

MOZAMBIQUE

Political and Economic Background

Mozambique, unlike the other states studied, had a very brief period of successful public service development prior to 1980 because it became independent in 1975 and pre-1974 Portuguese colonial rule made no pretence of providing substantial services to Africans let alone building African capacity to operate a state. Two simple data snapshots illustrate - 10% adult literacy and about 75% Portuguese port crane operators and locomotive drivers at independence.

Nonetheless over 1975-80 and especially 1977-80, Mozambique did create a basic service delivery system in health, water, sanitation, education and agricultural extension that achieved 60% to 70% coverage in primary health and education and urban sanitation and pure water and significant advances from negligible bases to over a third coverage in rural water and agricultural extension.

The radical reversal of progress from 1981 through 1988 or 1989 and the extreme fragility and dependence of the public services system now does correspond to the general pattern. So too does the collapse in public service remuneration from perhaps excessive at higher levels and living wage at lower in 1975 to under half absolute poverty line for basic service professionals and under half moderate lower middle class for top public servants by the early 1990s.

The reasons are somewhat different. Following post-independence chaos, when 90% of Portuguese left despite invitations to stay (on the same terms and conditions for public servants), and Portugal nationalised the parents of most large enterprises in Mozambique and abandoned the subsidiaries during 1975-76, economic as well as basic service progress moved ahead over 1977-80 with a 5% GDP growth trend probably in place as of 1980. That was fairly typical even if the reasons for the 1972-74 slump and 1974-77 economic crises were not. From 1981 through 1986 real GDP fell probably 2½% or more a year (perhaps 5% real per capita annual decline). From 1986 it has grown erratically perhaps on a 3% trend but fluctuating from about -5% to a somewhat dubious +12% in the 1992-1994 drought-famine-recovery years also affected by the achievement of peace at the end of 1992 and the massive injection of UN force purchases into the enterprise sector from 1993 through early 1995.

But neither terms of trade nor national economic policy have been key either to decline or recovery. Drought has - especially in 1982-83 and 1992-94 - been crucial but as an exacerbating not a determining variable. The bottom macroeconomic line over 1981-88 and

arguably 1988-92 was war; war initiated as part of South Africa's strategy to make Southern Africa safe and profitable for apartheid, but by its long continuation coming to have a malign life of its own by the mid-1980s.

The magnitudes - set out in detail in UNICEF's *Children On The Front Line* and the UN's *South African Destabilisation: The Economic Cost of Frontline Resistance to Apartheid* - are astounding as well as appalling. By 1994 the cumulative number of people dead who would have been alive in the absence of war was of the order of 1,200,000 of whom up to two-thirds were under 5. The interaction of malnutrition, exhaustion from forced movement and collapse of rural primary health care and access to water dominated the death toll even in non-drought years. They were war related - Renamo's South African designed strategy included using mass terror and selective attack to make family farming household production impossible, isolate towns and by destroying service units (and personnel) corrode government credibility. Economically the total loss of GDP was probably of the order of \$10,000-\$12,500 million in the 1980s and from 1986 on, actual GDP was half or less of its probable non-war level.

The last point underlines the continuing reality of war's devastating heritage. Loss of GDP and of life continue because peace does not reverse the near decade and a half loss of investment, previously existing infrastructure, community and local government organisation or public service base. For example, under 5 mortality was almost certainly of the order of 250 at independence but was pushed down to perhaps 175. With war it exploded to a 325-375 estimate in 1986 (based on *Children On The Frontline* and later fragmentary evidence from re-enterable rural areas). From 1988 through 1992 part of the loss was clawed back - to about 300 - with the progress continued to 1995 levels of the order of 250-275. But on the basis of public policy and priorities in resource allocations (confirmed by 1975-80 trend) one would have expected a 1992 level of about 150 comparable to Tanzania. Similarly, GDP growth from 1986 has barely paralleled that of population and is from the lower, war ravaged, base levels so that the 1980-86 per capita real fall of the order of two-thirds remains.

Warning: Believing Statistics Endangers (Others) Health

African statistics are frequently gap ridden and doubtful as to accuracy and coverage. But even in that context Mozambique's are something else.

For example, small farming family output is estimated from a 1972 survey and assumes a no war population growth and distribution and constant productivity. With over half the rural population displaced (internally or abroad) by the late 1980s and up to 1,500,000 of the 1994 population projection "missing" ("missing in action and presumed dead" for over a million) this method can yield only nonsense results which are very dangerous if used to misinform rural production or food security policy.

No serious price indices exist - the ones based on a handful of controlled prices were never convincing and are now, with the ending of controlled prices, meaningless. Thus the quite good Maputo and other cities Household Surveys face grave problems in applied use because updated current price data approximations have to be by feel not use of a price index. War dislocation means public service roll estimates of 100,000-110,000 (excluding armed forces) are approximate with some recent hirings not covered, some long dead still on the roll and the location (and activity if any) of others perhaps known at District and Provincial but not at national level.

The form of aid has worsened this problem. Getting financial estimates of aid in kind (e.g. drugs, personnel) to allow complete, double entry budget bookkeeping in Health has proved difficult and even present coverage after five years pushing for data is probably not complete. Of the inputs and outputs of parallel donor and donor NGO systems there is still weaker data. Indeed, some of these groups run sentinel point data systems but exclude Ministry of Health providers - over 80% of total - from sources and the Ministry from recipients of results.

