CAPACITY BUILDING, INSTITUTIONAL CRISIS

AND THE ISSUE OF RECURRENT COSTS

A CASE STUDY OF IDA PROJECTS IN MOZAMBIQUE

A Report to the Ministry for Foreign Affairs
Government of Sweden

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EXECUTIVE SUMMARY

This report is part of a larger study of capacity building, recurrent cost financing and the sustainability of donor-funded projects in Sub-Saharan Africa. The underlying premise of the study is that donors face a dilemma with respect to funding recurrent costs of development programs in aid-receiving countries. One of the early principles of development aid was that the aid-receiving country should finance its own recurrent budget while the donors would finance some proportion of the public investment budget. Whether this rule was ever observed in the absolute may be subject to question, but there has always been a bias, implicit or explicit, against donor funding of recurrent costs. The dilemma is that if a donor does fund the recurrent costs of development programs during the investment phase there is no assurance that the host country can absorb these costs when the implementation phase of the project or program is completed. If the country cannot fit these costs into the overall budget there is great risk that the physical, institutional and human resources built up with donor financing will be dissipated. Indeed, this has been the fate of many development projects in Africa. What is the best policy for donors to follow under these circumstances? With no donor funding of recurrent costs the project investment may never get off the ground, or may require much more time for completion than is desirable. If there is "excessive" funding of recurrent costs it is virtually guaranteed that the host government will not be able to sustain the recurrent costs of operation and maintenance. The donor will have to remain engaged in the sector or sub-sector indefinitely to protect the prior investments. (A corollary problem may arise in these cases - if the donor is funding close to 100% of all costs, investment and recurrent, of a project or program can it be assured that the recipient government has full "ownership" of the activity?)

This report is based on a desk study of two World Bank (IDA) sub-project components for capacity building in Mozambique. The first is health-worker training under the government's 1996-2000 Health Sector Recovery Program (HSRP). The overall budget for the HSRP, which encompasses the entire public health program, is $356 million, of which donors are committed to provide $239 million and the government and beneficiaries approximately $117 million. In the training component of the HSRP which is allocated a total of $36 million, donors are expected to contribute $33.3 million (93%) and the Mozambican government $2.6 million. The IDA share of the training budget is $21.2 million, of which $13.6 million is to finance formal training courses, for which activities IDA provides 100% financing.

The second capacity building initiative is support for a distance education program for in-service training of primary school teachers, financed by IDA and the UNDP under the World Bank's Second Education Project in Mozambique. The total cost of the Second Education project was estimated at appraisal (in 1990) to be $68 million, of which IDA and UNDP would contribute 86% and the government 14%. For the distance education program IDA initially allocated $1.9 million, later increased to $2.8 million (of which $1.4 million financed consultant services) , and UNDP contributed $1.2 million, all for technical assistance.

It is apparent from the figures cited that the donor share in public expenditures under these programs is quite large. It is also the case that a significant proportion of the expenditures are for recurrent costs. Therefore it seemed worthwhile to examine whether these programs are typical of donor funding in Mozambique. For this purpose an analysis was undertaken of Mozambique's macroeconomic situation and the role of aid in the overall economy, as well as the government's overall sector programs in health and education and the role of donor assistance in these sectors.

This review demonstrates that Mozambique is unique in a number of respects. It is one of the poorest countries in the world with a high incidence of poverty. Social indicators are low in comparison with the rest of Sub-Saharan Africa and the rest of the developing world. Following the war to end Portuguese colonial rule, Mozambique at independence in 1975 had a population that was 93% illiterate, with extremely high rates of infant and child mortality, widespread malnutrition, and low life expectancy. Public health and education systems hardly existed. The government made remarkable strides in addressing these deficiencies in the early post-independence years, but these gains in health and education were erased by the brutal civil war which devastated the country between 1981 and 1992. However, the government has made significant progress in rebuilding the network of social services since the end of hostilities. Also, since the government adopted a program of economic liberalization in the late 1980s the economy has experienced sustained growth at over 6% per annum.

In addition to the unfortunate legacies of colonialism and civil war, Mozambique faces other serious constraints to economic and social development. The bulk of the population is engaged in low productivity subsistence agriculture. Human resource capacity is still extremely scarce. Given the low level of incomes, the agrarian nature of the economy and weak public administration, the government's ability to raise public revenues is severely constrained. In most years since 1990 revenues have covered less than half of public expenditures. Also, the country has accumulated a burden of external debt which is insupportable, even after repeated reschedulings and debt forgiveness. (Mozambique is a candidate for additional debt relief under the initiative for the Highly Indebted Poor Countries.)

The principal offset to these constraints has been external aid. Mozambique's desperate poverty, critical gaps in human resource capacity and basic social services, the evident need for post-civil-war reconstruction of infrastructure and the productive sectors, and the government's commitment to development have elicited a strong response from the donor community. Donor aid inflows have risen dramatically since the late 1980s to an average level of almost $1 billion per year in the first half of the 1990s. At the peak in 1994 aid was equivalent to 100% of GDP. Aid directed through the budget has financed between 50 and 60% of total public expenditures during the 1990s, and close to 70% in the peak year 1994. This is an exceptional level of aid dependency, unmatched in the

developing world. Not surprisingly, this extreme aid dependency is also reflected in the social sectors. In the health sector, where aid was funding only 25% of public expenditures in the mid-1980s, aid resources cover almost 70% of total expenditures in the 1990s, including 60% of recurrent costs. In the education sector donor assistance finances 40-50% of total expenditures, with a significantly lower share of recurrent expenditures due largely to the heavy weight of teachers' salaries in recurrent costs - an expenditure which falls on government.

Returning to a consideration of the capacity building record of the two sub-projects reviewed in this report, the following can be said. Both sub-programs started slowly, as was the case for the Education II and HSRP projects, and as has been the case for most IDA operations in Mozambique. In the case of the distance education program some three and a half years passed before consultants were in place to begin building up the local institution and training local staff, and in the case of the HSRP training there was approximately a one-year lag in start-up. However, since the distance education work began in 1994 there has been significant progress. A 50-lesson course has been developed for in-service training of entry-level lower primary school teachers with minimal or no prior training. Between May 1996 and December 1997 the course was administered to an initial pilot group of 3,000 teachers. While there were problems during implementation the overall outcome appears to be quite commendable. However, the results of this first phase have not really been evaluated, in terms of the number of participants who successfully completed the course and the impact of the training on their teaching performance. Nevertheless, the government intends to expand the program to cover an additional 12,000 teachers over the next 3-4 years. With respect to the HSRP training program it is too early to make any judgments. The first year for mounting training courses was to have been 1996 but the IDA-funded course program did not begin until 1997. Since almost all of the courses are of at least 18 months duration there are no results as yet. However, in terms of the number of courses launched in 1997 (33) the Ministry of Health appears to have made a strong, if belated, start.

The final consideration is the sustainability of these sub-programs in the future in the absence of continued donor funding. Because these training programs are relatively small in relation to total public expenditures in their sectors, one could conceive that the government could always find a way to fund them from its own resources, simply by taking budget resources away from other programs. But this simply proves that budget resources are fungible and says nothing about the underlying issue of sustainability. For this purpose it is essential to consider these sub-programs in the broader sectoral and macroeconomic context, as has been done in this study. Given Mozambique's exceptionally high level of dependence on donor aid in macroeconomic terms and in the social sectors, including the high proportion of recurrent costs funded by donors, one must conclude that these activities, like any other initiatives in the social sectors, are not sustainable without a continuation of substantial donor support. Mozambique, given its unique circumstances, is not a country where phasing out of recurrent cost financing could be accomplished in the foreseeable future without damage to ongoing programs.

