG meet to discuss and coordinate donor–partner relations. Yet, opinions are divided over the question of what a good donor–partner coordination forum might look like. Proponents of PAP argued that it is a forum that grew over the years that is capable of delivering results and is recognised as a place of excellence for donor coordination (HTSPE 2009, 65) – one that has active government involvement, legitimacy and decision-making power. Critics though raised the observation that the dialogue between Programme Aid Partners and the GoM has deteriorated over the years. This is due to the aforementioned temporary BS suspension that undermined trust among donors and the GoM. Manifestations of the deterioration are an emerging “indicator fixation” as a key element for monitoring development results, and an overemphasis on processes rather than content discussions. Most interviewees argued though that Mozambique mirrors changes in the global development landscape described in the lead-up to the fourth High Level Forum on Aid Effectiveness in Busan in December 2011. Namely that many non-DAC donors, private foundations, the private sector and the BRICS (Brazil, Russia, India, China, South Africa) became important development actors in Mozambique – a situation different from 2000 when PAP was formed – though without an adequate forum for an exchange equipped with decision-making power, legitimacy and GoM representation. Some interviewees raised the concern that the two fora actually stand in competition with one another, with one interviewee bluntly stating that the Programme Aid Partners have hijacked the political dialogue with the GoM. The feeling that the DPG needs to be strengthened was raised even among proponents of PAP, as it is recognised that only a more *inclusive* forum for coordination will help to increase harmonisation among the various providers of development assistance, and to bring the diversity of development assistance available in Mozambique to its fullest use with regard to poverty reduction.

A positive sign of an improved and more inclusive donor–partner relation is the national process initiated to implement the BPA commitments. On 9 July 2012 MINEC, the MPD and MinFin called a meeting to create a technical group consisting of three members of the government – respectively one member of parliament (Commission on Planning and Budget), civil society (Grupo da Divida), and the private sector (Confederation of Mozambican Private Associations), as well as three members from the development partners (traditional and emerging) in charge of drafting an Action Plan and a Code of Conduct. The selection of the development partners was done at the DPG, with four follow-up meetings of the technical group (with one in parliament in September 2012) and a wider presentation for the various stakeholders on 23 October 2012 (according to grey literature and private exchanges with officials). As of writing this article, neither the Action Plan nor the Code of Conduct has been published. However, a draft exists from 26 November 2012 that lists commitments in relation to the four commitments of the BPA in §11, with a focus on ownership, results, inclusiveness and broadening instruments to attract all forms of development finance aside from ODA. Whilst the initiative as such should be complimented, it also needs to be critically monitored. Officials privately asserted that the process is burdensome, with some stakeholders uncertain of the possible benefits and costs of their involvement. The possibility that both the Action Plan and the Code of Conduct might turn into paper tigers – similarly to the International Cooperation Policy and Implementation Strategy, which is the paper that was drafted in a lengthy process to please international “aid effec-

tiveness” standards, yet which lacked any practical relevance in the everyday business among the GoM and its development partners – cannot be ruled out as a possibility.

#### **4 Political economy of aid and collective-action problems: What are the biggest hurdles to harmonise aid better?**

The five observations raised above lead to the identification of the following main hurdles for better harmonisation and reduced aid fragmentation that are related to the political economy of aid and collective-action problems of organisational fragmentation.

##### *Incentives, personal commitment and visibility*

In an analysis done by de Renzio et al. on incentive systems in the wake of the first High Level Forum on Aid Effectiveness in Rome (Rome Declaration on Harmonisation), the authors conclude that

*[t]he promotion of incentive systems which work in favour of harmonisation efforts needs to be based on the recognition that the behaviour of individuals working in aid agencies is shaped by a number of factors. These may include political as well as institutional and individual factors, and may change between headquarters and field offices. The overall findings of the study point to a certain degree of ‘disconnection’ between the high-level declarations and commitments, and the challenges related to turning these commitments into effective additional “signals” at lower levels of the organisation, which can bring individual behaviour in line with harmonisation objectives. (De Renzio et al. 2005, v)*

