

PCR EVALUATION NOTE
MOZAMBIQUE: PROGRAM OF ECONOMIC REFORM AND GOOD GOVERNANCE
FOR THE REDUCTION OF POVERTY (AS PER GROUP I)

1. THE PROGRAM

Appraisal Date	<i>September/October 2000</i>	Loan #	<i>2100150000730</i>	Loan Amount (UA million)	<i>50.00</i>
Approval Date	<i>16 November 2000</i>	Loan Signature Date	<i>29 December 2000</i>	Project Completion Date	<i>August 2004</i>
Loan Effectiveness Date	<i>1st Tranche: July 2001 2nd. Tranche: July 2002</i>			PCR Date	<i>18 August 2006</i>
Source: Bank Staff PCR					

Objectives

1.1. The program's development objectives were as outlined below: i) adopting policy measures that would facilitate the implementation of the Government's Poverty Reduction Strategy and stimulate growth; ii) income creating contribution to national income and reducing regional asymmetries; iii) promoting income distribution in traditional and modern sectors. On the other hand, Program specific objectives included; a) increasing access to health, education, and ensuring delivery of poverty reduction schemes to intended beneficiaries; b) boosting production capacity in traditional sectors by the introduction of more modern techniques; c) lowering the incidence of poverty among targeted groups by increasing access to means of production, land, inputs, skills, capital and transport to market; d) increasing access to social services and social safety net; g) supporting judicial reforms to improve security, law and order, conflict management mechanisms and enforcement of property rights; h) promoting good governance (supporting measures of transparency and accountability in order to minimize waste and increase social harmony;) i) improving budget management; j) increasing primary school enrollment; and k) increasing health spending to combat HIV-AIDS

1.2. Program Components and Sub-Components

1.2.1. The Program was designed with numerous components and sub-components and yet these are not systematically indicated in the PCR, as they appear in different forms in both the Matrix Table and the textual part of the PCR. Identified and presented below are the main components and sub components of the Program: i) Institutional Performance and Loan Administration; ii) Strengthening the Production Base, (of which the major sub-components consist of GDP growth and agriculture and infrastructure); iii) Skills Enhancement and Institution Building (with it main sub-components, namely: institution building, education and health); and iv) Governance (of which the main sub-components are: budget management, the tax system, participation and transparency and legal and judicial modernization).

1.3. Program Results (Outputs and Outcomes)

1.3.1. The PCR, in its assessments identified the program's various results as summarized below:

i) Poverty Reduction Measures: So far, actions taken on this front have yielded some positive results, manifested by a high 8.3% average GDP growth rate during the period 2001-2004. GDP growth was also reflected in increased agricultural output, which rose by 13% and 8.5% in 2001 and 2002, respectively. Households living below poverty line were also reduced to 54.1% during the period 2002-2003. Income distribution patterns have also been reported to have changed as expected at appraisal; this is manifested by an estimated reduction to 3.8% of the rural-urban differential in the incidence of poverty. during the same period. In terms of sectoral allocation of public expenditure, appraisal targets of allocations to priority social sectors of education and health were also said to have been met.

ii) Good Governance: Measures on the legal and judicial dimensions of reforms in good governance were undertaken as envisaged these involved: a) the establishment of the Center for Judicial Training and Studies; b) training of magistrates and police officers. In this connection 380 law enforcement officers benefited from the training program while the number of magistrates trained was not provided. Measures relating to good governance were also undertaken and included auditing of public accounts and litigation on public contracts, aimed to enhance transparency and accountability in public financial management; c) capacity building in public financial management was also implemented by training new accountants to standards of international certification as part of the measures taken to implement the Strategic Plan for Directorate General of Finance. In this connection, 500 new accountants benefited from the training program. Building capacities in public procurement and management of public assets was also undertaken in partial implementation of the Strategic Plan for Administrative Court aimed to train experts in contract law, negotiation skills and conflict resolution to international certification standards.

iii) Social Sector Development: Sectoral objectives set at appraisal in respect of increasing expenditure allocations for health and education were partially achieved. This was demonstrated by increased primary school gross enrollment rate, for which the target set was 88% and achievement of 98% target immunization against DPT, TB and polio. The PCR states that these targets were only partially met without ascribing any figures. The AIDS-HIV pandemic remains a major social and health threat, with the latest HIV Surveillance Report putting the prevalence rate at 16.2% in 2004 compared to 13.6% in 2002. With regard to water supply sub-sector, the rehabilitation of rural and urban water supply systems and introduction of cost recovery measures were only partially met, demonstrated by improved access to potable water supply and enhanced maintenance and reliability of water supply systems.