PREFACE

The Swedish Government has established an expert group on development with the objective of contributing to an increased understanding of development issues in a global context and to increase the effectiveness of development assistance policies. The expert group has initiated a number of studies, including one on *capacity building, institutional crisis, and the issue of recurrent costs.* The Swedish Government is interested in studying the capacity building impact and the sustainability of donor funded projects in low-income Sub-Saharan African countries. For the purposes of this study capacity building refers both to the institutional capacity of organizations which are established, built up and maintained with donor financial support, and to the creation of additional human capacity in these institutions, or in the society in general, for example through training and technical assistance. (The capacity problem in Africa is viewed largely as a weakness of institutions.)

Sustainability refers both to operational and to financial sustainability, with particular focus on the ability of donor-supported institutions and the people running them to carry on operations at an effective level after the phasing out of donor assistance. In other words, will the developing country government attach sufficient priority to the activities or the services being provided and will it have the financial capability to sustain the organization at the operational level which it has achieved with donor funding?

It is in this connection that the issue of recurrent cost funding becomes important. Under the traditional model of development aid, donors provide funding for investment - to build the physical assets which will subsequently produce a stream of benefits. The recipient government is expected to be responsible for all recurrent costs, such as operations and maintenance expenditures, salaries and other overheads, both during the construction phase and subsequently. But developing countries expanded physical and social infrastructure in the 1960s and 1970s without adequate regard for the recurrent cost implications of these investments. With reduced growth of economies and government revenues in the 1980s and 1990s they couldn't meet the resulting recurrent costs on their own. This led to a more or less permanent fiscal crisis. The recurrent cost problem associated with aid-funded development programs has been experienced in most low income countries, but has been particularly severe in Sub-Saharan Africa.

Most donors may have started out following a rule of no recurrent cost funding, but not wishing to see projects or programs stall or collapse they began agreeing to fund some recurrent costs, initially only "incremental" recurrent costs attributable to the new project. In many cases this proved inadequate and donors had to agree to some funding for ongoing or "base" recurrent costs, finally in some cases agreeing to fund all recurrent costs of the program, including such overheads as government salaries or salary supplements. When this happens the donor often has great difficulty in ending support for a project or program, even with careful planning and phasing. The critical question is whether, at the end of the development or project implementation phase, the donor can terminate all support and expect the recipient government to assume all future costs of operation, maintenance, repair, etc. necessary to sustain the desired level of services. If not, the institution will be weakened and the quality and/or quantity of services will decline. If real wages of employees cannot be maintained the human resources will drift away, and the capacity-building efforts will have been for naught. Thus the issues of human and institutional capacity building, operational and financial sustainability, and recurrent cost funding by donors are closely linked.

Another way to look at the matter would be in terms of donor dependency. How dependent is a particular developing country on donor resources for carrying out its overall development program? When does a country become too dependent and what are the full implications of such over-dependence? If there is little prospect of reducing donor dependence and, at the same time, sustaining the development program, over what time frame should donors continue to provide a high level of support, including some funding of recurrent costs? And what possible means exist for increasing the capability of developing country governments to meet the recurrent cost implications of their development programs in the future?

The current study focuses on World Bank (IDA) support for institutional and human resource capacity development in the social sectors in Mozambique. Specifically it examines certain training components of health and education projects in Mozambique which received IDA funding in the 1990s - a **Distance Education** program for in-service training of primary school teachers funded by IDA and UNDP under the Education II project, and the **Ministry of Health's training program** for all types of health workers funded by IDA and other donors under the Health Sector Recovery Program (HSRP). The analysis of donor funding of these programs, as well as donor funding in the overall social sectors, and total donor aid to the Mozambican economy can provide useful insights and conclusions regarding experience in capacity building, recurrent cost funding and associated donor dependency, and sustainability of development programs in a very low income and exceptionally aid-dependent economy.

The report starts with a brief review of the economic, social and political history of Mozambique since independence in 1975, focusing on the government's development strategy and policies, both macroeconomic and sectoral with respect to the health and education sectors. Next, the report focuses in more detail on the trends within the health and education sectors, the development of institutions and human resources in these sectors, and the role of government, donors and the general population in providing support for these developments. Next, background is provided on the World Bank's involvement in the health and education sectors, both prior to and during the implementation of the Education II and HSRP programs. Then, the specific sub-project components of distance education and health-worker training are analyzed to the extent possible from internal records of the World Bank. Finally, the prospects for sustainability of these sub-programs are considered.

I. Economic, Social and Political Background

Mozambique is one of the poorest countries in the world; per-capita Gross Domestic Product (GDP) was only $90 in 1996. Some 60% of the population lives in absolute poverty. Social indicators are still today among the lowest in the developing world and in Sub-Saharan Africa, reflecting the heritage of Portuguese colonialism and the aftermath of a devastating civil war during 1981-92. Mozambique is also unique in a number of other respects:

- it has undergone a transition from staunchly socialist to a largely market-based economy, through the introduction of market-oriented reforms beginning in 1985-87. Significant liberalization of the economy has taken place over the past ten years.
- it has carried out a successful war-to-peace transition since the beginning of peace talks between FRELIMO and RENAMO in 1989, leading to a cease fire in 1992.
- it has moved from single-party government to multi-party democracy in the elections of October 1994.
- but Mozambique today is also one of the most heavily indebted and most aid-dependent countries in the world.

Mozambique gained independence from Portugal in 1975 after fighting a ten year war to end colonial rule. The colonial system had been heavily dualistic, providing economic and social benefits for the 250,000 Portuguese colonialists, but virtually nothing for the indigenous African population. At independence the literacy rate was only 7% and life expectancy only 41 years. Infant and child (under 5) mortality rates were 168/1000 and 283/1000.

The FRELIMO government which took power in Mozambique in 1975 adopted a socialist development path which was seen as the only viable option for a country and people that lacked an entrepreneurial class and the institutional framework for a market economy. The new government also began a concerted effort to address the extreme social needs of the population. By the early 1980s significant progress had been made, as documented later in this report. However, the civil war laid waste to much of the country and erased earlier gains. The war destroyed much of the social infrastructure built in the early post-independence period and displaced millions of rural households. During the war one-third of all rural health units and about 70% of rural primary schools were destroyed or closed. Of the mid-1980 population estimated at 13-15 million, 1 million were killed, 1.7 million became refugees living outside the country, and 3.2 million were internally displaced. Real per-capita GDP fell by 1985 to one-half of the pre-independence (1973) level. Industrial production fell to one-quarter of the 1975-81 base level.

Since the beginning of the process of economic liberalization and the winding down of hostilities from the late 1980s Mozambique has had a quite impressive record of economic growth; the annual average growth rate of GDP over 1986-96 was 6.7%. As impressive as this sounds, it has not yet had a significant impact in alleviating poverty, given the low level to which the economy and incomes had fallen by the mid-1980s, and given also the relatively high rate of population growth (2.5%). Furthermore, the critical problems of underdevelopment inherited from the past remain unresolved - weak institutions, severely limited human resources, a dual economy with the majority of the population engaged in subsistence agriculture, limited access to basic social services, and concentration of economic growth among narrow segments of the population. The capacity to address these problems effectively is limited by the government's extremely constrained fiscal situation, which is itself a function of the low incomes of the population, the agrarian nature of the economy, and weak revenue administration, as well as the country's insupportable external public debt burden. These fiscal constraints have been alleviated to a considerable degree through massive donor aid inflows, but these inflows have themselves brought a whole gamut of aid-dependency-related problems with which Mozambique must still come to grips.

