

**AFRICAN DEVELOPMENT BANK  
AFRICAN DEVELOPMENT FUND**

**MOZAMBIQUE**

**COUNTRY PORTFOLIO PERFORMANCE REPORT**

**ORSB DEPARTMENT  
MOZAMBIQUE FIELD OFFICE**

**August 2008**

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## ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
APPR	Annual Portfolio Performance Review
CAR	Commitment at Risk
CPR	Country Portfolio Review
CPPR	Country Portfolio Review Report
CSP	Country Strategy Paper
DNIC	Directorate of Investment and Cooperation
DO	Development Objective
DPG	Development Partner Group
ESW	Economic and Sector Work
EU	European Union
G19	Donor Group// Direct Budget Support
GNI	Gross National Income
GoM	Government of Mozambique
IP	Implementation Progress
M&E	Monitoring and Evaluation
MPD	Ministry of Planning & Development
MTR	Mid Term Review
MZFO	Mozambique Field Office
OECD-DAC	Organization for Economic Cooperation and Development - Development Assistance Committee
PAF	Performance Assessment Framework
PAP	Program Aid Partners
PAR	Project at Risk
PARPA	Plan of Action for the Reduction of Absolute Poverty
PCR	Project Completion Report
PIU	Project Implementation Unit
PP	Problem Project
PPP	Potential Problem Project
PRSL	Poverty Reduction Strategy Loan
RBCSP	Results Based Country Strategy Paper
SWAp	Sector Wide Approach
TLT	Traffic Light Table
UA	Units of Account
WB	World Bank

## CURRENCY EQUIVALENTS

July 2008

Currency Unit	=	Mozambican Metical (MZM)
1UA	=	US\$ 1.63362
1UA	=	MZN 39.12
1US\$	=	MTN23.68

**Financial Year:**  
January 01 to December 31

## I. INTRODUCTION

### Objectives and Structure

1.1 The last Country Portfolio Review Report (CPRR) (ADF/BD/WP/2006/53 for Mozambique was presented to the Board in June 2006 and assessed the performance of the on-going portfolio of Bank financed operations as at 31 December 2005. The analyses showed a satisfactory performance rating with an average rate of 2.0, development impact of 2.1 and a clear positive performance trend over the last CPPR of 1999. The 2008 CPPR aims at informing the Boards of Directors on progress made in the Mozambique portfolio performance since the last CPPR of 2006 and recommending actions to be taken to improve the performance. The Report assesses the performance of the Bank's on-going portfolio in Mozambique with regard to implementation progress and the achievement of development effectiveness. The CPPR is also intended to provide useful lessons for the design of future Bank interventions and their implementation and guidance to the Mozambique Regional Office (MZRFO) on strengthened dialogue and greater collaboration with the Government of Mozambique (GOM) and other development partners respectively so as to improve overall performance of Bank interventions in Mozambique.

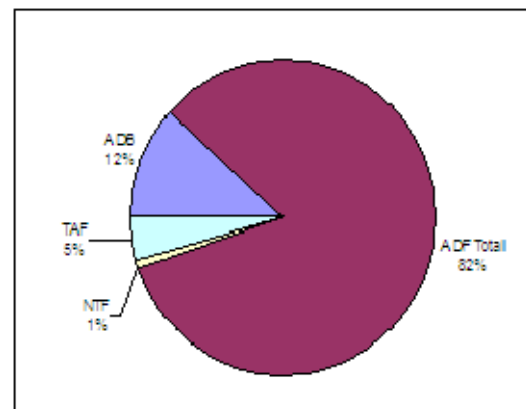
1.2 This report is based on the outcome of several Bank technical supervision missions undertaken from April to July 2008, from the following sectors: Agriculture, Transport, Water and Sanitation, Education, Health, and Energy sectors. This report also drew on data gathered during a workshop in March 2008 with implementing partners of the Mozambique portfolio, a Country Portfolio Review Workshop in April, and a July Mozambique Country Approach Audit Mission. With a view towards better understanding the parameters of portfolio challenges, a questionnaire was completed by each project coordinator on issues and proposed solutions related to these topics. The issues and recommended actions are contained in the Portfolio Improvement Plan Matrix attached as Annex V to this report. The Annex also includes a summary of the challenges and recommended actions presented at the PIU workshop, and the CPPR workshop.

1.3 The last Country Strategy Paper (CSP), approved by the Board for the period 2006 to 2009 to guide priority interventions and activities in Mozambique, covered two pillars namely Governance and Infrastructure. It is also aligned with two of the Government's priority pillars in its Poverty Reduction Strategy, PARPA II, namely Good Governance and Economic Development. The Mid Term review of the CSP is being undertaken and its completion expected by 4<sup>th</sup> quarter 2008.

### Bank Group Portfolio Size and Composition:

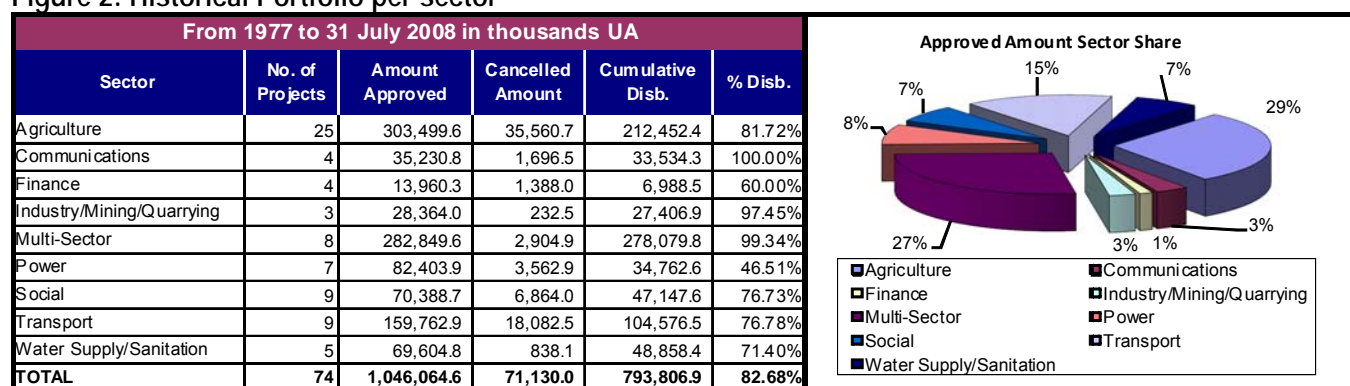
1.4 The Bank Group has, since operations began in 1977, approved a total of 74 operations composed of fifty six (56) projects, seven (7) policy based programs and eleven (11) studies. Total net commitments (ie. approvals minus cancellations) stand at UA 974.9 millions with a cumulative disbursement rate of 82.68 % as at July 31 2008 of which 12% were from ADB resources, 82% from ADF resources, 5% from TAF resources and 1% were from NTF resources. The Agriculture and Multi Sector sectors are the most resourced sectors in the portfolio with 29% and 27 % of resources respectively.

Figure 1: Portfolio by Source, 1977- July 2008



1.5 According to the last CPPR, cumulative Bank Group approvals to Mozambique grew by 13.9%, from UA911.2 million at December 2005. It is worth noting that the Bank 2006 APPR data indicates that Mozambique ranks among the top 8 countries benefiting from the Bank wide support in terms of portfolio value and number of operations. The details of the breakdown of the portfolio by financing window and sector distribution from 1977 to July 2008 are in the figures 1 and 2. The disbursement analysis and trend of the historical portfolio are in Annex III attached.

Figure 2: Historical Portfolio per sector



### Private Sector Intervention

1.6 Through the private sector window the Bank approved 2 projects namely the SASOL Gas Pipeline (UA52.1 M) in October 2003 (Regional /Mozambique and South Africa) and Moma Titanium Minerals Project (30.7M) in May 2003 for a total of UA82.8 million. Both of these projects are fully disbursed with activities completed and performance of implementation rated as satisfactory. The Bank is currently finalizing the Private Sector Profile to be presented to the Boards before the end of 2008. This report will provide an overview of the context for private sector development in Mozambique which is one of the Bank's key medium-term strategic objectives.

## II Overall Performance of the Portfolio

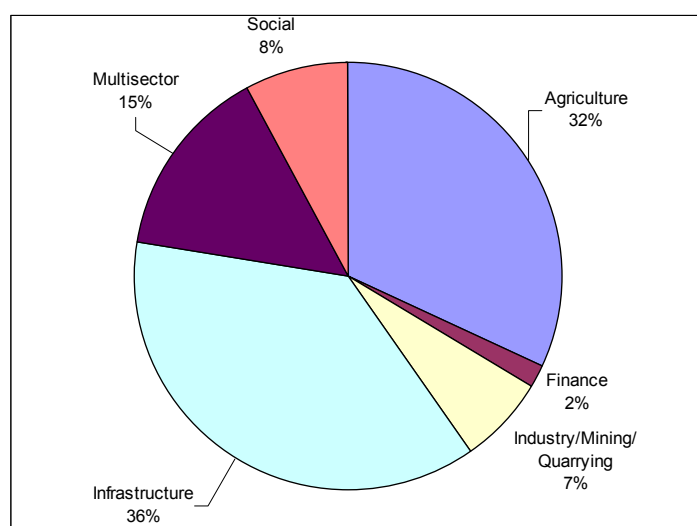
### Overview of On-going Portfolio

2.1 The current portfolio consists of 23 ongoing operations with a total net commitment of UA 415.58 million and a total disbursement rate of 56.42%. Agriculture (which represents 32% of the amount approved), Multi-sector (15%) and Water and Sanitation (14%) are the three most active sectors followed by Transport sector (11%) and Power (12%). The summary of the Bank's on-going portfolio by sector indicating the percentage disbursed as at 31/07/2008 is in the figure below. Multi-sector, mainly represented by direct budget support, has the highest disbursement rate (97%) while the Power sector has the lowest rate of 8.93% with Electricity IV becoming effective in January just starting disbursements.