1.4. Program Financing:

1.4.1. The ADF approved a loan in the amount of UA 50.0 million, which was disbursed in two nearly equal tranches of UA 25.17 million and UA 23.19 million in July 2001 and July 2002, respectively. A small outstanding balance in the amount of UA1.59 million was disbursed in February 2005; this accounted for the largest portion of the slippage on disbursement. Disbursements were mainly effected in foreign currency and were used, in

large measure, to finance petroleum and rice imports. Procurement under the program proceeded smoothly in compliance with approved guidelines.

2. PCR CONCLUSIONS AND PERFORMANCE RATINGS

2.1. Conclusions

2.1.1. The Budget Support Program (BSP) for Mozambique was made possible by the Government's ability to meet the various preconditions set out by the Bank for this facility. This program was also considered to be a positive response to the country's poverty reduction strategy, which was in line with the objectives of Aid Partners. The completion report for the first budget support operation was not available on a timely basis to be used to inform the second budget support program (PER GROU II), which the PCR indicates was fielded long after the second operation had closed. Hence, lessons learned from the first operation can only be used for similar future operations supported by the Bank.

2.1.2. While stating that lessons learned from the initial budget support operation could not be used in formulating the second operation in the same country, the PCR failed to document lessons drawn from the Bank's experience in financing budget support operations in Mozambique. Only conclusions and recommendations to the Bank and to the Borrower were made. However, while recommendations made are pertinent, they have been presented in the PCR in a much less focused manner, giving no sense of prioritization of the numerous recommendations made to both the Bank and the Government.

2.1.3. In brief, recommendations directed to the Bank emphasized the need for: i) timely submission of program completion reports; ii) continued provision of budget support assistance to Mozambique; iii) the adoption by the Bank of the Program Assistance Framework (PAF) as a tool guiding its strategy in the country; iv) participation by the Bank in the PAP leadership team; and v) continued emphasis on the budget process as well as external and internal audits and the oversight role of the legislature (National Assembly).

2.1.4. On the other hand, recommendations for the borrower (GOM) emphasized the need for: i) continued focus on governance issues; ii) approval at the highest decision-making level in government of the Medium-Term Fiscal Framework (MTFF); iii) adoption of a comprehensive policy and management of domestic revenue mobilization; iv) increased focus on the HIV/AIDS pandemic, and in this connection, setting out more ambitious targets supported by sustained financial and human resources

2.2. Performance Ratings:

2.2.1. The overall conclusion made in the PCR is that the program was implemented satisfactorily. Good performance has already been corroborated in terms of results achieved so far, as outlined in Section 1.3 above. The PCR also rates as satisfactory, the Bank's role at various stages of the project cycle. In this report, it has been found out that performance assessment and corresponding ratings for both implementation performance and the Bank's performance have been underrated. Accordingly, adjustments have been

made, resulting in an overall assessment rating of 3.25 for implementation performance and 3.06 for Bank's performance, compared to PCR ratings of 2.2 and 2.5, respectively. The rationale for adjustments made are presented in Annex 1. The program's results were apparently not assessed for rating, since this component of the Annex was not presented in the PCR.

3. LESSONS LEARNED

3.1. The Bank's PCR does not provide lessons learned from the implementation of the Program. However, the borrower's PCR, which was attached to the Bank's PCR outlines a number of lessons learned, which are considered here as proxy for lessons learned in the Bank's PCR. The lessons derived from the experience of this Program are considered pertinent. The gist of lessons learned include the following: i) the PARPA process presents a good model of how to systematize reforms designed to building key blocs for poverty reduction and sustained development; ii) the Performance Assessment Framework provides a sound basis for focusing directly on actionable priorities among Aid Partners; iii) prescription of standard remedies is not always the answer in the implementation of reforms; iv) modern tax legislation reforms alone do not guarantee increased revenue mobilization if collection machinery and cost-recovery arrangements remain weak; and v) public sector reforms are not an adequate prerequisite to long-term growth if private sector development is not fostered as the veritable engine of growth.

