

Annex

CNP/DNP/FINANÇAS/COOPERACAO: How To Interrelate

1. Several donors want DNP/DNE moved to Finanças (presumably renamed Finance, Economic Policy and Planning) with CNP then serviced by the combined ministry. It is necessary to reflect on the pros and cons of such a move in the present Mozambican context - if only to be able to enter into intelligent dialogue at the Congroup where there is good reason to expect the Nordics (and perhaps others) to raise the issue.
2. The pro-case is straightforward:
 - a. with limited analytical and strategic/programme/policy professionals to handle macroeconomic, monitoring and sectoral coordination there are economies in having them;
 - b. two Directorates in one Ministry can handle and fit together the two halves (Recurrent and Capital) of the Budget better than one;
 - c. for the same reason one Budgeting Ministry would find it easier to manage doadores to fit their interests and capacities to a total range of priority uses;
 - d. as a Directorate within Finanças responsible to a Vice Minister (for Planning) DNP would in fact have better access to Finanças both at Ministerial and (even more) at Directorate levels. The problem of institutional rivalry inherent in two Ministries would be reduced.
3. In many contexts I would agree with that case. Three years ago I might have agreed in Mozambique - Plano was, in fact, much weaker then at least in terms of not then being involved in strategic programming, of doing little coordination and of lacking a serious project analysis-prioritisation-budgeting capacity. Today, at the least, there is a strong counter case to be considered:
 - a. Finanças does not have medium and long term analytical capacity. Nor does it engage in much strategic programme articulation. The reason is not primarily lack of interest (certainly Minister Magid Osman was very interested in both) nor total absence of suitable personnel (quite possibly both Director Juma and then Director Borges could have done good work in such a unit in Finanças). Rather, Finanças has such an overload of immediate short term demands which have to be done that it is forced to use all of its professionals there. (To the extent it does do strategic work, the professionals have almost all been consultants or missions specifically for that purpose.) Moving DNP, DNE to Finanças would risk there being no medium/long term strategic analytic-catalytic-coordinating unit because the key personnel were in fact used on short term macro budgeting, coordinating, policy adjustment.
 - b. The division short/operational and medium-long/strategic is one which exists whether Planning and Budgeting are in one Ministry or two. It inherently involves tensions and trade-offs which can be creative. Putting DNP in Finanças is neither a necessary nor a sufficient condition for creative interaction and rivalries and

feuds among Directorates in a single Ministry are just as possible and unfortunate as between Ministries.

- c. There is no inherent problem in DNP playing a major role in the capital budgeting process. The following parameters might structure it in a way limiting frictions:
- i. Financas (in consultation with CNP/DNP) set overall ceiling for Capital Budget;
 - ii. PTIP construction operated by DNP within parameters of "i";
 - iii. DNP then meets with Budget Directorate to assist in putting "ii" into Budget Document;
 - iv. Financas holds actual negotiations with Doadores on funding but dialogue on substance involves Financas-Plano-Sponsoring Ministry or Provincial Directorate.

(If Capital Budget is handled in this way it is analogous to Ministerial or Provincial budget in sense it is prepared outside Financas and coordinated/amended when necessary by Financas.)

- v. DNP and National Directorate of Budget review overall allocation of Recurrent Budget (before Ministries and Provinces receive their target ceilings) and also Provincial and Ministerial Budgets as they come in to evaluate whether allocations correspond with national priorities and especially that adequate recurrent allocation has been made to key programmes and projects.

(This, while a priority, does require 2 or 3 full time professionals. At least one has to have actual past budgetary process experience beyond accounting. A Mozambican like, e.g. Cidade do Maputo Finance Director Borges or an African/Caribbean/South Asian expatriate who had been involved in Ministry of Finance analysis of proposed budgets would be needed to lead it. An academic, consultancy or international financial institution background won't do for setting up and leading the unit. It does require hands on experience. Perhaps a transfer from Financas - e.g. Borges - is the best bet.)

4. On balance I would advise that the case at Para 3 is stronger than that at Para 2. I believe it can be argued credibly with doadores at Congroup.
5. In respect to Cooperacao - which will also be raised - the case for consolidation does appear overwhelming:
 - a. all, or almost all, Cooperacao's functions totally overlap parallel work of Financas, CNP and/or Foreign;
 - b. the coordination of Cooperacao with Financas and Foreign as well as CNP is neither prompt, automatic nor comprehensive. As a result confusions arise (not least among doadores) which take time to sort out (for them and for us);

- c. to the extent Cooperacao does have a special role in respect to Emergencia this is increasingly unhelpful. DPCCN is de facto Comercio's responsibility. Financial Mobilisation has always involved Financas and with the consolidation of Emergency and Consultative Group tracks in financial mobilisation, Financas has to coordinate, present, negotiate on Emergencia. Emergencia needs to be transformed into Rehabilitacao plus a revived Calamities role. The former requires broad programmatic coordination as does the latter. It is by no means clear that external cooperation with donors should be central to definition or coordination in either area. The more often we can present articulated programmes and projects to doadores to seek funds and the less often we negotiate on their articulated programme project "proposals" the sooner we can again claim to be driving our own public policy even if it still has to be largely externally fuelled. The word articulated is key - PDP illustrates the danger of putting up a strategic idea, a rough policy framework, a modestly good set of baseline data and no real articulation of the programme side but a washline of old projects by no means clearly linked to the strategic initiative. The doadores' consultants both totally redesign and fall out with each other (and often with the doadores) so either nothing happens or what we get bears little relation to what we wanted. Necessary as subsequent external funding mobilisation is, that is as true of Agriculture or Health or Transport.
6. Therefore a strong case exists for dividing Cooperacao's present functions and capacities:
- i. on going contact with Doadores to Foreign at the diplomatic/formal level and to sectoral ministries and provinces at sectoral/programmatic levels;
 - ii. negotiations with donors in respect to Finance/Personnel to Financas;
 - iii. discussion on strategy and overall programmes to DNP (and CPPs) and on specific programmes to Ministries, Provincial Directorates;
 - iv. analytical, coordinating and monitoring roles in respect to Emergencia to DNP (official level) and a Ministerial Sub-commission of CNP (Commission level).
7. None of the above is meant to imply that there are not able personnel at levels from technico through Minister in Cooperacao. Their abilities would be better deployed in a different context - Mozambique cannot afford the luxury of using high level personnel in duplicative structures. Similarly, whether these personnel would be best deployed at Financas, DNP/CNP, Foreign or elsewhere in the Government is a question quite separate from how Cooperacao's present functions could most usefully be merged with those of the ministries it overlaps.
8. A brief on why Cooperacao should be kept separate and how to redesign in the existing context to eliminate overlap may be desired. Unfortunately I cannot write it because I cannot think of a valid case or workable structure (as I can for combining DNP/DNE with Financas even though I do advise against that at present). Perhaps someone else

can. Unless Mozambique does propose to merge/divide Cooperacao some sort of reasoned case for keeping it will be needed at Congroup.