Government absorbs a very large share of total resources in the Mozambican economy. Government spending as a share of GDP averaged close to 50% in the first half of the 1990s, but has been declining more recently, to 36% in 1995-1996. [See Annex Table 1.] At the peak, the public sector including public enterprises accounted for as much as 70% of total expenditure in the economy. But government revenue fell far short of matching expenditures. The overall fiscal deficit before external grants and loans averaged 20-30% of GDP in 1985-95, declining to around 17% in 1995-1996. Government spending so far in excess of government revenues is driven not only by the country's ambitious development program with its associated recurrent costs (which is itself to a considerable degree donor-driven) but also by the burden of the external public debt. At the end of 1996 the external public debt was $7.5 billion and external private sector debt $1.7 billion. This is by every measure an insupportable external debt burden. Without debt relief the ratio of debt service payable would exceed 100% of either export revenues or government fiscal revenues. In 1994-1996 public debt service due after debt relief was still equivalent to 25-30% of fiscal revenue and over 30% of export proceeds. Even after five reschedulings of Paris Club debt (which accounts for 73% of the debt stock), the most recent in late 1996, public sector debt service is projected to absorb over 30% of central government revenue over the 1997-2005 period. Mozambique is a candidate for the Heavily Indebted Poor Countries (HIPC) debt initiative which is sorely needed. Overall sustainability of development programs being undertaken in the 1990s will be seriously compromised without further significant debt relief.

As mentioned above, inflows of donor aid have helped to alleviate the government's financial constraints (while at the same time funding development projects which bring new budgetary demands for the future.) The amount of donor aid provided to Mozambique increased dramatically between the mid-1980s and mid-1990s, rising from $228 million in 1983 to $477 million in 1986, $875 million in 1988 and to an average of just under $1 billion per year in 1990-1994. In relation to GDP donor aid increased from 24% of GDP in 1985 to the equivalent of 80-100% of GDP in 1990-94.[1] [2]

[1] World Bank, World Development Indicators 1997, p. 315.

This is by far the highest ratio of aid to GDP recorded for any aid-receiving country. Aid levels have been on a declining trend since the peak, but are still quite high. It can be seen in Table 1 that the donor aid which flows directly to the budget has been financing 50-70% of overall public expenditures. On average donors have been funding 80% of the public investment program and 30% of the recurrent budget. (According to the Ministry of Finance some 30-40% of the investment budget actually finances recurrent costs, which would mean that donors are probably funding as much of the recurrent budget as the government.) Clearly Mozambique has become, over the past decade, an extremely aid-dependent country.

One additional and critical constraint to the development program in Mozambique in all sectors is the very limited supply of educated and skilled workers.[3] This skill gap is attributable to the colonial heritage and the disruptions to the education system during the civil war, previously mentioned, and to the low efficiency of the education system, documented below. The shortfall impacts on both the private and public sectors but is particularly serious for the public sector because of the very low level of public sector wages and salaries. Because of high inflation throughout the 1980s and first half of the 1990s there has been a serious erosion of real incomes in the public service.[4] It is estimated that the purchasing power of government salaries has declined by over 50% during 1990-95.[5] Salaries outside the public sector are estimated to be 8 to 12 times those in the civil service for comparable jobs, with the greatest disparities for the higher level positions. As a result there is strong competition for the few qualified people in the public service. Civil servants leave government jobs for employment in the private sector, with NGOs or with donors. (The public university, which is the main source of new high-level manpower, has also had difficulty in retaining its own staff because of low salaries.) Donors exacerbate the problem by competing to hire the few high level staff available to run "their" projects.

The only workable solution to this problem is a fundamental civil service reform accompanied by significant increases in the real wages of all civil servants. A public

[2] It is difficult to estimate total donor assistance to Mozambique because much donor-financed activity is carried out outside the government budget and the gpvernment lacks a framework for accounting for such aid-funded expenditure.

[3] A 1992 household survey in the ten provincial capitals showed that only 5.1% of the population aged 7 or more had completed primary education, only 0.9% had completed secondary, and 0.1% had a higher education degree. Another survey showed that the entire country had only 3,000 university graduates in 1993. Some 30% of the working age population 15 and older were still illiterate.

[4] One cost of an overstaffed and underpaid civil service is increasing corruption. Civil servants demand payment from beneficiaries for services which they should provide without exacting payments from the public. This form of bureaucratic petty corruption is especially prevalent in the health and education sectors and has the serious effect of reducing or denying access to these services to the poorest groups in the society.

[5] Motivation and productivity in the public service is affected not only by compensation, but also by working conditions - lack of equipment and supplies, poor work environment, overly bureaucratic work rules, limited career prospects. All of these are prevalent in Mozambique and contribute to the low performance of the public service.

sector wage study was carried out in 1991 but the recommendations were not implemented. A senior staff incentive scheme was introduced in 1993 whereby donors would provide funds to top up salaries of key staff. The plan was initially drawn up for 500 staff, but grew to 5,000 at which point donors became disillusioned and the scheme collapsed. To date there has been no serious confronting of the need for civil service reform, or any reduction in the overall size of the civil service, or wage decompression, although the government is carrying out a job classification study and civil service reform is currently under study at the Ministry of State Administration.

Donors have attempted to compensate for low productivity and lack of qualified workers in the public service through injection of massive amounts of technical assistance. Donor technical assistance budgets quadrupled between 1985-90 to over $300 million per year, equivalent to 27% of total aid in 1990. There are estimated to be today still some 3,000-3,500 foreign technicians working in Mozambique. But it is the donor funded interventions which are generating most of the excess demand for skills in Mozambique as well as the need for technical assistance, which is often a very imperfect solution to capacity problems. Technical assistance can compensate for lack of human capital, to an extent, but it is much less effective in addressing a scarcity of institutional capacity. Furthermore, donors often take a narrow view, looking at a single project or institution in isolation. These issues of capacity building arise clearly in the social sectors, in which donors have played a dominant role in Mozambique, as discussed below.

II. Characteristics of the Health and Education Sectors in Mozambique

II. 1. The Health Sector

At independence social welfare indicators were extremely low, as previously stated. But following independence the government made dramatic strides in addressing the desperate need for health and education services. Mozambique was in the vanguard of developing countries in promoting a broad-based primary health care system, with priority given to preventive medicine and free provision of essential drugs. The number of primary health posts was increased from 326 in 1975 to 1195 in 1985, but over 500 of these were closed or destroyed by the war which had a devastating effect on the entire health service. Many health workers were targeted for killing by the rebels. The government has made a concerted effort to rebuild the health system since the late 1980s, but both the statistics on the capacity of the system and the health indicators for the population reflect the gap which still remains between Mozambique and other low income countries in public health delivery.

Life expectancy has increased to 47 years compared to 41 at independence, but this is still below the average for Sub-Saharan Africa of 52 years. Infant mortality has come down to 128/1000 and under-five mortality to 191/1000, but these are above the Sub-Saharan Africa rates of 92/1000 and 157/1000. Average daily caloric intake is only 77% of the daily requirement vs. 93% for Sub-Saharan Africa, and 27% of children age five and under are moderately to seriously malnourished; 75% of the population lack access to safe water. The health services reach only 40% of the population and there are persistent problems of poor quality of services, in large part due to the extremely low salaries of health staff, which contribute to poor morale, high absenteeism and low-level corruption, but also to shortages of drugs and other supplies in the public health facilities. Health staff are undertrained, overstretched and unequally distributed over the country, given the reluctance of qualified workers to take positions in the rural areas.