4. BORROWER'S PCR AND INPUTS TO BANK STAFF PCR

4.1. The borrower's PCR was submitted and attached to the Bank's PCR. In this report, the lessons learned from the program were drawn from the borrower's PCR, which was found to be useful to that extent.

5. PCR QUALITY RATINGS

5.1. As indicated in Annex 2, the quality of the PCR, assessed against all the 8 benchmarks, was found to be satisfactory with an average rating of 3.0. The analysis of program rationale was supported by a well conceived Program Matrix with verifiable quantitative indicators. Analysis of the program execution process was also sufficiently conducted, with important issues regarding procurement and disbursements aptly flagged out. Social impact analysis was good and conclusions made were supported by results of two household surveys carried out during 1996-1997 and the during 2002-2003. Bank and Borrower performances were assessed with a high degree of candor, with emphasis being placed on the role of other development partners, within the context of the Program Aid Partners (PAP) of which the Bank is an active member.

ANNEX 1				
ASSESSMENT OF IMPLEMENTATION AND BANK PERFORMANCE AND PROJECT RESULTS/OUTCOMES				
MOZAMBIQUE PROGRAM OF ECONOMIC REFORM AND GOOD GOVERNANCE FOR THE REDUCTION OF POVERTY (PER GROU P 1)				
	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
1.	IMPLEMENTATION PERFORMANCE ASSESSMENT			
i)	Adherence to implementation schedule	2.0	3.0	Although a detailed and elaborate implementation timetable was not presented in the PCR, there is no evidence of serious lags in implementation which oftentimes originate from delays in reaching loan effectiveness. Based on historical experience of similar operations, the score of 2 underestimates implementation achievements. The PCR indicates circumspect slippages on completion and disbursement, which are mainly related to efforts to have the small loan balance of UA1.63 million to be made, for which disbursement extension was made. Accordingly, a score of 3 is merited.
ii)	Adherence to cost schedule	3.0	3.5	Based on historical experience of similar programs, and in view of the fact that UA 48.36 million, or 97% of UA 50.0 million in approved loan was disbursed in two tranches, A each with delays of only three months, implies that the program was, to a large extent, implemented in compliance with the appraisal cost schedule. A higher rating of 3.75 is deserved
iii)	Compliance with covenants and conditions	2.0	3.25	The program performed exceptionally well in meeting numerous conditions, 6 of which were required to achieve loan effectiveness and enable release of the first tranche and 9 of which were required to permit the second tranche disbursement to take place. Premised on the historical trends in similar programs the score of 2 underestimated the borrower's efforts. A score of 3.25 is merited.
iv)	Adequacy of monitoring evaluation and reporting	2.0	3.25	Although a separate monitoring and evaluation unit was not set up, reporting on progress in the implementation of various components was the responsibility of individual government ministries

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	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
				and agencies concerned (i.e. Central Statistics Office, Attorney General's Office, , the Ministry of Justice and sectoral ministries- Ministry of Health, Department of Water, etc.). Complementary information was also provided in the context of the multilateral Program Aid Partners (AP) This was an innovative solution for an otherwise complex institutional framework for program implementation. The rating for this indicator is upgraded to 3.25
v)	Satisfactory operations	2.0	NA	This indicator is not assessed for rating here because it is more relevant for project related investment operations rather than policy-based lending.
	Total Scores	11.0	13.0	
	Average Rating	2.2	3.25	Satisfactory
PERFORMANCE OF THE BANK				
	Component Indicator	Rating (1-4)		Comments
i)	Identification	3.0	3.0	OK
ii)	Preparation	2.0	3.25	The GOM made exceptional efforts to put in place the building blocks for the program under review. These included its previous endeavors relating to its Action Plan for the Reduction of Absolute Poverty-2001-2005 (PARPA1) and its commitment to the HIPC initiative. Indeed the PCR itself recognized that during the implementation phase, "The progress made by the GOM during the implementation of the earlier economic program was critical to the negotiation of continuing budget support under PER GRO P 1". Accordingly the rating of this indicator was underestimated and is upgraded to 3.25.
iii)	Appraisal	3.0	3.0	OK
iv)	Supervision	2.0	3.0	The PCR did not show any evidence of supervision shortcomings, emanating from

