

**AFRICAN DEVELOPMENT BANK
AFRICAN DEVELOPMENT FUND**



MOZAMBIQUE

COUNTRY STRATEGY PAPER: 2006-2009

MID-TERM REVIEW REPORT

NB : This document contains errata or corrigenda (see Annexes)

ORSB DEPARTMENT
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ACRONYMS AND ABBREVIATIONS

ADB	African Development Bank
ADF	African Development Fund
ADP	Agriculture Development Program
AFCR	Africa Food Crisis Response
AIDS	Acquired Immune-Deficiency Syndrome
BM	Bank of Mozambique
CFMP	Medium Term Fiscal Scenario (<i>Cenário Fiscal de Médio Prazo</i>)
CPI	Corruption Perception Index
CPIA	Country Policy and Institutional Assessment
CPRR	Country Portfolio Review Report
CSP	Country Strategic Paper
EDM	Electricity of Mozambique Company
ESW	Economic Sector Work
EU	European Union
FRELIMO	Liberation Front of Mozambique
GoM	Government of Mozambique
GBS	General Budget Support
GDP	Gross Domestic Product
HIV	Human Immune-deficiency Virus
HIPC	Highly Indebted Poor Countries
IPAJ	Law of Mozambican Legal Aid Institute
IMF	International Monetary Fund
MAE	Ministry of State Administration
MIC	Ministry of Industry and Trade
MINAG	Ministry of Agriculture
MISAU	Ministry of Health
MDRI	Multilateral Debt Relief Initiative
MF	Ministry of Finance
MPD	Ministry of Planning and Development
MTR	Mid-Term Review
MZFO	Mozambique Field Office
M&E	Monitoring and Evaluation
PAF	Performance Assessment Framework
PAP	Performance Assessment Partnership
PAPA	Action Plan for Food Production
PEDA	Strategic Plan for Agricultural Development
PARPA	Plan of Action for the Reduction of Absolute Poverty
PBA	Performance Based Allocation
PEFA	Public Expenditure and Financial Assessment
PFM	Public Finance Management
PIU	Project Implementation Unit
PRGF	Poverty Reduction Growth Facility
PRISE	Integrated Road Sector Program
RENAMO	National Resistance of Mozambique
RBCSP	Results-Based Country Strategy Paper
TA	Administrative Court (<i>Tribunal Administrativo</i>)
UA	Unit of Account
UGEA	Executive Management Procurement Units
UEG's	Economic Management Units
VAT	Value Added Tax

CURRENCY EQUIVALENTS

(End-August, 2008)

UA1 = US\$1.590

UA1 = 39.1235 MZN

US\$1 = 25 MZN

FISCAL YEAR

1 January to 31 December

WEIGHTS AND MEASURES

Metric Systems

I INTRODUCTION

1.1 The Board of Directors considered the Country Strategy Paper (RBCSP) for Mozambique (ADB/BD/WP/2006/47), on 26th of April 2006. The 2006-2009 CSP is aligned to the Poverty Reduction Strategic Program of the GoM, PARPA II. During the discussion of the CSP, the Board expressed satisfaction that economic policy reforms together with political stability have contributed to improved macroeconomic environment, structural socio-economic transformation, rebound in growth and better social indicators. The Board further encouraged Government to pursue prudent monetary and fiscal policies conducive to a reduced fiscal deficit, receding inflationary pressures and improved external position. The Board advised that, to further enhance the country's macroeconomic performance and reduce dependence on foreign aid, additional efforts should be made to mobilize tax revenues, increase national savings and facilitate financial intermediation. It also expressed concern about the various challenges the country faces, particularly eliminating the remaining impediments to private investment such as inadequate physical and economic infrastructure, inappropriate legal and regulatory framework, high cost of doing business, and an underdeveloped financial sector. It also urged the Government to persevere in promoting good governance, reducing corruption, improving the efficiency and capacity of the public sector for social services delivery, arresting the spread of HIV/AIDS, and furthering economic diversification and regional cooperation.

1.2 The CSP was designed to assist Government and the private sector in addressing these development challenges by focusing on two mutually reinforcing strategic pillars: *(i) Governance- by reinforcing economic reforms, good governance and institutional capacity and (ii) : Infrastructure – by developing national infrastructure and increasing access to basic economic and social service, with focus on supply of road network, access to water, sanitation and electricity in order to increase population welfare and simultaneously address one of the main obstacles to business.*

1.3 The MTR report has benefited from the mid-term mission dialogue with the government and other stakeholders, the draft 2008 Country Portfolio Review (CPR), the fourth and fifth Poverty Reduction and Growth Facility (PRGF), reviews by the IMF and the Bank's on-going project supervision reports, PAP Joint Review 2007 and 2008, Mid-Year Joint Review 2007 and 2008. This report covers four main sections (ii) recent developments in Mozambique (iii) CSP implementation progress (iv) the Bank Group Strategy for the remaining period and (v) conclusion and recommendations.

II RECENT DEVELOPMENTS IN MOZAMBIQUE

2.1 Political Context

2.1.1 Sixteen years after the peace agreement that brought nearly two decades of civil war to an end and paved the way for the establishment of a multi-party democracy, Mozambique continues to witness the emergence of a vibrant democracy characterized by deep political contest, an outspoken and vocal media, and growing citizen participation. The separation of

powers between the judicial, executive and legislative bodies as well as respect for the rule of law continues to take root. General elections were successfully held in 1994, 1999 and 2004; and, in the context of the country's decentralization process, local elections were held in 1998 and 2004. The duration of constitutional mandates has been observed and new local elections and general elections are scheduled for 2008 and 2009 respectively. In the remaining period of the CSP (2008-2009) Mozambique's political agenda will no doubt be dominated by the two up-coming electoral acts.

2.1.2 Judging by previous campaigns and exacerbated by the effect of the recent food and oil crisis, a heated political debate is expected to precede the upcoming elections. The media's coverage and high visibility of recent cases of alleged corruption is expected to place the anticorruption agenda among the central themes of the pre-electoral debate. Mozambique's development partners, in turn, advocate the setting up of measurable targets for anti-corruption plans to allow progress in monitoring and assessment of the impact of these activities. While the fight against corruption has been a centre-piece of President Guebuza's political programme, local media and donors have expressed concern that the government's corruption strategy has delivered few visible results.

2.2 Macro-economic developments

2.2.1 According to IMF PRGF review of July 2008, Mozambique has become a mature stabilizer economy performing macro-economic policies that are able to tackle the main vulnerabilities of Mozambican economy. Growth has been resilient to climacteric and external price shocks. Despite extensive flooding in late 2007 and the large international import price increases (food and oil), Mozambique continued to enjoy a sustained period of high real GDP growth. From a higher growth rate of 8.5% in 2006, in 2007 there was a tenuous slow to 7.3%. However growth remained on average, 7% during the period 2006-mid 2008, a value considerably high, and it is forecasted approximately the same pace for the remaining period.