The Health Budget and the role of donors

Public expenditures for health have been severely constrained in Mozambique. Health expenditures represented 2.5% of GDP in 1981 but declined during the war to less than 1.1% in 1987, then recovering slightly to 1.5% in the early 1990s. As a share of total public expenditures the health sector declined from 6.7% in 1980 to below 3% in the late 1980s, before rising to 4.2% in 1993. Recurrent expenditures on health fell from 10.5% of total recurrent expenditures in 1980 to 5.2% in 1990. There has been some reallocation of the recurrent budget toward health, to a 6.2% share in 1995. Under the HSRP recurrent expenditures on health are targeted to rise to 9% of total recurrent expenditures in 2000. There is also very limited contribution to public health expenditures from cost sharing. The principle of cost sharing was accepted by the government in 1987, but to date cost-recovery has accounted for less than 4% of public health expenditures, although it is targeted to cover 10-15% of recurrent expenditures by 2000.

The government is heavily dependent on donor support in the health sector. In 1985 donor funding contributed only 24% of total health sector funding, but this percentage had risen to 69% by 1991 (64% of recurrent costs and 89% of investment), and this level of commitment from donors has been sustained up to the present time. Under the HSRP it is projected that donors would finance 68% of total expenditures (59% of recurrent costs and 82% of investment.) The rapid proliferation of donors to the health sector and of the number of donor-funded projects (over 400 individual projects prior to the consolidation of all donor programs under the HSRP) has severely taxed the management capacity of the Ministry of Health as well as creating problems of institutional fragmentation.

Given the government's commitment to increasing levels of funding for the sector, and given the extremely high share of total expenditures which has been and is being funded by donors, it seems self-evident that high levels of donor support will be necessary to sustain health services for many years beyond the end of the HSRP. In fact, the target of increasing health recurrent expenditures to 9% of the recurrent budget would not permit an adequate remuneration of health workers; a doubling of the salary bill, which would probably be needed to guarantee satisfactory performance, would increase the share of health in the recurrent budget to 12% by 2000. If the government were to allocate this amount of additional resources to salaries it would need a corresponding increase in donor assistance for other components of the public health program.

II. 2 The Education Sector[6]

Mozambique today still has some of the lowest education indicators in the world. [7] Because the colonial regime almost completely neglected the education of the indigenous population, their level of education and literacy was extremely low at the time of independence. The FRELIMO government gave high priority to expanding educational access rapidly. They were quite successful in this effort, at least in terms of quantity if not quality. From 1975 to 1981 enrollment in primary schools increased at an annual rate of 15.6%; by 1980 the gross enrollment rate in EP1 had reached an estimated 80% [See Annex Table 2] and the number of primary schools increased to 5,886 in 1983. These gains were unfortunately reversed by the civil war and economic crisis. Some 3,498 schools (60%) were closed or destroyed by the war and as late as 1992 only about 40% of the original school network was operational. Between 1980 and 1988 the number of students attending EP1 actually fell by 13% and the gross enrollment rate dropped below 55%.

Following the end of hostilities the government has made strong efforts to reestablish the primary education system. Schools have been rebuilt with the assistance of IDA and other donors; the number of EP1 schools has grown from 3,384 in 1992 to 5,689 in 1997, almost back to the peak achieved in 1983. This has made it possible to reverse the declining trend in both gross and net enrollments. [Annex Table 2] From 1992-1993 to 1997 enrollment in EP1 schools increased from 1.2 million to 1.7 million and the gross enrollment ratio increased from 55% to 66%. Despite this effort the government has managed only to slightly reduce the unschooled population. While government has been expanding access to primary education, they have barely been able to cope with the already large number of out of school children, the returning refugees, and the high rate of growth of the school age population (3%). And while the gross enrollment ratio reached 66% in 1997, the net enrollment ratio was only 38.4% [8]

Low efficiency and low quality of education may be even more serious problems than the relatively low numbers attending schools. The quality of education provided in most public schools is extremely low. The average pupil/teacher ratio in EP1 schools is 61. Most primary schools operate on double or triple shifts. Basic materials such as textbooks are scarce or absent in many schools. The repetition rate in EP1 is 33% and the drop-out rate is 15%; in EP2 the rates are 30% and 25%. Out of 1000 students entering EP1 only 67 complete the course in the normal five years and only about 25% ever finish grade five. Only about 70% of the students who complete EP1 continue on to EP2, and 2/3 of the students entering the sixth grade never graduate. Therefore, out of 1000 students entering grade one only 60 will eventually graduate from grade 7.

One important reason for the low quality of education, particularly primary education, in Mozambique since independence has been the low quality of the teaching staff. Most teachers are unqualified (having only a primary school education and no pedagogical training) or underqualified. The rapid expansion in enrollment in the years immediately after independence was made possible primarily by recruiting large numbers of unqualified teachers, some with as little as four years of primary schooling. Efforts to train these unqualified teachers were made, but the number lacking qualifications remained large. [See Annex Table 3] Many teachers were lost during the civil war. And the rebuilding of the primary education system in the 1990s has required the intake of many more untrained and underqualified teachers. In 1997, of the 28,700 EP1 teachers, almost 30% were considered unqualified while another 11,000 had only six years of primary education plus one year of professional training. The Ministry of Education will have to continue to take in several thousand untrained teachers per year over the next decade if it is to meet proposed expansion goals. Thus even a minimum level of qualification (6+1) for all EP1 teachers will not be reached for at least another decade. The ultimate objective is to have all primary teachers complete lower secondary school (grade 10) plus two years of pedagogical training in a Primary Teacher Training College, but this is also a distant goal, constrained both by the capacity of the existing Training Colleges (about 950 graduates per year) and the availability of graduates from lower secondary schools. Also, the existing teacher training courses are considered inadequate and these institutions lack materials and qualified staff.. This emphasizes the importance of in-service training for the existing primary teaching staff, which is the subject discussed below.

One of the principal constraining factors to the upgrading of the teaching corps is the low level of remuneration and poor working conditions, a direct outgrowth of the constrained budget situation of the government. Starting pay for EP1 teachers is around $40 per month. The government recognizes that the current salaries and conditions of work of primary school teachers, especially in the rural areas, are not conducive to high morale or effective performance. Low salaries don't motivate the best students to become teachers. But addressing this issue is difficult because education sector salaries account for 55% of the total government salary budget (and 70% of recurrent expenditures in the education sector). and any significant salary increase would have major implications for the recurrent budget..

[6] The structure of the education system is:

Lower Primary (EP1) - grades 1-5
Upper Primary (EP2) - grades 6-7
Lower Secondary - grades 8-10
Upper Secondary - grades 11-12

Opportunities for public education decline sharply as a student proceeds through the system; in 1996, for example, there were approximately 1.6 million students enrolled in EP1, 137,000 in EP2, 69,000 in secondary schools, and 7,000 at university level.

[7] Illiteracy has been reduced from 93% at independence to 60%, but this is still well above the Sub-Saharan Africa average of 43%

[8] Ministry of Education, Education Statistics, July 1997.