Figure 3: Active Portfolio per Sector

Ongoing as at 31 July 2008 in thousands UA						
Sector	# Projects	Amount Approved	% Share Approved	Cancelled Amount	Cumulative Disb.	% Disb.
Agriculture	7	132,870	32%	-	77,385	58.24%
Finance	1	6,800	2%	-	1,216	17.89%
Industry/Mining/Quarrying	2	27,968	7%	-	27,243	97.41%
Multi-Sector	2	62,126	15%	-	60,261	97.00%
Power	3	48,402	12%	-	4,324	8.93%
Social	3	31,915	8%	-	15,538	48.69%
Transport	2	47,690	11%	475	10,111	22.20%
Water Supply/Sanitation	3	57,805	14%	-	37,896	65.56%
<b>TOTAL</b>	<b>23</b>	<b>415,576</b>	<b>100%</b>	<b>475</b>	<b>233,974</b>	<b>56.42%</b>

Figure 4: Active Portfolio by Aggregated Sub-Sector



When the on-going portfolio is disaggregated by sub-sector, the trend towards a shift from agriculture to infrastructure-related areas emerges as illustrated in Figure 4. Combined investments in Transportation, Energy, and Water account for some 36% of current commitments. This slightly exceeds the resources of ongoing operations in Agriculture which in most graphics represents the lion's share of Bank Group commitments in Mozambique. The Agriculture sector includes the Massingir Dam Project and its supplementary loan, the second largest Bank financed project

(after Direct Budget Support). The two Massingir Dam interventions account for some 54% of all ongoing investments in the agriculture sector and 17.32% of the on-going portfolio. Of note is the fact that infrastructure-related activities under the two Massingir Dam interventions constitute the bulk of planned expenditures (85%). As agriculture projects close and infrastructure investments increase, the distribution of commitments is expected to become more closely aligned to the CSP's pillars of governance and infrastructure.

### **Key Characteristics of On-going projects**

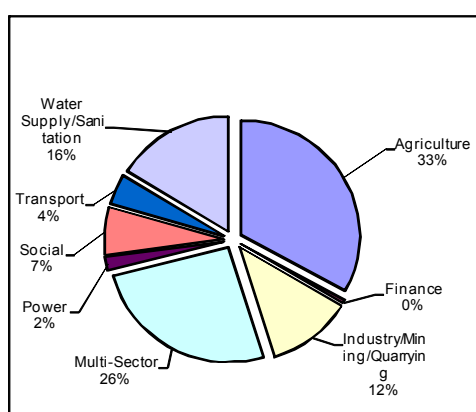
2.2 The key data on the ongoing portfolio as at 31 July, 2008 is attached as Annex 1 to the report and includes the supervision ratings of the 2008 missions. The review indicated that among the 21 projects evaluated with performance ratings, were 8 Non Problematic Projects (NPPPs), 12 Potentially Problematic Projects (PPPs) and 1 Problematic Project (PP). It further indicates that the Agriculture sector, although the most resourced, is generally a weak performer that requires close monitoring and supervision with 4 PPPs and the 1 PP (Family Farming & Income). In addition both the Impact on Development (1.75) and overall rating (1.95) were rated unsatisfactory in that sector. Some of the key issues contributing to the relatively slow implementation of the projects in the sector are: weak capacity, especially in project

management and implementation of fiduciary issues, delays in effectiveness and disbursement lags, and high turnover of both project and Bank staff. The summary of key data is in Table 1.

### General Assessment of Portfolio Performance and Sector Analysis.

2.3 In general the overall performance of the Bank's ongoing portfolio in Mozambique has been satisfactory over the past 3 years. In 2005 the Mozambique CPPR rated its overall performance as satisfactory and it subsequently increased slightly in the Bank's 2007 Annual Portfolio Performance Report (APPR) to 2.28. The performance rating as at July 2008 as indicated in Annex 1, based on updated supervision rating assessments carried out by Task Managers until end-July 2008, has rated the portfolio's performance at 2.20. The assessment during this period displayed continuity in the trend of generally satisfactory ratings since the last CPPR (2005). Nevertheless the number of potentially problematic projects (PPPs) increased, which is attributable to a number of factors, i.e. slippage in implementation, inadequate counterpart funds, and disbursement ratios of less than 50% on a few projects over 5 years of age. These constraints signal a need for a proactive management stance to enhance portfolio performance.

Figure 5: Disbursed Amount : Sector Share



The Agriculture Sector, which has the largest amount of the resources also had the largest share of the amount disbursed (33%), followed by Multi Sector (26%), Water Supply (16%) and Industry/Mining (12%). After the Finance sector, Transport and Power sectors have the lowest proportion of disbursements in their respective sectors due to projects approved in 2006 Electricity IV and Montepuez-Lichinga Road which were slowed in becoming effective (16.6 and 21.37 months respectively) and thus resulted in delays in disbursements.

Table 1: Summary of Key Performance Data per Sector

LONGNAME	FINANCIAL DATA(UA)				DURATION	RATING					
	Approved Amount	Cancelled Amount	Disbursed Amount	Dish. Ratio	Age	Project Implement.	Procurement	Financial Perform.	Activities and Works	Impact on Develop.	Overall Rating
Agriculture Total	132,870,000		77,384,644	58.24%	6.94	2.27	1.80	2.07	1.80	1.75	1.95
Finance Total	6,800,000		1,216,191	17.89%	2.83	3.00	3.00	2.75	2.67	3.00	2.86
Ind/Mini/Quar Total	27,967,953		27,243,376	97.41%	6.05	2.00	2.00	2.00	2.50	2.50	2.15
Multi-Sector Total	62,126,000		60,261,041	97.00%	2.43	2.00	2.00	2.10	2.00	2.00	2.04
Power Total	48,402,000		4,323,555	8.93%	4.57	2.54	2.00	2.50	1.94	2.50	2.30
Social Total	31,915,000		15,537,984	48.69%	8.44	2.27	2.00	2.14	2.05	2.40	2.18
Transport Total	47,690,000	474.68	10,111,347	22.20%	6.34	2.00	2.50	1.20	1.25	2.00	1.67
Water Sup/Sanit Total	57,804,810		37,896,474	65.56%	7.46	2.44	2.67	2.58	2.33	2.03	2.39
Grand Total	415,575,763	474.68	233,974,613	56.42%	5.04	2.31	2.25	2.17	2.07	2.27	2.19

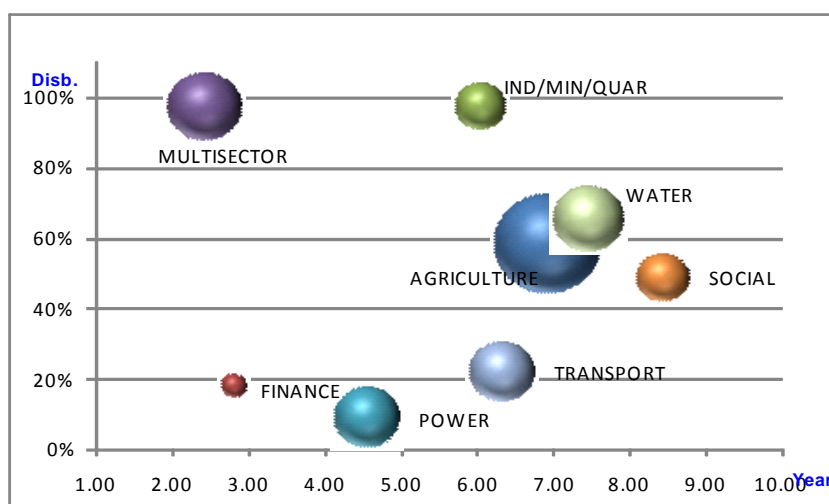
2.4 Some of the data, when disaggregated by project and sector, reveal sector specific trends. For example, challenges in procurement are generic to the portfolio. However, supervision ratings by project suggest that difficulties in knowledge of procurement are more

frequent in agriculture and the health sector. Procurement difficulties encountered in the sub-sectors of power and transportation are, by contrast, more attributable to complications that emerged with contractors subsequent to tender award. One of the issues faced in the social sector in particular is a high cost escalation that has made it necessary to re-dimension certain project components. In addition, data indicate that disbursement is particularly low in the sub-sectors of power and transportation. MZFO's 2008 staff compliment that now makes it possible to assign one professional to each infrastructure sub-sector, should enable the portfolio under the infrastructure pillar of the CSP to improve significantly.