2.2.2 Despite the inflationary pressures of economic growth and increase of food prices, the main monetary challenge of the CSP period – maintaining the annual rate of inflation below 10% - was achieved. Inflation rate has continued to decline, from 13.2% in 2006 to 8.2% in 2007 and estimated to be 7.3% in 2008. The BM has continued to target the base money and deeply relied on foreign exchange sales to sterilize excess liquidity in the economy. The exchange rate of the Metical remained broadly unchanged during 2006-2007, at an average of 25.8 US\$.

2.2.3 The authorities have sustained prudent fiscal management. Fiscal policy has exceeded expectations despite the emergency spending related to climacteric adversities. Ratio Fiscal Revenue/GDP has increased from 13.2% in 2006 to 14.4% in 2007 and 2008 and is forecasted to reach approximately 15% of GDP in 2009. Pro-poor spending in the budget – indicated as Expenditure in PARPA priority – has also fulfilled the target of 65%¹. In the remaining period of the CSP, however, budgetary discipline may be under pressure as the electoral agenda may lead to un-programmed public expenditure.

¹ Only in 2007 expenditure in PARPA priorities was reduced to 61.5% due to constraints related to aid shortfalls, namely in the Health Common Fund, but during the period it has remained at a minimum of the targeted 65%

2.2.4 The external balance has performed well, but was negatively affected by external food and oil price shocks. The current account balance was -1,125 and -1,286 million of Mt in 2006 and 2007, respectively, representing -9.1% of GDP in both years. In 2008 it is expected to increase to -12.3% due to rising international price of food and oil.²

2.2.5. During the period of CSP, growth has been mainly driven by aid/donor funded construction projects; foreign investment in the energy sector; and agricultural production. If disaggregated by sector, economic expansion has been due largely to the primary sector, particularly agriculture, which grew by 8% while the extractive industries had a 12,6% growth. Agriculture performed soundly and the tertiary sector was the next best performer due to vibrant activity in transport and communication, hotels/restaurants and financial services sectors. The weakest performing sector was the secondary, due to the contraction of the manufacturing and to the decline of electricity supply. One of the main challenges that this sector has encountered during the mid-term period was the rationing of electricity supply to large industrial customers by the South African state utility Eskom, resulting into a 10% cut of electricity supply.

2.2.6 Despite the successful growth performance, there is the concern that growth may slow down when the capital/energy-intensive export-oriented mega-projects reach their completion point, and labour intensive investments have failed to emerge. The shortage of electricity supply may also hinder the effect of industrial mega-projects on growth as the availability of cheap electricity was one of the country's greatest attractive for potential foreign investors. Sustained growth will require significant productivity gains particularly in high potential sectors as agro-business, tourism, transport, services and communications.

III. MID-TERM OUTCOMES OF THE BANK GROUP RBCSP

3.1 Progress towards Expected Outcomes

3.1.1 The 2006-2009 CSP was designed to contribute to the following two main objectives: Pillar 1 - improve **governance** and reinforce economic reforms and institutional capacity. Pillar 2 - develop national **infrastructure** and increase access to basic economic and social services. The RBCSP 2006-09 aims to achieve the following outcomes: Pillar 1 - a) Macroeconomics reforms aimed at: i) enhanced efficiency and effectiveness of public expenditure management ii) appropriate budget allocation to PARPA priority sectors; b) Public sector reforms aimed at: i) rationalization, restructuring and decentralization of Ministries ii) pay reform and incentives framework iii) transparency and efficiency of procurement system iv) implementation of participatory, transparent and accountable anti-corruption programs c) Legal and Judicial Reform aimed at: i) supporting increased efficiency in the provision of justice services, through institutional capacity building and up-dating of legal codes ii) improve progress in clearing judicial cases pending and licensing new business. Pillar 2 –

² 20% of Mozambican imports are oil related, showing that the trade balance is particularly sensitive to the fluctuation of oil prices.² The country remains a Low Income Food Deficit Country, importing annually approximately 470,000 tons of wheat (100% of internal demand), 320,000 tons of rice (75% of internal demand) and 100,000 tons of maize.

seeks to develop the national infrastructure and increase access to basic economic and social services by: i) improving the national road network; ii) increase access to water and sanitation and iii) bringing electricity rate up to regional standards and thus addressing one of the main obstacles to the business.

3.1.2 The assessment of the RBCSP results framework revealed five key issues of concern: (i) different sources of data to monitor indicators led to ambiguous results; (ii) poor linkage between global outcome indicators and project outcome and output indicators; (iii) some indicators exhibited measurement problems or no data was available (iv) some targets were achieved partially, while the whole target was not met, making difficult to evaluate real progress; (v) some sensitivity analysis of the indicators is required to evaluate the real impact of the outcomes achieved (namely the impact of laws). To ensure a meaningful review of the RBCSP and subsequent monitoring of progress for the remaining period, the MTR was based on the comparison of the baseline status in 2005 and progress achieved in 2008 using the indicators established in the CSP 2006-09. The monitoring of the mid-term outcomes indicators of the 2006-08 RBCSP is presented in Table 2 (Annex II).

3.1.3 **Table 2 shows positive progress in the majority of the outcome indicators between 2006 and 2008. Overall mid-term review shows that the RBCSP implementation is on track with the expected outcomes and PARPA implementation is broadly positive.** In some areas of intervention indicators were achieved in the mid-term, so may exceed the forecasted results. In other areas there is the need to reinforce efforts to assure that the two pillars are deepened and the current level of performance does not decline.

Pillar 1: Governance through Budget Support

Macro-economic Reforms: Targets of revenue collection have performed well, budget allocation to PARPA priorities has been achieved and growth has been high and sustained by prudent monetary and fiscal policy.

Public Sector Reforms: Public Financial Management reforms are progressing well. The GoM is committed to implement the first two phases of the e-SISTAFE project relating to **Budget Execution**, control and evaluation. The direct budget execution of e-SISTAFE has drastically improved from 5% in 2006 to more than 80% in 2007 and progress has namely been achieved in the proportion of aggregate expenditure that is actually reported in the State Budget (OE), although progress can still be made by incorporating pensions and external funds in the direct execution. The **Medium Term Fiscal Scenario (CFMP)** has been an effective planning tool to assure fiscal discipline and programme medium term budget expenditure. However despite overall State Budget is in line with the CFMP, the restructuring plans did not achieve full expectations, because further disaggregated expenditure details were needed to evaluate true impact. Nevertheless, **Fiscal Reform** had very positive outcomes, providing an increase of the proportion of fiscal revenue in the GDP, due to reduction of fiscal evasion, better management of VAT reimbursements and simplification of tariff procedures. A new code of tax benefits and computerizing of chain of revenue collection (*e-Tributação*) was approved and a new tax reform law was submitted to Parliament in May 2008 aiming to widen the tax base, reduce the tax burden on the lowest earners and increase the governments overall tax revenue.

In spite of the positive outcomes, there are still gaps and weaknesses in public finance management in some areas at sectoral and provincial level. Moreover, it's also necessary to expand the e-SISTAFE to the municipalities. However, the lack of a good communication system, qualified personal and adequate infrastructure remains important constraints.