The Education Budget and role of donors

Mozambique has one of the lowest shares of GDP spent on education, only 3% in recent years, compared with 3.9% for Sub-Saharan Africa. [See Annex Table 4 for a summary of public expenditures on education over 1980-1997.] In 1995 only 14 countries had a smaller share of GDP devoted to education. Education expenditures declined as a share of government expenditures from 12% in 1980 to only 5.6% in 1987, but the education share has been slowly rising since the late 1980s. And the government is making a strong effort to further expand the share of education in the budget, to over 15% in 1996 and 1997. The target is to increase the share of education in recurrent expenditures from 17% in 1997 to 19% by 2000. Cost recovery has accounted for less than 3% of recurrent expenditures in primary and general secondary education and less than 1% at the university level. However, the government intends to shift more of the costs of school construction and other education costs to NGOs and local communities in future.

External assistance accounted for about 41% of all education expenditures in 1990 (36% of recurrent expenditures and 57% of the investment budget.). Over the period 1990-1994, which were the peak years of aid inflows to Mozambique, donor assistance financed about half of all expenditures in the education sector. Donor flows have remained at approximately the same absolute level since 1994. It is highly unlikely that Mozambique can sustain the pace of education sector expansion and quality improvement without continued reliance on high levels of donor support. Unless the salary levels are substantially increased poor staff morale and petty corruption will undermine efforts at improvement. And a doubling of the salary bill would increase the share of education in recurrent expenditures to 32%. Alternatively, if all children in the age group were enrolled in primary school, at the present student/teacher ratios, the total cost of teachers' salaries would have to be 2 ½ times larger even with no real salary increases. If the government is to allocate more resources to teachers' salaries it will inevitably need more donor resources to meet the other demands in the sector. The government has made it clear that it intends to continue its reliance on large infusions of donor assistance, stating, "The success of the Plano Estrategico de Educacao depends decisively . . . on the willingness of the Government's international partners to increase the financial support that they provide for Mozambican education. If the commitment of the Government's partners falters, the strategy will fail."[9]

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[9] Ministry of Education, Education Sector Strategic Plan, 1997-2001, pp. 24-25.

III. World Bank (IDA) Projects in Health and Education

III. 1. World Bank Projects in the Health Sector

Prior to the current IDA project which supports the HSRP, the Bank approved, in 1989, a Health and Nutrition Project for $27 million. The primary objectives of this project were to support management improvements, the expansion of primary health care, increased hospital efficiency, and development of human resources. The project also assisted the Ministry of Health in developing the HSRP. The bulk of the IDA resources were intended to finance rehabilitation and expansion of public hospitals and training institutes in Maputo, Beira and Nampula, as well as equipment and supplies for these facilities. Project implementation was very slow at the outset, leading to two project restructurings in 1993 and 1995. The primary focus of restructuring was a shift toward *more financing of recurrent costs*, particularly pharmaceuticals. With this shift to more recurrent cost funding the government was eventually able to disburse the IDA credit, but the credit closing date had to be extended twice and the project did not close until the end of 1997, three years after the original closing date. The final assessment of this project was that while the credit was fully utilized, largely due to reallocation to fund recurrent costs, the overall achievements fell short of the original objectives. The project was felt to be overly complex for the implementation capacity of the government, particularly at the provincial level.

The project included $2.1 million for training of health workers - to improve the quality of pre-service training of nurses, para-medics and nutrition workers, and to develop relevant in-service training programs. Training funds were spent primarily on rehabilitating and upgrading training institutes, on books, equipment and other training materials, on short-term consultants, primarily for curriculum development, and on training of instructors.

Soon after the above project became effective the Bank began work on a second-phase health sector project. During more than three years of preparation work this project was transformed into a comprehensive sector investment program (SIP) for the entire health sector, encompassing all of the government's activities in the health sector and all available funding from all donors. It was generally agreed by all parties that this was a more sensible approach which would provide better donor coordination and would reduce the administrative burden on the government, in comparison to the previous situation where the government was burdened with literally hundreds of individual projects funded by more than 20 different donors. The overall HSRP program for 1996-2000 was estimated to cost $355.7 million, with IDA providing $98.7 million, other donors $140.4 million, and the government plus beneficiaries $116.5 million. Capital expenditures would be $123.0 million (35%) and recurrent expenditures $232.6 million (65%); of the latter $160.1 million for goods and services and $72.5 million for salaries. Internal resources were projected to fund 18% of capital expenditures and 41% of recurrent expenditures, with donors funding the rest, by far the largest share of total costs. Approximately one-third of the total expenditure under the HSRP ($115 million) was to be for rehabilitation and expansion of health facilities. Other major expenditure items were pharmaceuticals and other supplies and human resource development ($36 million).

The IDA credit was approved by the World Bank Board in November 1995, but the credit did not become effective until April 1996 and disbursements under the credit did not commence until 1997. Cumulative IDA disbursements were supposed to be $14.3 million in FY1996, $34.7 million through FY1997, and $60.2 million through FY1998 and with full disbursement in five years - by FY2000. However, there were no disbursements in FY1996, indeed no disbursements through end-December 1996 and only slightly more than $5 million as of end-December 1997. In the view of the Bank the slow start to the HSRP was due to lack of management capacity in the Ministry of Health, problems in donor coordination (presumably the decision of the government to use available grant funds from other donors rather than draw on the IDA credit), and, with respect to the training component, questionable government commitment to human resource development. Also, the program has had a limited effect to date in meeting the objectives for institutional development.

III. 2. World Bank Projects in the Education Sector

The first IDA-funded project in the education sector was the 1988 Education and Manpower Development Project which was prepared as a partial response to the government's Economic Rehabilitation Program launched in 1988. This was the first IDA investment or project-specific operation in Mozambique; prior credits had been for general balance of payments support. The amount of the IDA credit was $15.9 million. The credit was approved in May 1988 and amended twice in 1991 and 1995 and closed, as originally scheduled, on December 31, 1995. A primary focus of the project was construction and reconstruction of primary schools, limited to Maputo because of violence in the countryside, which was successfully completed. The credit also funded books and other schools supplies and training of school administrators. The IDA credit was fully disbursed, although with considerable delay, but the government contribution fell short of what had been projected at the time of appraisal (actual contribution of $1.6 million vs. originally estimated contribution of $2.0 million.)

The next IDA operation in the education sector was the Second Education Project approved in late 1990, with a total project cost of $67.9 million, financed by an IDA credit of $53.7 million, UNDP cofinancing of $4.8 million for technical assistance, and a government contribution of $9.4 million. The principal objectives of this project were to improve the quality and efficiency of primary and university education and to improve the management of the education sector. Resources were allocated primarily to school rehabilitation and expansion ($22 million), to the university ($10 million) and to teacher training ($4.7 million). The project also included financing of textbooks and other school supplies. One of the key aims was to accelerate the construction and reconstruction of primary schools to help Mozambique restore its education system to the base which had

been developed prior to the civil war. Within the training component high priority was given to the need for both pre-service and in-service teacher training to upgrade the woefully undertrained and underqualified teaching cadre. One component of teacher training was the **Distance Education** program which is analyzed in this paper. Part of the UNDP cofinancing for the Second Education Project was allocated to the technical assistance component of this Distance Education sub-project.

Like most other IDA funded projects in Mozambique this project got off to a slow start, having disbursed only $5.5 million by the end of FY1994, the fourth year of the life of the project, against an appraisal estimate of $27 million. However, over the past three and a half years project implementation has improved significantly and the project is expected to be fully disbursed and implemented, following a one-year extension from the original closing date of April 30, 1997, to April 30, 1998.