In this context almost all quantitative data on Mozambique must be seen as approximate and rechecked against other sources - even if fragmentary or qualitative - before precise applied policy use. To do otherwise is to endanger the health and lives of Mozambicans.

Government policy did indeed worsen economic results until 1986 but probably only marginally. Slow reaction to an altered context - predominantly war not economic - was the main mistake. The 1980 five year strategy (drawn up in the last year approximating peace) was used as a medium term guide - long after short term action was dominated by crisis response - until the late 1980s. The growing technical inability to run large units, taken over as abandoned to avert collapse, was largely ignored and the policy shift from 1980 (and especially 1983) to back the small farming family sub-sector was largely a dead letter with declining resources and access to rural areas and an inertial commitment to keeping large agricultural enterprises running and paying their scores of thousands of employees.

From 1986 overall economic strategy and policy has been highly pragmatic and increasingly liberal as to means, but focused on food security, rural household livelihood reconstruction, infrastructure restoration, absolute poverty reduction (from 65% to - say - 25% within the century) and basic service restoration and pushing forward toward universal access in a

context of Provincial (and ultimately District) capacitation and staff retraining. In practice, donors have found the non-standard macroeconomic realities of war and of post-war reconstruction too different from the orthodox model to take on board more than peripherally, are lumbered with dynamically decapacitating parallel delivery and expatriate personnel injection systems and do not see the political economic priorities as related to output growth despite elaborate Mozambican analytical presentation. This interaction is deeply frustrating to all concerned (and not least to the concerned though not directly involved poor woman on the farm, poor child at the clinic or poor police sergeant living in an ex-zoo lion cage because it is the best housing he can afford for his family).

Mozambican pay strategy has evolved. From 1980 through 1985 - despite probable 25% a year average inflation - statutory rates remained unchanged. Over 1986-88 unsuccessful attempts were made to adjust those levels to take account of higher food prices. From 1989 through 1993 wage scale minima were perceived as a route to reduce urban absolute poverty (as the relatively small in total income flows 'informal' activities sell primarily to wage earners) with rehabilitation of family farming livelihoods its rural parallel and basic service and infrastructure access and quality restoration a countrywide parallel leg of productivity enhancement/poverty reduction.

From 1993 the policy has shifted to focus on public servant pay - by then about \$25-\$200 a month just after periodic increases, then eroding with inflation until the next scale gazetting. The perception appears to have been that aid agencies and the private sector already paid much more, the cases of public enterprises in the process of reconstruction and/or sale were not appropriately dealt with by gazetted scales and small enterprises could not, in practice, be regulated.

The public servant pay case has had five - not always clearly articulated - strands:

- a. for a majority of public service households (even including other incomes, usually about a third to a half of the total) to be in absolute, and a third in abject poverty, is a matter of national dishonour;
- b. as that group includes most nurses, teachers, tax officers, constables, water and road maintenance personnel and agricultural extension staff, the low pay is inefficient eroding quantity of work performed and both quantity and quality of services provided;
- c. qualified personnel cannot be retained - over half of Mozambican graduates appear to be abroad often in sub-professional jobs in Johannesburg, Rio, Lisbon or Sao Paulo while

graduate annual recruitment and voluntary departure in the public service balance at about 250;

- d. replacement expatriates are very expensive (estimated at \$150,000 a year including associated costs) to donors reducing resources available for other uses, and at present levels and omnipresence are deeply decapacitating dynamically as well as "ownership reducing" at any point in time;
- e. lack of demand for urban production (both formal and informal) is substantially related to public service wage paucity.

The middle three strands relate directly to the Mission's concerns and approaches.

Public Service - Numbers And Finance

The public service in Mozambique - excluding the armed forces - probably numbers of the order of 110,000. Accurate totals do not exist partly because of poor and lagged recording, transmission and consolidation of data; partly because the war has resulted in dislocation of personnel who may or may not be working somewhere (e.g. teachers in dislocated persons camps and resettlement areas), may or may not be being paid and may or may not still regard themselves as public servants - or even be alive to do so - and partly because certain quasi autonomous units (notably zonal rural water corporations, Eduardo Mondlane University) are not included in standard totals.

As of early 1995 the total non-military payroll was of the order of \$50 million. This incredible figure is the result of pay scales eroded to \$20 to \$150 a month and very limited fringe benefits. It is to a degree an underestimate of true income because many - by no means all - public servants do have access to public sector housing which is rented at sub-economic prices both to public servants and to other citizen occupiers. However, the result is that rent is perhaps on average 10% of pay, i.e. for housing the low salary is paralleled by low rent. This means that public service pay and public housing corporation rents and privatisation cannot safely be treated in isolation. The present urban housing redevelopment programme combined with minimum sustainable (for the operating company) rents produces rental costs usually in excess of total civil servant remuneration for relatively modest restored family flats.

For primary teachers and nurses the typical pay range was \$25-35 per month. While substantial nominal wage increases were made in the course of 1995 these - as has been true

from 1986 when the first nominal increases since independence were made following a decade of 10% to 25% annual real wage erosion - were below the relatively high probable rate of consumer price inflation of one-third to two-fifths. Probable because no retail price or cost of living index exists and the exchange rate while a fairly good trend proxy is erratic as a quarterly or annual domestic price proxy and the GDP deflator is clearly too low.