The number of completed internal **audits** increased in comparison with the previous years as well as the number of decisions taken by the General Inspectorate of Finance (IGF) on completed audits. Improvements were noted in the capacity to carry out and extend internal and external audits, improving the coverage of audited public expenditure, with an emphasis on the audits conducted by the Administrative Court (TA) in various districts. However external auditing through the TA has not showed such fulfilling results as internal audit.

In terms of **decentralization** some progress was made with the introduction of the Investment Budget for Local Initiatives (OIL), the reorganization and strengthening of the district governments and the improved human resources management at the local level. The creation of the National Decentralization Policy is also moving ahead. However there is evidence of lack of progress in municipalization and efforts should be done to guarantee that decentralization moves beyond the transfer of sector funds to local authorities and focus on the capacity-building of the local public organs, particularly improving the operational control units and tackling the lack of management and technical capacity of the Consultative Councils.

In order to tackle the inconsistency of public service salaries and the under-skilled staff, a new salary reform has been completed.

Procurement has benefited from a new procurement system based on internationally accepted standards. Additional improvements have also been observed due to the establishment of 472 Executive Procurement Management Units, (UGEA, *Unidades Gestoras Executoras das Aquisições*) at the central, provincial and district level.

Anti-corruption outcomes were not as successful as expected, particularly in terms of the number of concluded cases denounced to the anti-corruption unit. Between 2005 and 2007, Mozambique's ranking in the Transparency International's Corruption Perception Index has dropped from the 97th to 111th position. However this may be taken into perspective considering that the number of total countries ranked has also increased (158 in 2005, 163 in 2006 and 179 in 2007)³. Most PAP donors pledged to keep budget support at 2008 levels: Austria, Germany, Ireland and Spain promised an increase while Sweden and Switzerland have announced reductions. Sweden has reduced its support by 20 million Swedish crowns (3.3 million US dollars at today's exchange rate), but in dollar terms, it looks as if Sweden has increased its budget support (from 44.6 million dollars in 2008, to 47.1 million in 2009). Switzerland has made a symbolic reduction – a decline from 8 million Swiss francs (7.3 million US dollars) this year to 7.5 million Swiss francs in 2009. Albeit the poor performance a few measures have been taken by the government to tackle corruption, particularly in the form of institutional punishment, however this did not have direct implications on the indicator targeted because represented very low legal/judicial implications.

Legal and Judicial Reform: In this area the indicators were mostly met. Progress has been achieved in terms of the number of trials per year; judicial verdicts reached and the

³ Being the CPI an ordinal measure, the corruption position of Mozambique may be influenced by the introduction of new better performing country in the CPI list and not necessarily by a true increase of corruption perception.

provisions of free juridical and judicial assistance to citizens. In the legal reform the Labour Law and Prison was approved, but the Penal Code, the Law of the Mozambican Legal Aid Institute (IPAJ) has not been achieved. Particular improvement for the private sector has been achieved through the reduction of number of days to register a business license. No relevant data made difficult to monitor the improvement of the land tenure legal terms.

Pillar 2: Infrastructure

Water and sanitation targets were considerably exceeded: 1529 new water points were constructed compared to a target of 1055, while coverage of social protection programmes reached 119% of target. **Electricity** target was also by far exceeded: new domestic electrical connections in 2006 and in 2007 were 71,580 and 90,402 respectively, counting a total number of 161,982, which have largely exceed the 30,000 targeted value.

Roads have performed under expectations, because this sector has suffered from various challenges: (i) road construction has been adversely influenced by climacteric conditions. There is the issue that floods and droughts have become more unpredictable due to effects of global warming making risk analysis and mitigation strategies more inefficient. (ii) the non-existence of an efficient aid harmonization instrument in this sector, has undermined the performance by multiplying supervision efforts, increasing the work load and transaction costs of the government. (iii) The co-financing between GoM and Donors based on Counterpart Funds, (in order to assure the GoM ownership), has however created pressures on the service delivery constrained by low technical/institutional capacity and shortage of resources. This resulted in poor management of contracts, delays in payment and abandonment of works by the contractors. These all have influenced negatively the sector performance, resulting on weak implementation and monitoring of projects in these areas.

In 2007, the Integrated Road Sector Program (PRISE, *Programa Integrado do Sector das Estradas*), was approved to tackle these issues. This government's program for the road sector assures the GoM ownership and represents an important harmonization and coordination tool that centralizes and integrates all sector funding and management, and introduces a "Sector Wide Approach." In addition, the responsibility for the majority of payments to contractors has now been transferred to the Road Fund so payment delays may be reduced. The PRISE report will also provide an update on progress in the various sector activities through Joint Sector Reviews, (the first was held on March 2008). The system for reporting and for sector monitoring are also undergoing revision in line with the Performance Assessment Framework (PAF) and PRISE will serve as support to sector performance indicators. Despite improvements, these developments suffered delays and are too recent to allow impact assessment. They will be more visible in the remaining period of the CSP, hopefully contributing to achieving the 75% target of road network in good and reasonable condition.

3.2 The RBCSP and Bank Interventions (2006-2009)

3.2.1 Bank interventions contributing to the outcomes of the implementation of the RBCSP include policy-based lending through a Budget Support Program, project lending and non-lending activities.

The GBS had significant positive impact in governance during the period and has benefited the GoM with increasing institutional capacity. The importance of the General Budget Support in Mozambique states the Bank's priority in applying the Paris Declaration outcomes

on Aid Effectiveness and has contributed to develop an aid delivery mechanism that lowers transaction costs, increases national ownership and supplies options for donor harmonization. The impact of projects has been satisfactory in most sectors, despite the specific challenges described during monitoring. In order to avoid overlapping information further information about the portfolio and sector results may be found in the CPPR.

3.3 Resource Allocation under the PBA

3.3.1 The current CSP (2006-09) is contemplated by two ADF allocations: ADF X and ADF XI. The first period of the CSP from 2006 to 2007 was financed by the ADF-X allocation program (2005-07) which comprised 100 millions UA⁴. During July 2008, the government's proposal of priorities for financing under the ADF XI was presented to the Bank and negotiations were completed. The ADF-XI funding cycle (2008-10) comprises the remaining years of the CSP (2008 and 2009) and counts a value of 126.72 millions UA, representing a 26.72% increase in the allocation for Mozambique.⁵

3.4 Portfolio Management

3.4.1 The draft 2008 CPR shows that the overall score for portfolio performance in Mozambique stands at 2.2 which is satisfactory. Compared to 2005 CPRR (score 2), portfolio performance has improved, however there are 6 Non Problematic Projects (NPPPs), 12 Potentially Problematic Projects (PPPs) and 1 Problematic Project (PP), of the 22 projects evaluated by the performance ratings. The Agriculture sector, the most resourced, is the weakest performer and requires close monitoring and supervision. The portfolio 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 as the result of implementation delays of very aged projects whose deadlines were extended to complete the required activities.