### Ageing Projects and Projects at Risks

2.5 The ongoing portfolio consists of 5 aged projects, (older than 8 years following approval); namely (i) Massingir Dam, (ii) Small Scale Irrigation, (iii) Education III, (iv) Vanduzi Changara Road and (v) Maputo Water Supply Projects. These projects also figure among the 13 projects rated at risk (PARs), including 12 Potential Problematic Project (PPPs), and 1 Problem Project (PP) (Family Sector Income). The number of PARs did not change from the assessment in the Bank 2006 APPR which were 13 PARs including 1 PP (Maputo Water Supply). The details of the key performance data are in Annex 1. The general assessment of the portfolio indicates that the average age of 5.04 exceeds the average age of the 2005 CPPR of 3.9 as well as the Bank wide average age of 4.2 years. This is largely the result of implementation delays of very aged projects whose deadlines were extended to complete implementation activities and achieve development objectives. It is important to note that 2 of the PARs (Education III and Maputo Water Supply Projects) closed as at June 30, 2008 while a 3rd project (Massingir Dam) is expected to close at 31 December 2008 and actions will be initiated for the cancellation (becoming the Bank's wide average). Although the overall rating of portfolio performance since 2005 still indicates an upward trend in performance, the average age of the portfolio drags down what would have otherwise been stronger performance. This suggests a concerted effort will be needed to cancel very old projects which will improve overall performance.

Figure 6: Average Age relative to Average Disbursement Rate



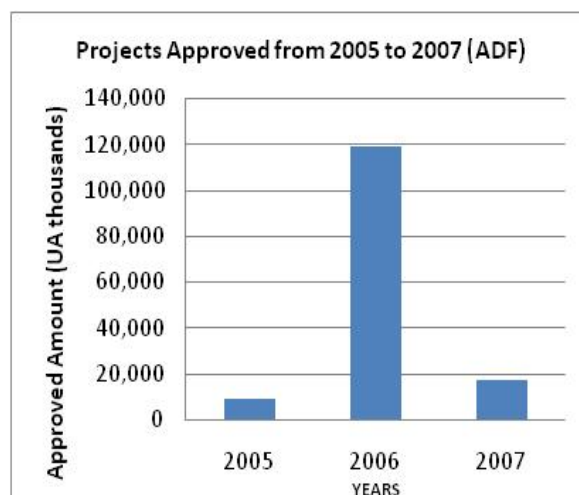
The analysis shows the average disbursement rate relative to the average portfolio age of 5.04 by sector which is above the Bank wide average age of 4.2. At 31 July 2008 the Social Sector had the oldest average age of 8.44 years followed by Water Supply Sector with 7.46 and Agriculture (6.94 years). Multi-sector and Finance sectors are the better performing sectors relative to age and disbursement rate.

In order to clean up the portfolio, 8 operations (loans and grants) were cancelled during this period (2006-2007) from the active portfolio. In addition, 2 other operations were cancelled in April 2008 (2<sup>nd</sup> Program of Economic Reform (PER) & Roads Rehabilitation) and 2 more operations which closed on 30 June 2008 (Education III & Maputo Water) are expected to be cancelled before the end of 2008. These cancellations help to improve the overall trend of upward performance of the portfolio.

2.6 During ADF X (2005 to 2007) approvals consisted of 6 investment projects and 1 Direct Budget Support (DBS) for a total amount of UA 144.83 million which are in various stages of implementation. The DBS for Poverty Reduction approved on 13 September 2006 was fully disbursed in two tranches by 07 September 2007. The assessment indicates that in the past three years the Bank interventions have focused mainly on the infrastructure sector (38.73%) and Direct Budget Support-DBS (41.13%). Below is a summary of the new entries (2005-2007) in the portfolio during that period indicating 82 % of the resources were approved in 2006 and the trend towards financing larger sized projects as well as in alignment with the pillars of the Bank's strategy in the current CSP( 2006-2009).

Figure 7: ADF X Allocations & Projects (2005-2007)

Year	Long name	Approved Amount (UA thousands)
2005	Financial Sector TA Project (FSTAP)	6,800
2005	Inst. Support for Public Sector Reform	2,126
	<b>2005 Total</b>	<b>8,926</b>
2006	Women's Entrepreneurship and skills Dev	2,510
2006	Poverty Reduction Support Loan	60,000
2006	Electricity IV Project	26,300
2006	Montepuez- Lichinga Road Project	30,100
	<b>2006 total</b>	<b>118,910</b>
2007	Massingir Dam and smallholder Agric.	17,000
	<b>2007 Total</b>	<b>17,000</b>
	<b>Grand Total</b>	<b>144,836</b>



The key results of the Bank interventions are summarized in Annex IV attached to the report. The table describes the results achieved in each on- going operation by sector during the period 2006 to 2008.

### **Comparison of the Portfolio (2006 & 2008)**

2.7 Comparisons between the Mozambique's portfolio with that of the World Bank as well as the Bank ADF portfolio help to contextualize the Bank's portfolio in Mozambique. A comparison of the performance of the Mozambique portfolios of the Bank Group and the World Bank indicates that WB portfolio is generally performing better with a lower average age, faster implementation period, larger average project size and lower commitment at risk, which could be the result of the following: a longer presence in the country together with closer and systematic monitoring of the portfolio, larger staff size relative to portfolio size and more authority in decision making processes. The cumulative disbursement rate of the Mozambique portfolio is above the WB rate and the number of projects in Bank Group's Mozambique portfolio is higher. Although the average project size of Mozambique's projects is smaller compared to those of the World Bank in the country, their size is larger than Bank-ADF portfolio size of other projects. (Refer to figure 2 below) Similarly, when the supervision of Mozambique's projects is compared with that of other Bank Group interventions, they fit within limits of the Bank standard of 1.5 missions per year. However this is expected to increase to 2 with the field office carrying out at least 1 supervision mission annually per project in addition to 1 mission to be undertaken jointly by Headquarters and MZFO. MZFO has begun regular workshops, discussions and sharing between sector specialists with the WB starting with a World Bank/MZFO partnership and collaboration workshop in June 2008 to improve our cooperation and joint efforts in the

economic development of Mozambique while noting the comparative advantage of each institution.

Table 2: Performance Indicators/Internal and External Comparison of Performance

Performance Indicators		Evolution		Internal Comparison		External Comparison 2008	
		2006	2008	Mozambique	ADF (2006 APPR)	Mozambique	WB Moz
Implementation and Impact	Time from approval to effectiveness (in months)	12.65	12.62	12.65	17	12.62	3 (c)
	Disbursement ratio (%) (a)	21.67	9.17	16.77	18	9.17	NA
	Disbursement rate (%)	50.18	56.42	50.18	37	82.68 (e)	62
	Average project size (in million UA)	14.01	18.10	14.01	12.17	18.10	30.01
	CAR (% of commitments)	79.7	56.01	79.7	45	56.01	6
	Problematic Projects (% of ongoing projects)	5.6	4.76	5.60	47	4.76	6
	Average project age (in years)	4.81	5.04	4.81	4.3	5.04	3.9
Harmonization & Alignment	Use of country systems (%)	1 (d)	1	1	12	1	NA
	Number of co-financed projects	6	6	6	NA	6	NA
	Number of parallel PIUs	13	8	13	NA	8	0 (b)

**Notes:**  
 Disbursement ratio: Ratio of disbursements during the reporting period / Undisbursed size of the Bank's portfolio at the end of the previous period  
 Disbursement rate: Total ADF disbursements for projects + cancellations / Total portfolio commitments  
 (a) /2006 Data based on 2006 APPR. : 2008 data based on FFCO data January to August 2008  
 (b) The last available data concerns 2007 for WB  
 (c) From signing to effectiveness/WB  
 Evolution & External- ADB Group data to include private sector intervention.  
 Internal Comparison - ADF only  
 (d) Direct Budget Support (DBS)  
 (e) Disbursement data historical in line with WB for comparison.

The performance in implementation and impact show that Mozambique portfolio performed better in most indicators relative to the Bank ADF portfolio except for Commitment at Risk (CAR) which is relatively low. This is expected to improve by year end 2008 when several of the PARs will be closed and cancelled out of the portfolio.

Table 3: Comparison of Portfolio CPPR 1999-2008

Portfolio Performance/Evolution between CPRs 1999,2005 and 2008								
Average Age			Disbursement Rate			Overall rating		
1999	2005	2008	1999	2005	2008	1999	2005	2008
7.7	3.9	5	52%	37%	56%	1.8	2.0	2.2

July 2008 RoD without DBS is 48.9%. In December 2005, there was no DBS ongoing.

In comparing the last 2 CPPRs with that of 2008 it is noted that the average age of the portfolio over the years was better in the 2005 CPPR. However, the disbursement rate and overall rating of the ongoing portfolio at 31 July 2008 improved relative to those in 1999 and 2005. The historical disbursement trends with and without Multi-Sector are in Annex 3 attached.

### **Country-level implementation of the Paris Declaration**

2.8. The Bank's provision of general budget support is a mechanism that has enabled the Bank to make progress in meeting the objectives of the Paris Declaration (ownership, alignment, harmonization, mutual accountability and managing for results). The Bank is one of 19 general budget support donors, the Program Aid Partners (PAP), that collectively assess the performance of the Government on 40 indicators that comprise the performance assessment framework (PAF). In addition the Bank regularly attends the G-19 Heads of Cooperation Meetings as well as the Development Partners' Group meetings, the second major donors' forum. The Bank is also a member of 8 sector working groups, where donors are active, and has the leadership in the Roads Working Group since 2007.

2.9 Notwithstanding these activities, the Bank is called upon to participate more actively in the working groups of the economists that report to the PAPs. These groups are responsible at the technical level for evaluating GoM progress against the indicators set forth in the PAF. The upcoming arrival of two economists to the field office (local and international) shall assist in addressing this issue. In addition, it is to be noted that general budget support accounts for only approximately 17% of external assistance to Mozambique. In this regard, as a move to align more closely with other G-19 donors, the Bank has accepted to trigger its 2009 and 2010 budget support disbursements to the overall annual budget performance assessment of the G-19. In addition the Bank's approval of "*The Bank Group Approach Towards Enhancing the Use of Country Systems*" in July 2008 has moved the institution one step further to alignment by adopting a policy framework more compatible with Paris Declaration objectives. Nevertheless a more concerted effort to comply with GoM's request to adopt SWAp and budget support at the sector level is required by the Bank.

