PCR EVALUATION NOTE FOR PUBLIC SECTOR OPERATIONS

1. BASIC INFORMATION

a. Basic project data

Project title: **Financial Sector Technical Assistance Project (FSTAP)**

Project code: P-MZ-HZ0-001	Instrument number(s): 2100155005616	
Project type: ADF-Grant	Sector: Multi-Sector	
Country: Republic of Mozambique	Environmental categorization (1-3) : 3	
Processing Milestones	**Key Events**	**Disbursement and Closing date**
Date approved: 04:10:2005	Cancelled amount: UA1,664,534.29	Original disbursement deadline: 31.01.2012
Date signed: 23:11:2005	Supplementary financing: None	Original closing date: 31.01.2012
Date of entry into force: 23:11:2005	Restructuring:	Revised disbursement deadline: 30.06.2013
Date effective for 1st disbursement: 08:02:2006	Extensions (specify dates):	Revised closing date: 30.06.2013
Date of actual 1st : 27:04:2006		

b. Financing sources

Financing source/ instrument (MUA)	Approved amount (MUA) :	Disbursed amount (MUA) :	Percentage disbursed (%):
Grant: ADF-Grant	**6.8**	**5.1**	75.5%
Government:	**.77**	**.77**	100%
Other (ex. Co-financiers):	10.34	10.34	100%
TOTAL :	**17.91**	**17.91**	100%

Co-financiers and other external partners: IDA.DfID/SIDA/GTZ/KfW

Execution and implementation agencies: Ministry of Finance Mozambique

c. Responsible Bank staff

Position	At approval	At completion
Regional Director		Ebrima FAAL
Sector Director	A.RAKATOBE (ONIN)	Joseph RIBEIRO
Sector Manager	I. LOBE NDOUMBE (ONIN.1)	Isaac LOBE NDOUMBE
Task Manager	T. ADENJI (ONIN.1)	Jacob MUKETE
Alternate Task Manager	F.J.G. BAUDIN (GECL.1)	Emilio DAVA
PCR Team Leader		Emilio DAVA
PCR Team Members		Antón LEIS GARCIA, Abel MENETE, Jorgina MUANANOUA

d. Report data

PCR Date : 20 April 2014		
PCR Mission Date:	From: 17 October 2013	To: 25 October 2013
PCR-EN Date: **10 October 2016**		
Evaluator 1 : Ringo Star	Evaluator 2: Ly Boubacar	

2. PROJECT DESCRIPTION

Summary from Appraisal Report including addendum/corrigendum or loan agreement, and taking into account any modification that occurred during the implementation phase.

a. Rationale and expected impacts:

Provide a brief and precise description on the project/projectme rationale (concerns/questions raised), expected impacts and the intended beneficiaries (directly or indirectly impacted by the project/projectme). Highlight any change that occurred during the execution phase.

Rationale: Mozambique's financial sector constitutes a growth driver and a critical portfolio of the Government's policy package to combat poverty in its multidimensional context (estimated at 54% of the population in 2003 to 45% in 2009, Bank CSP 2006-2009). The Action Plan for the Reduction of Absolute Poverty (PARPA) aims at reducing poverty through comprehensive financial sector reforms and sound governance by contributing between 8.5% and 10.5% of GDP by 2010 (Appraisal Report, June 2005).

Confronted with an increasingly fragile economy, weak and unsound financial sector performance challenges, the Government of Mozambique (GoM) requested donor community assistance to turnaround its ailing economy. This culminated in the Financial Sector Technical Assistance Project (FSTAP), a comprehensive and harmonized demand driven multi-donor financial sector reform program for the GoM. Specifically, the FSTAP focused on strengthening the financial sector as an engine of economic growth and poverty alleviation, cushioning the sector from mounting fragility, low financial depth (30%-M2 to GDP), a relatively low total asset base (9.5% 2002) compared to neighboring Botswana (25%), Malawi (12%) and Zimbabwe (39%), weak operational efficiency and low financial inclusion (Financial Sector Assistance Project Review, 2003).

Expected Impacts: The expected impacts of the FSTAP are increased economic growth, macro-economic stability, improved financial inclusion, financial deepening and sustainable development. These intended results would be catalysed by a competitive financial sector, a harmonised and enabling prudential and non-prudential supervision regime which will contribute to improved growth, soundness and efficiency of the sector.

Intended Beneficiaries: The spectrum of intended beneficiaries in the value chain of the FSTAP are the Ministry of Finance, commercial banks, non-bank financial institutions, private sector, regulatory institutions, Ministry of Justice, Bank of Mozambique, IGS, INNS, MSMEs, marginalised and financially excluded communities and the overall urban and rural population who need to be financial services. The FSTAP was implemented with modifications in procurement and the actuarial project component in order to adapt to the changing environment and conditions during execution.

b. Objectives/Expected Outcomes:

Provide a clear and concise description of the project objectives, expected outcomes, and intended beneficiaries. In so doing, highlight any revision/amendment.

Consistent with the Appraisal Report, the overall objective of the FSTAP is to improve the soundness and efficiency, reach and depth of the Mozambique's financial system in order to enhance its stability and effectively contribute to sustained economic growth and poverty reduction. Overall, the pro-poor intervention intended to reduce poverty from 54% to 45% by 2010.

As set out in the Appraisal report, the specific objectives of the FSTAP are to:

(i) strengthen the regulatory and supervisory frameworks for banks and non-bank financial institutions, including the insurance and pensions sector;
(ii) develop a more robust national payments system;
(iii) improve the legal and judicial environment for lending operations;
(iv) introduce sound debt management; and
(v) expand financial services particularly in the rural areas by improving the operations of microfinance institutions.

The implementation of the FSTAP is expected to result in a number of outcomes among them: strengthened banking regulation and supervision regimes (prudential and non-prudential), improved and enabling legal and judicial environment for lending activities; enhanced capacity to enforce specific regulatory instruments and statutory provisions across the financial sector (anti-money laundering law; insurance industry and pension statutes), efficiently-administered social security system; improved monetary and fiscal authorities capacity of the BoM and MoF for monetary, foreign exchange and public debt management; improved regulatory and supervisory regime for microfinance institutions; and the completion of the divestiture of Government stakes in the banking sector.

This is anticipated to contribute to improved quality of livelihoods for the country driven by financial sector-led growth, increased private sector growth, employment impact for both women and men, safe and sound financial sector institutions, increased savings mobilisation by reaching the unbanked and creating an enabling legislative framework.

The expected medium-term outcomes of the project are:

i) a strengthened banking and insurance sector;
ii) an increased social security coverage; and
iii) an improved access to financial services by micro-clients

The medium term outcomes contribute towards the long term outcome which seeks to attain an increase in the contribution of the financial sector to GDP. The Appraisal report identifies two key OVIs to track the financial sector contribution to GDP which was set to increase from 8.5% to 10.5% by 2010 and financial deepening, as measured by the ratio of M2 to GDP and set to increase from 30% to 35% by 2010.

The range of beneficiaries include the national population, private sector businesses and individuals using banking and insurance services, self-employed and temporary workers currently not covered by social security and urban poor and rural population without access to financial services (Appraisal Report June 2005).

c. Outputs and intended beneficiaries:

Provide a clear and concise description the expected outputs and intended beneficiaries. In so doing, highlight any revision/amendment.

The review finds that outputs are mixed with outcomes in the analysis of the PCR. The specific intended project outputs are:

i) Strengthened banking supervision regime
ii) Better capacity on the part of the GoM for enforcing its anti-money laundering law;
iii) Reinforced regulatory and supervisory regime for the insurance industry and pension sector;
iv) A modern and efficiently-administered social security system;
v) Enhanced capacity on the part of the BM and MoF for monetary, foreign exchange and public debt management;
vi) Improved regulatory and supervisory regime for microfinance activities; and
vii) A completion of the divestiture of Government stakes in the banking sector.

The project beneficiaries along the value chain include, as stated before, direct and indirect target groups. The direct beneficiaries are the banking sector (central and commercial banking), the contractual savings sector (insurance and pension systems), the securities market, and the informal sector (rural and micro-finance). The project would also provide significant assistance to the efforts directed at improving the lending environment in Mozambique, 163 000 contributors of INNS and capacity building of staff from MoF, MoJ, BoM, INSS, IGS.
The indirect beneficiaries are the unbanked and marginalised communities, MSME sector and the rural and urban population excluded from the mainstream financial and banking sector. As stated earlier, the review finds that

there is a confusion between outputs and outcomes. They are rather mixed and not systematically defined and delinked.

d. Principal activities/Components:

Provide a clear and concise description of the principal activities/components. In so doing, highlight any revision/amendment.

The FSTAP had the following 10 components of which the Bank delivered 50% and co-shared the PMU with the IDA.

The 10 components are i) Strengthening the Banking Sector, ii) Strengthening the Central Bank of Mozambique, iii) Improving Money and Bond Markets and Financial Infrastructure, iv) Strengthening Public Debt Management, v) Strengthening the Insurance and Supplementary Pension System, vi) Strengthening the Social Security System, vii) Improving the Legal and Judicial Environment for Financial sector, viii) Support for Anti-Money Laundering Efforts, ix) Strengthening Microfinance and x) Project Implementation

The Bank focused and delivered on the following four complimentary sub-components/activities of the program:

(i) strengthening of social security and pension systems,
(ii) providing support to national insurance system;
(iii) strengthening of the Anti-money laundering unit;
(iv) modernization of property registries systems; and providing support to the Debt Management Unit of the Ministry of Finance. The Bank also took over the IDA component after its exit.