3.4.2 The key challenges can be classified into weak implementation capacity and institutional constraints at both the Bank and GoM. The main 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 PIU's to master the Bank rules and procedures, (iv) Weak capacity of project monitoring and financial management, (v) High turnover of PIU staff and 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 and (viii) Inadequate supervision and monitoring by both GoM and the Bank. Specific actions to improve the portfolio have been pointed out in the Action plan matrix of the 2008 CPPR.

⁴ ADF X allocation when compared with preceding period, suffered from a 37% decrease, representing a reduction of allocation from 160 millions UA to 100 millions UA. This was mainly due to a 25% decrease in the Country Portfolio Performance Rating.

⁵ The 26.72 % increase was due to an overall improvement of Mozambique allocation PBA indicators: CPIA has improved from 3.6 to 3.73, CPPR has improved from 3 to 4, Governance was the indicator that most contributed for the increase of resources to Mozambique increasing from 0.95 in the ADF X to 3.2 in ADF-XI. All these disaggregated changes resulted in an increase of CPA from 3.26 to 3.47⁵, translated into a 26.72% increase of financing resources.

3.5 Aid Coordination and Harmonization

3.5.1 The Bank joined a group of 19 donors (PAP) in February 2006 to form a coherent group supporting a single government reform program, the Government Poverty Reduction Plan for 2006- 2009 (PARPA II). The Bank 2006/09 CSP is aligned with the PARPA II period and focuses on 2 of the 3 PARPA pillars: governance and economic development. The Bank is also a member of 8 sector working groups, and has chaired the roads donor working group since 2007. MZFO's strengthened and customized staffing will enable participation in other important groups where it has been underrepresented (economic, governance, public sector reform, decentralization, PFM).

3.5.2 Under the Paris Declaration the Bank is called upon to move toward greater use of country systems in areas such as financial management, project implementation arrangements, and monitoring and evaluation arrangements. In this regard the Bank has showed weak performance according to the 2007 PAP Performance Review. The Bank will seek to improve in line "Bank Group Approach towards Enhancing the use of Country Systems" approved by the Board in July 2008. However, the number of PIUs has been marginally reduced from 13 to 11, and coordinate technical cooperation increased to 12 in 2007 from none. The use of government audit and procurement system increased to 41% and 44% in 2007 compared with the common base-line value of 38%. The use of government's other PFM system has increased from 33% to 41%. The use of program based approaches have marginally increased from 37 to 38% and coordinated missions increased from 21% to 26%. Coordinated analytical works increased 25%.

3.5.3 In terms of Budget Support, the GoM and the PAPs have agreed on a Common Performance Assessment Framework (PAF) to increase the predictability of funding and reduce transaction costs. Joint Reviews (JR) are conducted twice a year and assess the overall progress of the PAF with regards to the previous calendar year and disbursements are triggered upon an overall satisfactory assessment of the benchmarks. The Bank is now fully harmonized with this process.

IV LESSONS LEARNT AT MID-TERM

4.1 Lessons for the Bank

4.1.1 *Need to improve quality of the Bank interventions in terms of portfolio performance: lower average age, faster implementation period, better monitoring and more impact analysis:-* There is the need to reduce the most negative effect on portfolio performance: age of projects by doing efforts on completion of old projects. Poor implementation performance reflects problems during project design, execution and monitoring. Project design should be informed by a detailed baseline analysis and analytical Economic Sector Work (ESW), incorporating lessons learnt and an agreement on the best indicators for assessing progress and measuring impact, especially on poverty reduction outcomes.

4.1.2 *Need to reinforce aid coordination efforts, increasing co-financing initiatives and trying to establish a leading position on specific technical strategic areas.* It is crucial to reinforce the Bank position in the PAP aid coordination framework, promoting an active participation in the PAP working groups and enhancing the Banks technical cooperation. The relocation of the country economist to MZRO as well as additional sector specialists should reinforce the Bank's position mainly in the Economic Sector Working Group. Efforts at promoting co-financing initiatives should also be made. Government has explicitly stated that one of the weaknesses of the Bank is terms of coordination is the need of use country systems especially in terms of procurement.

4.1.3 *Need to reduce the bureaucratic burden of procedures in order to improve performance, allow better coordination efforts in strategic areas and enhance flexibility able to cope with emerging challenges.* The Bank position is undermined by the rigid procedures that impose a bureaucratic burden on operations and reduces the capacity of reaction to new unpredictable challenges.

4.2 Lessons for Government

4.2.1 *Need for GoM to take advantage of the Bank's priority on infrastructure to reinforce its poverty reduction impact by promoting an integrated approach in the establishment of development programs and priorities among different ministries and sectors.*

4.2.2 *Need for Government to resolve issues related with corruption namely reinforcing internal and external audit procedures in order to re-establish government credibility and avoid aid shortfalls.* Due to less satisfactory results in terms of anti-corruption strategies and namely the visibility given by the local media to reduction in the budget support contribution from Sweden and Switzerland, efforts should be made by the government to restore confidence and credibility and avoid aid shortfalls in the future.

4.2.3 *Need for government to strengthen capacity building and service delivery of public service to improve the efficiency of aid resources and to cope with the challenge of the increasingly complex and demanding aid framework in Mozambique.* The complex aid framework that has been constructed in Mozambique in recent years represents not only a large source of resources, but also a challenge for the government to improve its administrative, technical and management capacity to assure that true impact results may be achieved.

4.2.4 *Need for government to focus on poverty reduction outcomes, in order to guarantee that growth is pro-poor and will improve human development. Special focus should be given to the problem of escalating persistence of HIV and cross-cutting issues as gender.*

V BANK GROUP STRATEGY FOR THE REMAINING PERIOD

5.1 Strategy for 2008-2009

5.1.1 GoM is expected to pursue sound macro-economic policies and economy seems to present some resilience to external shocks. The Bank's 2006-2009 RBCSP is aligned and anchored to PARPA II. The RBCSP will therefore maintain the two pillars for the remaining period. Current on-going operations will continue up to end of project life. The Bank will deepen focus on governance through Budget Support, in developing the private sector as well as its sectoral activities to better respond to government's priorities.

The following will be the key interventions within the RBCSP pillars in the remaining period:

Pillar I: Enhancing Performance in Governance through Budget Support

5.1.2 Under this pillar, interventions will continue to focus on (i) stimulating economic development by ensuring transparency, rendering accountability and active implementation of laws against criminal acts and corruption, as well as minimizing opportunities for deviation and misuse of funds and public resources (ii) improving the environment for the private sector development.

5.1.3 **Macro-Economic Reforms:** Assure that the GoM pursues policies towards a sound macro-economic stability monitoring especially the progress of fiscal revenues and of pro-poor public expenditure. The active participation on Macro-Economic PAP working groups may facilitate this task.

5.1.4 **Public Sector Reform:** The Bank will use interventions to reinforce internal and external audit, to assure transparency and suppression of illegalities. CFMP should also be reinforced in order to improve fiscal transparency and increase of fiscal revenue. The Bank will also advocate decentralisation efforts by the GoM, through operating and improving the District Consultative Councils. The Bank should also assure that the new procurement system is well implemented.