The Bank has continued its activity in the education sector with the 1993 Capacity Building Project which provides an IDA credit of $48.6 million to support secondary and higher education. This project has also experienced a slow start-up, implementation problems, and lagging disbursements, but it is not discussed here because it falls outside the scope of this analysis. At the present time the Bank is preparing, in collaboration with the Government and other donors to the education sector, a comprehensive Sector Investment Program (SIP) for education along the lines of the health sector program (HSRP) described above.

IV. Review of Capacity Building Initiatives in Health and Education

IV. 1. Health Worker Training under the HSRP

Given the very limited human resource capacity available in the health sector at independence the Government of Mozambique has given high priority to training of health workers. According to the Government over 10,000 health workers were trained between 1976 and 1992. The number trained annually rose from 276 in 1976 to 1,001 in 1985, but declined to 450 in 1989. However, many of these were lost during the civil war. A review by Government in 1991 showed that the majority of health workers were still either untrained or trained at only a basic level. And at the beginning of the 1990s health training facilities were badly in need of rehabilitation, upgrading and expansion.

IDA allocated $21.2 million toward the total amount of $35.9 million for training of health workers under the HSRP. Project objectives include: the rehabilitation and equipment of training institutions, strengthening of teaching staffs, review and revision of curricula, provision of training materials, and funding of formal training programs ($17.2 million total, $13.6 million IDA.) These activities are to be accompanied by the application of stricter standards in the selection of candidates for training, the establishment of more objective criteria for promotions so that personnel will have more incentive to perform well, and steps to improve the compensation of health personnel to levels that prevailed at the beginning of the 1980s. The training programs under the

HSRP are intended mainly to improve the qualifications of existing health workers, without significantly increasing numbers beyond the approximately 18,000 employed in the mid-1990s. The objective is to increase the ratio of trained to untrained workers from 1:2 to 1:1. Training is to be managed through contracts between the Ministry and the various training institutions located throughout the country. The credit is designed to finance a time slice of the total training activities foreseen in the human resource development plan - specifically those courses which are scheduled to begin in 1996, 1997 and 1998 and to be completed before the end of 2000 - anticipated to number 48 training courses. The IDA credit would fund 100% of the total cost of implementing these 48 courses, but would not fund salaries of Ministry of Health personnel..

Under the training component it was anticipated that formal courses would start in 1996. Indeed, six courses were approved for IDA financing in 1996, for 174 students, with the expectation that additional courses would be added. During 1996 contracts were signed between the Ministry of Health and training institutions for some 15 courses, but these courses did not commence until 1997. Planned IDA disbursements for training were expected to be $2.5 million in 1996 (of which $1.5 million for formal training courses) and $6.7 million in 1997 (of which $3.6 million for formal courses). However, because of delays in getting training programs underway no IDA funds were disbursed for training during 1996 and in 1997 only $0.9 million was disbursed for training. Nevertheless, 33 courses were launched with IDA funding in 1997, which represented a strong, if belated, start on the overall HSRP target of 48 courses. Over 900 participants are enrolled in these course programs, and courses are being conducted in eight of the regional training facilities. [See Annex Table 5 for details on the IDA-funded HSRP training program.] Because the majority of these courses are still ongoing, and generally have a length of 18 to 36 months, it is not possible to assess the effectiveness of any of this training at the present time.

The question of the future sustainability of health sector training can be quickly answered. As indicated earlier, the share of donor funding projected in the HSRP is roughly comparable to the very high levels experienced in recent years - 82% of investment expenditures and 59% of recurrent expenditures. In the case of human resource development under the HSRP the anticipated share of donor funding is 93%, and within this program category the share of donors in financing formal training courses is 95%. And for the IDA-funded courses the share is 100%. While the overall human resource development category does contain some investment expenditures, the formal training component is virtually all recurrent costs. Therefore, donors are funding more than 90% of the recurrent costs of training in the health sector during 1996-2000, and the reallocation of all, or even a significant share, of these costs to the government at the end of the HSRP would seem to be totally unrealistic.

IV. 2. The Distance Education Program in Mozambique

The distance education program developed under the Second Education Project was not the first attempt to introduce distance learning for teacher training in Mozambique. The governing party FRELIMO had endorsed distance education at party congresses in 1979 and 1983. In 1984 a program of distance education for teacher training was launched, with Swedish SIDA support, by the National Institute for the Development of Education (INDE). The program, utilizing radio transmission of lessons, was aimed at primary school teachers with only a fourth grade education. A total of 1224 teachers participated. The program start was delayed by two years from the original target and it suffered from numerous severe handicaps. First, the INDE lacked personnel trained in distance education methods. There were no incentives, such as promotion or higher pay, for successful completion of the course. Perhaps the most critical constraint, given the lack of electricity for operating radios outside large towns, was the inability of participants to obtain and maintain batteries for radios. Only an estimated 10% of participants completed the course and an evaluation of the program carried out in 1988 judged it to be overall a failure. A new institution for teacher training, the Instituto de Aperfeciamente dos Professores (IAP), was set up in 1988, and it was this institution which, some years later, undertook the distance education sub-project under the Second Education Project.

Further investigation of the possibilities of using distance education for teacher training began in 1988 with a mission from the Commonwealth Secretariat. The World Bank also in 1988 expressed an interest in supporting distance education, and UNESCO funded a consultant to prepare a proposal for further research on the possibilities of using distance education in Mozambique. It was recognized that the introduction of such a program would be difficult, given the lack of experience and institutional capacity in the country; thus any program would have to begin with an intensive institution-building effort and any training should probably be conducted on a pilot basis. The first step would necessarily be to train Mozambican distance education specialists, presumably with technical assistance. The original plan envisioned an initial stage of policy formulation, research, institution building and staff training, to be followed by a pilot teacher training project, utilizing radio and correspondence teaching methods. There was expected to be no significant contribution in terms of large numbers of trained teachers until around 2000.

Under the Second Education project IDA provided initially $1.9 million for the Distance Education component, later increased to $2.8 million. [See Annex Table 6 for a breakdown of IDA funding for distance education under the Education II project.] These funds were intended to finance primarily civil works for the IAP headquarters, equipment, including audio visual and desk-top publishing equipment, vehicles and materials, but also 20 staff-months of study tours and training of monitors. UNDP provided cofinancing for Education II in the amount of $4.8 million, of which $1.17 million was allocated to distance education for technical assistance (52 months of consultant time.) As a first step the Government allocated a separate budget to IAP, permitting it to hire about 15 new staff.

For almost three years, until late 1993, there was virtually no progress on the distance education sub-component of the Second Education Project. This was attributed by the Bank to two factors; first that the terms of reference drawn up for the distance education consultant were too broad, calling for expertise in developing distance education training materials, training the staff of the IAP in distance education teaching methods, conducting seminars on the basic principles of distance education, assisting in implementing the pilot course, and carrying out monitoring and evaluation of the program. Apparently no single consultant could be found who combined all the requisite skills. The other problems, according to the Bank, were a lack of commitment to the project by the Ministry of Education, not necessarily by IAP, and bureaucratic delays within UNDP. Finally, in mid-1993 a decision was made to draw up new terms of reference calling for a consulting firm rather than an individual consultant. Following international competitive bidding the consulting contract was awarded to a Brazilian firm, the Centro de Ensino Technologico de Brasilia (CETEB). The Government requested that IDA fund the $1.4 million CETEB contract rather than use UNDP funds and the Bank agreed. In order to absorb this additional cost element the amount of the IDA credit allocated to distance education was increased from $1.9 million to $2.8 million, along with some reallocation of funds within the distance education program.