The public service is dominated by education (40,000), health (18,000), water and works (including zonal rural water corporations - 17,500). Agriculture and Police (of the order of 5,000 each) and general administration at central, provincial and district levels (15,000 at a very rough estimate) make up the bulk of the remainder with specialised and financial administration minute (5,000 of which half tax collection and Treasury bookkeeping).

About 10% of the public service is on District, 50% on Provincial and 40% on Central (ministerial or related quasi autonomous department) payrolls. This is roughly parallel to division of functions - primary level being a provincial responsibility - albeit some personnel falling in the areas of provincially organised functions are on central ministerial payrolls. As a result of the inherited colonial pattern but even more as a consequence of the 1981-1992 decade of war perhaps 80% of the public service is urban while 70% of the population is rural.

To provide universal access to basic public services would require a public service of the order of 250,000 including, e.g. 35,000 in health and 120,000 in education. The only broad area not requiring doubling is general administration. Economically, socially and politically a restoration of the 1975-81 dynamic toward universalisation of basic services of adequate quality is, and is seen to be by analysts, politicians, the man in the street and the woman in the field, a top priority as has been the case throughout the independence period even if the war years of 1981-92 were marked by declines in achieved coverage and quality nationally and outside major cities where primary health and education (but not pure water and sanitation) access continued to improve.

In most cases the problem of staff is appallingly low levels of training - for at least two-thirds of primary school teachers - not of numbers surplus to requirements. The latter are concentrated in supporting services - messengers, cleaners, drivers, petty clerks and domestic employees, totalling perhaps 10,000 with a payroll of about \$2.5 million a year. Nominally secretaries are overstaffed but this is because of low qualifications and a resultant tendency for senior personnel to do their own secretarial work - hardly an efficient allocation of time.

Perhaps 2,500 citizen public servants hold tertiary education qualifications. This number is relatively static because the low pay results in their moving on to other (virtually by definition

better paid) posts at rates balancing new graduate hirings of about 300 a year. The cost in terms of loss of continuity over time, as well as lack of qualified top level personnel at any one time, is severe and is compounded by the near absence of institutional filing and data retrieval systems which totally collapsed in the early to mid-1980s.

Public Servant and Public Service Poverty and Its Price

The Maputo Household survey indicated that in 1992 about 50% of public service households lived in absolute poverty (under \$75 per month for a household of six) with 30% in abject poverty (under \$50). The former is roughly comparable to all urban households and the latter slightly worse. Given the pay scales this is a predictable result even allowing for incomes of other household members and from extra activities by public servants at least equal to the public service wage.

Because most Maputo households have one - but only one - recorded sector wage earner 50% to 60% of the incomes of most households derive from recorded wages with petty trading, informal sector wages, allotment agriculture and casual labour the readily identifiable main components of the balance. Transfers - except for under 5% of households with members working abroad and another 5% (at the very bottom of the income distribution) benefiting from the income supplement programme - are a trivial source. Therefore, however low they are, public servants' wages are central to survival and their improvement to escaping from abject and absolute poverty.

The price to public services of low pay is high in respect to quality and to quantity of services:

- a. absenteeism and especially tardiness are endemic;
- b. training (because it takes time and offers negligible income gains) is unwelcome unless fully financed and not disturbing carrying on essential secondary earning activities;
- c. privatised user fees (e.g. tuition for supplementary lectures, charges for providing services by nurses and dispensers) are common;
- d. public service time and facilities are used for private business (e.g. vehicles as taxis, phones and computers to run consultancies);
- e. operating supplies and equipment (from drugs through vehicle spares) are stolen;

- f. bribes are taken, e.g. for not taking in seat belt and other traffic offenders and - much more seriously - for not collecting taxes.
- g. external agency funded conferences and courses - especially ones abroad are avidly sought in large part because associated allowances for a few days to two weeks can equal several months salary.

These practices cannot be controlled at present pay levels. Without one or more of them most public service households could not survive. Their cause for most employees is need not greed and, in the absence of fair pay, it is both problematic and useless to condemn them on moral grounds (especially when the condemnations come from well paid expatriates with limited perception of the struggles for survival of typical public service households).

Corruption based on greed is a major problem but very hard to tackle without also reducing the necessity for need-driven improper practices. When violations of rules and laws are necessarily the norm the big sharks of corruption have schools of hapless minnows in which to hide themselves while petty user fees to meet basic needs are the start of the slippery slope to full scale corruption and, indeed, are almost identical in effect in the key case of tax collection.

Therefore low pay is inefficient - it raises the unit cost of services provided especially when their quality is taken into account. While higher pay cannot by itself be guaranteed to restore productivity or rebuild professionalism it is a necessary condition. Training, attendance at and to work, simple output requirements, basic honesty and elimination of privatised, personal user fees are essential but can only be introduced parallel to - not before - beginning real public service wage and salary restoration.