5.1.5 **Legal and Judicial Reform:** Efforts should be made to ensure that legal and judicial reform go beyond the pure legislation production, but focus on implementation and application of the law. Liberalisation and improvement of the business regulatory framework will be seen as crucial to promote private sector.

5.1.6 **Private Sector:** It is recognised that the private sector development is one of the new coming drivers of growth. The Bank will take a two-pronged approach to supporting private sector development: (i) improving the investment climate; and (ii) selective direct investment in high-impact private sector or PPP projects. In parallel, the Bank's private sector window will proactively explore opportunities to finance catalytic transactions via the new sector specialist in MZFO. The Mozambique private sector profile identifies a number of high potential sectors that the Bank could target: energy, agri-business, tourism, financial services, mining and industry.

Pillar 2: Infrastructure

5.1.7 Interventions under this pillar will include (i) Road Network (ii) Agriculture (iii) Social Sector Support (iv) Water and Sanitation and (v) Electricity.

5.1.8 **Road Sector:** Pambara –Rio Save Road and Macomia/Oasse are both projects confirmed to be government’s priority for the ADF-XI, so implementation will start in the remaining period. The rehabilitation of Lichinga/Montepuez Road was granted effectiveness in July 2008 and the Bank will proceed with the recruitment of a consultant for supervision. Nacala Corridor after finalising feasibility study will start the engineering work during the remaining period.

5.1.9 **Agriculture:** The Bank will finance Massingir Dam Rehabilitation under the ADF-XI, after an accident occurred in May 2008 that destroyed the bottom outlet conduits. Massingir Dam is a priority as a source of irrigation for agriculture, but also needs emergency repairs to ensure the downstream population’s safety in the future. Micro-level projects such as artisanal fisheries, small scale irrigation, rural finance and family farming will be on-going during the period.

5.1.10 **Water and Sanitation:** There will be two on-going projects: Integrated Rural Water Supply for Nampula and Niassa provinces and Urban Water Supply and Institutional Support project for Four Towns.

5.1.11 **Electricity:** The project Electricity III will benefit from a new procurement process. The sector will benefit from the Energy Reform and Access Program (ERAP) that became effective on 2005. In the project Electricity IV will benefit from the process of qualification and contractors as well as from the procurement notice signed on the 16th July 2008.

5.2 Non-Lending Activities

5.2.1 Government has suggested that it would be interesting for the Bank to support a common donor fund, specifically to statistical national programs, such as census and household surveys, that may improve the production of quality data and help monitor poverty, food security, coping strategies, etc. Other joint research and analytical work will be designed and implemented, after identifying the most relevant issues that most intensively impact on the Bank’s performance and GoM needs.

5.3 Dialogue issues

5.3.1 The MZRO in the period 2008-09 will reinforce the dialogue on challenges identified during this review. The areas for dialogue will include: (i) Improvements in public finance management with a focus on audit and public procurement (ii) Aid effectiveness and donors coordination (iii) Poverty monitoring and analysis (iii) Best Practices in Monitoring Results (iv) Coordination with donors on how to better support private sector development (v) Building institutional capacity for implementing program based approaches (v) Social and sector policies focusing on improving cross-cutting areas as gender environment and HIV/AIDS. The dialogue may include Joint Conferences, Workshops and production of Best Practices Reports.

5.4 Risk Management and Mitigation Measures

5.4.1 Results show that over the period 2006-2008, GoM was able to manage endogenous risks and the Mozambican economy showed to be resilient to most external shocks.

5.4.2 However some risks may jeopardise expected results. The major risks in the 2008-2010 period include: (i) Adverse climacteric conditions may be triggered by the unpredictability of climate change and global warming deepening food insecurity and food crisis (iii) Continued increase in world oil prices may intensify the negative effect on terms of trade (ii) The 2009 elections may be a source of expenditure slippage if not well managed (iv) Perception of corruption may lead to a crowding out effect of donors jeopardising the Budget Support Program and creating aid shortfalls (v) Low commitment of GoM to endorse reforms and implement new laws.

These risks have been mitigated through efforts on: (i) improving mechanisms of reaction to calamities and supporting coping strategies to adverse climacteric conditions as floods and cyclones. (ii) monitoring the GoM performance in order to avoid slippage and reinforce anti-corruption strategies. (iii) on-time analysis of food gap and support on the Government Food Crisis Strategy may minimise the effect of food crisis. (iv) Donors should support GoM to continue improving Public sector reforms, restoring institution's credibility and creating an environment of transparency.

VI CONCLUSION AND RECOMMENDATION

6.1 Conclusion

6.1.1 During the current CSP, there has been sustained macro-economic progress resulting from commitment to reform by GoM and favorable donor support. Results from this review show that the Bank's interventions have contributed positively to the RBCSP with positive progress observed in more than 65 percent of the outcome indicators.

6.1.2 The Review confirmed the RBCSP's alignment to the national strategy and recommends that the CSP pillars remain the same for the remaining period with a deepened focus on governance and infrastructure in the areas that still require improvement. The Review further reinforces focus on private sector as a new driver of growth and source of potential development.

6.2 Recommendation

The Boards of Directors are invited to acknowledge the strengthening of the RBCSP 2006-09 priority pillars within the Bank's activities as response to government priorities.

Table 1: MOZAMBIQUE: Macro-Economic Performance (2006-2008)

Indicators	Unit	2006	2007	2008	2009
		Act.	Act.	Proj.	Proj.
National income and Prices					
• Nominal GDP	Millions MT	176, 804	201,43	226,386	255,325
• Real GDP growth	%	8. 5	7. 3	7. 0	7.0
• GDP Per Capita	US\$	355	386	453	474
• Consumer Price Index (annual average)	%	13. 2	8. 2	7. 3	5. 5
Government Budget					
• Revenue (excluding grants)	% GDP	15. 3	16.4	16. 9	17. 4
• Expenditure and net lending	% GDP	27. 5	29. 0	35. 1	34. 5
• Ratio Fiscal Revenue/ GDP	% GDP	13.2	14.4	14.4	14.8
• Proportion of PARPA priorities in Total Public Expenditure	% Public Expenditure	65.1	61.5	69.4	70.4
• Domestic Primary Balance					
• Overall balance before grants	%GDP	-1. 8	-2. 6	-3. 2	-3. 1
• Overall balance after grants	% GDP	-12. 5	-13. 5	-18. 3	-17. 0
	% GDP	-1. 7	-3. 9	-5. 5	-5. 1
Money and Credit					
• Money and Quasi money (M3)	% of GDP	30. 3	33. 3	34. 6	35. 2
• Net foreign assets	Millions of US Dollars	34,348	37,654	44,154	44,448
• Net Domestic Assets	Millions of Meticais	-19,612	-19,832	-23,220	-23,237

Credit to government	Millions of Meticaïs	-17,433	-18,900	-19,596	-18,715
Credit to the economy	Millions of Meticaïs	16	308	308	308