In the Mozambican case, these findings can just be reiterated. The aid-harmonisation agenda in Mozambique still lacks a conducive incentive system that would increase the personal commitments of personnel in donor agencies and government ministries to better streamline the aid system. My interviewees confirmed that staff performance appraisals and promotion systems are generally de-linked to aid harmonisation. An additional factor is the short-term nature of staff contracts, which are usually only one to two years, meaning that the focus is on the daily work of managing projects and programmes and adjusting to the everyday political changes in Mozambique. Working on designing and implementing feasible strategic visions to streamline a convoluted aid system is of secondary concern, at best. For example, the current discourse on how to best utilise the newly discovered resources is largely supplanting the aid-harmonisation discourse in importance and topicality.

The current incentive system basically still relies on a “naming and shaming” approach and on potentially “inherent” harmonised aid modalities such as GBS, sector-wide approaches and pooled funding (De Renzio et al. 2005). Also, “islands of efficiency” or “pockets of effectiveness” emerge frequently among like-minded donors whose planning intersects in terms of mutual interests, incentives and timing, or whose aid budgets shrank due to austerity and who see benefits in collaborating to achieve results. Having said that, complete sector withdrawals or even country exits – as described in Chapter 3 – are hardly observable, and donors often remain engaged with project aid alongside their more harmonised programme approaches (which carry all sorts of transaction costs and unintended consequences – such as hiring the best public managers away from the labour market – as

described in Section 2.2). This can be linked to two main factors: firstly, in times of austerity measures and results-based aid, most donor agencies demand attribution and *visibility* to justify their aid programmes domestically. This was named as a clear disincentive to engage more in delegated cooperations and silent partnerships and can be singled out as the main reason for the trend in Mozambique towards bilateralism. Secondly, Mozambique is a potentially emerging economy, with three implications for overcoming aid fragmentation (to be discussed as an extra point below).

#### *Mozambique's economic transformation: implications for the aid-harmonisation agenda*

The first implication of Mozambique's economic transformation is that aid dependency is declining rapidly, which is a disincentive for the government to scale-up its efforts to better streamline an aid system that is losing its relative importance as a source to finance the state budget. The quote of President Guebuza in the interview conducted with the ECDPM – and used as an introductory statement for this paper – reflects well the thinking at the highest political level of the government and its beliefs about the role foreseen for the donor community in the current climate of economic expansion. The government's focus rests on nurturing business relationships with the traditional as well as emerging donors, encompassed in a clear timeframe of 10 years (a focus, as can be assumed, that is more predominant than leading efforts to streamline an aid system that the government showed traditionally no interest in helping to harmonise better – as highlighted in Section 2.6).

The second implication is that donors with country presences in Mozambique – regardless of their aid shares – see little incentive to leave this potential export market now. As commercial interests of bilateral donor countries in particular increases, aid is openly discussed as an important (and attractive) tool in the foreign relations box in dealing with the GoM. In some cases, continuous donor engagement was justified by the renewed understanding of ODA as a “catalytic” force to attract other forms of development finance, such as private capital. As all tools to overcome aid fragmentation are voluntary, and hence not legally binding – and equipped with few incentives to be implemented – the focus on overcoming aid fragmentation is too easily sidelined by other political and economic developments in the country, particularly if they are as decisive for the country's development prospectus as Mozambique's potential resource boom.

The third implication of the economic transformation is that the type of development assistance used in Mozambique is changing as well, which in turn impacts on the aid-harmonisation agenda (please see extra point below).

#### *Type of development assistance is changing*

Aid harmonisation is easiest with a certain type of ODA, namely grants (as grants tend to be attached to less red tape than other forms of development finance). Yet, with the changing types of development assistance and finance used in Mozambique – economic partnerships, concessional and semi-concessional loans, public-private partnerships, and even more innovative finance mechanisms such as special purpose bonds or blending, etc. – applying tools for aid harmonisation, most importantly delegated cooperation, is (due to the stronger regulations of these finance instruments) more challenging. Particularly DAC donors have scaled-up their ODA loan share from US\$ 18.7 million in 2007 to US\$ 226.05 million in 2011 (according to the CRS). Although the use of loans and

other innovative forms of development finance should be welcomed – and a logical consequence of Mozambique's economic expansion – its implications for the aid-harmonisation agenda should not be underestimated.