It is worth stressing that committed public servants providing real services engage in these practices. The same police who charge for not charging seat belt law violators (saving a fine and a day at the police station) are often quite professional in combating serious crime while the nurses who charge small (often under \$0.05) fees do provide competent and often caring primary health services especially in respect of vaccinations and mother/child clinics. Similarly, private consultancy work (including for aid agencies) using government facilities and, to varying extent, time allows some of the most able professionals to do the public work for which they are *de facto* not paid. There is not - or at least not yet - a cynical culture of public service corruption with potential for private gain the purpose of public employment. There is however, a growing number of public (non) servants who do act on that premise and

a more general decline in commitment and morale which make reform urgent as well as important.

Pay - professionalism - productivity changes need to be introduced in parallel for optimal results. Without pay the other two components are not workable but pay alone will not guarantee raising qualifications or increasing productivity. Mozambican institutions differ significantly not only in present performance but in the stage of forward planning in respect to professionalism and productivity.

This can be illustrated by contrasting one of the strongest sectoral Ministries - Health - with one of the weakest - Education.

Health has systematically retrained its personnel and replaced retiring - surplus - supporting staff with new para-professional personnel trained in its secondary level institutions. For six years through early 1994 this allowed holding staff at 17,000 to be consistent with increasing services provided and also allowed lower real pay erosion than would have taken place without upgrading.

In 1994 personnel rose to 18,000 because the space for substitution had been exhausted and reactivation of rural primary level services abandoned during the war required more staff. In 1996 the numbers may need to approach 20,000 - continued service expansion plus integration of 800 ex-Renamo health cadres almost all of whom need 12 to 18 months training before redeployment to operational roles.

These steps are within a medium term sectoral plan which prioritises services and outlines related training, procedural and institutional requirements. Unusually, this plan was within articulated Mozambican parameters within which expatriate technical assistance personnel operated not a *tabula rasa* request followed by a largely autonomous consultancy study. In contrast to the latter pattern - e.g. for central macroeconomic institutions - the Health Sector Plan proposes radical (not marginal tidying up) changes in goals, personnel composition, training and institutional structure and has been acted on systematically by the Ministry. When Mozambique did - in 1994 - reform its macroeconomic ministries the actual changes were far more radical (especially in overlap elimination and consolidation) than the technical assistance document proposals which had, until then, remained a dead letter.

Health is also one of the few ministries with functioning bureaucratic processes and procedures - notably on drug procurement and distribution, data collection and analysis and Ministry-Provincial Directorate coordination. The payoff in routinising routine, repetitive

tasks is evident as is the greater ability of senior personnel to concentrate on complex operational decisions and on policy.

Education is at the opposite extreme.

It probably employs 40,000 personnel of whom three-quarters are primary school teachers with two-thirds of those un- or severely under-qualified. Probably because at times it has not known where up to 10,000 teachers were, partly because of the war (albeit no parallel number of unlocatable personnel ever existed in health) and partly because collection and analysis of data from Provincial Directorates is weak.

Mass upgrading training, always possible in urban areas and not requiring large amounts of foreign exchange - was not begun until 18 years after independence and was apparently catalysed by one or two Provincial Directorates, not by the Ministry. Revival of rural primary schools has lagged sharply since 1988 when compared to health posts and centres.

Education's 1989 medium term plan - now abandoned, was a *tour de force* of macro statistical manipulation with no substantial base. It identified both the low completion rate (20 years of teaching per 1 five year course completion) and financial limitation constraints. It then assumed higher pass rates and a virtually constant total enrolment to double completions by the mid-1990s at low additional cost (concentrated on relatively high cost primary school refurbishing). The constant enrolment was based on war period trends continuing which would have meant continued rapid urban increases and rural declines.

The assumed completion rate improvement and the financial allocations ignore four basic primary education problems:

1. the two-thirds un- or severely under-qualified teachers;
2. the three shift primary pattern in Maputo;
3. the two-thirds first time failure rate in the first year aimed at providing a socialisation, elementary numeracy, language of instruction (Portuguese) competence base;
4. the near absence of textbooks beyond the first year (as a result of shifting to a sale to parents, private sector distribution basis).

Without addressing these problems - in coordination with the Provincial Directorates - it is hard to see how an improved completion rate could have been attained.

Similarly, Education lacked standardised procedures. As a result far more routine decisions went untaken, were done inconsistently or were passed up preventing senior personnel from dealing with complex cases or policy.

The weaknesses have had severe qualitative as well as quantitative results. The Ministry of Health's secondary institutions had a successful completion rate of 60% which was viewed as cause for alarm in their pedagogical review. When broken down this turned out to be 90% for serving personnel with pre-independence complete primary education; 60% for serving personnel with indeterminate or incomplete primary education and 10% for recent primary graduates. The figures speak for themselves only too clearly.

Building up a partnership with the domestic social sector after the Presidential endorsement of that policy shift in 1993 also lagged in relation to Health despite there being much more initial operational experience with social sector parallel primary schools. Guidelines as to curriculum and the principles for cost sharing remained indeterminate in Education but not in Health - albeit neither had the financial resources to make immediate cost division transfers.

These two examples illustrate the case for a phased introduction of pay-professionalism-productivity reforms. The most advanced ministries could do so in year one, with the others (subject to completing acceptable articulated prioritised reform plans) phased in over years two and three. If the process and the conditions for higher pay were made transparent the pressure to produce the requisite plans (and the commitment to doing so) would be high and the objections to sharp temporary pay discrepancies by sector should be manageable.