3. PROJECT PERFORMANCE ASSESSMENT

RELEVANCE

a. Relevance of the project development objective:

Evaluation of the relevance ex-ante and ex-post (including during the implementation phase). The relevance of the project objective (during the evaluation ex-ante and the post-evaluation) in terms of alignment with country's development priorities and strategies, the beneficiary needs (including any changes that may have occurred during the implementation), applicable Bank sector strategies, the Bank country/ regional strategy, and general strategic priorities of the Bank. This criterion equally assesses the extent to which the project's development objective was clearly stated and focused on outcomes and the realism of the intended outcomes in the project setting.

The review confirms that the relevance of the project development objective is highly satisfactory (4).

Evidence gleaned from the PCR and the PAR systematically demonstrated that the FSTAP's objective was fully aligned with the Bank's CSP 2006-2009, sector strategies, the country's development strategies and priorities (PARP 2006-2009) as well as beneficiary needs (direct and indirect).

At appraisal, the country was fragile despite posting reasonable growth of 5.3% in 2005. The bottlenecks included tthough not limited to, inadequate legal and regulatory framework, weak financial system with a comparatively low asset base of 9.5% compared to 25% in Botswana, 12% in Malawi, and 39% in Zimbabwe (Appraisal Report, p2), credit and micro-finance accessibility constraints, low economic diversification, high dependency on agriculture, scanty domestic savings, financial exclusion, frail civil service capacity, higher intermediation spread and weak financial legislation (CSP 2003-2005, 2006-2009). Consequently, financial sector reform was needed more than ever.

The overarching objective of the FSTAP is to improve the soundness and efficiency, reach and depth of the Mozambique's financial system in order to enhance its stability and effectively contribute to sustained economic growth and poverty reduction. The CSP responded to the prevailing country's development challenges through the two pillars: (i) Pillar I: Enhanced private sector competitiveness through infrastructure development;
(ii) Pillar II: Governance in support of inclusive growth.

The CSP reveals that the Bank's Strategic priorities for Mozambique at appraisal, during and at exit demonstrate that the project was in tandem with the Bank's roadmap to spur sustainable economic development and social progress in its regional member countries, thus contributing to poverty reduction through the FSTAP (CSP 2002-2004, 2006-2009, 2011-2015 and 2013-2022). The 2002-2004 CSP was based on the GoM's poverty reduction strategy articulated in the PARPA (2001-2005) and Vision 2025. The development objective was thus in line with the Bank Group's 2003 Financial Sector Policy which urged the Bank to support regional member countries (RMCs) with respect to financial sector reforms in Africa. The 2002-04 Bank CSP priority sectors included the social, infrastructure, multi-sector activities, including support for policy based and financial sector reforms, good governance initiatives and rural finance intermediation. The FSTAP thus resonates with this strategic policy direction.

The PARPA set out the Government's strategy for the promotion of human development and the creation of a favorable environment for rapid, inclusive and broad-based growth with a clear focus on six pillars that included good governance, macro-economic and financial management. Subsequently, the revised CSP 2006-2009 pursued a robust healthy financial system as a top priority based on the demand for far reaching reforms and substantial donor support to address dire legal and regulatory constraints, weak institutional capacity and the need to reform the financial sector holistically. The review finds that at the time of appraisal, the project objective was aligned with the country's development priorities. Pursuing this strategic choice enhanced a 5% GDP over the PARPA (2006-09) and PARP 2011-2014 leading to progressive steps to reduce poverty.

The GoM focused on (i) modernizing the expansion of the financial system; (ii) reinforcing regulation and supervision and reducing vulnerability that might affect the financial system; (iii) encouraging and promoting entry of new financial institutions, therefore increasing competitive forces and diversifying products of the financial market; (iv) mobilising and contributing to the growth of national savings; (v) increasing monetization of the national economy, strengthening the regulatory and supervisory frameworks for banks and non-bank financial institutions. In line with this, focus was directed on developing a stronger national payments system, improving the legal and judicial environment for lending operations, introducing sound debt management and targeted expansion of financial services, improving microfinance operations to achieve an inclusive financial sector and fast track financial led growth.

The country's Financial Sector Working Group (FSWG) of the Project Aid Partnership (PAP) involved all relevant financial players from commercial banks, the central bank, insurance and pension institutions and the IMF, DfID, DANIDA, and SIDA in order to take into account and align targets and objectives with sector strategies.

The link between the project's development objective and beneficiary needs is confirmed as the 2003 financial sector review conducted by the Bank in Mozambique established the firm need for the Bank and other donors to support the financial sector of the country[1].

The project remains aligned with the Bank CSPs, the Government's ongoing macro-economic reform efforts, country development strategies, PARP, the successor FSD programme, the Hi-5s and the Bank's Ten Year Strategy (TYS).

The review explored comparative independent evidence from the IEG ICR FSTAP (p 2) and deduced that the net disconnect rate with the IEG is zero (IDEV rating 4-IEG rating 4.) Therefore the review concludes, based on converging multiple independent lines of evidence as cited, that the relevance of the project is highly satisfactory.

b. <u>Relevance of project design (from approval to completion):</u>

The evaluator should provide an assessment of the relevance of the project design regardless of the one provided in the PCR. The evaluator will also comment on the PCR conclusion for this section, and will provide an evaluation of the relevance of the project design. The latter assesses the soundness and the timing of eventual adjustments, or technical solutions to ensure the achievement of the intended results (outcomes and outputs), the adequacy of the risk assessment, environmental and social protection measures, as well as the implementation arrangements. For Projectme Based Operations (PBO), an assessment will be made on the relevance of the prior actions, the policy dialogue and the extent to which the operation could have been more pro-poor in its design.

The review validates that the relevance of the project design is satisfactory (3).

[1] The World Bank and the IMF had also undertaken forensic assessments of the country's financial system, namely, the 2000 and 2003 Financial sector Review (FSR), and the 2003 Financial Sector Assessment Program (FSAP). These assessments and reviews concluded that despite considerable progresses in term of financial sector reforms, the country's financial system remained fragile.

Substantially, the design of the project was sound and consistent with the intended road map to execute intended outputs and outcomes and therefore contribute logically to the development objectives. However, the review finds a severe and critical deficiency in the design and implementation on account of excluding the demand side, resulting in a delicate imbalance with huge ramifications on the intended outcomes. Hence the design is less solid as it was largely supply driven.

In congruence with the Appraisal Report and the Bank CSP and PARP, the project aims to improve the soundness and efficiency, reach and depth of the Mozambique's financial sector which will translate into improved financial sector performance and enhance economic growth and poverty reduction. The intended outcomes and targets are realistic in the country's current circumstances characterised by structural rigidities in the financial sector, macro-economic imbalances, inflationary and fiscal pressures and fragility at the time of the design. In its design the project is anchored on a theory of change and built on holistic and coherent components namely strengthening the banking sector, the capacity of the BoM as a monetary authority and critical sector player, microfinance, public debt management, insurance and supplementary pension system, social security system and improving money and bond markets and financial infrastructure, the legal and judicial environment for financial sector and providing support for Anti-Money Laundering Efforts and financial terrorism.

The original design was sound and remained appropriate throughout the implementation albeit an extension following the closure of the World Bank component. These minor adjustments were carried out in a timely manner without change of scope and did not negatively affect the implementation or the achievement of intended outcomes.

The project identified and mitigated against four key risks that included weak institutional capacity, political commitment, inefficiency and poor turnarounds as well as high turnover of project trained staff in public sector (Appraisal Report).

Five conditions prior to the first disbursement and triggers were met over and above implementation and supervision schedules, monitoring and evaluation arrangements based on the past lessons and experiences from similar projects.

Coordination among the funders was found efficient in line with the Paris Declaration 2005. The Bank implemented 50% of the components and two other additional components following the exit of the World Bank. The design favoured the legislative and regulatory component at the expense of the demand side for instance financial literacy resulting in meagre attention in dealing with related complementarities in a financially deregulated context.

Modifications during the implementation of the project included the change in master courses in public administration for INSS professionals due to organisational constraints and resulted in the lack of realisation of the intended outcome of assessing and providing solvency for the social security system. The lack of social infra-structures and low educational level (capacity restrictions) constrained the optimisation of intended outcomes. A single extension of the project to allow procurement implementation during the period 31 January 2012 to 30 June 2013 is reported to have not affected the project though there is no evidence adduced to prove so.

The circumstances prevailing at the time of the review show that the project was still relevant in alleviating poverty through financial sector led growth. The launch of the new Financial Sector Development Strategy 2012-2022 to consolidate the gains realised demonstrates the significant relevance of the FSTAP.

The review observed that the targets were realistic and that a majority of the intended output and outcome indicators were legislative in scope and achievable in the timelines taken into consideration in the design although they were mixed.

However, the FSTAP had severe inadequacies in its design in that it did not address the demand side constraints and did not take into account inclusiveness and sustainability constraints with evidently stronger implications on the project. Capacity constraints were noted by the review. The review notes two, though interrelated, log frames for the ADF and overall FSTAP including other DPs. Comparative converging evidence reveals that the design net rating disconnect with the IEG comparator is zero. Thus, the review confirms that the original design was sound and remained appropriate throughout implementation with fine tuning modifications to enhance financial sector-led growth. It strengthened implementation capacity and took into account the PARPA's poverty reduction strategy within three pillars: good governance, human capital and economic development.

EFFECTIVENESS

c. Effectiveness in delivering outputs:

Evaluation of the extent to which the project achieved its stated results (obtained from the logical framework) based on the last Implementation Progress and Results Report (IPR) and by considering accurate reporting of direct or indirect evidence on intended and unanticipated outputs. In the absence of sufficient data (as direct evidence), indirect evidence (such as project outcomes and other pertinent processes/elements of the causal chain) should be used particularly in the evaluation of the extent to which the project is expected to achieve its stated results/ objectives. The absence of sufficient data to assess the effectiveness should be indicated (and clearly detailed in the PCR quality evaluation section). The PCR score should equally be indicated in this section.