#### *Decision-making power at the HQ level*

Another factor that works against aid harmonisation regards the decision-making power in aid agencies. In a great number of cases, interviewees asserted that decision-making power reversed back in recent years to the HQ level, with the consequence being that there is a perceived gap concerning coherence at the HQ and field levels.<sup>60</sup> At the HQ level, strategic decisions are often inward-looking processes that focus on the domestic political climate, in which an attempt is made to have strategic coherence regarding foreign support to developing countries. Too much of an orientation towards individual partner countries – in a way that partner country A receives social-sector support, whereas productive-sector support in partner country B is favoured – may be the right tactical move to meet identified demands and needs at the partner-country level (assuming that the donor has the necessary capacity and the comparative advantage to deliver); yet this may be also perceived as greatly incoherent by a critical domestic principal and political opposition parties. Interviewees reported of cases where proposals for certain sector engagements or disengagements were rejected by their HQ, as it would not fit the ministries' aid strategy.

#### *Different sector definitions, programme and even election cycles*

Some technical elements also hamper greater aid harmonisation. The biggest “technical” problems – as repeatedly confirmed by my interview partners – are the different programming cycles and reporting requirements of the various donor organisations. Another factor that cannot be underestimated is the different election cycles of the various bilateral donors and their effect on the strategic orientation of the ministries responsible for development cooperation. Thirdly, sector definitions between OECD/DAC and the partner-country level continue to vary, hampering aid coordination and joint analysis. And lastly, synchronisation of programme cycles is impeded due to unclarity about which programme cycle the synchronisation should take place in – the donor-driven PRSP, the government's Five-Year plan or the paper tiger International Cooperation Policy and Implementation Strategy.

#### *Aid coordination and harmonisation: timing is crucial*

Coordinating aid – let alone harmonising it – is a mutual enterprise of the donor community as well as the GoM. Successful aid coordination relies on a mixed bag of factors, such as mutual interests and incentives, as well as the right timing, which need to come together to ensure successful aid coordination and, consequently, aid harmonisation. A good example of bad timing is the restructuring of the WG arrangements. By the time the GoM had accelerated its efforts to streamline the WG structure, it lacked a suitable donor counterpart in the form of the TFWGDL, which, incidentally, ceased to exist, among other reasons, due to fatigue relating to not having a constructive government counterpart to work with between 2008 and 2011.

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60 Which is a complete reversal from the normative demand of §25 of the BPA to “accelerate efforts to address the problem of insufficient delegation of authority to their field staff” (OECD 2011a).

*Limited absorptive and technical capacities of ministries and implementing agencies*

Lastly, limited absorptive as well as technical capacities of the respective ministries and their implementing partners – particularly in the more rural provinces of northern Mozambique – result in the rise and persistence of fragmentation (see also Section 2.2). If the necessary capacities of the partner are limited in meeting their fiduciary requirements in terms of financial management, reporting, monitoring and evaluation, and eventually delivery, parallel project-implementation units naturally emerge, as the pressure to deliver results – and to prove value-for-money – in donor countries to their domestic constituencies has intensified in recent years.

## 5 Conclusion

The analysis in this paper – consisting of a desk review and an intense field phase with semi-structured interviews – identifies that Mozambique’s economic transformation undermines rather than supports efforts to overcome aid fragmentation in Mozambique. The weak incentive system that supports aid harmonisation has received a further blow with the looming resource boom, particularly in the last two years. Certainly, there are “pockets of effectiveness” or “islands of efficiency” where sector rationalisations, silent partnerships and delegated cooperations take place, namely in those cases where the right mix intersects in terms of timing, incentives and interests among different aid agencies as well as between the HQ and field levels – e.g. delegated cooperations between Finland and Denmark, Ireland and the United Kingdom, to just name a few examples.<sup>61</sup> The relatively strong use of inherent harmonised aid modalities in Mozambique – foremost being general budget support by the Programme Aid Partners – helped as well to concentrate the aid delivery (relatively, because project-type interventions continue to be the main aid modality used in Mozambique).