Figure 8: 2007 Rank and Compliance to Paris Declaration

Size of Donor /Perform.	Very good	Medium High	Medium	Medium Low	Weak
Very large >\$90M	DFID			European Union	The World Bank
Large >\$50M	Netherlands	Ireland	Sweden		
Medium >\$20M	Norway	Finland	Denmark	Canada	Germany, ADB
Small <\$20M	Switzerland, Belgium	Spain	Italy	France	Portugal
Total # Countries	5	3	3	3	4

The 2007 Joint Review indicated positive performance in several areas of PAP's 18 indicators drawn primarily from the Paris Declaration. The PAPs were assessed against their PAFs for 2007. As seen in the table the Bank was assessed as a medium sized donor (amount of ODA to GOM 2007) but weak performer alongside other multilaterals such as the World Bank as more than half of the assistance provided in Mozambique is directed to large public infrastructure projects.

Source: PAPs Performance Review of 2007

2.10 The Bank in Mozambique made improvements in predictability but showed weaknesses in harmonization and alignment. To improve the quality of the evaluation the GOM and PAPs should develop a more comprehensive mutual assessment framework for engaging different aid modalities. Along these lines the WB, European Community (EC) and MZFO are working together to propose a revised framework. These activities will be carried out in the context of enhanced trilateral partnership between these agencies.

### **Challenges of implementing the Paris Agenda**

2.11 Aid to Mozambique was 17% of Gross National Income (GNI) in 2007 and with 50% of GOM public expenditure funded by aid. It is important that aid is predictable to enable GOM to plan ahead as disbursements levels are below GOM expenditures. Only with aid being streamlined will GOM attain its ambitious targets for poverty reduction. Some challenges in implementing the Paris Agenda are: harmonization, using common arrangements, conducting joint missions and sharing analyses, avoiding parallel implementation structures and increasing the predictability of ODA commitments of aid. The harmonization was the weakest dimension in the 2007 assessment and donors are to make efforts to improve coordination in aid with common arrangements. Although some progress has been made by GOM and donors both sides have agreed on an accelerated Programme of Action in Mozambique.

### **III ASSESSMENT OF MANAGEMENT IMPLEMENTATION CAPACITY AND DONORS COORDINATION**

3.1 One of the key factors affecting the overall performance rating of the portfolio is the management implementation capacity of the different stakeholders involved in the project. The key stakeholders involved are Ministry of Planning and Development that is responsible for follow-up of the overall portfolio as well as sector ministries, most of which have project implementation units that directly manage the projects. While the overall performance of PIUs is satisfactory, performance among the various PIUs is varied and there are problem areas that need to be addressed, including: delays in implementation, weak monitoring of project implementation, fast turnover of project staff and delays in effectiveness of the projects. The common problem of a shortfall in institutional capacity is visible in a lack of know-how in both procurement and financial management. Nevertheless, there is indication that there have been some improvements since the last CPPR of 2005 with the impact of the country office, which provides, among other things, the following support: (1) communication in both English and Portuguese, (2) training on Bank rules and procedures of disbursement and procurement; and (3) procurement and disbursement processing according to Phase I of the Bank's Decentralization Policy and Matrix of Authority. MZFO began processing disbursements at the end of 2006 and as of date processes 100% of all applications approved in FFCO. The average number of applications processed for Mozambique monthly is 23 requests which is the 4<sup>th</sup> largest in number according to Bank wide average per processing center in FFCO.3.

3.2 To further strengthen the management capacity of PIUs the Bank held a Project Implementation Workshop in March 2008 covering Bank rules and procedures in Procurement, Disbursement and Financial management of projects. MZFO also provided 2 days training sessions in October 2007 for PIUs of ongoing projects and is expected to provide these workshops on a continuous basis as needed. With the full and appropriate team mix taking position at the field office by end of 2008, performance is expected to improve further with enhanced quality and quantity of supervision and the consolidation of effective monitoring systems. A "Traffic Light Monitoring System (TLS)", recommended during the 2008 CPPR by Government as an effective monitoring tool of performance, will be introduced as indicated in the Action Plan Matrix attached and is attached as Annex II to the report. The monitoring system is effective as it provides a visual performance rating of each project in the active portfolio which corresponds to the 2008 supervision assessment. Under this system, red is unsatisfactory, yellow as satisfactory and green as highly satisfactory(NPPP). The analysis of the indicators in the TLS demonstrates that the Family Farming Income Project rated as PP has the red light indicating unsatisfactory performance while the projects with yellow (warning) indicates those rated as PPPs and requires closer monitoring and frequent supervisions. The TLS is to assist GOM and the Bank to systematically monitor portfolio performance and progress.

#### **Assessment of Co-financing Initiatives**

3.3 The Bank actively participates in various donors coordination efforts such as the G19 providing direct budget support and DPGs, (Development Partners Group) and also sector working groups while chairing the Road Working Group since 2007. The Bank has six co-financing interventions in Education, Agriculture, Roads, Electricity, Financial and Multi-sector Sectors (Direct Budget Support) through the PAPs framework, namely Mineral Resources Development, Energy Reform and Access Project, Road Rehabilitation and Upgrading, Education IV, Electricity III, Financial Sector Technical Assistance Project and Poverty Reduction Support Loan. The performance of co-financing arrangements has been positive with some concrete steps taken in joint missions and joint reviews and monitoring. Future

interventions in Mozambique is expected to include more co-financing initiatives as the ADF XI is relatively low and inadequate considering Government pipeline of projects and priorities during this period.

### **Proactive Management of the Portfolio**

3.4 The Bank portfolio in Mozambique has encountered several challenges in project implementation affecting the performance and development objectives. The challenges are general to the portfolio and can be classified into weak implementation capacity and institutional constraints at both the Bank and GOM. Another challenge identified is not related to technical and physical implementation but rather social in nature, relating to community mobilization and participation. The key potential future challenges and risks facing the portfolio are as follows: (i) poor quality at entry as the result of weak project design and preparation; (ii) delays in effectiveness; (iii) inadequate capacity of PIUs to master the Bank rules and procedures; (iv) weak capacity of project staff especially in project monitoring and financial management and controls; (v) high turnover of PIU staff and frequent changes of Bank Task Managers; (vi) delays in Bank provision of timely responses to project needs; (vii) delays in payment of VAT and counterpart funds by GOM; (viii) delays in preparation of Project Completion Reports (PCRs) as an effective tool of lessons learned to improve new projects; (ix) delays in implementing the soft component of projects, and (x) Inadequate supervision and monitoring by both GOM and the Bank. MZFO is expected to play a more proactive role in improving the portfolio at all levels of implementation through closer monitoring and supervision, donor harmonization, continuous training and language interpretations. The specific actions to improve the portfolio are contained in the Action Plan Matrix attached as Annex III.

## **IV POTENTIAL FUTURE PROBLEMS AND LESSONS FOR CSP AND PORTFOLIO MANAGEMENT**

4.1 Data indicate there are several actions the Bank should take to improve the performance of the portfolio. Gains in quality can be made by augmenting strategic economic and sector analytical work, increasing the average size of projects and focusing in areas with comparative advantage. The Mid Term Review of the CSP would review the progress made to date in implementing the three-year level of Bank intervention (2006-2009) which was to focus mainly on Governance and infrastructure pillars.

4.2 One of the key factors affecting the overall performance rating of the portfolio is the management implementation capacity of the different stakeholders involved in the project. The key stakeholders involved are Government ministries, Bank of Mozambique and Project Implementation Units (PIU) which are implementing arms of the government and the Bank Group.

## **V CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Conclusions**

The Portfolio review has demonstrated that the performance of the Bank Group Portfolio in Mozambique is generally satisfactory and has followed a positive trend since the last CPPR of 2005. However there are challenges identified that need to be addressed to improve the quality of the portfolio in view of the high number of potentially problematic projects. The Mozambique field office will continue to play an important part in the monitoring and

accelerating the project implementation and improve portfolio performance to healthy levels. The recommendations for the Bank and the Government are summarized below.

## 5.2 **Recommendations**

Specific recommendations are contained in the Portfolio Improvement Plan Matrix attached as Annex III which are categorized in the following sections: (1) strengthen project effectiveness/quality at entry, (2) fiduciary assurance, (3) project management issues, and (4) monitoring and evaluation arrangements, and (5) dialogue issues between GOM and the Bank. The review of the portfolio recommends the following for the Government and the Bank:

### 5.2.1 **For the Government**

- (i) Improve compliance with loan agreements and general conditions to ensure compliance with approved implementation schedules;
- (ii) Ensure timely and regular provision of adequate counterpart funds to projects and VAT reimbursement;
- (iii) Develop and regularly utilize sound planning and monitoring tools, i.e. detailed project Annual Work Plans which include procurement and disbursement schedules;
- (iv) Systematically comply with report requirements in respect of quarterly project progress reports (QPPRs) and audit reports;
- (v) Improve the quality of the financial management of projects through the recruitment of staff with requisite financial management skills and experience;
- (vi) Submit quarterly and audit reports regularly and timely to assist as effective monitoring tools;
- (vii) Improve the capacity (adequate staff mix and English language skills) of the Ministry of Development Planning's Directorate of Investment and Cooperation (DNIC) to effectively oversee the Bank's portfolio.