The review rebuts the conclusion of the PCR that the effectiveness of the project in delivering intended outputs is satisfactory (3) and judges it unsatisfactory (2).

The review establishes that the project has a relatively lower actual output execution ratio of 55% at completion than claimed by the PCR (75%). In rebutting this claim, the review adduces bodies of converging evidence from multiple unconnected lines of evidence with a preponderant weight in support of its verdict.

The findings of the IMF Report of 8th January 2010, Financial Sector Assessment program—Financial System Stability Assessment, confirms that country's financial sector performance was frail and weak. This would not practically and logically obtain in a situation of a satisfactory rating as accorded by the PCR's claim. This is further reinforced by the World Bank and the IMF assessments of the country's financial system and in particular the Financial Sector Assessment Program (FSAP). These assessments established concretely that despite considerable progresses in terms of financial sector reforms, the country's financial system remained fragile.

Additional insisting evidence from the African Economic Outlook, 2016, points out that 60% of Mozambicans are financially excluded, 16% use informal financial service providers and 20% use the formal banking system. Resultantly, this limits the sector's ability to mobilise resources and presents an arguably strong bottleneck to financial sector deepening, reach and financial sector led growth as intended by the FSTAP. The financial sector is underdeveloped and still bank-dominated. Capital and financial markets are weak and mostly concentrated in Maputo restricting outreach and inclusiveness of the marginalised. The banking sector remains highly focused on upper levels of the market, although there is an increasing geographic coverage consistent with the PCR. There are 19 registered banks, dominated by foreign-owned institutions, representing 95% of total financial system assets.

Further independent evidence from the Financial System Stability Assessment 2010, confirms that the INSS has been called to challenges specifically on improving governance through the introduction of an IT system, publication of financial statements, and assessment of the value of investment portfolio, publishing outstanding regulations for all pension providers and testing adequacy of financial resources, shareholders, and business plans of insurance companies as well as testing the adequacy of financial resources, shareholders, and business plans of insurance companies (In the review's opinion, this finding directly hamstrung the attaining of the critical components namely the strengthening of social security and pension systems, and providing sustainable support to national insurance system, reducing the likelihood of achievement of output 2.

The OECD-UNECA Africa Economic Outlook Report 2012 indicates that "there is a shortage of qualified legal personnel, and the case backlog is substantial. Enforcement of contracts and legal redress through the courts cannot be assured".

The review found that a majority of the legislative outputs presented challenges in actualisation terms by their nature especially as a strong and sustainable political and enforcement commitment is called for. In fact, the legislative instruments are much on the lower level, essentially being mere subordinate legislation, raising even a higher commitment risk in the review's opinion.

The BoM Annual Report 201, p 13, confirms that the Mozambican economy has challenges within the national financial system and that the Central Bank will continue to take measures aiming to strengthen the institutional capacity in human, technological, material and infrastructural terms to better play its role.

The review finds lack of clarity between intermediate outcomes and outputs in the design of the project and as well as a prevalent mixture of intended outputs and outcomes. The review believes it would have been more focused and logical to streamline the number of sub-outputs accordingly in order to be SMART. The PCR attempted to delink outputs and outcomes though.

No evidence was available to confirm and establish the functionality and the quality of outputs nor does the PCR outline detailed activities causally attributing the outputs (Appraisal Report). Those pathways are not clear. For instance how many IGS staff were capacitated and to what extent has the knowledge transferred been internalised and translated into institutional delivery capacities and what is the retention rate of critical staff trained. In addition, the PCR did not provide explanations of enforcement of the promulgated and assented legislative instruments, decrees and reforms and the consequential landmark changes in governance practices in the financial sector attributable to the legislation. For instance three separate decrees on pension, social security and prudential regulations of the insurance industry were approved in 2006 and 2007 and are reasonably presumed to have had effects by the time of the PCR mission. This is not reported and presents an evidential burden on tracing contribution.

Though most outputs/activities have been realized or are on track to be realized, there have been substantial delays. The review shows that only 11 activities out of the 20 counts are fully realized at completion, 4 are between 75%-80% towards completion, 2 are 50% towards completion, one is not evaluable on account of evidence and the remaining 2 cannot be achieved. The review ascertains that the PCR reports a number of outputs as realised and partially met at the same time, presenting an inconsistency and apparently a textual contradiction. As a result, the review finds an overall output execution ratio of 55%, instead of 75% presented in the PCR. The review notes that the degree of realization of output 2 (modernization and efficient administration of the social security system) in particular is weak as only one of the targets, namely the new investment policy adopted by INSS by 2008, was achieved at project completion.

The execution ratio is less than 50%. As stated earlier, the review notes that most of the activities have been or will be completed with major delays, for instance the INS Strategic Plan was still incomplete at the time of the PCR mission nor was an indicative completion outlook inferred. According to AfDB field office, non-compliance with targets is explained by Bank's and GoM's procedures, and the inability of the PIU to apply proper procurement procedures. Furthermore, the review observes a tendency to mix outputs with outcomes. What has been considered by the project as outputs, are in fact intermediate outcomes; and what has been considered as activities are outputs.

Despite a lower output execution ratio, the review presumes that the project should be reasonably part of the set of drivers that contributed to inducing changes in the financial landscape as attested by changes in financial indicators including among them, a fall in interest rates from 22% in 2005 to 18% in 2010, deposit taking increased from 25% in 2005 to 30% in 2010, non-performing loan portfolio fell from 22% in 2005 to 15% in 2010, access to credit increased to 14% in 2010 while social security cover increased from 3% in 2005 to 5% and 13% in 2010 and 2013 respectively. The basis for this presumption is attributed to the fact that the Bank delivered on its designated components (plus 2 more) and realised some reasonable minimal level of execution (55%), albeit relatively low.

However, the BOM, 2010 p 103, reported in contrary that there was a slowdown of the ascending trend of credit to the economy reflected, in part, the restrain measures of the monetary policy adopted.

In conclusion, based on the Staff Guidance for Project Completion and Reporting Guidelines (August 2012), an output execution ratio of 55% is correctly interpreted as unsatisfactory, hence using this golden thread and the bodies of converging evidence outlined above, the effectiveness of the project in the delivery of outputs is simply unsatisfactory.

d. Effectiveness in delivering outcomes:

Evaluation of the extent to which the project achieved its intended set of outcomes (including for Project Based Operations (PBOs) where complementary measures are necessary for their implementation, namely public awareness, policy dialogue and institutional arrangements for instance). The evaluator should make an assessment based on the results of the last project Implementation Progress and Results (IPR). The evaluator shall indicate the degree to which project outcomes (intended and unanticipated) as well as reasons for any eventual gap were discussed in the PCR.

The review accedes that the effectiveness of the project in delivering intended outcomes is satisfactory (3).

The intended outcomes were attained. Whilst most intended outcome targets have been achieved and even exceeded, the review cautions that the attainment of these outcomes cannot be fully and directly attributed to the project exclusively as outputs were weak. Multiple actors were on the scene among them the World Bank/IMF, UNDP etc. This may explain this unusual result given the fact that the majority of the output drivers are not fully executed as outlined above, paradoxically breaking the conventional and direct causality between output and outcome delivery. The review found out that the extent of the contribution of the outcomes to higher and wider goals of poverty reduction could consequentially be constrained. The Appraisal report formulates that the improved efficiency and soundness of the financial sector to anchor growth and reduce poverty alleviation was hinged on 2 OVIs specifically: 8%-10.5% contribution of the financial sector to GDP and an increase in financial deepening from 30% to 35% ratio of M2 to GDP by 2010. The review notes that the PCR tracked the outcome indicators systematically. The supervision report (June 6-13 2013, Annex 1) confirmed that financial sector contribution to GDP was 5.2% in 2010, 5.6% in 2012 (both lower than the intended target) and that the contribution to financial deepening was 28.8% (7% less than the 35% target) in 2012. The reported outcome indicators are relatively closer (but below the baselines) to the intended outcomes. Credit remains relatively low in comparison to similar countries with the majority of the population and businesses do not have access to financial services. Non-bank financial intermediaries and corporate debt and equity markets remain small and underdeveloped (IMF 2010).

The FSTAP produced substantial effect on the Mozambique financial sector as most outcome indicators were met and exceeded: i) strengthening the banking and insurance sector, 4 out of 5 indicators have been exceeded; and ii) increase in the social security coverage in the country.

The outcomes achieved as outlined in the PCR are: strengthened banking and insurance sectors in the country

(80% realization rate), increase in the social security coverage in the country (200% realization rate) and improved access to financial services by micro-clients in the country. The PCR and supervision report do not indicate the rate of beneficiation, ie what shows increased access to finance on the ground nor is there an average lead or indication or evidential insight on the inclusiveness of and provision of services to self-employed workers in satisfaction of outcome 2, possibly raising challenges regarding the true and fair status of social security coverage. More evidence is required to justify the PCR claim that the execution of social security outcomes is met and exceeded.

The BoM Annual Report 2010 reveals that the financial sector's contribution to the GDP decreased marginally from 5.3% 2005 to 5.2% in 2010**.** This indicates that the long term outcome to increase financial sector contribution to GDP from 8% to 10.5% by 2010 did not materialise per se but instead maintained the average sectoral contribution rate of 5%. The review also considers what the situation could have been without FSTAP (counterfactual). In the same period neighbouring South Africa, Zambia, Malawi posted 21.7%, 14.4% and 14.3% financial sector contribution to GDP. As outlined above most outcomes were achieved though lately. The Bank CSP for 2011-2015 confirms a growth rate of 7% GDP in 2009 and 6.5% GDP in 2010 and not the financial sector's contribution. An attributing factor to this variance could be found in the conditions of the economy prevailing at the design and exit stage which could have led to over-optimism in the forecast rather than a conservative outlook. A recession was also dominant in this period.