External Sector

• Exports	Million US\$	2,381	2,412	2,488	2,515
• Imports	Million US\$	-2,914	-3,093	-3,540	-3,664
• Gross international reserves	Months of imports	4.4	5	4.6	4.6
• Current account excluding transfers	Million US\$	-1,125	-1,286	-1,954	-2,025
• Exchange Rate (Average)	MK/US\$	25	25.7	-	-
• Terms of trade	Million US\$	27.3	4.4	-8.4	-7

Debt and Stock and Service

• NPV of total external debt	%GDP	10	12.6	-	-
• External debt service	% of exports	1.2	1.1	-	-
• MDRI Relief from IMF	Millions of Dollars	120	0	0	0
• MDRI Relief from IDA	Millions of Dollars	1,319	0	0	0
• MDRI Relief from AfDB	Millions of Dollars	465	0	0	0
• HIPC Relief from IMF	Millions of Dollars	34	0	0	0

Source: IMF PSI Review Report (July 2008)

Table 2: Monitoring Mid-Term Outcomes Indicators of the 2006-2008 RBCSP

Strategic Pillars	Base Line	Progress	Comments	CSP Outcomes ⁶
	2005	2008		2009
<i>CSP Pillar 1: Governance Through Budget Support</i>				
• Macroeconomic Reforms	FiscalRev/GDP=12.2%	2006:13.2% 2007: 14.4% 2008: 14.4% 2009: 14.8%	MET Total revenues as % of GDP were achieved (14.9% target).	2006:12.2% 2007:12.7% 2008:13.2% 2009:13.7%
	% Budget in PARPA priorities= 66.3%	2006: 65% 2007: 61.5% 2008: 69.4% 2009: 70.4%	MET	65% of Budget in PARPA Priorities

⁶ Please note that the CSP outcomes presented in this column are the expected targets for 2009 defined by the CSP in 2006, when the CSP was initially constructed.

	Fragile State financial accounting and M&E system.	Roll-out of basic functionalities of E-SISTAFE to Ministries of Health, Public Works and Agriculture at the Central and Provincial level. 25 ministries, 7 state organs & 544 UGEs.	MET	Implementation of E-SISTAFE in Ministries and roll-out of basic functionalities (treasury, budget execution and accounting) as set in the 2006-08 Action Plan
<ul style="list-style-type: none"> Public Sector Reforms 	Low Quality of Public Service and need to rationalization and functional restructuring of Ministries	Overall Trend of State Budget in Line with the CFMP, but not disaggregated and differences not explained among ministries.	NOT MET BUT PROGRESS % of aggregate expenditure as % of Budget was reached and the targeted number of reports of financial audit approved by TA were reached (176 when target was 90).	CFMP: Restructuring Plans implemented in MISAU, MINAG, MIC, MAE, MPD, MF
	Need to Decentralization	% Transferred to provinces: 34%, districts: 3% and municipalities: 1% 45 Districts with 3 or more meetings (score 3 not met)	ROUGHLY MET NOT MET	% Budget transferred to provinces at 37.7%, districts at 3.36% and municipalities at 0.84% % of organs at central and

		<p>provincial level with operational internal control units (target 30)</p> <p>Score 3 not met, only 25% was achieved. Constraints: Technical and management capacity of members of CC.</p>	<p>60% of District Consultative Councils operational with 3 meetings per year</p>
<p>Under-skilled staff and inconsistent incentives framework</p>	<p>Approval by Council of Ministers (CM) the regulations to set up the new Tax Authority.</p> <p>Salary Reform System Completed (score 1 met)</p>	<p>MET</p>	<p>New Salary Reform System (SII) implemented at the national level, with a decrease of wage bill as % GDP</p>
<p>Weak procurement System</p>	<p>New Supervision unit for Public Procurement (UASP) created and operating.</p> <p>Procurement System Operational</p>	<p>MET</p>	<p>New procurement system based on the new (international) procurement regulation implemented to district level by 2007 and connected with the E-SISTAFE</p>

<p>Significant Levels of Corruption</p>	<p>No Data Available</p> <p>Not much improvement has been achieved. Number of corruption cases reported, under investigation, accused, filed and tried were nonexistent or unavailable.</p>	<p>NOT MET (Score 4)</p> <p>However Between January 2007 and August 2008, the Mozambican authorities have expelled 813 people from public administration for offences that include theft and corruption). A further 380 state functionaries were fined, and 247 were demoted. A total of 2,415 disciplinary proceedings were initiated over the 19 month period. 38 disciplinary cases involved state officials who held leadership positions.</p>	<p>Increase the proportion (%) of concluded cases in denounced cases (to the anti-corruption unity)</p> <p>Recommendations of completed corruption survey implemented through short-medium term anti-corruption strategic plan and disseminated to the public.</p>
<ul style="list-style-type: none"> • Legal and Judicial Reform <p>Limited institutional capacity. Outdated legal coded that constraint business and economic development. Slow progress in clearing</p>	<p>70% of judicial trials reached.</p> <p>Labour Law approved. Prison Legislation approved.</p>	<p>MET also number of trails has increased to more than 24221 process.</p> <p>PARTIALLY MET</p> <p>Some progress has been</p>	<p>50% of judicial verdicts reached.</p> <p>Approval and implementation of revised Civil</p>

judicial cases pending and business licensing	<p>Penal Code not approved. Código das custas judiciais, Lei do IPAJ e Lei dos tribunais comunitarios nao aprovados have delays</p>	<p>achieved: Number of trials within the established deadline has been achieved and Number of District delegations of IPAJ working was also achieved</p>	<p>Procedure Code, Penal Procedure and Notary Code, Commercial Code, Civil and Bankruptcies and Labour Law.</p>
	<p>Number of days to business registration decreased to 30 days</p>	<p>MET</p>	<p>Number of days to start a business (registration and license) reduced to 90</p>
	<p>No information.</p>	<p>UNKNOWN</p>	<p>95% of processes regarding the attainment of the rights for land tenure authorized in 90 days</p>

CSP Pillar 2: Infrastructure (Roads, Irrigation, Electricity and Water)