Potential For Cost Cutting, Resource Reallocation

The potential for cost reduction - as opposed to low cost productivity improvement - in Mozambique is very low. Truly redundant posts account for perhaps \$2.5 million of salaries. Simplification of administration and reduction/rationalisation of regulatory and recording functions would have negligible savings because proper prompt handling of the remaining ones would in general redeploy in the new uses not the redundancy sense.

While up to half of present personnel are not now qualified, the implications for costs are of increases not cuts. Most need in-service training to enable them to carry out needed functions

while a core (estimated at up to 25% for primary school teachers) are likely to prove untrainable but need to be replaced.

Similar considerations apply in terms of levels of services. The case is far more rapid expansion of primary not absolute reductions (or even a freeze on expansion) of secondary and tertiary. For example, the essential rural and small town hospital drug requirements are in fact less well filled than the basic drug supply to primary centres and clinics while at tertiary level the Maputo General Hospital designed to serve perhaps 100,000 Portuguese and assimilados now serves 1,500,000 people in the Maputo-Matola urban area and until the mid-1990s, Nacala - grown to over 200,000 - had no hospital at all.

In principle, the end of the war and the cutting of the armed forces from over 60,000 to under 10,000 should free resources. In practice, the savings may be very small and largely taken (as a matter of fiscal necessity not policy) over 1989-92. Pay and provisioning were even worse than in the public service and most equipment (for a severely under-equipped army) was procured on unserviced external loan account.

Resource redirection potential is - therefore - almost entirely in respect to external resources and falls into two main categories:

- a. redirection of development project support from capital and expatriate contractor and personnel to labour and domestic contractor and personnel intensive combined with decentralisation and small farming household accessible infrastructure and basic services;
- b. reallocation of a quarter of the present \$300-350 million expatriate pay and associated expenses costs of technical assistance proper and expatriates in project and programme loans and grants to supporting the restoration of minimum efficient public service pay levels and basic service provisioning with retention of new graduates and return of some of the majority now working abroad (frequently at sub-professional levels) increasing public service capacity and continuity on a cumulative, sustainable trend.

Debt relief is necessary as well but offers limited short term fiscal reallocation potential because in practice Mozambique is unable to service much more than its IMF drawings and World Bank/IDA loans and credits.

Resource Mobilisation and Redeployment Potential

To raise Mozambican public service pay scales to \$50 to \$500 a month - two-thirds of the household absolute poverty level at the basic entry point with a 10 to 1 range allowing professional career prospects, incentives to seek additional training and motivation plus ability to work full time on public business - would cost on the order of \$100 million a year trebling the present payroll. Further, this is not the only call on the fiscal base which improved access to and quality of basic services will make. Numbers will need to be raised especially in teaching, health, water and works maintenance, extension and police and additional operating inputs (e.g. drugs, books and teaching materials, spares, vehicles and fuel) are needed.

That these increases would be efficient in the sense of reducing the cost per unit of services of an adequate quality provided is reasonably easy to demonstrate. That they are fiscally feasible is - at first glance - much more difficult as redundancies plus reallocations from defence can hardly amount to over \$10 million a year and probably only half that. Therefore the main potential is for reallocation:

1. switching capital budget support from large, capital intensive to small, labour intensive approaches where appropriate (especially in respect to construction, irrigation and rural rehabilitation) could free funds as could less reliance of external contractors and imported personnel;
2. however, the major possibilities lie in respect to technical assistance or more precisely expatriate wages and associated costs whether in capital or technical assistance projects which now run at over \$300 million a year for somewhat over 2,000 personnel. About half fill gaps directly caused by low public service pay and a quarter augment local personnel decapitated by the need to earn secondary incomes. The other quarter are - in terms of function - important but fairly clear a switch of 25% of expatriate provision finance to budget support focused on pay-professionalism-productivity would be cost efficient;
3. similar considerations apply to direct parallel programmes by donor governments and NGOs funded by them - albeit on a lesser scale. In health, available data suggest donor spending directly or via external NGOs of approximately twice as much as the Ministry of Health to provide about a fifth as many services. Even if lack of transparency - e.g. in drug supply in kind or via the public sector drug import company - make the Ministerial resource figure too low this can hardly reduce the unit cost discrepancy from the raw level

of 10 to 1 to below 6 or 7 to 1 per unit of health services provided. The reason is largely that such programmes are very expatriate intensive and, therefore, high cost.

Reallocation under these three heads could provide \$100 to \$120 million a year to budget and domestic social sector organisation support. That is of the order of magnitude of the initial cost of pay enhancement. To achieve such reallocation requires:

- a. clear and cosseted pay - productivity (including training) - professionalism proposals both overall and by sector;
- b. requiring external NGOs (except in special cases) to operate in partnership with requesting domestic social sector bodies in a contractual framework and within coordinated national sectoral strategies;
- c. adopting an envelope approach (either overall or sectorally) allocating all external finance to priority uses rather than pre-fragmenting sources as for technical assistance, capital project or recurrent budget support use only;
- d. combined with accountability for overall expenditure on and production (e.g. roads maintained, pupils passing, vaccinations performed) by priority budget categories and users based on a uniform audited accounting system. Fungibility means that such an overall approach is more effective as well as more practicable to operate than multiple system literal reporting on the - largely heuristic - routing of donor transfers to specific projects or sub-programmes.