The project strengthened the efficiency of the public financial entities, and improved the regulatory and legislative framework. This led to a growth of the financial sector contribution to the GDP to increase from 4,8% in 2007 to 6% in 2012 (BPI, 2009 – 2013). Two new banks and three micro banks initiated their activities, the banking network also increased by 64 unities to a total of 416 operational branches in December 2010, covering 58 districts, which is equivalent to a national coverage of 45%, fiscal deficit reduced to 11.9% of GDP, after 14.1% in the preceding year. The year 2010 was characterized by a moderate recovery of the world economy. The enacted District Development Fund (worth about MZN 7 million per district per year) stimulated access to finance and local economic development at the district level. The financial sector was strengthened. Between 2005 -2013 the number of banks had increased by 50% (12 in 2005 and 18 in 2012); new products have been introduced, such as POS, ATM, agents, mobile and e-banking, the number of micro-finance institutions has also increased to about 202 in 2012.

The 2014 Mozambique Consumer Survey shows that the insurance sector grew and diversified (from 5 insurers in 2005 to 13 in 2011). Its GDP contribution though remains less than 5% (outcome indicator 1.5).

On the legislative and regulatory landscape, new higher order financial legislation/statutes were promulgated and ascended. These included the new bankruptcy law enacted by 2007; property registries 2007, Law No 9/2010 (on the general regime for credit institutions); Law No 15/99 (on financial societies); decree No 1/2006 (on the requirements for the movement of bank accounts); Notice No 5/GBM/2009 (on bank charges and commissions) and the "bankarization" strategy launched in 2007, liberalisation of the conditions for the entry of new financial players (5 insurers in 2005 to 13 2011), increased geographical spread, "read–in, severance" and amendments to the Anti-Money Laundering Laws. Increased financial inclusion through the launch of the District Development Fund which catalysed local economic development and increased access to credit by MSMEs illustrates the "connect" between financial sector-led growth. As commented earlier, converging evidence shows that the legislative and regulatory reforms have been less satisfactory in functionality.

The review finds converging evidence from multiple independent lines that links the component contribution to the ultimate outcomes in line with macro-economic indicators. However, the review raises the question about the lasting effect and the quality of the contribution/attribution of each of the components to the wider/long term outcome and what this translated to on the ground in terms of concrete changes which the PCR does not detail.

e. Project development outcome:

The ratings derived for outcomes and output are combined to assess the progress the project has made towards realizing its development objectives, based on the rating methodology recommended in the Staff Guidance Note on project completion reporting and rating (see IPR Guidance Note for further instruction on development objective rating).

The review rebuts that the project progress towards realizing its development outcome (DO) is satisfactory (3) and instead finds it unsatisfactory (2).

Based on the computation of the Development Outcome in line with the Staff Guidance on Project Completion Reporting and Rating, August 2012, the DO is unsatisfactory on account of weak output execution as argued by the review. The review concurs that the project's performance in delivering intended outcomes would have arguably been higher had demand-side concerns been taken into consideration during the design phase and had output execution been relatively stronger than realised.

As the country faced fragility, reform was imminent to turnaround the economy through financial sector deregulation. The PCR accounts for the two immediate outcomes, OVIs (Financial Sector contribution to GDP increases from 8.5% to 10.5% by 2010 and Financial deepening, as measured by the ratio of M2 to GDP, increases from 30% to 35% by 2010) which are fundamental in further accounting for the long term outcome which were not fully met as both actual indicators (5.6% and 28.8% respectively) were relatively below the baselines. The PCR in itself, did not adequately treat social security coverage, deposit /loan transformation, regulatory enforcement outcomes and other related key specific component indicators to demonstrate beyond reasonable doubt the improved soundness of the sector, for instance compliance with prudential regulations, IFRS, Basel core principles, capital adequacy, RTGS, and commensurate implications on the financial sector even though they might have been excluded at design stage. The review notes that unconnected lines of evidence (IMF/World Bank) report an improvement in prudential and RTGS measures, which the PCR is silent about.

Macro-economic indicators show that GDP grew from 5.3% in 2005, 7% in 2009, 6.5% in 2010, 7.3% in 2011, 7.8% in 2012, 7.9% in 2013 and 7.8% in 2014. The review found that the contribution of the financial sector to the long term outcome as stated in the Appraisal Report i.e. to increase financial sector contribution to GDP from 8% to 10.5% by 2010 was 5.6% in 2012 and credit to the economy increased to 30% in 2014 (June 2015 Report, Mozambique's Experience with Implementation Of Financial Sector Reforms, Ministry of Economy and Finance) was thus not fully met. Inflation in Mozambique has remained higher than the SADC regional average of 12.4%. In consideration of the FSTAP rationale, the review tracks poverty trends during the project period and establishes that poverty fell from close to 70 percent in 1995 to around 54 percent in 2003 (IAF 2002/03). However, more recent estimates (IAF 2008/09) suggest no change in the official poverty rate since 2003, which brings the rationale into question. Poverty remains high and concentrated in rural area s where many households derive their income from agricultural activities.

PARP's call for a reduction in poverty from 54% (**http://data.worldbank.org/country/Mozambique**) to 45% has not materialised as rebutted by evidence from the National Agricultural Survey (Trabalho de Inquérito Agrícola , TIA), a nationally representative household-income survey, indicates that far from declining, poverty is actually increasing, as is the gap between rich and poor, **http://oro.open.ac.uk/23270/1/** (Crisis States Research Centre June 2010, p1).
Therefore, the review argues that this did not happen and concludes that the DO is unsatisfactory on account of weak outputs.

f. Beneficiaries:

Using evidence, the evaluator should provide an assessment of the relevance of the total number of beneficiaries by categories and disaggregated by sex.

The review finds that PCR does not provide gender disaggregation, resulting in lack of the inclusiveness and demonstration of distribution of the benefits of the programme among women and men. Mozambique has a high gender inequality index at .591 and rated 125. This translates into disparities in the distribution of benefits between women and men with implications on society's overall development, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Mozambique%20Full%20PDF%20Country%20Note.pdf

The PCR identified the institutional beneficiaries in order to strengthen institutional sustainability and capacities. The beneficiaries are the MoF, MoJ, GiFIM (Financial Intelligence Unit), ISSM (Instituto de Supervisão de Seguros), INSS (National Institute of Social Security) and Debt Management Unit. It also reached marginalised communities and the general population rural and urban.

g. Unanticipated additional outcomes (positive or negative, not taken into consideration in the project logical framework):

This includes gender, climate change, as well as social and socio-economic- related issues. Provide an assessment of the extent to which intended or unanticipated additional and important outcomes have been taken into consideration by the PCR. The assessment should also look at the manner the PCR accounted for these outcomes.

The review confirms one negative socio-economic outcome of medium impact. This was the cancellation of the Master project which was intended to strengthen domestic capacity in this crucial area, presented a low to medium risk to the project. The project was cancelled on account of preparation of technical details that experienced extensive delays and could not be achieved during the duration of the Project.

It is observed that the PCR did not address inclusiveness and this was imperative with respect to project's objectives of depth and reach through the microfinance window in line with the Bank Group's mandate and international best practices.

Further, the PCR does not investigate the alternative forgone from the cancellation and the intended optimisation of the project component and ultimately the potentially significant benefits it could sustain in situations of fragility.

EFFICIENCY

h. Timeliness:

The timeliness of project implementation is based on a comparison between the planned and actual period of implementation from the date of effectiveness for first disbursement. For Projectme Based Operations (PBOs), the timely release of the tranche(s) are assessed through this same criterion.

The review agrees that the timeliness of the project from the date of effectiveness for first disbursement is satisfactory (3).

The ratio of planned implementation time (as per PAR) to actual implementation time from date of effectiveness of the first disbursement is 0.77 (5/6.5). Based on the Staff Guidance on Project Completion Reporting and Rating, August 2012, the timeliness of the project is accordingly satisfactory.

The project's first effective disbursement date was February 8, 2006 and the original final disbursement date is January 1, 2012. Following the 18-month extension, the closing date was changed to June 30, 2013. In addition to this extension, several delays in the delivering of output occurred; some going up to 4 years.

i. Resource use efficiency:

Provide and assessment of physical implementation (based on outputs delivered) against resources used (based on cumulative commitments) at completion for all contributors to the project (the Bank, Government, and others). This criterion would normally not apply to PBOs, as there is often no direct link between the outputs and the amount of contribution (in which case the rater would indicate N/A).

The review does not confirm that the resource use efficiency is highly satisfactory (4) but finds it unsatisfactory (2).

On re-examination and consistent with the analysis of the review resulting in a 55% output execution rate, the resource use efficiency was found to be 68%. Accordingly, this is interpreted as unsatisfactory based on the Staff Guidance Note on Project Completion and Reporting, August 2012. The PCR calculated the ratio between physical implementation (87.5%) and commitments (80.96%) to be 1.08 hence it found it highly satisfactory. Whilst the project delivered its outputs within the available resource envelope despite the 18months extension and therefore did not exceeded any amount allocated per budget line nor has it made any inter-budget allocations, the review notes that this is due to the fact that some activities were cancelled (e.g. masters program in actuarial studies) and others partially implemented (e.g. computerization of property registries at the Ministry of Justice) explain the infra-utilization of FSTAP resources (the Bank financed components achieved a disbursement rate of over 75% at closing). The PCR did not provide succinct evidence or explanatory notes whether the resources meant for the cancelled program were reallocated to other activities or not. The intended alternative program to capacitate INSS staff did not take place. In the absence of this evidence, it is gruesome to confirm prudence in resource use.