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	Component Indicator	PCR Rating (1-4)	Evaluation Rating	Comments
				disbursement or procurement problems, that affected program implementation performance. Indeed satisfactory program implementation performance is a reflection of a well managed supervision function. Accordingly, this indicator merited a higher rating score of at least 3.0.
	Total Scores	10.0	12.25	
	Average Rating	2.5	3.06	Satisfactory
	PROJECT RESULTS/OUTPUTS AND OUTCOMES (Not Completed)			

PCR QUALITY ASSESSMENT AND RATING			
Basic Data Sheet			
Project Loan #		2100150000730	
Title		Mozambique: Program of Economic Reform and Good Governance For the Reduction of Poverty	
Borrower		The Government of Mozambique	
Beneficiary		The Government of Mozambique	
Executing Agency		Ministry of Planning and Finance	
PCR CHAPTER	RATING (4-Point scale)	REMARKS	
1	Adequacy of analysis of project goals, objectives and formulation including the verifiable indicators, consistency with appraisal and subsequent revisions	3.0	Analysis was generally adequate, supported by a well conceived Program Matrix with verifiable quantitative indicators shown wherever possible.
2	Adequacy of analysis of project execution including procurement issues, disbursements, borrower's reporting and assessment of monitoring and evaluation achievements	3.0	Program execution issues were adequately analyzed and procurement and disbursements issues needing attention were so highlighted.
3	Soundness of judgment on project performance and results including operating results, economic and financial and related conditions/covenants and their fulfillment, institutional, performance of consultants, contractors, suppliers and other parties.	3.0	Conclusions reached on program implementation results were found to be generally consistent with actual performance trends documented in texts and tables included in the PCR.
4	Adequacy of analysis of social and environmental impacts	3.0	Social impact analysis was good and supported by results of two Household Surveys conducted during 1996-1997 and 2002-2003
5	Soundness of judgment on project sustainability, plan for future project operations' phase and maintenance.	3.0	Program sustainability issues were, on the whole, adequately identified and analyzed, in terms of endogenous as well as exogenous factors that needed to be well managed to ensure continued sustainability of the program's gains, outputs and outcomes.
6	Soundness of judgment on performance of the Bank, borrower and co-financiers.	3.0	Bank and Borrower performance were assessed with the needed candor, with emphasis being placed on the role of other development partners within the framework of the Program of Aid Partners (PAP) in which the Bank is an active participant.
7	Consistency of overall rating with individual rating components.	3.0	Consistency was achieved in most cases
8	Adequacy of analysis and clarity of conclusions, lessons learned and recommendations	3.0	Conclusions and lessons learned were adequately identified. Nonetheless, some key and important lessons needed rearticulation, so as to enhance their general applicability and replicability.
TOTAL SCORES		24	
OVERALL RATING		3.0	Satisfactory
OPEV and Country Department Agree/Disagree on Project Performance Rating:			
Opinion of the Department Concerned:			
Borrower's PCR and Inputs to Bank Staff PCR: The Bank Staff PCR did not indicate the extent to which the borrower's PCR was used.			
Conclusion: This program forms a suitable basis or input for consideration of general budget support facilities to other countries and for continued BSL operations in Mozambique.			
Priority of Project for Performance Evaluation Report, Impact Evaluation, Country /Sector Reviews or Thematic			

PCR QUALITY ASSESSMENT AND RATING

	<p>Evaluation Studies: In view of the relatively successful implementation of the program, it could form the basis for a Thematic Study on Lessons from successful general Budget Support Loans (BSLs) in the context of the Bank's Policy-based lending operations. There are useful lessons to be drawn and such a study would contribute to the accumulation of the Bank's knowledge base on policy-based lending.</p>
	<p>Major Issues of Focus in the proposed Thematic Study: Quality at entry and various project/program cycle related activities as well as monitoring and evaluation.</p>
	<p>Follow-Up Action/Decision: No immediate follow up action is contemplated.</p>