### 5.2.2 **For the Bank Group**

- (i) Clean up the portfolio by systematically reducing the number of aged projects to improve portfolio performance;
- (ii) Strengthen the skill mix of mission compositions to include financial management specialists and specialist to handle cross cutting themes;
- (iii) More closely monitor portfolio progress through the completion of at least 2 supervision missions annually of Potentially Problematic Projects (PPPs). Supervisions should collate data to support evidence of the impact of development effectiveness;
- (iv) Step up training in Bank Group rules in procurement and disbursement;
- (v) Recruitment of bilingual (English and Portuguese) staff for MZRO where vacancies exist;

- (vi) More active interchange with donors in the domains of economic and sector work, resource mobilization, as well as harmonization and alignment in the context of the Paris Declaration;
- (vii) Draw on the experience of the Bank and the knowledge of its local staff to improve project design, particularly in regard to financial management. Project designs should include community participation to integrate the perspectives of beneficiaries.
- (viii) Timely preparation of project completion reports (PCRs) for completed projects to provide useful lessons for future interventions;
- (ix) Respond to GOM correspondence expeditiously.

5.3 The Board of Directors is requested to consider the conclusions and approve these recommendations which seek to help improve the Bank Group ongoing portfolio in Mozambique.

## Annex I KEY DATA OF ON GOING OPERATIONS

LONG NAME	FINANCIAL DATA (UA)				DURATION		RATING						STATUS
	Approved Amount	Cancelled amount	Disbursed Amount	Disb. Ratio	Closing Date	Age	Project Implementation	Procurement	Financial Performance	Activities and Works	Impact on Development	Overall Rating	
ARTISANAL FISHERIES DEVELOPMENT PROJECT	14,170,000		3,726,883	26.30%	31-Dec-08	6.71	2.33	1.50	2.00	1.67	1.67	1.87	PPP
ARTISANAL FISHERIES DEVELOPMENT PROJECT	1,730,000		354,794	20.51%	30-Dec-08	6.71	2.33	1.50	2.00	1.67	1.67	1.87	PPP
FAMILY SECTOR INCOME ENHANCEMENT PROJECT	12,460,000		7,168,297	57.53%	30-Dec-09	7.75	3.00	2.00	1.75	1.00	1.00	1.69	PP
FAMILY SECTOR INCOME ENHANCEMENT PROJECT	1,000,000		577,119	57.71%	30-Dec-09	7.75	3.00	2.00	1.75	1.00	1.00	1.69	PP
MASSINGIR DAM AND SMALLHOLDER AGRICULTUR	17,000,000		67,125	0.39%	31-Dec-09	1.41	1.67	3.00	2.50	1.75	2.00	2.13	NON PPP
MASSINGIR DAM AND SMALLHOLDER AGRICULTURAL REHAB.	55,000,000		53,936,658	98.07%	30-Dec-08	14.69	1.67	3.00	2.50	2.25	2.00	2.25	PPP
RURAL FINANCE INTERM.SUPPORT PROJECT	11,520,000		2,939,234	25.51%	30-Jun-11	4.72	3.00	0.50	1.60	1.33	2.33	1.81	PPP
RURAL FINANCE INTERM.SUPPORT PROJECT	3,840,000		239,183	6.23%	30-Jun-11	4.72	3.00	0.50	1.60	1.33	2.33	1.81	PPP
SMALL SCALE IRRIGATION PROJECT	12,430,000		7,532,086	60.60%	30-Mar-09	9.66	1.33	2.00	2.50	3.00	1.75	2.18	PPP
SMALL SCALE IRRIGATION PROJECT	1,210,000		785,140	64.89%	30-Mar-09	9.66	1.33	2.00	2.50	3.00	1.75	2.18	PPP
Women's Entrepreneurship And Skills Deve	2,510,000		58,127	2.32%	31-Dec-12	2.52							
<b>Agriculture Total</b>	<b>132,870,000</b>		<b>77,384,644</b>	<b>58.24%</b>		<b>6.94</b>	<b>2.27</b>	<b>1.80</b>	<b>2.07</b>	<b>1.80</b>	<b>1.75</b>	<b>1.95</b>	
Financial Sector TA Project (FSTAP)	6,800,000		1,216,191	17.89%	31-Jan-12	2.83	3.00	3.00	2.75	2.67	3.00	2.86	NON PPP
<b>Finance Total</b>	<b>6,800,000</b>		<b>1,216,191</b>	<b>17.89%</b>		<b>2.83</b>	<b>3.00</b>	<b>3.00</b>	<b>2.75</b>	<b>2.67</b>	<b>3.00</b>	<b>2.86</b>	
MINERALS RESOURCES MANAGT CAP. BUILDING	3,290,000		2,565,423	77.98%	30-Jun-08	6.91		2.50	2.2	1.66	2.66	2.23	NON PPP
MOMA MINERAL SANDS PROJECT	24,677,953		24,677,953	100.00%	18-Oct-07	5.19	2.00	2.00	2.00	2.50	2.50	2.15	NON PPP
<b>Ind/Mini/Quar Total</b>	<b>27,967,953</b>		<b>27,243,376</b>	<b>97.41%</b>		<b>6.05</b>	<b>2.00</b>	<b>2.00</b>	<b>2.00</b>	<b>2.50</b>	<b>2.50</b>	<b>2.15</b>	
Inst. Support for Public Sector Reform	2,126,000		261,041	12.28%	31-Aug-09	3.11	2.00	2.00	2.00	2.00	2.00	2.08	NON PPP
POVERTY REDUCTION SUPPORT LOAN	60,000,000		60,000,000	100.00%	30-Jun-08	1.76	2.00		2.20	2.00	2.00	2.00	NON PPP
<b>Multi-Sector Total</b>	<b>62,126,000</b>		<b>60,261,041</b>	<b>97.00%</b>		<b>2.43</b>	<b>2.00</b>	<b>2.00</b>	<b>2.10</b>	<b>2.00</b>	<b>2.00</b>	<b>2.04</b>	
ELECTRICITY IV PROJECT	26,300,000		254,093	0.97%	31-Dec-12	1.88	3.00	2.50	2.20	2.00	2.00	2.27	NON PPP
Energy Reform and Access Program	9,017,000		1,655,899	18.36%	31-Dec-08	4.74	2.33	2.00	2.60	2.25	3.00	2.47	PPP
Energy Reform and Access Program	1,965,000		60,848	3.10%	31-Dec-08	4.74	2.33	2.00	2.60	2.25	3.00	2.47	PPP
RURAL ELECTRIF.PROJECT (ELECT III)	11,120,000		2,352,715	21.16%	31-Dec-09	6.91	2.50	1.50	2.60	1.25	2.00	2.00	PPP
<b>Power Total</b>	<b>48,402,000</b>		<b>4,323,555</b>	<b>8.93%</b>		<b>4.57</b>	<b>2.54</b>	<b>2.00</b>	<b>2.50</b>	<b>1.94</b>	<b>2.50</b>	<b>2.30</b>	
EDUCATION III PROJECT	10,687,000		9,869,469	92.35%	30-Jun-08	10.04	2.00	3.00	2.25	2.50	2.33	2.38	PPP
EDUCATION III PROJECT	1,628,000		794,326	48.79%	30-Jun-08	10.04	2.00	3.00	2.25	2.50	2.33	2.38	PPP
EDUCATION IV PROJECT	10,000,000		1,732,512	17.33%	31-Dec-08	6.88	2.00	2.00	2.20	1.75	2.00	2.00	NON PPP
HEALTH II PROJECT	9,000,000		3,001,717	33.35%	31-Dec-08	7.61	2.67	1.00	2.00	1.75	2.67	2.06	PPP
HEALTH II PROJECT	600,000		139,960	23.33%	31-Dec-08	7.61	2.67	1.00	2.00	1.75	2.67	2.06	PPP
<b>Social Total</b>	<b>31,915,000</b>		<b>15,537,984</b>	<b>48.69%</b>		<b>8.44</b>	<b>2.27</b>	<b>2.00</b>	<b>2.14</b>	<b>2.05</b>	<b>2.40</b>	<b>2.18</b>	
MONTEPUEZ-LICHINGA ROAD PROJECT	30,100,000		-	0.00%		1.76							
VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	16,790,000		9,786,026	58.28%	31-Dec-09	8.63	2.00	2.50	1.20	1.25	2.00	1.67	PPP
VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	800,000	474,679	325,321	100.00%	31-Jan-05	8.63	2.00	2.50	1.20	1.25	2.00	1.67	PPP
<b>Transport Total</b>	<b>47,690,000</b>		<b>10,111,347</b>	<b>22.20%</b>		<b>6.34</b>	<b>2.00</b>	<b>2.50</b>	<b>1.20</b>	<b>1.25</b>	<b>2.00</b>	<b>1.67</b>	
INTEGRATED WATER SUPPLY AND SANITATION PROJECT	15,770,000		9,601,672	60.89%	29-Jun-09	7.65	2.67	2.00	2.00	1.75	2.00	2.06	PPP
INTEGRATED WATER SUPPLY AND SANITATION PROJECT	1,000,000		548,602	54.86%	29-Jun-09	7.65	2.67	2.00	2.00	1.75	2.00	2.06	PPP
MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17,500,000		17,435,787	99.63%	30-Jun-08	9.12	2.67	3.00	2.75	2.50	2.33	2.63	PPP
MAPUTO WATER SUPPLY AUGMENTATION PROJECT	2,160,000		1,094,773	50.68%	30-Jun-08	9.12	2.67	3.00	2.75	2.50	2.33	2.63	PPP
URBAN WATER SUPPLY, SAN.& INST. SUPPORT	19,064,810		8,546,290	44.83%	30-Dec-09	5.61	2.00	3.00	3.00	2.75	1.75	2.47	PPP
URBAN WATER SUPPLY, SAN.& INST. SUPPORT	2,310,000		669,350	28.98%	30-Dec-09	5.61	2.00	3.00	3.00	2.75	1.75	2.47	PPP
<b>Water Sup/Sanit Total</b>	<b>57,804,810</b>		<b>37,896,474</b>	<b>65.56%</b>		<b>7.46</b>	<b>2.44</b>	<b>2.67</b>	<b>2.58</b>	<b>2.33</b>	<b>2.03</b>	<b>2.39</b>	
<b>Grand Total</b>	<b>415,575,763</b>	<b>474,679</b>	<b>233,974,613</b>	<b>56.42%</b>		<b>5.04</b>	<b>2.31</b>	<b>2.25</b>	<b>2.17</b>	<b>2.07</b>	<b>2.27</b>	<b>2.19</b>	