Yet, complete sector or even country exits are hardly observable, and how sustainable the “pockets of effectiveness” are is an issue to be debated. A strategic reorientation at the HQ level can easily bring a successful delegated cooperation to an end, and donors usually remain engaged with project aid in addition to their more harmonised programmable aid. Complete sector withdrawals are also avoided – for example, the Netherlands in education – meaning that transaction costs continue to accrue. Additionally, most sector rationalisations are inward-looking processes and the result of austerity measures, particularly in countries of the traditional donor community. Sector exits, therefore, happened in a less coordinated fashion as one would have hoped for, judging from the potential of international tools available for managing fragmentation – foremost being the EU’s Code of Conduct on Complementarity and Division of Labour. Whilst the technical work done by the Task Force on Working Groups and Division of Labour in terms of donor mappings, comparative advantage analysis etc. has been appreciated by the interview partners, the use of such information to restructure a convoluted aid system in a needs-based and demand-driven fashion is still lacking. This can be exemplified by those cases where a reduced fragmentation ratio – such as in agriculture – was accompanied by a drop of total funding to that sector (which should have been avoided according

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61 A process Putnam would have called a “win-set” in his famous “two-level game” framework in International Relations Theory (Putnam 1988).

to §25 of the Busan Partnership Agreement and which turns defragmentation into a sour victory in that sector).<sup>62</sup> This can be attributed to a) the continued non-engagement of the Ministry of Planning and Development, the Ministry of Foreign Affairs and the Ministry of Finance in the process. Whilst certainly lacking capacity to lead harmonisation efforts, they also continue to see benefits in spreading the risk of having many donors present in Mozambique (also as potential business partners); b) the strong emergence of new donors that – despite its benefits – also sparked a “blame game” in the donor community, including the discussion about what the right forum for aid coordination should be (the Development Partners Group or the Programme Aid Partnership); and c) a traditional donor community that – no matter how inefficient – remains engaged with ODA in an emerging economy.

Therefore, “ad-hoc” collaborations are much more observable than any active attempt to create the mix of incentives, interest and timing that is necessary to institutionalise aid harmonisation. The role of government is minimal to non-existent in this regard and can be expected to remain so in light of the quickly declining aid dependency, which the government also now actively pursues following the “eye-opener” of the temporary budget support suspension in early 2010. Donors, on the other side, have commercial interests in Mozambique, wherefore they see little reason to leave this potentially emerging market now, and donors can justify their continuous engagement even with “insignificant” aid relations by highlighting the catalytic role of their aid to attract other forms of development finance, and to unlock or enhance local capacities.<sup>63</sup> Judging from the interviews and the opening quote by President Guebuza used in this paper, it can further be expected that the government will discourage any form of country exits by donors, as they attempt more strongly to turn donors into business partners in the coming decade.

This lack of progress on aid harmonisation can be explained by the political economy of aid and collective-action theory. As the international community has failed over the years to institutionalise incentives to overcome fragmentation that go beyond the questionable game of “naming and shaming”, commercial and geo-strategic interests of the donors currently present in Mozambique will only increase in light of the looming resource boom. A clear indication that Mozambique is moving away from a classical grants-based development case is the stronger use of loans and more innovative forms of development finance, including Public Private Partnerships and blendings. Although such a development is – in light of Mozambique's economic expansion – understandable and a welcomed move by both the donor community and the government, the negative implications for the aid-harmonisation agenda are apparent (as those innovative forms of

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62 Such cases highlight some open talking points that remain after the research where more discussion is needed, that is: how to judge increasing or decreasing fragmentation ratios or concentration ratios if – at the same time – funding levels to that sector or by that donor decrease or increase at the same time; how strong is the methodology of the OECD to measure fragmentation, particularly in light of the fact that the OECD uses different sector definitions than those used in Mozambique (and for that matter in other countries as well).

