

INTERNATIONAL MONETARY FUND AND
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

REPUBLIC OF MOZAMBIQUE

Assessment of the Interim Poverty Reduction Strategy Paper

Prepared by the Staffs of the International Development Association and
the International Monetary Fund

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1. The Interim Poverty Reduction Strategy Paper (Interim PRSP) prepared by the Mozambican authorities consists of the National Action Plan for the Reduction of Absolute Poverty (*Plano de Acção para a Redução da Pobreza Absoluta – PARPA*) and a companion document which briefly summarizes the *PARPA* and sets out the steps to be taken towards the finalization of a full PRSP. The two documents should be read together.
2. **Government commitment to poverty reduction.** The Mozambican government has demonstrated strong commitment to poverty reduction since the civil war ended in 1992, when it embarked on a sustained effort of reconstruction, reconciliation, and democratization. The *PARPA* is the result of a series of poverty reduction initiatives, dating from the first poverty reduction strategy published in 1995, and building on the results of the First National Poverty Assessment (1998). In April 1999, the Council of Ministers approved an updated strategy, entitled '*Action Guidelines for the Eradication of Absolute Poverty*'. The *PARPA*, which was completed in December 1999, is a step towards the operationalization of the '*Guidelines*'. The *PARPA* is a public document, with strong ownership within government. It will be developed further during the coming months, as a result of consultations within the government and with civil society.
3. **Poverty analysis.** To better understand poverty, Mozambique undertook a national, representative household survey of living conditions in 1996-97, which was the basis for a detailed analysis of the characteristics and causes of poverty in the First National Poverty Assessment. Poverty data are also available for 1996-98 in a demographic and health survey, participatory poverty assessment and census. The '*Guidelines*' and the *PARPA* summarize the main results of the National Poverty Assessment, which depict a country with severe structural obstacles to poverty reduction — a predominantly rural society with high dependence on low productivity agriculture, poor physical infrastructure, weak market integration, low levels of human development, and poor access to services. The analysis is sound, it covers income and non-income dimensions of poverty, and provides the basis for targeting key vulnerable groups. However, the link between poverty analysis and policy

choices, implicit in the discussion of the poverty profile and its determinants, the identification of priority target groups, and the sectoral objectives and targets, should be made more explicit in the full PRSP.

4. **Poverty-reduction policies.** The government has set a target of a 30 percent reduction in absolute poverty within the next decade (2000-09) or 15 percent by 2004. Most of the planning targets refer to the period 2000-04. The main components of the strategy to achieve the poverty reduction target are: economic stability and broad-based high growth (based on the development of manufacturing and construction and increased agricultural productivity); human development (improved access to education, health, water, and sanitation); the development of rural infrastructure; promotion of employment and self-employment; protection of vulnerable groups; and capacity building in poverty research and monitoring. Better utilization of available resources and a reduction in regional inequality are also stressed.

5. The emphasis on broad-based high growth and human development, focusing particularly on rural areas, is appropriate. The government has a good record of sound macroeconomic policies and some well-developed sector programs in education, health (including HIV/AIDS), agriculture, and roads, with multi-donor support. The *PARPA* provides links to these and other key sector programs, which are important vehicles for the implementation of the poverty reduction strategy, and presents the sectoral objectives, proposed indicators, and targets for the period 2000-04. The *PARPA* identifies areas that require and will receive attention for further research — regional inequality, sectoral growth strategies, and the effect of HIV/AIDS on population growth. This policy research program will also include studies of the impact of trade policy on poverty and should be widened to consider the need for any special programs on disaster mitigation in the wake of the floods. It should also encompass an evaluation of alternative policies, such as that already undertaken of the safety net programs, to determine the most appropriate and cost-efficient interventions. Detailed costings of the different programs are not yet available, so it is not clear what choices and trade-offs will be involved, nor how the private sector and NGOs will contribute to these programs. However, in the *PARPA*, the government states its commitment and underscores its ongoing efforts to cost its poverty reduction strategy and link it to the medium-term expenditure framework, in order to ensure the fiscal viability of the poverty reduction targets.

6. **Three-year macroeconomic framework and policy matrix.** In June 1999, Mozambique adopted a three-year macroeconomic framework and policy matrix, under the new PRGF arrangement. The *PARPA* was based on this framework, but it is now out of date, given the recent floods. A new framework and matrix will be prepared for the discussions on the second-year PRGF-supported program later in 2000. This will be further modified for use in the full PRSP, in the light of ongoing policy analysis, evaluations of the fiscal effects of the post-flood reconstruction, and the consultation process.