The review does not confirm prudent use of resources in implementing project activities and the resultant outputs and influencing project objectives as highly satisfactory. Hence the claim that the resource use efficiency is highly satisfactory is rebuttable.

j. Cost-benefit analysis:

Provide an assessment of the timeliness of the development outputs, and the extent to which costs of the costs have been effective and have been provided in the most efficient manner. The PCR rating should be discussed. The evaluator should verify whether the benefits of the project (achieved or expected) exceed its actual costs. To achieve this, evidences will mainly be based on a comparison between Economic Rates of Return (ERR) calculated at appraisal, the mid-term review and completion. When commenting PCR ratings, the degree of utilization of valid sources for evidence justifying the rating assigned should be taken into consideration. The evaluator should ensure of the validity of assumptions and that the same model was used for the calculation of others ERRs. For PBOs for which this calculation model does not apply, an assessment could be done with regards to the contribution of policy reforms to economic growth. In the absence of sufficient evidence, an appropriate rating should be assigned.

No cost benefit analysis was carried out for the project, hence the review could not rate this criteria.

k. Implementation progress:

The assessment of the Implementation Progress (IP) on the PCR is derived from the updated IPR and takes into account the all applicable IP criteria assessed under the three categories : i) Compliance with covenants (project covenants, environmental and social safeguards and audit compliance), ii) project systems and procedures (procurement, financial management and monitoring and evaluation), and iii) project execution and financing (disbursement, budget commitments, counterpart funding and co-financing).

The review refutes that the implementation progress (IP) is 3 (satisfactory) and downgrades it to unsatisfactory (2).

The PCR does not adequately cover the applicable IP criteria, namely i) compliance with covenants, ii) project system and procedures; and iii) project execution and financing. Given the non-availability of enough project supervision and implementation documents, the review is not able to provide a thorough assessment of the IP. However, although there were no cost overruns associated with the project, the many delays and execution challenges in delivery of project outputs, as well as lack of capacity from the part of the PIU to comprehend and properly apply Bank procurement procedures are indicative of poor implementation. Further the pull out of some partners (donors) on fiduciary concerns raises a signal on compliance challenges with covenants. The review thus considers the project problematic.

SUSTAINABILITY

l. Financial sustainability:

Provide an assessment of the extent to which funding mechanisms and modalities (e.g. Tariffs, user fees, maintenance fees, budgetary allocations, other stakeholder contributions, aid flows, etc.) have been put in place to ensure the continued flow of benefits after completion, with particular emphasis on financial sustainability. For PBOs, the assessment should focus on financial sustainability of reforms, as well as the Bank's policy dialogue to promote financial sustainability of the reforms.

The review concurs that the financial sustainability of the project is satisfactory (3).

The mechanisms and modalities put in place are deemed reasonably sufficient to ensure the continued flow of project benefits and therefore rates it satisfactory.

The approved FSDS 2013-2022 strategy, together with PARP 2011-2014, perpetuates the benefits gained from the FSTAP. The strategy contain measures that are expected to strengthen the components of the project. In addition, the WB is currently preparing a financial sector development policy loan. As a result, benefits from the FSTAP are likely to be further built upon. The Central Bank capacity, as a monetary authority, was strengthened resulting in robust prudential supervision.

In its design, the project identified and mitigated against four key risks (i) Mozambique's weak project implementation capacity; (ii) Government's counterpart funds are not provided on a timely basis; (iii) The GoM does not act in a timely manner on the recommended actions of under the project, e.g. legislative changes; and (iv) the beneficiary institutions are not able to retain their personnel trained under the project.

m. Institutional sustainability and strengthening of capacities:

Provide an assessment of the extent to which the project has contributed to the strengthening of institutional capacities – including for instance through the use of country systems – that will continue to facilitate the continued flow of benefits associated with the project. An appreciation should be made with regards to whether or not improved governance practices or improved skills, procedures, incentives, structures, or institutional mechanisms came into effect as a result of the operation. For PBOs, this should include an assessment on the contributions made to building the capacity to lead and manage the policy reform process; the extent to which the political economy of decision making was conducive to reform; the Government's commitment to reform; and how the design reinforced national ownership.

The review validates that the institutional sustainability and strengthening of capacities is satisfactory (3).

The project contributed significantly to strengthening institutional capacities in the financial sector resulting in considerable capacity appropriate to continue the flow of project benefits.

As per PCR, the project strengthened institutional capacity from several fronts including the approval of a comprehensive regulatory package in the insurance sector; the adoption of IFRS standards which are in current use by insurers; the restructuring and strengthening of a Debt Sustainability Analysis Unit within the Ministry of Finance; the establishment and operationalization of the country's first ever financial intelligence and AML agency; greater access to collateral registration through the computerization of property registration at the Ministry of Justice.

It is reported in the PCR that capacity building projects funded under the FSTAP imparted appropriate skills and knowledge for key beneficiary institutions. Improved work efficiency and service delivery by the beneficiary institutions (e.g., document management system at ISSM and the data recovery site for GiFIM) was enhanced through the acquisition of IT equipment and software. The risk though was that some project activities provided pilot experiences and needed an extended geographical coverage as exemplified by the computerization of the property registries only covered the South of the country (Matola/Maputo) rather than nationally. This may restrain the optimisation of intended program benefits to be accrued and the envisaged value for money.

Based on the PCR, FSTAP had a significant effect within the financial sector, providing sectorial reforms to improve capacities and build new ones, within an integrated platform comprising banking, insurance, social security and other governmental entities (e.g., Ministry of Finance). The project ensured the creation of the new legal framework, supported institutional restructuring and training for these subsectors FSTAP had a significant effect within the financial sector, providing sectorial reforms to improve capacities and build new ones, within an integrated platform comprising banking, insurance, social security and other governmental entities (e.g., Ministry of Finance). The project ensured the creation of the new legal framework, supported institutional restructuring and training for these subsectors.

This review cannot however confirm the functionality of capacity building interventions and the translation of requisite knowledge gained on the ground but presumes this to hold at the back of mitigation measures put in place.

n. Ownership and sustainability of partnerships:

Provide an assessment of whether the project has effectively involved relevant stakeholders, promoted a sense of ownership amongst the beneficiaries (both men and women) and put in place effective partnerships with relevant stakeholders (e.g. local authorities, civil society organizations, private sector, donors) as required for the continued maintenance of the project outputs. For PBOs, the assessment should measure the extent to which the Government's capacity to conduct consultations during policy dialogue and the extent to which the Bank supported the Government in deepening the consultation processes.

The review agrees that the ownership and sustainability of partnerships is satisfactory (3).

Indicators of ownership and sustainability are evident. The project effectively involved most stakeholders (supply-side) which enhanced a sense of ownership alongside the commitment of GoM and development partners. The project lacked a holistic approach by excluding the demand side interventions.

The project was designed as a multi-donor project. In order to ensure ownership and sustainability, a participatory approach was engaged. The project's objectives represented the various stakeholders' needs, obtained their commitment, and created ownership from project donors, banks, insurance entities, and governmental financial institutions.

In this regard, the GoM and other donors generated complementary projects to strengthen the financial sector to contribute to economic growth and poverty reduction. The GoM created the national investment bank (BNI) in 2011 and approved the District Development Fund (FDD) in 2006 in order to expand financial services to rural areas to fund multi-sector initiatives focused on food production and job creation. The technical working group provides a strong case of shared ownership and a sound basis of cross-fertilisation of institutional expertise resonating with the call for sustainability. And other donors financed more projects to provide coordinated mechanisms to strengthen the banking sector. The CSO and private sector involvement during project design was however limited presenting a plausible constraint on optimisation. The operation eludes inclusiveness, for instance reflecting on women and men benefiting from the project. As a result, the operation put in place effective partnerships for continued maintenance and management of outputs and therefore created a strong sense of ownership and sustainability of partnerships.

The review beliefs that had robust mechanisms been put in place to effectively monitor and ensure banking sector stability, fortifying the core function of the MoF and BoM, competitive institutional set up to strengthen public debt management and corporate sector, operationalizing the IFRS could have led to a negligible risk on the development outcome.

o. Environmental and social sustainability:

Provide an assessment of the objectivity of the PCR rating on the project's implementation of environmental and social mitigation/enhancement measures with regard to the Environmental and Social Management Plan (ESMP), the capacity of country institutions and systems, as well as the availability of funding to ensure the environmental and social sustainability of the operation. This criterion would normally only apply to Environmental Category I and II projects.

The project has no adverse environmental or social impact and therefore not evaluable in this respect. In line with the Bank's Environmental and Social Assessment Procedures, this project being category 3, is principally a policy improvement/capacity building operation and has no physical effects on the environment.

4. PERFORMANCE OF STAKEHOLDERS

a. Bank performance:

(Preparation/approval, ensure of Quality at Entry (QAE) : quality of the supervision, completion) : Provide observations on the objectivity of the PCR ratings and feedback provided by the Borrower, and if necessary, re-assess the Bank's performance throughout the project cycle (design, implementation, completion) by focusing on evidence from the PCR in relation to 7 criteria defined in the PCR Guidance Note.

The review concurs that the performance of the Bank is satisfactory (3).

Although the review concurs with the WB (ICR Review June 2013) with respect to the weaknesses of QaE (also confirmed in retrospect by the Mozambique – Country Strategy Paper 2011-2015 Completion Report and Country Portfolio Performance Review), the review finds that despite the scope and relative complexity of the environment, the Bank and its multidisciplinary staff with adequate skills mix efficiently and smoothly discharged their responsibilities.