63 It can also be expected that capacities in partner institutions will improve now that the country's economy is improving, wherefore donors can argue that exiting Mozambique's aid market now would make little sense from a strategic point of view. Having said that, capacity development remains crucial and is in high demand in order to ensure the greatest possible use of mineral resources for the national economy. Hanlon, for instance, raises the concern that “*capacity building of government personnel [...] technology, and a better institutional architecture must be seen as essential [for the constructive exploitation of resources]*” (Hanlon 2013, 12).

development finance are less compatible with the tools to harmonise aid, particularly delegated cooperations and silent partnerships). Further, the continuous trend to bilateralise ODA – despite the strong presence of multilateral organisations in Maputo<sup>64</sup> – seems to indicate that overcoming fragmentation may currently not be the first priority of the donor community and the government of Mozambique.

How should these observations be judged and what consequences do they have for Mozambique's national process to implement §25 of the Busan Partnership Agreement? §25 calls on development partners and partner countries to make severe headway, by 2013, with the use of tools to overcome fragmentation, including country-led coordination arrangements such as division of labour and delegated cooperation, as well as potentially inherent harmonised aid modalities, including programme-based approaches and joint programming. In Mozambique, these tools are only insufficiently applied, and their value to achieve a more streamlined aid architecture needs to be seriously debated. Aggravating the situation, the positive economic outlook has undermined not only an already weak incentive system to work on defragmentation, but it has also made it technically more complicated because donors, in particular DAC donors, are engaged more intensively with loans and other forms of development finance that are less compatible with the tools to handle fragmentation, foremost delegated cooperations. Under these new circumstances, any attempt to streamline the aid system at the country level seems nothing short of attempting to square the circle (particularly if the timeline is taken into consideration that predicts that by 2017, revenues from the mining sector will be substantially larger than donor support).

Based on this observation I would rather argue to focus in the upcoming years on the “smart management of the delivery of aid” at the sectoral level, where alignment is technically the easiest and chances are the greatest of finding the necessary intersection of interests, incentives and timing of donors and the respective ministries to harmonise in a demand-driven fashion. For instance, an in-depth analysis of the sector “economic infrastructure” would be essential to possibly distil lessons learnt on how to achieve the desired defragmentation, coupled with an increasing level of country programmable aid. Generating and applying such knowledge will be essential, not only to instil a new impetus into the defragmentation discussion, but also in light of the valid concern that even if the economic prospect of Mozambique is positive and should be welcomed, questions remain as to how far: the economic growth will be “inclusive”; incoming foreign direct investment will be “pro-poor”; investors will be “*a better trigger for Government to improve the delivery of public goods and services*” (Ramdoo 2012, 7; see also Hanlon 2013).

In light of these uncertainties, it is crucial to still see ODA as an important source of funding to achieve poverty alleviation in Mozambique that is attached to the normative imperative of applying it in its most efficient and effective way. Having said that, considering the positive economic outlook and its impact on ODA and the relationship between the GoM and its development partners (keyword re-bilateralisation), a much more pressing question to address is how to make aid truly catalytic and the economic prospect as inclusive as possible. Hanlon, for instance, criticises the lack of a clear strategy for making the best use of the huge reserves of coal and gas (Hanlon 2013). Therefore, either a politically strengthened Development Partners Group or the newly formed technical group to implement the Busan Partnership Agreement should launch and present this type of overdue discussion.

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64 The proliferation of the multilateral aid system is certainly a problem in its own right (OECD 2012e).

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## Appendices



**Appendix 1: List of interviews**

4. Sept.: Jon-Age Oyslebo (Minister Counsellor Norway)
5. Sept.: Silja Pieper (Embassy of the Federal Republic of Germany)
6. Sept.: Francesca Di Mauro (Head of Section Economic Development and Governance, EU Delegation)
- Patrick Empey (Head of Development, Embassy of Ireland)
10. Sept.: Jocelyn Mason (Country Director UNDP)
- Dimitri Kanounnikoff (Director Agence Francaise De Developpement)
11. Sept.: Saana Halinen (Head of Cooperation / Deputy Head of Mission Embassy of Finland) and Anni Penttinen (Counsellor for Rural Development, Embassy of Finland)
- Anders Karlsen (Head of Cooperation / Deputy Head of Mission Embassy of Denmark)
- Jan Huesken (Head of Cooperation / Deputy Head of Mission Embassy of Netherlands)
- Nei Futuro Bitencourt (Minister Counsellor Embassy of Brazil)
- Michael Troester (Head of Cooperation, German Embassy)
12. Sept.: Victor Lledo (Resident Representative IMF)
- Telma Loforte (Swiss Cooperation Office Mozambique)
13. Sept.: Ralf Orlik (Director of KfW Office Maputo)
14. Sept.: Joao Pereira (Management Unit Director of the Civil Society Support Mechanism)
- Carlos Nuno Castel-Branco (Director IESE)
27. Sept.: Telephone Interview with Polly Dunford (Acting Director USAID Mozambique)
- Telephone Interview with Young Kim, Senior Operations Officer World Bank Mozambique