NON PPP = Non Potential Problematic Project; PPP= Potential Problematic Project; PP= Problematic Project

## Annex II TRAFFIC LIGHT MONITORING TABLE

(as of July 31, 2008)	A. PROJECT IMPLEMENTATION			B. PROCUREMENT PERFORMANCE		C. FINANCIAL PERFORMANCE					D. ACTIVITIES AND WORKS				E. IMPACT ON DEVELOPMENT				F. OVERALL ASSESSMENT	
Project Name	A1 - Compliance with loan conditions precedent to entry into force	A2 - Compliance with General Conditions	A3 - Compliance with Other Conditions	B1 - Procurement of Consultancy Services	B2 - Procurement of Goods and Works	C1 - Availability of Foreign Exchange	C2 - Availability of Local Currency	C3 - Disbursement Flows	C4 - Cost Management	C5 - Performance of Co-Financiers	D1 - Adherence to implementation schedule	D2 - Performance of Consultants or Technical Assistance	D3 - Performance of Contractors	D4 - Performance of Project Management	E1 - Likelihood of achieving development Objectives	E2 - Likelihood that benefits will be realized and sustained beyond	E3 - Likely contribution of the project towards an increase in	E4 - Current Rate of Return	F1 - Previous Rating	F2 - Current Rating
ARTISANAL FISHERIES DEVELOPMENT PROJECT	Green	Green	Green	Green	Red	Green	Red	Yellow	Yellow	Green	Red	Yellow	Green	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Yellow
FAMILY SECTOR INCOME ENHANCEMENT PROJECT	Green	Green	Green	Green	Yellow	Green	Yellow	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
MASSINGIR DAM AND SMALLHOLDER AGRICULTURE (SUPP)	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
MASSINGIR DAM AND SMALLHOLDER AGRICULTURE	Yellow	Yellow	Red	Green	Green	Green	Yellow	Green	Green	Green	Red	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
RURAL FINANCE INTERM. SUPPORT PROJECT	Green	Green	Green	Red	Red	Green	Red	Red	Red	Yellow	Red	Yellow	Green	Red	Yellow	Green	Green	Yellow	Yellow	Yellow
SMALL SCALE IRRIGATION PROJECT	Yellow	Red	Red	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Yellow	Yellow
Women's Entrepreneurship And Skills Deve	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Financial Sector TA Project (FSTAP)	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green
MINERALS RESOURCES MANAGT CAP. BUILDING	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
MOMA MINERAL SANDS PROJECT	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow
Inst. Support for Public Sector Reform	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
POVERTY REDUCTION SUPPORT LOAN	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Yellow	Green	Green	Green	Green	Green	Green	Green
ELECTRICITY IV PROJECT	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
Energy Reform and Access Program	Green	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green
RURAL ELECTRIF. PROJECT (ELECT III)	Green	Green	Green	Green	Red	Green	Green	Green	Green	Green	Red	Green	Red	Green	Green	Green	Green	Green	Green	Green
EDUCATION III PROJECT	Yellow	Yellow	Yellow	Green	Green	Green	Yellow	Yellow	Yellow	Green	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green
EDUCATION IV PROJECT	Yellow	Yellow	Yellow	Green	Green	Green	Red	Red	Yellow	Green	Red	Red	Red	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
HEALTH II PROJECT	Green	Green	Green	Red	Red	Green	Yellow	Red	Yellow	Green	Yellow	Yellow	Red	Green	Green	Green	Green	Green	Green	Green
VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	Green	Green	Green	Green	Green	Green	Red	Red	Yellow	Red	Red	Yellow	Red	Green	Green	Green	Red	Green	Red	Red
INTEGRATED WATER SUPPLY AND SANITATION PROJECT	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Yellow	Green	Green	Green	Green	Green	Green	Green	Green
MAPUTO WATER SUPPLY AUGMENTATION PROJECT	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green
URBAN WATER SUPPLY, SAN. & INST. SUPPORT	Yellow	Yellow	Yellow	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Green	Red	Yellow	Yellow

Color Coding Explanation (traffic light):

**Color/Designation**

- Red - Unsatisfactory
- Orange - Satisfactory
- Green - Highly Satisfactory

**Rating Intervals**

- between 0 and 1.5
- between 1.6 and 2.5
- between 2.6 to 3

Ratings allocated to the indicators of each project are based on the ratings in the Supervision Summary of the projects as at 31 July 2008.

Annex III  
MOZAMBIQUE HISTORICAL DISBURSEMENTS  
2005-2008

Table - MZFO Loan and Grant Approvals and Disbursements				
(UA millions)	Dec-05	Dec-06	Dec-07	Jul-08
Loan and Grant Approvals	911.2	1.031,2	1.046,9	1.046,1
Disbursements	639.1	724.2	777.06	793.8

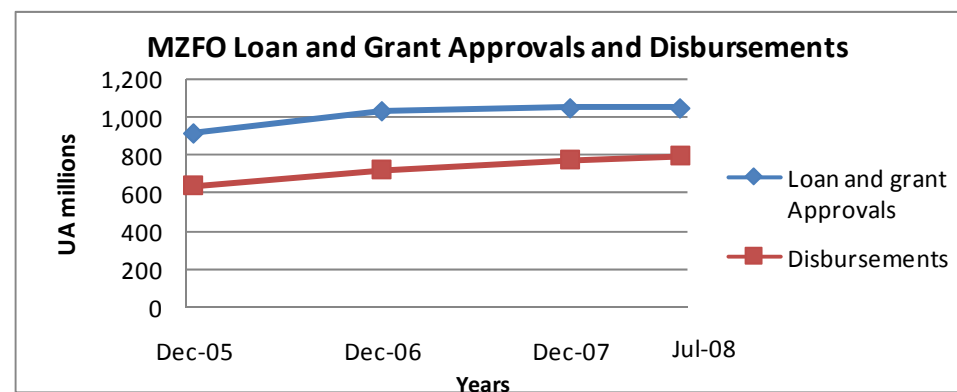
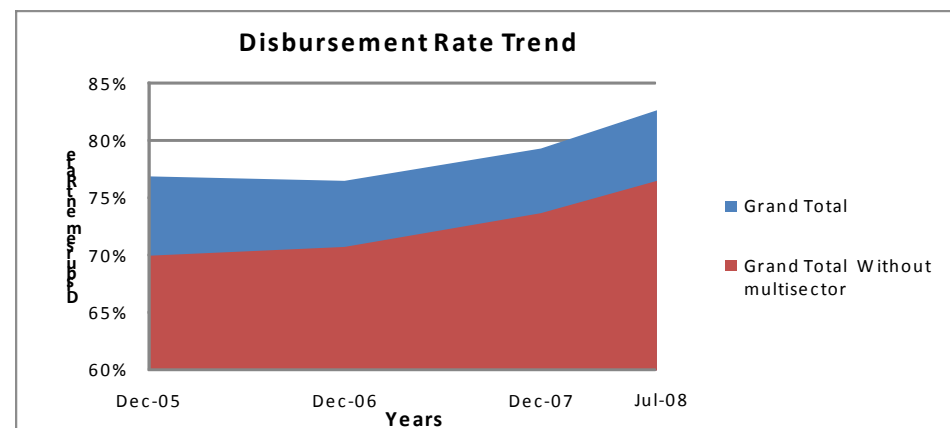


Table - Disbursement Rate Trend				
	Dec-05	Dec-06	Dec-07	Jul-08
Grand Total	76.88%	76.52%	79.27%	82.68%
Grand Total without Multisector	69.87%	70.60%	73.65%	76.46%