In partnership with other development partners (DA/DfID/SIDA, GTZ/KfW and the GOM), the Bank continues to build productive cooperation in the financial sector to ensure sustainable economic development for the benefit of Mozambique.

The bank delivered its key five components in line with the CSP and contributed to strengthening of the financial sector. The supervision reports indicate that all five components were satisfactorily delivered. Feedback from the borrower and beneficiaries confirmed project outcomes as satisfactory and noted significant progress made in key areas including regulatory reform and the promulgation of new enabling statues for instance the Revised Insurance Law (1/2010), AML, insurance regulation. The Bank was flexible to the changing circumstances of the project and conducted timely and comprehensive supervisions of FSTAP every six months which enabled the identification of tailored corrective measures to achieve the project objectives. The Long-term Consultancy for the design of a software module for self-employed workers was completed. The Bank took over additional 2 components following the exit of the IDA/World Bank to enhance continued flow of benefits and the synergy arising from the complementarities of the partner roles.

The review noted general limitations consistent with most development projects that included significant delays in procurement processes during the early years of implementation and the lack of implementation of the Master in actuarial studies. Appropriate mitigation measures were provided to this effect. The review however notes that no data on the borrower's self-evaluation was available at the time of the evaluation.

b. Borrower performance:

Provide observations on the objectivity of the PCR ratings, and if necessary, re-assess the Borrower's performance throughout the project cycle (design, implementation, completion) by focusing on evidence from the PCR in relation to questions defined in the PCR Guidance Note.

The review shares the findings of the PCR that performance of the borrower is satisfactory (3).

Borrower commitment was noted as high. Conditions precedent to entry into force and for the first disbursement were met among other conditions. Counter-part funds were provided timely. The PIU responded to supervision missions, enabling legislative reforms and new legislative instruments were ascended and promulgated, the new FSDS for 2013-2022 was launched to perpetuate sustainability of the project benefits. This attests to satisfactory performance. The preparation of requests and procurement documents proved challenging, in particular given weak capacity to prepare technical documents at the beneficiary level. The quality of PIU documents constrained disbursement and led to delayed payments.

c. Performance of other stakeholders:

Provide observations on the objectivity of the PCR ratings, and if necessary, re-assess the other shareholders' performance throughout the project cycle (design, implementation, completion) by focusing on evidence from the PCR in relation to relevant questions specific to each stakeholder (co-financiers, NGO, contractors and service providers).

The review refutes that the performance of other stakeholders is satisfactory (3) and scores it unsatisfactory (2).

The review notes that the design brought together other development partners well versed in the banking and debt management issues (DFID, KFW, GTZ). Donor harmonisation was evident and strong through-out the project despite delays. The International Labor Organization (ILO) provided support to the National Institute of Social Security (INSS) to complete the preparation of an updated actuarial study. The Mozambique Institute of Insurance Supervision (ISSM) has completed its work on legal notices on risk capital requirements for micro-insurance activities. World Bank-financed components performed at an equivalent level to those financed by the Bank. Monetary policy was targeted to enhance project objectives thus, estimating a moderation in the expansion of the broadest money aggregate (M3) – by 19.1%, in line with an evolution in credit to the economy in about 19.5%.The auditors expressed unqualified audit opinion (no material reservation) on the Project accounts and also noted that the Bank's policies and procedures have been complied with in implementing the Project activities. Consultants were recruited as required in the TORs. The recommendations in the management letter have been implemented.

However, the PCR notes that weak capacity at the beneficiary level to prepare technical documents, which sometimes resulted in delayed payments. A key lesson is that weak public sector management could pose a risk to implementation of projects. Consultants missed deadlines. Co-financiers did not fully honor their commitments as pledged.

5. SUMMARY OF OVERALL PROJECT PERFORMANCE

a. Overall assessment:

Provide a summary of the project's overall performance based on the PCR 4 key components (Relevance, Effectiveness, Efficiency and Sustainability). Any difference with the PCR and the reasons that have resulted in them should be mentioned. For cases with insufficient evidence (from the PCR and other documents) available, the evaluator should assign a partly satisfactory rating (to be revised) until a REPP is complete.

Relevance: The development objective remained fully aligned with the Bank CSP, applicable sector strategies, country development strategies and the needs of the beneficiaries. The review also found out that the design of the project to achieve intended outputs and outcomes remained sound and appropriate throughout the implementation of the project. However, the review notes that the design could have been considerably strengthened by taking into account the demand side and the eventual timing for measuring the results in terms of poverty reduction and improved financial sector performance.

Effectiveness in delivering outputs and outcomes: The review disputes the reported 75% output execution rate in the PCR, reassess and finds it as 55%. Based on the Staff Guidance Note on Project Completion and Reporting Aug 2012, the result of the analysis of unsatisfactory outputs (2) delivery at 55% and satisfactory outcomes (3) is an overall unsatisfactory rating (2). The review also departs from the PCR in its DO rating as satisfactory. In its critique, the review establishes that despite the outcomes indicators being reported as achieved or sometime exceeded, there is no concrete and admissible evidence to attribute direct causality to the project. Over and above all, the review finds that the contribution to the overarching objective is not fully established but rather delinked.

Efficiency: The review concludes that despite that the ratio of actual to planned implementation being 0.77% (considered satisfactory), there were several delays in the delivery of outputs. As far as resource use efficiency is concerned, the project was able to deliver its outputs within the available resource envelope though some activities were cancelled. The review was concerned with several issues among them capacity, delays whose mitigation would have strengthened project implementation.

Sustainability: The review established that the project put in place mechanisms for financial, institutional and ownership and partnerships sustainability, though they were only sufficient and not robust. Environmental sustainability was found not applicable. Although the quality at entry and the mechanisms put in place to sustain the flow of benefits derived from the project, the review found that the effectiveness and efficiency of the project in delivering intended results suffered from multiple deficiencies and constraints. The review asserts that the project did not induce the desired scale of changes in terms of the contribution of the financial sector to GDP. As the review note, the financial sector contribution target was set at between 8.5% and 10% by 2010 and yet the actual contribution was 5.6%. In addition the financial deepening ratio was set at 35% whilst the actual performance was 28.8% by 2012. As noted in the analysis of the review, sustainability could be possibly threatened by the less satisfactory legal and regulatory reforms, progress in financial deepening, **https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0**

Caution: The review cautions on a looming dilemma from the fact that the project delivered exclusively on all the ADF components but did not meet the planned 8-10% financial sector contribution to GDP (actual being 5.6%) nor the financial sector deepening ratio 35% of M2 to GDP (actual being 28.8%). The strategic outcome indicators were missed by a moderate margin. It is noted that some of the outputs and outcomes indicators were legislative in nature implying functional complexity in realty as sustained political and legal enforcement commitment is a key driver to realise nationally owned objectives. The World Bank and the IMF Financial Sector Assessment Program FSAP acknowledge considerable progress in financial sector reforms while at the same time confirmed the fragility of the country's financial system. Based on the OECD,UNECA 2012 report, the insurance sector was still contributing less than 1% to GDP.

b. Design, implementation and utilization of the M&E (appreciation of the evaluator):

Provide an assessment of planned and actual cost of the design, implementation and utilization of the M&E system. Design : To which extent the project M&E system was explicit, adequate and realistic to generate and analyse relevant data ; Implementation : To which extent relevant data was collected – Elements of M&E implementation and effectiveness in the PCR ; Utilization : degree of utilization of data generated for decision-making and resource allocation – elements of M&E utilization in the PCR.

The review finds minimal evidence to indicate that there is a functional and working M and E (though weak) system to track and account for results delivery from design, implementation and exit. It notes that a Technical Working Group was put in place to ensure outputs were delivered but there is very little evidence presented to show the utilisation the designed M and E system for instance the review received only two supervision and two mission reports. The reports were relatively in depth though they could have been more rigorous. The review proposes that while it was economic to combine the supervision missions with the GPSE project, the set of reports should have been clearly presented separately rather than combined. This tended to break a logical build up and completion from one mission to another. The supervision report of 3-6June 2013 was not signed off and the section for Issues and Actions was utterly blank yet they were issues to populate and action. The review observed that this tended to be consistent with the PCR itself with specific reference to the management and review comments where only out of 4 reviewers provided comments. There is no evidence to demonstrate commitment and dedication to the M and E system.

6. EVALUATION OF KEY LESSONS LEARNED AND RECOMMENDATIONS

a. Lessons learned:

Provide a brief description of any agreement/disagreement with all or part of the lessons learned from the PCR after analysis of the project performance with regards to each of the key components of the evaluation (Relevance, Effectiveness, Efficiency, and Sustainability). List the PCR main new and/or reformulated pertinent (and generic) lessons learned for each of these components here. It is recommended that no more than five lessons learned are discussed. Key questions and targeted audience must also be specified for each lesson learned.

The review examines the three lessons learned (fewer than the required five key guiding questions in the Staff Guidance on Project Completion and Reporting) which it finds useful in view of the current and future projects.

These are applicable in a generic and prescriptive context. The lessons highlight strengths and weaknesses in preparation, design, and implementation that affect sustainable outcomes. The review agrees with the pertinence of slow disbursements and lengthy procurement process. An additional lesson was included by the review on gender inclusiveness.

In view of enhancing development effectiveness and learning, the review notes the following delicate lessons:

i) **Harmonisation:** It is imperative to harmonise and be pragmatic in defining the timing for implementing projects and achieving the intended outputs and outcomes targets and indicators.

ii) **Holistic Design:** It is appropriate to integrate both supply and demand components to strengthen results delivery for similar projects.

iii) **Monitoring and Evaluation functionality:** It is critical to have in place an effective, dedicated and functioning M and E system to detect project implementation red flags, deficiencies and taking timely corrective action

iv) Inclusiveness: Design needs to be gender inclusive

v) Institutional Capacity: A key lesson is that weak public sector management could pose a risk to implementation of projects.

b. Recommendations:

Provide a brief description of any agreement/ disagreement with all or part of the recommendations from the PCR. List the PCR main new and/or reformulated recommendations (requiring more actions by the Borrower and/or the Bank) here.