## Appendix 2: Aid fragmentation: the partner-country perspective (2005–2009)

### Aid Fragmentation by Sector - Mozambique

How to read the fragmentation trend:

-  (red upward pointing arrow): fragmentation increased from 2005 to 2009
-  (black horizontal arrow): no clear trend between 2005 and 2009
-  (green downward pointing arrow): fragmentation decreased from 2005 to 2009

Country programmable aid (CPA) is derived from ODA and based on OECD/DAC Statistics. Excludes small country programmes totalling less than USD 250,000 a year.

Mozambique	Fragmentation Trend	CPA Trend	2005	2009
Total			17,9	21,6
			9,5	12,0
			8,4	9,6
			111	159
Education			21	23
			11	12
			10	11
			144	201
Health			21	27
			9	13
			12	14
			116	194
Population Policies and Reproductive Health			18	23
			9	17
			9	6
			91	205
Water Supply and Sanitation			17	21
			10	14
			7	7
			74	97

<b>Other Social Infrastructure</b>					Number of donors per sector	21	23
					Number of small donor contributions	10	12
					Number of big donor contributions	11	11
					CPA	33	41
<b>Economic Infrastructure</b>					Number of donors per sector	19	22
					Number of small donor contributions	12	13
					Number of big donor contributions	7	9
					CPA	271	260
<b>Agriculture</b>					Number of donors per sector	19	20
					Number of small donor contributions	12	11
					Number of big donor contributions	7	9
					CPA	86	96
<b>Other Production Sectors (Forestry, Fishing, Industry, Mining, Construction, Trade Policy and Tourism)</b>					Number of donors per sector	15	19
					Number of small donor contributions	10	13
					Number of big donor contributions	5	6
					CPA	54	55
<b>Environment</b>					Number of donors per sector	8	12
					Number of small donor contributions	4	6
					Number of big donor contributions	4	6
					CPA	9	18
<b>Government and Civil Society</b>					Number of donors per sector	22	27
					Number of small donor contributions	11	12
					Number of big donor contributions	11	15
					CPA	164	153
<b>General Budget Support</b>					Number of donors per sector	15	17
					Number of small donor contributions	8	7
					Number of big donor contributions	7	10
					CPA	243	481
<b>Multi sector</b>					Number of donors per sector	19	25
					Number of small donor contributions	8	14
					Number of big donor contributions	11	11
					CPA	48	101

### Donor Proliferation - Mozambique

#### How to read the proliferation trend:

- ↗ (red upward pointing arrow): proliferation increased from 2005 to 2009
- (black horizontal arrow): no clear trend between 2005 and 2009
- ↘ (green downward pointing arrow): proliferation decreased from 2005 to 2009

Country programmable aid (CPA) is derived from ODA and based on OECD/DAC Statistics. Excludes small country programmes totalling less than USD 250,000 a year.

Mozambique	Proliferation Trend	CPA Trend	2005	2009
Average Bilaterals	↗	↗	9,0	9,9
			4,1	5,2
			4,9	4,8
			40	59
			6,8	6,0
Average Multilaterals (excl. GAVI, GEF, Global Fund, UNAIDS and UNIFPA)	↘	↘	2,8	2,4
			4,0	3,6
			95	78
Australia	↗	↗	5	10
			2	5
			3	5
			1	4
Austria	↗	↗	9	10
			4	6
			5	4
			5	9
Belgium	↘	↘	8	7
			3	2
			5	5
			6	11
Canada	↗	↗	9	12
			3	7
			6	5
			50	76