All of these changes would be welcomed by - several have in slightly different form been proposed by - the Government of Mozambique. A number of UN agency personnel also believe they would enhance capacity and accountability as, more cautiously, does the World Bank. Donor objections appear to relate either to a somewhat unreal sense of maintaining control via present reporting procedures and provision of expatriate personnel or to a failure to realise how much of present decapacitation results from inadequate pay and of the up to 30 to 1 trade-off between expatriate person year costs and the additional pay needed to retrain or secure the return of Mozambican professionals. The basic problem thus appears to be partly inertial and partly one of perception - a case in which detailed dialogue and negotiation can prove fruitful since basic interests do coincide. Mozambique has, perhaps, been slow to realise this because the pattern of high cost expatriates replacing much lower cost nationals driven out by low pay has genuinely and understandably (if inaccurately) convinced most Mozambicans that bilateral technical assistance is basically open-air professional

unemployment relief and many UN agencies and NGOs have raising personnel supplied as their bottom line goal.

A mixed domestic-foreign source is better collection of the counter value of import support provided in foreign exchange or goods and on-sold to the enterprise sector. This could raise \$25 million a year. The most effective approach would be the new Swiss one (currency sold to commercial banks to sell to customers) which *de facto* provides automatic collection. Modifications would permit its use for tied aid and even aid in kind intended for sale albeit in these cases problems would arise over the discounted currency bids resulting from market judgement on the excess costs resulting from tying. The Government of Mozambique favours general adoption of the Swiss approach for all untied import support funding, but has not to date proposed its broader use.

In fact a list of ways forward can be identified - in the long run primarily domestic resource mobilisation but in the short largely reallocation of existing external financial flows.

1. **tax revenues** could be increased by one-third or more through providing efficiency pay (\$50-500 a month) levels for tax collectors and replacing tainted senior personnel. Modest tax changes - e.g. a single point sales tax or a truncated (stopping at first wholesaler level) in replacement for a five stage cascade sales tax - would help as would better communication, mobility and inspection facilities. As the tax system is buoyant relative to output an 8% annual growth of real revenue would subsequently be consistent with 5% to 6% real output expansion.
2. **user contributions** can be of marginal to substantial revenue value (say 10% of operating and maintenance costs in respect to basic health and education but as much as 50% to 75% for peri-urban water because alternative supplies are costly). Further, they can be linked to broader participation to increase public servant accountability to users. However, to achieve this there are two prior requirements - contributions should be negotiated by basic supplying units with users and communities in the form of payer-friendly - institution usable packages of cash, goods (e.g. food, construction materials, perhaps housing) and services (e.g. maintenance, construction and cleaning labour) and must be spent by the receiving unit so there is a clear link between payment and performance. To a substantial extent peri-urban and rural water services have achieved these conditions - albeit most successfully in peri-urban areas in which cash is a preferred dominant form of contribution - and begun to collect not insignificant offsets on pilot schemes.

3. **domestic social sector** (especially churches, mosques, women's groups) provision of basic services within a national framework and on a cost sharing basis - e.g. citizen salaries plus drugs provided by the Ministry/Provincial Directorate of Health and other costs covered by the social sector organisation in primary and secondary health care - could lower the cost of expanding basic services toward universal access. Similar approaches are successful in the Ghanaian, Namibian and Tanzanian health sectors and are under review (and in principle approved) in Mozambique in primary education and primary/secondary health service provision.

These three domestic sources could - on reasonable estimates - cover perhaps half of the pay enhancement and personnel expansion costs by the end of their 3rd year of serious implementation and all of them by the 10th year on fairly conservative and the 6th year on rather optimistic macro growth projections. Unlike technical assistance, use of and foreign NGOs to plug gaps caused by loss of personnel largely because of inadequate pay, the pay-professionalism-productivity support use of external resources could be self-reducing whereas with present pay scales technical assistance and foreign NGOs are self-perpetuating with a built-in upward dynamic even if they are intended to be self-liquidating.

Total external transfers to Mozambique are unlikely to rise. Indeed some fall is to be expected from phasing out of emergency assistance since its 1 for 1 initial conversion to reconstruction support phased down over six years - as proposed by Mozambique - appears to be unacceptable to donors.

A Possible Trajectory

1. Phasing in new \$50-500 pay scales over three years with Health, Water and Works, Police, Finance and Planning in the first year because of their crucial importance and - in most cases - more advanced professionalisation training and productivity forward planning;
2. placing tax collection (but not tax policy or revenue analysis) in a quasi autonomous institute primarily to facilitate immediate adoption of new pay scales outside the basic public service pattern because better tax collection is the essential driving force to permanent sustainability of the new pay-productivity-professionalism package;
3. negotiating substantial domestic social sector participation in education, health and certain other (e.g. street children care and rehabilitation) social services with the basic pattern of

cost sharing salaries and basic inputs (e.g. drugs, textbooks) from the state and the balance from the social sector organisation (including its own external fund raising);

4. transforming foreign resource transfer negotiations to an envelope approach permitting allocation to priority areas without arbitrary pre-set technical assistance, capital project, recurrent budget support divisions. To permit financing the additional pay and trainings bills this process would need to begin in 1996 for the next Consultative Group meeting.

unmoz.doc/rhg/sh/july/dec95

include any poverty impact content and almost never - with the partial exceptions of Saude and Agua - any detailed data providing a base for such analysis.