The PCR was weak and inadequate on development effectiveness driven recommendations. It however, formulated one pertinent recommendation on design adequacy.

The review reformulates and proposes the following four recommendations based on evidence gleaned from the PCR and ensuing risk scenarios:

(i) **Holistic design strategy:** Conduct thorough and in-depth diagnosis of the financial sector in order to strengthen holistic design strategy.

(ii) **Institutional Capacity**: Assess and build the country’s requisite implementing capacities.

(iii) **Implementation Monitoring and Results Based Reporting:** Design, commit and utilise M and E systems, with a clear definition of monitorable outputs and outcomes taking into account the RBLF.

(iv) **Pragmatic political commitment** to legislative provisions should be availed by the Borrower for reforms to be realistic.

7. COMMENTS ON PCR QUALITY AND TIMELINESS

The overall PCR rating is based on all or part of the criteria presented in the annexe and other: The quality of the PCR is rated as highly satisfactory (4), satisfactory (3), unsatisfactory (2), and highly unsatisfactory (1). The timeliness of the PCR is rated as on time (4) or late (1). The participation of the Borrower, co-financier, and the bank's external office(s) are rated as follows: Very Good (4), Good (3), Fair (2), Poor (1).

The PCR Quality is satisfactory and was submitted timely according to the PCR Inbox.

The PCR was submitted on the 20th of April 2014, following an extension of the original closing date from the 31st of January 2012 to the revised closing date 30th June 2013. Thus the PCR was submitted 10 calendar months from the revised date of closing. The timeliness of the submission of the report will be confirmed with the actual date of submission in the PCR box as requested.

The review finds that the quality of the PCR is satisfactory (3). The following were noted:

i) The PCR demonstrated the contribution of the project to meet intended outcomes as outlined in the Appraisal Report i.e. the increase in the contribution of the financial sector to the GDP as measured by its sectoral ratio of 8%-10.5% of the GDP and 30%-35% financial deepening in order to enhance the financial sector to anchor economic growth and reduce poverty. The financial sector's contribution was 5.2% in 2010, 5.6% in 2012 and financial deepening 28.8%, 2012. The intended targets were not met.

ii) The PCR adhered to the prescribed reporting format of the Staff Guidance on Project Completion Reporting and Rating

iii) The PCR generated appropriate lessons presented in the required format albeit being fewer, lengthy rather than concise for development effectiveness decision making.

iv) The availability of evidence in the PCR was reasonable but could have been more broadened to be more outcomes focused than a narrative implementation.

The limitations, though, were as follows:

(i) The PCR does not adequately cover the applicable IP criteria, namely i) compliance with covenant, ii) project system and procedures; and iii) project execution and financing

(ii) Social security transformative effects of FSTAP as well as access to financial services were not tracked and reported and argued convincingly, yet a key component of the project.

(iii) The PCR could have taken into account gender disaggregation issues and address inclusiveness

(iv) The PCR should have drawn a clear distinction between some of the intended outputs and outcomes

(v) Some inconsistencies were noted between the PCR and the Appraisal Report in relation the indicator on increased credit accessibility.

(vi) The formulation of lessons learnt could have benefited from the application of the four primary question guidelines in the Staff Guidance Note.

It is observed that the performance of the borrower, co-financiers and the bank as well as field offices was overall fair.

8. SUMMARY OF THE EVALUATION

This is a summary of both the PCR and IDEV ratings with justification for deviations/comments. Appropriate section of the PCR Evaluation should be indicated in the last column in order to avoid detailed comments. The evaluator must provide a reasonable explanation for each criterion the PCR rating is not validated by IDEV. Consequently, the overall rating of the project could be "equally satisfactory".

Criteria	PCR	PCREN	Reason for disagreement/ Comments
RELEVANCE	4	3	The development objective remained fully aligned with the Bank CSP, applicable sector strategies, country development strategies and the needs of the beneficiaries. However, the project had a shortcoming in relation to the demand side as it developed a heavy supply side focus.
Relevance of project development objective	4	4	The DO was aligned fully with the CSP, sector strategies, PARP, FSDP and the needs of the beneficiaries. Multiple independent lines of evidence confirmed the substantial relevance of the DO. Independent evidence gleaned converged with the PCR's claim, http://www.aprmtoolkit.saiia.org.za/component/docman/doc_view/78-atkt-mozambique-country-report-2009-en, http://documents.worldbank.org/curated/en/691891468288080006/pdf/NonAsciiFileName0.pd
Relevance of project design	3	3	The review acknowledges that the design was conducive to achieving results and continued appropriate throughout implementation with some modifications. A Realistic results framework was in place. However, there is a severe and critical deficiency in that the design was supply driven and totally excluded the demand side resulting in severe ramifications of the project's delivery towards intended targets and the desired changes. Also notable were delays and project extension and lack of cross-cutting issues for instance gender inclusiveness. Comparative converging evidence reveals that the design net rating disconnect with the IEG comparator is zero as confirmable with http://lnweb90.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/8525682E0068603785257AE7004F3C8F?opendocument
EFFECTIVENESS	3	2	
Development objective (DO)	3	2	Overall, the DO is unsatisfactory on account of weak output execution (55%).This is confirmed by independent lines of evidence, https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0T www.africaneconomicoutlook.org/sites/...05/Mozambique_GB_2016%20WEB.pdf/www.africaneconomicoutlook.org.

Criteria	PCR	PCREN	Reason for disagreement/ Comments
			http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Mozambique Full PDF Country Note.pdf. Outcomes were found satisfactory breaking the logical link in the conventional output-outcomes relationship as shown by converging multiple unconnected evidence in favour of the PCR'S rating, http://www.bancomoc.mz/fm_pgTab1.aspx?id=106 http://www.uneca.org/sites/default/files/PublicationFiles/sro_sa_ersa_2012.pd https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0. The presence of other actors as explained cannot be ignored as a driver and a game changer. The rating of the DO is arrived correctly on the basis of the Staff Guidance on Project Completion Reporting and Rating Guidelines August 2012.
EFFICIENCY	3	2	The project was punctuated with several delays during its implementation, more specifically with the delivery of outputs.
Timeliness	3	3	With a ratio of .77, the project timeliness are satisfactory. It however, faced some delays and extensions.
Resource use efficiency	4	2	The median of the physical implementation of outputs and commitment rate was .68 rather than 1.08 as claimed by the PCR. Whilst the project delivered its outputs within budget, it is noted that some activities were cancelled (e.g. masters program in actuarial studies) and others partially implemented (e.g. computerization of property registries at the Ministry of Justice) and there is no evidence of the reallocation of the resources from the cancelled activities.
Cost-benefit analysis	NA	NA	CBA was not conducted due to the nature of the project.
Implementation progress (IP)	3	**2**	Despite the fact that the review was not able to provide a thorough assessment of the IPR on account of evidence, they were substantial delays in the implementation and delivery of outputs and constrained PIU capacity.
SUSTAINABILITY	3	3	
Financial sustainability	3	3	The project put in place instruments for financial sustainability considered sufficient to safeguard the continuation of benefits. The Financial Sector Development Strategy and staff retention mitigation measures are cited as very strong measures in this regard. Despite the measure highlighted above, the review found absent additional and crucial sustainability options for example cost recovery mechanisms, resource mobilisation initiatives, strategic and financial planning, income diversification, sound administration and finance and indicators of nascent political and legislative enforcement commitment especially in fragile states where the executive has a stronger grip of the state. The review accordingly treats this component with caution. Sustainability could be possibly threatened by the less satisfactory legal and regulatory reforms, progress in financial deepening, https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0
Institutional sustainability and strengthening of capacities	3	3	Institutional sustainability mechanisms were put in place for instance training and retaining capacitated staff through improved conditions and competitive remuneration. There are no initiatives reported on retaining talent and capacity to secure necessary inputs and support for continuing stream of activities and outputs in this regard.
Ownership and sustainability of partnerships	3	3	The project effectively involved *most* relevant stakeholders, enhanced significant ownership. To this effect, effective partnerships have been put in place for continued maintenance and management of outputs.
Environmental and social sustainability	NA	NA	Being a technical assistance project, this is classified as category 3 in line with the Bank's ESA/ESMP. Hence it has no direct or indirect impact on the environment and therefore not evaluable.
OVERALL PROJECT COMPLETION RATING	3	3 (2.5)	
Bank performance:	3	3	The review notes that over and above the five project components, the Bank took over additional two components following the exit of the IDA/World Bank, enhancing the continuation of the project and accumulated benefits. Supervision and

Criteria	PCR	PCREN	Reason for disagreement/ Comments
			flexibility in responding to requests was exercised by the Bank. The quality of the reports was reasonable.
Borrower performance:	3	3	According the PCR, the borrower committed resources timely, responded to supervision missions and discharged its responsibilities including monitoring and evaluation though the PIU. Weak capacities, delays and inefficiencies were noted in project execution though.
Performance of other shareholders:	3	2	The PCR cites that the World Bank performed at the equivalence of the Bank. The review did not find reasonable evidence to provide an objective rating. Consultants however missed deadlines as per TOR. Co-financiers did not honour very well their commitments with an average of 20% undisbursed among the three co-financiers.
Overall PCR quality:		3	Overall, the review found reasonable evidence to demonstrate the contribution of the project to the overarching objective. However, there is a mix of outputs with outcomes and a few inconsistencies were noted as indicated earlier. Errors of omissions were found varying from material to immaterial. The PCR was peer reviewed by the Country manager only with the other 3 managers not providing input in the management review and comments section. More evidence could have been gleaned from the PARPA review reports, BoM Annual Reports and Quarterly, Annual Reports, Annual Reports of banks, insurance companies and the social security in substantiating and constructing its ratings.