Denmark	↑	↗	Number of sectors per donor	9	12
			Number of sectors with small contributions	4	4
			Number of sectors with big contributions	5	8
			CPA	61	89
Finland	↘	↗	Number of sectors per donor	0	11
			Number of sectors with small contributions	0	7
			Number of sectors with big contributions	0	4
			CPA	0	42
France	↑	↗	Number of sectors per donor	9	8
			Number of sectors with small contributions	3	3
			Number of sectors with big contributions	6	5
			CPA	13	18
Germany	↑	↗	Number of sectors per donor	12	10
			Number of sectors with small contributions	7	6
			Number of sectors with big contributions	5	4
			CPA	45	111
Ireland	↑	↗	Number of sectors per donor	11	10
			Number of sectors with small contributions	5	5
			Number of sectors with big contributions	6	5
			CPA	54	63
Italy	↘	↘	Number of sectors per donor	8	12
			Number of sectors with small contributions	3	6
			Number of sectors with big contributions	5	6
			CPA	27	23
Japan	↘	↗	Number of sectors per donor	10	10
			Number of sectors with small contributions	4	6
			Number of sectors with big contributions	6	4
			CPA	12	35
Korea	↘	↗	Number of sectors per donor	0	4
			Number of sectors with small contributions	0	2
			Number of sectors with big contributions	0	2
			CPA	0	0
Luxembourg	↗	↘	Number of sectors per donor	1	0
			Number of sectors with small contributions	0	0
			Number of sectors with big contributions	1	0
			CPA	2	0

Netherlands	↑	↗	↖	Number of sectors per donor	10	10
				Number of sectors with small contributions	5	5
				Number of sectors with big contributions	5	5
				CPA	70	102
Norway	↗	↖	↖	Number of sectors per donor	12	11
				Number of sectors with small contributions	7	5
				Number of sectors with big contributions	5	6
				CPA	93	88
Portugal	↗	↖	↖	Number of sectors per donor	11	11
				Number of sectors with small contributions	5	7
				Number of sectors with big contributions	6	4
				CPA	19	66
Spain	↗	↖	↖	Number of sectors per donor	8	10
				Number of sectors with small contributions	3	5
				Number of sectors with big contributions	5	5
				CPA	24	48
Sweden	↑	↗	↖	Number of sectors per donor	10	12
				Number of sectors with small contributions	6	6
				Number of sectors with big contributions	4	6
				CPA	87	108
Switzerland	↑	↗	↖	Number of sectors per donor	10	8
				Number of sectors with small contributions	5	4
				Number of sectors with big contributions	5	4
				CPA	26	19
United Kingdom	↗	↖	↖	Number of sectors per donor	10	10
				Number of sectors with small contributions	6	5
				Number of sectors with big contributions	4	5
				CPA	85	62
United States	↗	↖	↖	Number of sectors per donor	9	10
				Number of sectors with small contributions	3	7
				Number of sectors with big contributions	6	3
				CPA	79	207
AIDF	↑	↗	↖	Number of sectors per donor	9	10
				Number of sectors with small contributions	4	4
				Number of sectors with big contributions	5	6
				CPA	90	79

EU Institutions	↑	↗	↗	Number of sectors per donor	11	12
				Number of sectors with small contributions	6	6
				Number of sectors with big contributions	5	6
				CPA	167	198
GAVI	↗	↗	↗	Number of sectors per donor	0	1
				Number of sectors with small contributions	0	0
				Number of sectors with big contributions	0	1
				CPA	0	6
GEF	↗	↘	↘	Number of sectors per donor	1	2
				Number of sectors with small contributions	0	1
				Number of sectors with big contributions	1	1
				CPA	2	2
Global Fund	↗	↗	↗	Number of sectors per donor	0	2
				Number of sectors with small contributions	0	1
				Number of sectors with big contributions	0	1
				CPA	0	11
IDA	↑	↗	↗	Number of sectors per donor	9	9
				Number of sectors with small contributions	4	4
				Number of sectors with big contributions	5	5
				CPA	287	222
IMF	↑	↗	↗	Number of sectors per donor	1	1
				Number of sectors with small contributions	0	0
				Number of sectors with big contributions	1	1
				CPA	6	158
Nordic Dev.Fund	↗	↗	↗	Number of sectors per donor	0	1
				Number of sectors with small contributions	0	0
				Number of sectors with big contributions	0	1
				CPA	0	5
OPEC Fund	↗	↗	↗	Number of sectors per donor	0	4
				Number of sectors with small contributions	0	1
				Number of sectors with big contributions	0	3
				CPA	0	7
UNAIDS	↑	↗	↗	Number of sectors per donor	1	1
				Number of sectors with small contributions	0	0
				Number of sectors with big contributions	1	1
				CPA	1	1