It was suggested to PA that he should establish direct links with Planning Units in health and either Works and Water or Transport to sensitise these units to the need for poverty impact analysis and train them in doing it. On that base a more generalised seminar and training programme could have been mounted. Although the PA agreed verbally with this 1992 proposal (from the SSPA) he did not in fact act on it. The ND either had inadequate time to pursue the matter or - given the relationship problem - believed doing so to be inexpedient. The same route of close liaison on one sectoral Ministry Planning Unit to build up a poverty impact assessment procedure would still appear to be the most practicable entry point for UAP. To generalise will still require a senior level workshop plus a three week training course for Ministerial and Provincial project preparation/evaluation officers.

WAGES - POVERTY AND DEMAND ASPECTS

SDA (from its prehistory) advised on wages especially in the public sector. The thrust was to avert further erosion of real wages because:

- a. most wages were very far below the household absolute poverty line;
- b. formal sector wages formed the largest component of demand for both formal and informal sector production;
- c. even above the absolute poverty line salaries were so low as to provide negative incentives to staying in the public service (or indeed Mozambique) and maximum ones to running other earning activities (from consultancy services through vehicle repairs to petty theft and - not always petty - corruption) on government time, thereby contributing to professional personnel shortages and erosion of public servant productivity/public service quality.

This was not an area of great objective success measured by results. SDA's failure, however, was not primarily either in inability to keep the issue on the policy agenda or to convince Mozambican decision takers. Rather it was unable to provide arguments for them to deploy capable of fully convincing World Bank PER (Public Expenditure Review) hit teams let alone the IMF.

Later SDA narrowed its focus to the government service because:

- a. of necessity the government set their wages,

- b. these had declined to ranges of \$25-200, the former about one third a Maputo household absolute poverty line. For primary teachers, nurses, constables \$35 was an average or above salary;
- c. the poverty of public servants automatically led to poverty of public services - "coping" (earning) took time away from these services with low morale further eroding them;
- d. at the upper end of the range, \$200 was under one half a South African lower middle class budget (\$500) and led directly to a loss of citizen professionals equal to new graduate hiring (about 200 a year out of 2,000 total) requiring 2,000 to 2,500 TA personnel to plug the gap with the latter costing \$300 million a year versus a 1995 citizen non-military payroll (for 110,000) of under \$50 million;
- e. which was absurd in terms of human investment, public service delivery, public service productivity, 'ownership' and cost of combined citizen and TA personnel.

The World Bank in general terms came to agree. Bilaterals were less convinced. In particular only the Bank and UNDP tentatively agreed that a direct shift from technical assistance to budget support to allow funding a \$50-500 public service salary range was theoretically economically prudent and some shift to raise professional salaries was urgent. The Bank's own 1993-94 initiative was, however, limited to graduates (excluding the basic service deliverers - teachers, nurses, constables, water technicians, road foremen, tax officers etc.), under financed and too intrusive into/disruptive of Mozambican public service salary management to prove viable.

UNICEF/UNDP in 1995 financed a study on Public Service Pay, Productivity and Professionalism based on Mali, Ethiopia, Rwanda, Tanzania and Mozambique, led by Professor Adebayo Adedeji (and including the SSPA in his personal capacity). In origin it flowed from Magid Osman's presentation to the founding Maastricht Conference of the Global Coalition for Africa. That presentation was a spin off of the initial SDA design process.

The Adedeji Report (main text/Mozambique Annex available from sometime SSPA) endorses - perhaps not surprisingly - the SDA position. It has UNDP (E. Sirleef-Johnson Head of Africa Section and A. R. Jolly of Human Development unit), residual UNICEF (Dpty. Director S. Lewis, R. Morgan of ESARO) support and substantial Bank approval if financeable (but doubts were expressed by Vice President Jaycox donors will shift TA to budget support however desirable). In principle UNDP and UNICEF will finance/assist follow-up studies/private consultants (including ex-Adedeji Team members) to interested countries and especially the ones studied. The Bank probably, would like to see one or more of the five put up a 'pilot' proposal and might back it. However, it apparently would favour

phasing in over 3 to 5 years sector by sector (e.g. with Tax Collection, Finance and Planning, Health, Water, Works, perhaps Police in year one in Mozambique).

SDA might usefully consider taking up this option and (presumably via ND/DNP) discuss with UNICEF and/or UNDP initially at Maputo Office level but perhaps with parallel contact with more senior backers noted above.

The issue is important both for direct poverty level implications and (more saleable to Bank and, perhaps, bilaterals) because immiserising public servants destroys both market enabling policy and human investment plus infrastructure service delivery capacity and therefore impoverishes the entire economy statically and dynamically. In addition because the low pay drives Mozambican graduates abroad (probably 3,500 of 6,000 at present) it increases turnover - with consequential loss of historic memory and continuity - and 'requires' bringing in TA personnel and foreign NGOs (decapitating the state and eroding Mozambican 'ownership'). This analysis is forceful but it is a line with which - at least in small group discussions - Vice President Jaycox broadly concurs as long as the "be fair to civil servants" theme is peripheral and the governance and production efficiency ones are central.