While the action to bring in CETEB gave new life to the Distance Education initiative, there were at the same time serious capacity problems within IAP. The 15 new staff had been hired, but of these 4 were studying abroad, 4 were studying in Mozambique and working part time, 1 was about to go on study leave abroad, and 3 of the remaining 6 were considered unqualified. It was also not at all clear that those studying abroad would return to IAP at the conclusion of their studies, given all of the problems of public service pay and motivation discussed above. It was also felt that to implement the proposed pilot Distance Education program IAP would need around 20 technical staff. Over the next two and a half years, to end-1996, IAP was able to increase its total staff to 36, comprising 21 technicians, 6 administrative officers, and 9 support staff. Thus it would appear that adequate staff were recruited.

Work on preparation of the Distance Education program under Education II finally got underway in August 1994 with the arrival of the CETEB consultant team. As the program was developed it was decided to drop the radio approach and rely entirely on written self-instruction training modules which would be distributed to teachers. A 50 lesson course was developed which was intended to be completed in between two and four years, but which could be completed more rapidly. Teachers could work on their own or at local training centers (nucleos pedagogicos) where they could be assisted by tutors. Almost two years were spent developing the curriculum and the lesson plans and in training of IAP staff and tutors. The first course was launched in May 1996 for 3,000 EP1 teachers in the lowest grade (E), with only 4 or 5 years of primary education, in 5 of the 11 provinces.

An evaluation of the program at this time indicates a number of positive results. The CETEB consultancy appears to have been quite effective in developing a course program and training Mozambican counterparts in distance education methods. Hiring CETEB to work with IAP provided crucial support for an initially weak agency. The project unit is now fully staffed by Mozambicans, with 20 staff trained by CETEB in place. The staff includes specialists in administration and pedagogy, including a

supervisory team that visits each province every two months. Provincial supervisors for distance education have been trained and are on the job in the five pilot provinces. Information available at the end of 1997 indicates that all 3,000 participants have completed the 50 lesson course, in less than the minimum two years planned.

However, it is not known at this time how many of the participants have *successfully* completed the course. And there have been certain problems. Not all of the course materials were prepared when the program began in May 1996. Only 38 of the 50 modules were printed and distributed in 1996, and 46 by April 1997, although production and distribution was completed in 1997. The numbers of trained staff available for executing the program were severely limited, especially at the district centers. Difficulties were experienced in distributing the teaching materials, given the limitations of the local postal service. Course materials were not always received in a timely manner or in the proper sequence. Only 85 of the 150 training centers planned for the program had been opened after one year (April 1997), serving only 2,000 of the 3,000 participants. The full establishment of 150 training centers had still not been completed at the end of 1997, but all of them are expected to become operational during 1998. Teachers who successfully completed the course were supposed to be upgraded from class E to class D2, with the prescribed increase in salary, but to date this has not happened, reportedly because the Ministry of Education budget does not have the needed funds. And the general salary incentive problem has still not been addressed. At the provincial level the project coordinators and tutors, as well as the primary school teachers, are paid on the government salary scale, while in the IAP headquarters some staff are paid higher "project" salaries which are topped up with UNDP funds. This salary imbalance, just like the many other examples repeated in Mozambique over many years, creates resentment and demoralization within the Ministry of Education. In addition, the establishment of the IAP as a "center of excellence" almost entirely funded by donors, as in other similar cases, probably contributes to a fragmentation of authority within the education system. In fact the problem is much more widespread than just with regard to IAP. At the present time teacher training activities are carried out by at least five different agencies. Each agency conducts its own programs, typically in isolation from the others, and with its own sources of donor funding. This sort of fragmentation undoubtedly makes it more difficult to coordinate education policy.

Finally, at a fundamental level the program has really not yet been evaluated. The course content has not been independently reviewed. The effectiveness of tutors and supervisors has not been measured. The performance of teacher trainees who benefited from the training centers has not been contrasted with that of teachers who did not have access to such centers and tutors. The number of participants who successfully completed the course is not known. Given that all 3,000 participants reportedly completed the course in something like 18 months, instead of the two to four years envisaged, it is quite possible that teachers were more interested in obtaining the paper qualification than in retention of subject matter and in improving their teaching skills. And if the program has been effective will there be any spread effects from the trained teachers to their colleagues who have not participated in the program? Given the still abysmally low level of teaching quality in Mozambique, how much of an impact will this initial program have? These are questions which cannot be answered in this study, but would have to be the subject of follow-up evaluations carried out on the ground to determine the degree of improvement in teacher qualifications and performance realized following completion of the course, and over time. In conclusion, certainly some additional human resource capacity, as well as institutional capacity in IAP, has been created through this program, but how much cannot be measured on the basis of information presently available.

A decision has already been taken to build upon the initial 1996-97 distance training program with second and third phases in which 12,000 more underqualified or unqualified EP1 teachers will take the same 50 module program, 6,000 in 1997-2000 (now likely to begin in 1998 rather than 1997) and a further 6,000 in 1998 (or 1999)-2001.[10] The program will be expanded to all 11 provinces and the number of training centers will be increased from 150 under phase one to 500. In order to carry out this expansion it is estimated that IAP would need to add an additional 25 technicians to its staff. UNDP is planning to continue to support the program with an allocation of $1 million per year over the next five years, and the African Development Bank is negotiating a credit/grant of $17 million to support the construction of IAP centers and training of trainers for the future distance education program.

Is this program sustainable, at the expanded scope proposed, without continued donor support for recurrent costs? Clearly not. The activities sponsored by this project are not sustainable without the continued flow of large and probably increasing quantities of external assistance. And, more critically, the government cannot afford to pay the additional teachers hired and trained under the project, and needed to meet the expansion goals of the education system, unless external donors continue to pay most of the non-salary recurrent costs of running the education system. This fact has been clearly recognized by the government in its Strategic Plan for the Education Sector, as cited above.

V. Conclusions

This study has examined two sub-components of IDA-funded projects in the social sectors in Mozambique. However, in the unique circumstances of Mozambique conclusions regarding the sustainability of capacity building efforts cannot be drawn in isolation but must be considered in a sectoral and macroeconomic context. Therefore, this examination has been linked to Mozambique's situation as one of the lowest income countries in the world, and with some of the lowest indicators of social welfare among developing countries. Mozambique's extreme poverty and low social indicators have been attributed primarily to the colonial legacy which left the indigenous population, at the time of independence in 1975, with weak institutions and severely limited human resource capacity, and to a devastating civil war which persisted for over a decade, disrupting the rural economy, destroying much of the existing social infrastructure, and killing or displacing millions of the population. To a lesser extent an overly ambitious

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[10] IAP, Plano Director 1997-2000.

effort at state-led development during the first decade of independence created economic disruptions, disincentives and low productivity.