UNDP					Number of sectors per donor	4	6
					Number of sectors with small contributions	1	4
					Number of sectors with big contributions	3	2
					CPA	9	8
UNFPA					Number of sectors per donor	1	1
					Number of sectors with small contributions	0	0
					Number of sectors with big contributions	1	1
					CPA	3	4
UNICEF					Number of sectors per donor	7	7
					Number of sectors with small contributions	2	1
					Number of sectors with big contributions	5	6
					CPA	11	16
WFP					Number of sectors per donor	0	4
					Number of sectors with small contributions	0	2
					Number of sectors with big contributions	0	2
					CPA	0	4

Source: OECD (2010b)

**Appendix 3: New WG structure under the objectives of PARP III**

OBJECTIVOS/Pilar	GRUPOS TEMÁTICOS	Grupos Sectoriais	MINISTÉRIOS ENVOLVIDOS
Aumento da produção e produtividade agrícola e pesqueira	Melhorar e aumentar o acesso aos factores de produção e Facilitar o acesso aos Mercados  Melhorar a gestão sustentável de recursos naturais (terras, águas, pescas e floresta)	Argicultura Pescas MOPH (Estradas)  Meio Ambiente	MINAG (+ CEPAGRI, IIAM), PESCAS, MOPH (FdE), ME, MIC, MCT, MTC, MPD, MF (CPI), IPEX, MAE (DR)  MINAG, PESCAS, CEPAGRI, MOPH (DNA), ME, MICOA, INGC, MAE (DR), DESMINAGEM
Promoção de Emprego	Estimular a criação de Emprego (demanda) –  Melhorar a empregabilidade dos cidadãos e Facilitar a ligação entre procura e a oferta	Emprego	MIC (GASP), MITRAB, MIREM, IPEME, CPI, MF, MCT, MPD, MIREM, INEFP, GAZEDA, IPEX,  INEFP, IPEME, MIC, MINED, INE
Desenvolvimento Humano e Social	Disponibilidade e qualidade no acesso aos serviços sociais & Segurança Social Básica e Infra-estruturas Sociais	Educação Saúde Água a saneamento Acção social Energia	MINED, MMAS, MITRAB, MISAU, CNCS, MOPH (DNA), SETSAN, M. Engeria
Macroeconomia	Política Monetária	Estabilidade e Crescimento Macroeconómico	MF (DNO, DNT, ATM) BM, MPD
	Gestão de Finanças Públicas	Coordenação e Gestão das Finanças Publicas	MF (DNO, DNT, Patriomónio, IGF, ATM) BM, TA, MPD, C. Publica, UFSA.
	SMAP	Sistemas de Monitoria e Analise de Pobreza	MPD, MF, INE
Boa Governação	Prestação de serviços públicos & Compate à Corrupção	Descentralização e prestação de Serviços	MFP, Mdj, IGF, TA, MIC  MAE, MPD
	Descentralização e governação local		Mdj
	Consolidação do Estado de Direito Democrático	Justiça	
Assuntos Transversais	AMBIENTE, HIV/SIDA, DESMINAGEN, CALAMIDADES NATURAIS, GENERO, CIENCIA E TECHNOLOGIA, SEGURANCA ALIMRNTAR E NUTRICIONAL SETSAN, Desenvolvimento Rural		MICOA, CNCS, Instituto Nacional de Desminagem, INGC, MMAS, MCT, M SETSAN, DNPDR.

Source: GdM / PAP (2012, 6–7)







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