<ul style="list-style-type: none"> Roads Network 	<p>Network in poor conditions hindering access to domestic regional markets, social and economic centers.</p>	<p>Target not met of 75% of roads (score 3), but progress was achieved: 69%</p>	<p>NOT MET BUT PROGRESS</p>	<p>Increase to 75% of road network in good and reasonable condition. Road Construction has progressed 69%. Road construction was adversely influenced by the weather, namely the floods of cyclone Favio. 75%, 85%, 95% and 100% of N1, Lichinga-Pemba, Nampula-Nacala, Machipanda-Beira and Ressano Garcia-Maputo roads in good conditions by 2006, 2007, 2008 and 2009 respectively.</p>
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<ul style="list-style-type: none"> • Water and Sanitation 	<p>Households and health care facilities are limited or no access to safe water and sanitation services especially in rural areas</p>	<p>Population with access to water increase to 48,5% in rural areas and 40% in urban areas. This represented an increase of 9.871.523 people with access to safe water. Sanitation has increased to 47% in urban areas and 39% in rural areas.</p>	<p>PARTIALLY MET</p>	<p>Increase to 45% of population with access to safe water and 41% to sanitation services.</p>
<ul style="list-style-type: none"> • Electricity 	<p>Limited access to electricity, high costs and low reliability of supply</p>	<p>Electricity Access:</p> <p>2005 - 6.8%</p> <p>2006 – 8.2%</p> <p>2007 – 10.1%</p> <p>New Domestic Connections</p> <p>In 2006 and in 2007, 71,580 and 90,402 new domestic connections, respectively, were made, bringing the total number of new domestic connections between 2005 and 2007 to 161,982⁷.</p> <p>A tariff study determined the Long Run Marginal Cost of Supply (LRMC) tariff</p>	<p>MET</p>	<p>New 30.000 domestic electrical connections</p>
			<p>The new domestic connections target were surpassed. This was mainly a result of improved performance by EDM within the framework of the Performance Contract with the Government and implementation of projects through own investments. Hence electricity access rates also increase significantly</p>	
			<p>EdM has already achieved the LRMC tariff due to implementation of a policy of</p>	

as USc 9.1/KWh.

step by step annual increases in the tariff and the depreciation of the US\$. However, due to accelerated global and local cost increases this tariff may require additional upward adjustment to recover the cost of supply.

Source: PAP Joint Review and PSI IMF PRGR

Table 3: Summary Status of On-Going Projects

African Development Bank - Mozambique Ongoing Projects as at 31.07.2008										7/31/2008		
#	Sector	Fin.project	Loan Number	Long name	Approval Date	Effect. Date	Closing Date	Approved Amount	Cancelled Amount	Disbursed Amount	Disb.Ratio	Age
	Agriculture	P-MZ-AAF-001	2100150006688	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	4-Apr-02	31-Dec-08	14,170,000	-	3,726,883	26.30%	6.71
	Agriculture	P-MZ-AAF-001	2100155001708	ARTISANAL FISHERIES DEVELOPMENT PROJECT	14-Nov-01	28-Mar-02	30-Dec-08	1,730,000	-	354,794	20.51%	6.71
	Agriculture	P-MZ-AAZ-001	2100150000723	FAMILY SECTOR INCOME ENHANCEMENT PROJECT	31-Oct-00	27-Jul-01	30-Dec-09	12,460,000	-	7,168,297	57.53%	7.75
	Agriculture	P-MZ-AAZ-001	2100155000231	FAMILY SECTOR INCOME ENHANCEMENT PROJECT	31-Oct-00	27-Jul-01	30-Dec-09	1,000,000	-	577,119	57.71%	7.75
	Agriculture	P-MZ-AAO-026	2100150014043	MASSINGIR DAM AND SMALLHOLDER AGRICULTUR	2-Mar-07	30-Nov-07	31-Dec-09	17,000,000	-	67,125	0.39%	1.41
	Agriculture	P-MZ-AAO-011	2100150000711	MASSINGIR DAM AND SMALLHOLDER AGRICULTURAL REHAB.	24-Nov-93	30-May-96	30-Dec-08	55,000,000	-	53,936,658	98.07%	14.69
	Agriculture	P-MZ-AAO-015	2100150007156	RURAL FINANCE INTERM.SUPPORT PROJECT	12-Nov-03	21-Dec-04	30-Jun-11	11,520,000	-	2,939,234	25.51%	4.72
	Agriculture	P-MZ-AAO-015	2100155002003	RURAL FINANCE INTERM.SUPPORT PROJECT	12-Nov-03	21-Dec-04	30-Jun-11	3,840,000	-	239,183	6.23%	4.72
	Agriculture	P-MZ-A00-001	2100150000731	SMALL SCALE IRRIGATION PROJECT	2-Dec-98	26-Sep-00	30-Mar-09	12,430,000	-	7,532,086	60.60%	9.66
	Agriculture	P-MZ-A00-001	2100155000252	SMALL SCALE IRRIGATION PROJECT	2-Dec-98	26-Sep-00	30-Mar-09	1,210,000	-	785,140	64.89%	9.66
	Agriculture	P-MZ-AZO-001	21001550006516	Women's Entrepreneurship And Skills Deve	25-Jan-06	17-May-07	31-Dec-12	2,510,000	-	58,127	2.32%	2.52
7	Agriculture Total							132,870,000	-	77,384,644	58.24%	6.94
	Finance	P-MZ-HZO-001	2100155005616	Financial Sector TA Project (FSTAP)	4-Oct-05	23-Nov-05	31-Jan-12	6,800,000	-	1,216,191	17.89%	2.83
1	Finance Total							6,800,000	-	1,216,191	17.89%	2.83
	Ind/Mini/Quar	P-MZ-BAO-001	2100150006671	MINERALS RESOURCES MANAGT CAP. BUILDING	3-Sep-01	22-Mar-02	29-Dec-08	3,290,000	-	2,565,423	77.98%	6.91
	Ind/Mini/Quar	P-MZ-BAA-001	2000120000169	MOMA MINERAL SANDS PROJECT	21-May-03	18-May-05	18-Oct-07	24,677,953	-	24,677,953	100.00%	5.19
2	Ind/Mini/Quar Total							27,967,953	-	27,243,376	97.41%	6.05
	Multi-Sector	P-MZ-K00-005	2100155005317	Inst. Support for Public Sector Reform	22-Jun-05	17-Oct-06	31-Aug-09	2,126,000	-	261,041	12.28%	3.11
	Multi-Sector	P-MZ-K00-004	2100150013093	POVERTY REDUCTION SUPPORT LOAN	27-Oct-06	30-Nov-06	30-Jun-08	60,000,000	-	60,000,000	100.00%	1.76
2	Multi-Sector Total							62,126,000	-	60,261,041	97.00%	2.43
	Power	P-MZ-FA0-006	2100150012843	ELECTRICITY IV PROJECT	13-Sep-06	24-Jan-08	31-Dec-12	26,300,000	-	254,093	0.97%	1.88
	Power	P-MZ-FA0-005	2100150007228	Energy Reform and Access Program	5-Nov-03	14-Dec-04	31-Dec-08	9,017,000	-	1,655,899	18.36%	4.74
	Power	P-MZ-FA0-005	2100155002048	Energy Reform and Access Program	5-Nov-03	14-Dec-04	31-Dec-08	1,965,000	-	60,848	3.10%	4.74
	Power	P-MZ-FA0-004	2100150006670	RURAL ELECTRICIF.PROJECT (ELECT III)	3-Sep-01	28-Mar-02	31-Dec-09	11,120,000	-	2,352,715	21.16%	6.91
	Power Total							48,402,000	-	4,323,555	8.93%	4.57
	Social	P-MZ-I00-001	2100150000714	EDUCATION III PROJECT	15-Jul-98	17-Nov-99	30-Jun-08	10,687,000	-	9,869,469	92.35%	10.04
	Social	P-MZ-I00-001	2100155000234	EDUCATION III PROJECT	15-Jul-98	17-Nov-99	30-Jun-08	1,628,000	-	794,326	48.79%	10.04
	Social	P-MZ-IA0-006	2100150006657	EDUCATION IV PROJECT	13-Sep-01	25-Mar-02	31-Dec-08	10,000,000	-	1,732,512	17.33%	6.88
	Social	P-MZ-IB0-001	2100150000726	HEALTH II PROJECT	21-Dec-00	31-May-01	31-Dec-08	9,000,000	-	3,001,717	33.35%	7.61
	Social	P-MZ-IB0-001	2100155000233	HEALTH II PROJECT	21-Dec-00	29-Dec-00	31-Dec-08	600,000	-	139,960	23.33%	7.61
3	Social Total							31,915,000	-	15,537,984	48.69%	8.44
	Transport	P-MZ-DB0-007	2100150013143	MONTEPUEZ-LICHINGA ROAD PROJECT	27-Oct-06	12-Jul-07	31-Aug-11	30,100,000	-	-	0.00%	1.76
	Transport	P-MZ-DB0-003	2100150000727	VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	15-Dec-99	11-Aug-00	31-Dec-09	16,790,000	-	9,786,026	58.28%	8.63
	Transport	P-MZ-DB0-003	2100155000251	VANDUZI-CHANGARA ROAD REHABILITATION PROJECT	15-Dec-99	7-Jul-00	31-Jan-05	800,000	474,679	325,321	100.00%	8.63
2	Transport Total							47,690,000	474,679	10,111,347	22.20%	6.34
	Water Sup/Sanit	P-MZ-E00-002	2100150000735	INTEGRATED WATER SUPPLY AND SANITATION PROJECT	8-Dec-00	29-Aug-01	29-Jun-09	15,770,000	-	9,601,672	60.89%	7.65
	Water Sup/Sanit	P-MZ-E00-002	2100155000250	INTEGRATED WATER SUPPLY AND SANITATION PROJECT	8-Dec-00	28-Aug-01	29-Jun-09	1,000,000	-	548,602	54.86%	7.65
	Water Sup/Sanit	P-MZ-E00-001	2100150000734	MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17-Jun-99	17-Aug-00	30-Jun-08	17,500,000	-	17,435,787	99.63%	9.12
	Water Sup/Sanit	P-MZ-E00-001	2100155000246	MAPUTO WATER SUPPLY AUGMENTATION PROJECT	17-Jun-99	17-Aug-00	30-Jun-08	2,160,000	-	1,094,773	50.68%	9.12
	Water Sup/Sanit	P-MZ-E00-003	2100150007036	URBAN WATER SUPPLY, SAN.& INST. SUPPORT	20-Dec-02	17-Dec-03	30-Dec-09	19,064,810	-	8,546,290	44.83%	5.61
	Water Sup/Sanit	P-MZ-E00-003	2100155001917	URBAN WATER SUPPLY, SAN.& INST. SUPPORT	20-Dec-02	17-Dec-03	30-Dec-09	2,310,000	-	669,350	28.98%	5.61
3	Water Sup/Sanit Total							57,804,810	-	37,896,474	65.56%	7.46
23	Grand Total							415,575,763	474,679	233,974,613	56.42%	5.04