The Government of Mozambique has made serious efforts, within the limits of its administrative capabilities, to address the gaps in human welfare by building up, from a weak or virtually non-existent base, public health care and education systems. And since the late 1980s the government has adopted policies which have resulted in significant improvements in aggregate economic growth over the past decade. But the economic base and the level of per-capita income from which this growth began were so low that many years will be required before Mozambique can reach even the average level of per capita income of Sub-Saharan Africa. Poverty remains widespread, and the vast majority of the population engaged in subsistence agriculture faces a myriad of constraints; therefore spreading the benefits of growth is also a major challenge for economic policy. While Mozambique possesses advantages of geographic location (e.g., proximity to higher income economies which can provide markets for absorbing Mozambican goods, services and labor) as well as abundant unexploited natural resources (e.g., less than 10% of the arable land is under cultivation) other factors constrain economic prospects. One is the external public debt problem which much be addressed (and presumably will be addressed through the HIPC initiative) before reasonable fiscal and balance of payments viability can be established. The other is the still weak human and institutional capacity in the country, and in the public service in particular. In order to alleviate both the financial and human resource constraints to development, Mozambique has drawn increasingly on foreign donor assistance over the past decade, to the degree that Mozambique has become one of the most, if not *the most,* aid dependent countries in the world.

The projects which have been examined here have had some modest success in building institutional and human resource capacity. However, these conclusions can only be provisional. First, it is too early to judge the results of these particular sub-project initiatives. While the first, pilot, phase of the Distance Education program has been concluded, and the Brazilian consulting organization has performed a responsible job of technical assistance, and the Mozambican implementing agency, IAP, has been adequately staffed to manage the pilot phase, and plans are under-way for a significant expansion of the program, it is too early, and information is lacking, to judge the quality of the output delivered. Information is lacking at the present moment on how many of the 3,000 participants successfully completed the course, what contribution the training centers and tutors made to teacher learning, and whether the teachers who have successfully completed the course will be able to significantly improve their teaching performance. All of this should of course be studied. In the case of health worker training under the HSRP, in which a substantial expansion of training at all levels had been envisioned for the 1996-2000 period, supported with a total of $36 million in donor funds, the start up of IDA-supported training courses was delayed until 1997. Since most of the courses begun in 1997 are of long duration, any significant yield of graduates will only occur in 1998 and beyond. While it is clear that an acceleration in training efforts did occur in 1997, the outcome in terms both of quantity and quality can only be judged in the future.

And the sustainability of these programs, just as for all other government programs, is at risk because of the civil service salary problem. This is a fundamental problem which Mozambique has yet to adequately confront. Yet it cannot be ignored. It will be extremely difficult to improve the quality of teaching or of health service delivery so long as staff are demotivated by low salaries and limited prospects, as well as lack of adequate materials to carry out their functions. Donor have attempted over many years to compensate for these deficiencies by providing technical assistance, by funding recurrent costs, including even government salaries or salary supplements, but there is a consensus that this has only papered over the fundamental problem, and may have even made it worse in some respects. But saying that the civil service salary and incentive problem must be solved is easier than solving it, especially in a country with the low level of income and the limited fiscal capacity of Mozambique.

It is important to reemphasize that each of these programs, as with virtually all other government programs in the social sectors, has been made possible only through very high levels of donor funding of both investment and recurrent costs. And there is every indication that sustaining, or replicating, or possibly expanding such capacity building efforts would require at least the same relative input of donor assistance for the foreseeable future. This would seem to answer the recurrent cost/sustainability question. Is the government of Mozambique able to assume the full recurrent costs of these programs in the future (from 1998 forward in the case of distance education, and after 2000 in the case of health worker training)? In terms of overall domestic fiscal capacity the answer is clearly no. But looked at from another aspect, the government could assume the full costs of these programs if it had to. They are small in size in relation to the overall budgets of the respective sectors. Thus the government could always reallocate funds to these programs by taking funds away from other activities, or obtaining more donor assistance for other activities. But this is not really a very meaningful conclusion; it merely demonstrates the fungibility of budget resources.

In the case of Mozambique, which is so heavily dependent on aid across the board, it is really only relevant to consider the recurrent cost issue, or the question of how long donor dependence will persist, at the sectoral or macroeconomic level. And in the case of Mozambique the only answer that could possibly be given at the present time is that a high degree of donor dependence will continue for the indefinite future. This conclusion merely emphasizes the fact that public sector programs which were desperately needed, given Mozambique's poverty and civil war devastation, have been made possible only through levels of aid virtually unprecedented, even for the least developed countries. These aid inflows have undoubtedly overstretched the administrative capacity of the government and the society, and have flooded the country with technical assistance and more projects than could be efficiently managed, but they have clearly had a positive impact as well, permitting a pace of economic recovery that would not have been possible otherwise. Having been brought to the present circumstance by massive aid inflows, Mozambique needs a continuation of aid, for both investment and recurrent expenditures, to sustain its development over the foreseeable future. Thus Mozambique is not a good case study for the underlying premise of this study - that there is an approach to recurrent cost funding somewhere between abstinence and total immersion that can lead to an orderly phasing out of donor assistance within a finite project funding cycle while at the same time assuring sustainability in the sense that the recipient government can fully absorb the future recurrent costs of the formerly donor-funded activities.

Finally, while it lies outside the scope of this study, I believe that the extent of Mozambique's donor dependency brings out features of the donor/recipient relationship that dilute the effectiveness of aid, notably by impeding local commitment and "ownership". Mozambique's exceptionally heavy donor dependence has been characterized as a form of "shared sovereignty" in which donors assume an increasingly prominent role in policy decisions. It may also have had other unintended negative effects - actually undermining institutional development and capacity building, rather than strengthening them. Donor emphasis on complex project design and conditionality, as well as donor leadership in project preparation, can discourage local ownership. Donor infusion of expatriate technical assistance and donor competition for scarce local human resources can sometimes have a negative impact on capacity building. Control of salary and manpower policies is eroded as donors hire local staff, creating dual salary and incentive structures. Establishing autonomous project units creates organizational confusion and reduced central government control. These donor activities can be problematic even when aid inflows are small relative to the size of the recipient economy. Negative institutional effects escalate as aid becomes more important. According to Berg,[11] for countries where aid inflows are *relatively large, say 5% of GDP,* these effects are unsettling. At aid to GDP ratios of *10% or more,* aided governments lose command over most development functions. Berg points out that for Sub-Saharan Africa as a whole (excluding Nigeria and South Africa) aid averaged 6% of GDP in 1975-84, 9% in 1985-89, and 12.7% in 1990-94.[12] Therefore he clearly regards Africa as suffering from an over-dependence on aid. What is one then to say about Mozambique where aid has been *equivalent to more than 80% of GDP* in the first half of the 1990s?

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[11] Elliot Berg, "Dilemmas in Donor Aid Strategies," Paper prepared for a Workshop on External Resources for Development, Netherlands Economic Institute, Rotterdam, September, 1996, p. 3.

[12] World Bank, African Development Indicators, 1996, Washington, 1996, p. 315.

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ANNEX

TABLE 1
EXTERNAL ASSISTANCE AS A SHARE OF PUBLIC EXPENDITURE
1990-1997
(Figures are shown as ratios to GDP)

	1990	1991	1992	1993	1994	1995	1996	1997
Recurrent Expenditure	25.5	22.3	24.2	21.4	22.9	16.2	16.8	17.6
Capital Expenditure	25.9	24.4	22.0	20.1	24.5	21.2	19.3	18.7
Total Expenditure	51.4	46.7	46.2	41.5	47.4	37.4	36.1	36.3
Domestic Revenue	22.8	21.8	21.1	20.0	17.6	17.8	19.7	20.9
External Grants&Loans	27.5	25.5	26.0	22.3	32.3	23.9	22.0	20.4
External aid / Total Expend.	53.5%	54.6%	56.3%	53.7%	68.1%	63.9%	60.9%	56.2%

Source: World Bank, Fiscal Management Review