**Annex IV: Results from Bank On Going Interventions (2006-2008)**

Project	Key Results (June 2008)	Comments
<b><i>Water and Sanitation</i></b>		
Integrated Rural Water Supply and Sanitation for Central and Northern Region Water Boards	<ul style="list-style-type: none"> <li>• 1243 Water committees established</li> <li>• 452 Water committees trained</li> <li>• 437 Maintenance groups trained</li> <li>• 2 Offices constructed</li> <li>• 4Hhouses purchased and renovated</li> <li>• 698 Water points provided to the communities among new construction and rehabilitations</li> <li>• 4 Small piped water system constructed</li> <li>• 41 School latrines constructed</li> <li>• 13 Health post latrines constructed</li> <li>• 19 Community demonstration latrines constructed</li> <li>• 2 Studies for the establishment of Regional Administration of Water Authority (ARA's) for Center North and for North</li> <li>• 1 Study for supply of services regarding the study, planning and design of water and sanitation services for the four provincial centres of Nacala, Angoche, Cuamba and Lichinga.</li> </ul>	<p>The target of community training was not met due to problem of procurement process experienced.</p> <p>On the construction side, shortfalls in the contractor's capacity resulted in delays in construction of water points.</p>
Maputo Urban Water, Augmentation Project	<ul style="list-style-type: none"> <li>• New Filter at Umbeluzi treatment Plant installed, upgrading treatment capacity from 120.000 to 144.000 m3/h</li> <li>• Chamanculo pump station modification to supply the Laulane Distribution Centre with 1100 m3/h</li> <li>• Constructed 2 Ground reservoirs with capacity of 10000 m3 capacity each; one high elevated water tower, 500m3 capacity, power supply and 3 pumps at new Distribution Centre in Laulane</li> <li>• Constructed Chamanculo to Laulane trunk main</li> <li>• Constructed a distribution network for supply of additional 250.000 people of Hulene, Laulane and Mahotas with 74 km of mains</li> <li>• Installed 15.000 new connections and 50 stand-posts enabling increase access of water and commercial performance of the water supply system.</li> <li>• Replaced the Chamanculo-Maxaquene pipeline</li> <li>• Constructed additional water storage at Maxaquene Distribution Centre to secure additional 20.000 m3 for supply of the area.</li> <li>• Provision of employee opportunity for local communities.</li> <li>• Installation of Pay shops close to Operator's customers, at or near to administrative office.</li> <li>• Profiling of hygiene and sanitation practices in of Hulene, Laulane and Mahotas</li> <li>• Construction of 3.5 km of open drainage canal reducing the risk for flooding in the Bairros of of Hulene, Laulane and Mahotas.</li> </ul>	<p>The project had two implementation agencies, the DNA for the sanitation component and FIPAG for the water component. In general the implementation of the sanitation component was low due to institutional issues.</p>

Project	Key Results (June 2008)	Comments
Urban Water Supply, Sanitation and Institutional Support Project for Four Municipalities Towns	<ul style="list-style-type: none"> <li>• Construction/ Rehabilitation of 2 water and sanitation facilities</li> </ul> <p>Water Supply Rehabilitation and Extension Works in Chókwe and Xai-Xai. Overall combined progress to date is 100% of the original work plus 12.5% additional work has been completed. Results are as follows:</p> <p><b>Xai-Xai</b></p> <ul style="list-style-type: none"> <li>• Construction of 8 boreholes demanding 420 m3 per day;</li> <li>• Construction of 3 No ground level tanks with 700,550 and 250 m3 capacity each;</li> <li>• Construction of 3 No new water towers being two with 250 m3 and one 130 m3 capacity</li> <li>• Laying of 5 km of new main between the boreholes and the reservoirs;</li> <li>• Laying of 38.8 km of new secondary pipes, including replacement of old pipes;</li> <li>• Provision of 5.084 connections;</li> <li>• Rehabilitation of 45 standpipes and construction of 30 new.</li> </ul> <p><b>Chókwè</b></p> <ul style="list-style-type: none"> <li>• Construction of 500 m3 water tower;</li> <li>• Construction of 1 No borehole;</li> <li>• Laying of 1 km transmission main towards new water tower;</li> <li>• Laying of 11 km of new main and secondary distribution pipes;</li> <li>• Replacement of 3.2 km of the old secondary distribution pipes and</li> <li>• Provision of 796 connections and 8 standpipes.</li> </ul> <p><b>Maxixe</b></p> <ul style="list-style-type: none"> <li>• Inhanombe river abstraction site and surface water treatment plant including following components: Reservoirs, Administration Building ; Pump Station; Filters and Housing Facility</li> <li>• Construction of 200 m3 tank for high supply zone</li> <li>• Construction of R1 600 m3 tank for low supply zone</li> <li>• Rehabilitation of existing reservoirs</li> <li>• Installation of 6 Km DN 315 network</li> <li>• Installation of 29,182 m pipe network for total of 2100 house connections</li> <li>• Constructed 13 standpipes. The water company has asked for 558 more connections and 3 more standpipes to be done in Maxixe, in addition to the original numbers.</li> </ul> <p><b>Inhambane</b></p> <ul style="list-style-type: none"> <li>• Construction of Slow sand filters at Guiua River abstraction site</li> <li>• Construction of 250 m3 tank at R2</li> <li>• Construction of 875 m3 tank at R1</li> <li>• Rehabilitation of Water tower</li> <li>• Installation of 36,084km distribution pipeline for a total of 2900 house connections done from a total of 3147. The outstanding house connections were transferred to Maxixe.</li> <li>• Installed a total of 9 stand posts installed in Inhambane.</li> </ul>	Overall combined progress to date is 100% of the original work plus 12.5% additional work has been completed.

Project	Key Results (June 2008)	Comments
	Sanitation component <ul style="list-style-type: none"> <li>Study on for the establishment of Municipality Autonomous Sanitation Service in progress.</li> </ul>	
<b>Social Sector</b>		
1. Education	<ul style="list-style-type: none"> <li>Construction of two secondary schools at Espungabera and Caia ( Manica &amp; Sofala Provinces) including supply of furniture, equipment and didactic material.</li> <li>Construction of the Distance Education Institute Headquarters in Marracuene including 6 staff houses .</li> <li>Rehabilitation of the Teachers Training Institute in Vilanculos .</li> <li>Approximately 4000 direct beneficiaries (students)</li> <li>Training: 160 scholarships for Master degrees and research thesis in Math and Sciences for girls were provided.</li> </ul>	Three secondary schools and four secondary schools are under rehabilitation and will benefit around 10.000 students in Cabo Delgado, Nampula, Niassa and Zambeze pronvices.
2. Health	<ul style="list-style-type: none"> <li>Construction of Ponta Gea Health Center in Sofala Province, Metarica Health Center &amp; Cumba Health Training Center in Niassa Province.</li> <li>340 MoH staff both at the district and central level where trained</li> </ul>	Nacala General Hospital will be completed in December 2008 and will be the major health facility constructed in the region after independence.
<b>Roads</b>		
1. Rehabilitation of the Vanduzi/Changara Road	<ul style="list-style-type: none"> <li>After termination of the contract in October 2003 the works resumed in September 2007.</li> <li>Under the new contract 5.74 Km of Earthworks, 3.98 Km of Selected Subgrade Compaction and 3.14 Km of Dumping of Subbase, have been done up to May 2008.</li> </ul>	Since the commencement of the works in September 2007 up to March 2008, the Contractors activities were confined to refurbishment of the camp at Catandica, mobilization of plant and equipment and borrow pit investigations, due to delay in the payment of invoices by the GOV.
2. Montepuez-Lichinga Road Project	Recruitment of consulting firms for supervision is at contact signature stage. No civil works has started yet.	Effectiveness granted in July 2008. This is a co-financed project among ADB, JBIC and SIDA.
<b>Agriculture</b>		
1. Massingir Dam and Agriculture Rehabilitation Project	<ul style="list-style-type: none"> <li>Civil Works completed in June 2006. Other works completed are: Foundation Grouting 1,6Km New Stabilizing Berm 2,0Km 85 Dam toe Relief Wells Rip-Rap 4,0Km Dam Crest Raising</li> </ul>	<ul style="list-style-type: none"> <li>An accident occurred in May 2008 which destroyed and disrupted the bottom outlet conduits contributing to uncontrolled discharges.</li> <li>The situation has risk (118.89</li> </ul>