Table 4: Portfolio Performance

Performance Indicators		Evolution			Internal comparison		External comparison	
		2006	2007	2008	MOZ.	Bank (ADF)	MOZ.	WB Moz
Implementation & Impact (a)	Age (years)			5.1	5.1	4.3	5.1	3.9
	Cumulative disbursement rate (%)	74.94	79.27	81.63	81.63	18.00	81.63	62.00
	Average Project Size (UA m)	14	17.6	20.01	20.01	14.6	20.01	49
	Project's Overall Evaluation (Scale 0-3)	2	2.2	2.2	2.2	NA	2.2	NA
	Projects-at-risk (%)	72.20	55.60	56.52	56.52	47.00	56.52	6.00
	Problem Project (%)		5.60	4.35	4.35	11.00	4.35	6.00
	Ageing projects (%)	13.64	21.74	21.74	21.74	17.00	21.74	20 (b)
	From approval to Effectiveness (Months)	12.65	11.8	12.62	12.62	17	12.62	3 (c)
	Investment Operations <UA 10m (% of total # of projects)	58.90	65.30	62.10	62.10	21.00	62.10	4 (d)
	Supervision Rate (avg # of missions per project. Per year)		1.5	1.5	1.5	NA	1.5	2
Commitments-At-Risk (%)		55.90	56.00	56.00	< 25	56.00	6.00	
Harmonization & Alignment (e)	Coordinate Technical cooperation (%)	NA	12.00			38.00		14.00 (f)
	Use of Gov. Audit systems (% of disbursements)	38.00	41.00			33.00		26.00 (f)
	Use of Gov. Procurement System (% of disbursements)	38.00	44.00			43.00		26.00 (f)
	Use of Gov. Other PFM System (% of disbursements)	38.00	41.00			33.00		35.00 (f)
	Parallel PIUs (#)	13	11			NA		0 (f)
	Predictability of Aid (%)					56.00		
	Use of Program-based approaches (#)	37	38			NA		4 (f)
	Coordinated missions (%)	21.00	26.00			19.00		14.00 (f)
Coordinated analytical works (%)	NA	25.00			55.00		67.00 (f)	

(a) Data as of June 30 for each relevant year; WB fiscal year runs from July 1 - June 30; 2006 information not readily available

(b) National Water Development 2 and Rail and Ports Restructuring Projects; both close March 2009

(c) From signing to effectiveness

(d) Communication Sector Reform, GEF- Energy Reform and Access, GEF-Transfronteir Conservation Areas and Tourism Development, GEF-Smallholder Development in the Zambezi Valley

(e) The Harmonisation & Alignment data is not available, because the Joint Review Assessment is done retroactively, so at this point in 2008 information available concerns only 2007

(f) The last available data concerns 2007

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Source: AfDB, APPR 2006 and Portfolio Summary 31/07/08

Note: The Harmonisation & Alignment data is not available, because the Joint Review Assessment is done retroactively, so at this point in 2008 information available concerns only 2007.

Annex

REPUBLIC OF MOZAMBIQUE

COUNTRY STRATEGY PAPER 2006-2009: MID-TERM REVIEW REPORT

ADDENDUM

This addendum acknowledges the announcement made by the authorities of the Government of Mozambique, subsequent to drafting, of the one-year extension of the present poverty reduction strategy. The II Plan of Action for the Reduction of Absolute Poverty (PARPA II) has thus been extended until end-2010.

In order to ensure the full alignment of the Bank's Country Strategy Paper with the national planning cycle and to fully benefit from the strategic guidance to be provided by the next PARPA, the recommendation in section 6.2 is revised as follows:

CODE is invited (i) to acknowledge the strengthening of the RBCSP 2006-09 priority pillars within the Bank's activities as response to government priorities and (ii) to recommend to the Board of Directors the one-year extension of the CSP, thus extending its coverage until end-2010.