7. **Consultation.** The weakest part of the interim PRSP is the brevity of the description of past and planned consultations. There has been limited consultation on the *'Guidelines'* and the *PARPA* as yet, but the government is committed to conducting broad consultations in the development of the full PRSP. Section 5 of the companion document sets out a general approach for involvement of the private sector, civil society organizations, research institutions, and the media, and a plan for its elaboration over the coming months. In this context, it should be noted that the high electoral turnout for the recent national elections demonstrated a considerable width of political participation among the population. Following the elections, the government's initial priority is to conduct a dissemination/consultation process within government to increase knowledge of and support for the *PARPA*, both horizontally between line ministries and vertically between central and regional governments. A strategy will also be elaborated for wider consultation with the key groups mentioned above. The government plans to have the strategy in place by the end of April and to start consultations from June onwards. The full PRSP should document the ways in which the consultation has been carried out and how the results have been reflected in the *PARPA*. It should be noted however, that broad-based consultation on specific aspects of pro-poor policy is likely to be a challenge in a population with high illiteracy rates (59 percent of men and 81 percent of women) and limited knowledge of the official language.

8. **Poverty monitoring.** Considerable effort has been made to translate the general goals of the *PARPA* into measurable objectives and targets, some of which will serve as indicators for the full PRSP (see part 4 of the *PARPA*). A core list of annual and five-year indicators is set out in part 5, and the National Institute of Statistics will publish data on selected social indicators in May of this year. The government plans to refine and reduce the list as part of the PRSP process, and is currently developing mechanisms for updating key socio-economic indicators more frequently, with lighter surveys. It will be important that an effort be made to limit the number of indicators in line with monitoring capacity and to select those that best reflect progress towards the poverty reduction objectives and progress against known constraints. Additional work is also needed to identify the roles of different institutions in statistical data collection and poverty monitoring and to coordinate data collection and analysis on a regular basis. Ways in which civil society can be involved in the monitoring process should also be identified. A monitoring strategy is to be developed to address these issues during the coming months, and the full PRSP should include details of its implementation. In the medium term, an integrated national household survey should be repeated and the results compared with the baseline of 1996-97.

9. **Timeframe.** The Government's timeline envisages the completion of the full PRSP by March 2001. This timeframe was determined by the Mozambican authorities, in order to produce a high quality full PRSP, taking into account the expected completion dates of the analytical work described in the Interim PRSP. The PRSP process itself is envisaged to be an ongoing one, with many elements subject to continuing improvements – the consultation process, costing and budgeting, and the institutional setup for poverty analysis, monitoring, and policy implementation. It is important to note that these plans were drawn up prior to the floods, and the phasing of some activities may need to be adapted accordingly.

10. **Institutional issues.** The Department of Macroeconomic Planning within the National Directorate of Planning and Budget of the Ministry of Planning and Finance has responsibility for the *PARPA*, with support from the Department of Studies in the same Ministry. It has worked with an inter-ministerial taskforce involving eight ministries and institutes. The Department has been in existence for many years and is equipped for poverty analysis and design, but will need to strengthen its implementation capacity, especially in consultation and monitoring. Statistical and participatory monitoring capacity will also need to be strengthened in the line ministries. However, there is a risk of overloading in these Departments, where technical capacity is already thin. The government has taken strong ownership of the PRSP process and is funding much of the necessary incremental work on poverty analysis from its own resources; it would consider additional external assistance if necessary. Part of the additional budgetary resources freed under the HIPC Initiative will be allocated to work on poverty analysis and monitoring in the Department of Macroeconomic Planning, as part of the development of the full PRSP. Public sector accountability has been improving recently with the preparation of a plan to overhaul the public accounting system, and helped by new civil service employment incentives, regulations, and training.

11. **Conclusion.** The major strengths of Mozambique's poverty reduction strategy are (i) the government's high level of commitment to it over a long period of time, which has enabled capacity to be built amongst a key group within the government, (ii) the existence of a high quality poverty analysis, which underpins the strategy and will serve as a baseline for monitoring future poverty reduction outcomes, and (iii) policy continuity and commitment in key areas, such as macroeconomic management and the social sectors. Although plans for consultations have yet to be spelled out in greater detail, the government is expected to expand its previous experiences when it proceeds to organize the consultations with a broad spectrum of civil society that will lead to the full PRSP. The budgeting processes that should underpin the full PRSP and the establishment of a transparent and efficient poverty monitoring system should also receive priority attention in the coming months.

12. Overall, the staffs consider that the present document provides a sound basis for the future development of a full PRSP, as well as an adequate framework for the enhanced HIPC Initiative decision point and for Fund and Bank concessional lending.