Project	Key Results (June 2008)	Comments
	<ul style="list-style-type: none"> <li>• Hydro-Mechanical Works completed in December 2006</li> <li>Rehabilitation &amp; Installation of 6 Spillway gates</li> <li>Rehabilitation of Hydro mechanical &amp; Electromechanical items in the Intake and Bottom Outlet</li> </ul> Rehabilitation of the Irrigation and Drainage Infrastructure at Xai-Xai, (iii) Rehabilitation of support infrastructures and Potable water supply; (iv) 90 Demonstration farm in Xai-Xai; (v) 34 Credit Association	= 1900 x 10 <sup>6</sup> m3) on a spillway discharge (till September) leading to a no discharge down 115,00 (crest of the spillway = 1400 x 10 <sup>6</sup> m3).
2. Artisanal Fisheries Development Project	<ul style="list-style-type: none"> <li>• 190 Km of access roads rehabilitated</li> <li>• 60 water well rehabilitated/constructed</li> <li>• 2 Fish markets constructed</li> <li>• 15 Fish landing site constructed</li> <li>• 15 community based committees installed</li> <li>• 55 fishing equipment and 16 fishing boats were provided to beneficiaries</li> <li>• 58 fish processing sites and conservation constructed</li> </ul>	Due to lack of capacity of local constructors to respond to the ADB rules and procedures, there is a need to reconcile ADB and the national procurement rules and procedures with more clarity on standard bid documents;
3. Small-scale Irrigation project	<ul style="list-style-type: none"> <li>• Development of 1,525 ha of irrigated land benefiting 1,500 farm families</li> <li>• So far, 15 irrigation schemes were concluded (449 ha), 15 are in various stages of development (806 ha) and 11 (584 ha) were cancelled.</li> <li>• Soil surveys in 9 schemes;</li> <li>• Soil and water quality monitoring in 14 schemes;</li> <li>• Baseline Surveys in 15 schemes;</li> <li>• Applied research in improved technologies for crop and water productivity in 17 schemes (about 750 farmers)</li> <li>• Training of 31 extension agents.</li> <li>• Establishment of 31 farmers associations 24 legalized and 12 with formal land titles</li> <li>• Participation of 1061 farmers in the alphabetization courses</li> <li>• Training of 48 alphabetization facilitators</li> <li>• Establishment of 84 committees</li> <li>• Training of 654 farmers in micro-credit</li> <li>• Provision of credit to 12 farmers associations (654 families)</li> </ul>	<ul style="list-style-type: none"> <li>• Floods have been affecting the construction of some irrigation schemes.</li> <li>• The unrealistic timeframe set for irrigation development (3 – 6 months) and the high costs for construction of the irrigation schemes as compared to the costs predicted by the Appraisal Report are the main bottlenecks in the implementation of the project.</li> </ul>
4. Rural Finance Intermediation Project	<ul style="list-style-type: none"> <li>• 15 financial institutions have been approved for financing with a total amount of USD 4.8 Million (USD 3.25 Million under the line of credit, USD 1.54 Million from matching grant and USD 6.642.68 from technical assistance funds).</li> <li>• 5000 brochures on legal conditions to entry in the financial sector were produced</li> <li>• Mozambique Association of Microfinance operator created</li> </ul>	The major outstanding investment is the expansion of the Namaacha breeder farm.  Funds under the agriculture component of the project will be allocated to the Government Action Plan to countervail the food crises
5. Family Farming Enhancement	<ul style="list-style-type: none"> <li>▪ Construction of Feed Mill.</li> </ul>	One of the biggest successes of

Project	Key Results (June 2008)	Comments
Project	<ul style="list-style-type: none"> <li>▪ <b>90% of</b> Rehabilitation and reinstallation of cold room destroyed by fire are almost concluded.</li> <li>▪ <b>Supply of</b> Vaccines and Broiler day old chicks</li> <li>▪ 11 boreholes have been sunk</li> <li>▪ 14.800 M long of wire mesh fencing for some vegetable farmers have been concluded</li> <li>▪ 1200 Sqm of tree crop nursery beds have been constructed</li> </ul>	<p>the Program is the establishment of the Malanga Microbank. This Bank has become the most important bank along the Maputo Corridor, an area that connects the Maputo city to South Africa. This is one of the largest business areas in the southern Mozambique. The Malanga Microbank has approached 3000 clients in two years of activity.</p>
<b><i>Power Sector</i></b>		
1. Electricity III	<ul style="list-style-type: none"> <li>• EDM has installed about 3279 connections.</li> <li>• No connections under ADB and OPEC components yet.</li> <li>• EDM Staff training completed</li> </ul>	<ul style="list-style-type: none"> <li>• The project suffered major delays due to the following: <ul style="list-style-type: none"> <li>- The loan became effective one year after signature;</li> <li>- A dispute between EDM and the first contractor led to contract termination in June 2007.</li> </ul> </li> <li>• EDM completed the contractor's unfinished work through own funding, connecting some 3279 connections that would have been financed by ADB.</li> </ul> <p>A new procurement process is under way.</p>
2. Energy Reform and Access Program (ERAP)	<ul style="list-style-type: none"> <li>• Energy Sector Reformed: EDM Unbundled (Transmission and Distribution Companies created and Independent Regulator established ) <ul style="list-style-type: none"> <li>- Transmission Company Created</li> </ul> </li> </ul>	<p>There was a delay in project Implementation due to the following:</p>

Project	Key Results (June 2008)	Comments
	<ul style="list-style-type: none"> <li>- Distribution Company deferred to a later period because the environment is not ready</li> <li>- Regulator Created</li> <li>• Staff training ongoing on energy policy, regulation, and contract negotiation.</li> <li>• No power connections made to date</li> </ul>	<ul style="list-style-type: none"> <li>- Delay between loan signature in April 2004 and effectiveness in February 2005.</li> <li>- Delays in procurement which led to effective commencement of February 2008.</li> <li>- Implementation now back on track.</li> </ul>
3.Electricity IV	<ul style="list-style-type: none"> <li>• Construction has not started as effectiveness was January 2008 .</li> </ul>	<p>The process for pre-qualifying the contractors was launched with the publication of the Specific Procurement Notice in the UNDB on the 16 July 2008. It is expected that pre-qualification will be completed by end of October 2008.</p>

**Annex V**  
**PORTFOLIO IMPROVEMENT PLAN MATRIX**  
**MOZAMBIQUE CPPR 2008**

Operations	Major Problem	Actions Required	Responsible Agency	Timeframe
1)Accelerate Project effectiveness /Quality at Entry	1.1 Delays in the effective implementation of projects	1.1.1 To develop a systematic monitoring system to closely monitor physical /financial implementation of projects	MZRO	30/09/08
		1.1.2 To involve in the design stage of the project people who will implement the project	ADB	Immediately
		1.1.3 At Appraisal define more adequate loan conditions		
2) Fiduciary Assurance:	2.1 There is discordance between ADB procurement rules and national procurement procedures.	2.1.1 To harmonize/reconcile ADB and the national procurement rules and procedures;	ADB	31/12/08
	2.2 Project staff not conversant with Bank procurement and disbursement procedures	2.2.1 Project staff should be continuously trained on the Bank's Procurement and Disbursement rules through regular clinics	ADB	Immediately/Continuously
	2.3 Procurement and disbursement delays	2.2.2 To provide guidelines and clarity on Bank standard bid documents. 2.3.1 Annual Procurement and disbursement plans must be submitted timely to the Bank	MZRO PIU	Immediately 15 December/On-going
3) Project Management Issues	3.1 Poor quality and late submission of the annual work plans and budgets, quarterly progress reports and audits;	3.1.1 The Bank to request PIUs to send the Annual Work Plan by years end and other reports regularly and timely/ MZFO to establish systematic monitoring and follow up.	MZRO/PIUs	15/12/08
		3.1.2 Audits firms to be appointed timely/6 months before the deadline	PIU	31/12/08
		3.1.3 Projects should be provided a model for elaborating their annual work plans, budgets and quarterly reports;	MZRO	31/07/08
	3.2 Slow Project Implementation Resulting in Aging Projects	3.2.1 Accelerate Recruitment of qualified project staff	PIU	Immediately
		3.2.2 Increase Government ownership & monitoring of projects	GOV	Immediately
	3.3 Bank delays in responding to documents	3.3.1 To set up time line for the Bank to provide timely respond to clients needs-PIUs and Government.	ADB/MZRO	Immediately
		3.3.2 There should be informal communication between the Bank and the PIUs before submission of documents.	PIU/MZRO	Immediately
		3.3.3 MZRO to assist in the preparation of documents to facilitate obtaining 'no objections'	MZRO/PIU	Immediately
	3.4 Working languages of the Bank are an impediment to implementation	3.4.1 Assess the possibility of the project documents in Portuguese be approved by MZRO in the context of decentralization.	MZRO/ADB	31/12/08
		3.4.2 To assess the viability of the Portuguese language to become official	MZRO/ADB	31/12/08

Operations	Major Problem	Actions Required	Responsible Agency	Timeframe
	<p>3.5 Insufficient and untimely government contribution : Delays in architectural and appraisal documents and in contract signature as a result of lack of counterpart funds.</p> <p>3.6 Inadequate and untimely VAT reimbursement by GOM. Contracts approvals not aligned to GOM state budget.</p>	<p>language of the Bank.</p> <p>3.4.3 The issue of language should be addressed in decentralization of the Bank considering the fact that to translate continuously between Portuguese and English renders communication difficult and costly;</p> <p>3.5.1 Take appropriate steps to ensure the regular and timely payment of counterpart funds by joint meeting of implementing partners to be organized</p> <p>3.6.1 Meet to formulate potential solutions to harmonization of contract commitments with calendar of national budget</p>	<p>MZRO/ADB</p> <p>MPD/MF/ADB</p> <p>MPD/MF/PIUs</p>	<p>31/12/08</p> <p>30/10/08</p> <p>30/10/08</p>
<b><u>4) M&amp;E arrangements and improve dialogue between ADB and Government</u></b>	4.1 Weak Portfolio Monitoring	<p>4.1.1 Organize "Mini CPPRs" as needed to discuss project/portfolio issues detrimental to portfolio performance</p> <p>4.1.2 Improve regularity of the Government participation (MPD, MF, BM) in supervision missions.</p> <p>4.1.3 Strengthen the Government M&amp;E capacities by appointing a Focal Person per sector to monitor sector performance and to participate in regular meetings between the Bank and PIUs.</p> <p>4.1.4 To adopt "traffic light" mechanism for project management. And monitoring(See Annex 2)</p> <ul style="list-style-type: none"> <li>• Red – Unsatisfactory performance</li> <li>• Yellow – Satisfactory/Fair performance</li> <li>• Green – Highly Satisfactory/Good performance</li> </ul> <p>4.1.5 Joint periodic visits to project implementation areas as a way to assess project performance and measure results.</p>	<p>MPD/MF/BM/MZRO</p> <p>MZRO</p> <p>MPD</p> <p>MPD/MZFO</p> <p>MZRO/MPD</p>	<p>31/11/08</p> <p>30/07/08</p> <p>Immediately</p> <p>Immediately</p> <p>01/10/08</p>