DECENTRALISATION - PROVINCIAL PLANNING

SDA has been involved in decentralisation issues - mechanisms - from its prehistory days. The Priority District Programme was *inter alia* about decentralisation as was the (to date non-functional) user committee element in the SAF financed fontenario project. SAF - implicitly and perhaps now more explicitly - is about basic services, small projects, local government and social sector (decentralised from Maputo government core) provision.

The SDA approach to decentralisation and participation (the former not necessarily including the latter but essential for user participation to have a direct impact on operations) was relatively pragmatic and perhaps inadequately conceptualised/articulated:

- a. small scale contextual PPP-UABS-SNAP projects to give flesh to macro, sectoral and provincial guidelines require user and local official data input and operational involvement/commitment to be efficient or effective;
- b. given communication and data processing problems most of this data cannot (and probably in any case need not) go beyond Provincial level to a DNP (or other) data bank;
- c. ordinary households - especially poor ones - have micro understandings of their own needs and capacities officials/other experts (and especially those at substantial physical,

educational and status distances) frequently do not have, just as the latter have - or can have - more macro and conceptual insights;

- d. transparency and accountability to users (at all levels) improve governance and reduce risks of corruption and/or inefficiency;
- e. most people do put a value on being able to influence governance to provide user desired, user friendly services;
- f. social sector bodies - with the partial exception of churches and trade unions - are most effective at local level and can only relate effectively in detail at that level even if guidelines for cooperation - dialogue - partnership can and should be nationally and provincially designed;
- g. substantial decentralisation at micro and middle level design and in operations requires clear central strategic guidelines and policies to avert not merely chaotic non coordination but also conflict;
- h. Mozambican Provinces have - in practice - substantial recurrent budget programme powers - even if most do not use them - with some potential gains as to efficiency and ownership. These are largely vitiated by unclarity of Ministerial/Provincial responsibilities and because Capital Budgets plus initial Recurrent Budget project funding from donors are handled by Ministries. The subsequent handover to Provinces as external funding runs out is frequently a disaster because the Province has never 'owned' the projects and is given a new cost with no offsetting revenue gains. SDA has argued that all capital budget items corresponding to recurrent activities which are Provincial responsibilities should be in the Provincial Budgets (and officer work schedules) from day 1. Inertia (by parent ministries, donors and the Ministry of Finance) has to date stalled action.

Whether this list is an adequate conceptualisation, as opposed to a functional checkpoint list is problematic. In general it reflects SSPA's and SPA's work (not PA's which was implicitly centralisation oriented) but neither reflected on decentralisation and (more seriously) participation as ends in themselves even in the former's papers for Local Government.

The so-called Provincial/District debate is ultimately a capacity issue. User committees (and District Assemblies) can propose, take part in design, participate in operations (not limited to funding), help with monitoring down to delivery unit (Posto, Centro, Primary School) level. District staff can implement basic projects designed for labour intensive foreman/artisan led teams. But Districts have no engineers (road or water or building) to draw up plans and engineering designs, unqualified bookkeepers (typical District Finance officers cadre) cannot do financial planning, etc. Therefore, the medium term technical planning, design, supervision

capacity can only be Provincial. (Tanzania can and does decentralise to District level. But it has over 2,500 graduates in District level posts - more than the total Mozambican degree holders in the public service. A strong Tanzanian District has staffing comparable to half of Mozambique's Provinces.

SDA's arrival point in this area is the **Provincial Planing Process** (including its attempt to revive the role of the Provincial Planning Directors which by 1993 was vestigial since there had been no real Provincial planning for more than a decade). This draws on lessons of PDP and is a substantially stronger - and (unevenly) more Provincially based exercise. SDA was heavily involved in design (SSPA, SPA), field data collection/dialogue (SPA, PA) and macro/sectoral analysis and write-up (SSPA). The first round produced - as SDA expected - a relatively weak plan but - as SDA hoped - a foundation on which to build. If PP is to be the base for decentralisation, UAP will need to take a continuing interest.

REFLECTIONS - BACKWARD AND FORWARD

SDA in terms of its strategic aim of creating poverty reduction analytical and formulation capacity in the Government of Mozambique has been a success. The numerous problems and limitations cited do not alter the basic reality of substantial achievement:

- a. poverty reduction is a strategic theme in government (both political and senior public servant discourse);
- b. a growing data base and a habit of analysing it in poverty terms has been created in UAP/DNP/DNE;
- c. a Mozambican unit for handling data coordination (and advising on collection) plus analysis and relating result to ongoing strategic and policy issues exists (UAP) and is now staffed by professionally qualified Mozambicans;
- d. the output of UAP (as of SDA) are used by DNP and - up to a point - by DPPs and by NDs in other Ministries and Institutos (e.g. Saude, SEAS, GAPVU);
- e. the international co-operating community is aware that Mozambique places strategic ideas about poverty reduction and has articulated, argued positions on how, where, when (albeit its degree of willingness to focus poverty reduction dialogue on the Mozambican agenda is limited);