9. PRIORITY FOR FUTURE EVALUATIVE WORK: PROJECT FOR PERFORMANCE EVALUATION REPORT, IMPACT EVALUATION, COUNTRY/SECTOR REVIEWS OR THEMATIC EVALUATION STUDIES:

- **Project is part of a series and suitable for cluster evaluation** ☐
- **Project is a success story** ☐
- **High priority for impact evaluation** ☐
- **Performance evaluation is required to sector/country review** ☐
- **High priority for thematic or special evaluation studies (Country)** ☐
- **PPER is required because of incomplete validation rating** ☐

Major areas of focus for future evaluation work:

a) Performance evaluation is required for sector/ country review

b) Cluster evaluation (institutional support)

c) Sector evaluation (budgetary support or public finance management reforms)

Follow up action by IDEV:
Identify same cluster or sector operations; organize appropriate work or consultation mission to facilitate a), b) and/or c).

Division Manager clearance **Director signing off**

Data source for validation:

- Documents/ Database reports
- Project Completion Report
- Supervision Report, Mission number : 0014 , Date of Mission : 03.06.2013
- Project Results Assessment Report
- Appraisal Report

- Country Strategy Paper 2002-2004
- Country Strategy Paper 2006-2009
- ICR World Bank June 2013

Attachment:

- PCR evaluation note validation sheet of performance ratings
- List of references

PROJECT COMPLETION REPORT EVALUATION NOTE
Validation of PCR performance ratings

PCR rating scale:

Score	Description
4	**Very Good** – Fully achieved with no shortcomings
3	**Good** – Mostly achieved despite a few shortcomings
2	**Fair** – Partially achieved. Shortcomings and achievements are roughly balanced
1	**Poor** – very limited achievement with extensive shortcomings
UTS	Unable to score/rate
NA	Non Applicable

Criteria	Sub-criteria	PCR work score	IDEV review	Reasons for deviation/comments
RELEVANCE	Relevance of the project development objective (DO) during implementation	4	4	The project is appropriate and relevant to the country's development priorities as it liberalises the financial sector, enacts enabling legislative instruments and strengthens institutions to fast track financial sector growth and catalyse economic development and reduce poverty. It remains ever relevant ex-post. The DO is fully aligned to the CSP (Strategic Plan 2003-2007, 2005 CSP Update and the subsequent 2007-2011, 2011-2015), Country development strategies (PARPA I and II, 2001-2005, 2006-2009, 2011-2014) and the FSDS 2013-2022), sector strategies and beneficiary needs.
	Relevance of project design (from approval to completion)	3	3	The design of the project was consistent with the focus to address the problem (Increase in the contribution of the Financial Sector to GDP) and conducive to delivering change and results with reasonable modifications. It took into account previous lessons learnt and addressed the needs of its beneficiaries. The original design was sound and remained appropriate throughout the implementation. Although an extension was granted and the Bank assumed full responsibility for operating and staff cost of project after the closure of the World Bank component, these minor adjustments were carried out in a timely manner, did not alter the scope of the project, and did not have a negative impact on implementation or the achievement of intended outcomes. Some shortcomings with regards to the underlying assumptions of the design are to be highlighted.
OVERALL RELEVANCE SCORE		**3**	**3**	
EFFECTIVENESS*	**Effectiveness in delivering outcomes**			
	Long Term Outcome: Increase in the contribution of the Financial Sector to GDP		3	The review confirms that project's long term outcome was to increase financial sector contribution to GDP. The two OVIs (financial sector to contribute between 8% to 10.5% of GDP by 2010, and increase financial deepening between 20% and 30% of GDP by 2010) were not met. While the financial sector contribution to GDP stood at 5.1% in 2010 (.1% down from 2005). The review notes that PCR

				substantiated on the indicators that build up the case on improved soundness and contribution of the sector to the economic growth and poverty reduction. E.g. accessibility to micro-finance service, compliance with prudential regulations, IFRS, Basel core principles, capital adequacy, RTGS and M2 share of GDP at exit. GDP contribution was 5.6% against 8.5% baseline and the ration of M2 to GDP stood at 28.8% against 35%. The review notes that while these indicators are below targets, possibly due to realism in formulation based on benchmarks, the project's contribution cannot be totally written off. They were changes as outlined earlier.
	Outcome 1: Strengthened banking and insurance sectors in the country		3	The target was partly attained (80%). Outcome 1 was mostly achieved despite a few shortcomings. 4 out 5 of the indicator have been met and exceeded targets. However, despite the growth and diversification of the insurance sector, insurance penetration in the country has remained low restricting the desired road map to deepen the financial sector according to independent evidence presented in this review. http://pubdocs.worldbank.org/en/744811468275677442/mozambique-finscope-consumer-survey-mozambique-2014.pdf
	Outcome 2: Increase in the social security coverage in the country		3	According to the PCR, the project fully satisfied this outcome and exceeded expectation (>100%) without shortcomings. The effect of Intermediate Outcomes 1 and 2 can increase weight on the long term outcome above. Reality on the ground could not be confirmed and the review found a conflict of this rating with the related body of evidence specifically output 2 indicators. Three challenges were noted as critical. Evidence from a World Bank Study indicate that 8% of the adults have insurance cover, http://pubdocs.worldbank.org/en/744811468275677442/mozambique-finscope-consumer-survey-mozambique-2014.pdf
	Effectiveness in delivering output			
	Output 1: A comprehensive and strengthened regulatory and supervisory regime for the insurance industry developed	N/A	3	New legislation, pension fund and regulatory instruments was promulgated and assented into statues-Decree 29/2012 to reform the insurance industry supervision. The IFRS was adopted in 2009 and IGS staff trained. All targets for output 1 were met with a delay of 4 years. The application of the legislation on the ground was confirmed by the following lines of evidence which converged. http://documents.worldbank.org/curated/en/825481468186881718/pdf/103333-v1-WP-Mozambique-CPFL-DiagReview-2015-Volume-I-FINAL-PUBLIC.pdf http://www.mirandalawfirm.com/uploadedfiles/61/18/0001861.pdf
	Output 2: A modern and efficiently administered social security system developed	N/A	1	Inefficiencies were noted. INSS could not finalise audit accounts in 6 months INSS Strategic Plan could not be delivered yet very important in execution. Less than 50% of the targets (3) are completed or near completion, with 3 out of 7 targets between 0-50% and an average of 3 years of delay. 80 % of the targets are completed or near completion. The training of judicial officer that was to commence by 2006 did not happen. Therefore the transfer of the requisite knowledge and anticipated outcomes was not realised but actually compromised. The review tracked the INSS Annual report for 2013 but was denied access, http://www.inss.gov.mz/&prev=search

	Output 3: Improved legal and judicial environment for lending activities achieved.	N/A	2	Training of judicial staff was unrealised resulting in constrained capacity. New laws in registry were enacted. 3 out of 5 targets met. 80 % of the targets are completed or near completion. The training of judicial officers that was to commence by 2006 did not take place. IMF findings (Financial Sector Assessment program—Financial System Stability Assessment) confirm that legislative and regulatory reforms, progress in financial deepening and access has been less satisfactory, https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0 http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Mozambique Full PDF Country Note.pdf. https://www.oecd.org/daf/inv/investment-policy/IPR-Mozambique-Oct2013-Summary.pdf
	Output 4: Effective implementation of Mozambique's Anti-Money Laundering Law achieved (Conduct Feasibility Study and ascend the Law establishing the FCIU)	N/A	3	Both targets were fully met as planned. The two targets were to conduct the feasibility study establishing the FCIU and to ascend the Law creating the FCIU. The quality of the feasibility study is not known. The AML Unit was reported as functional in June 2011. By the time of the mission in June 2013, reasonably some minimal activities and deliverables should have been reported from the AML to at least show functionality and results on the ground or else this output was not correctly formulated. It is reported in the OECD-UNECA Africa Economic Outlook Report 2012 that here is a shortage of qualified legal personnel, and the case backlog is substantial. Enforcement of contracts and legal redress through the courts cannot be assured.
	Output 5: An improved management of collaterals for lending transactions achieved	N/A	2	The FCIU was created with delay. No indication was provided about the delay. The realization of the target is near completion pending to the configuration of the equipment procured. However, the evaluation also notes some balances between shortcomings and achievement. The shortcomings are: i) delays in the preparation of procurement documents; and ii) change in the scope of the activity from computerizing all property registries in the country to focusing on Maputo and Matola provinces only. ww.irti.org/English/Research/Documents/IDB GLOBAL FORUM ON ISLAMIC FINANCE/10th_Global_Forum/Legal and Financial Regulatory Framework of Mozambique.pdf
	Output 6: Effective implementation of the Anti-Money Laundering Law achieved (Establish and operationalize the FCIU)	N/A	3	The target to operationalise the FCIU was meet with delays. http://www.anti-moneylaundering.org/africa/Mozambique.aspx http://www.gifim.gov.mz/.No indication was provided about the drivers of the delay. The supervision mission June 3rd -5th confirmed that the AML unit was operational and workshops were conducted in India, Tanzania and South Africa. No list of participants were attached or training outputs by gender reported to back this claim. The PCR did not report on preliminary deliverables of the AML from operationalization. It is noted that despite the comprehensive legislative instruments in place, deficiencies in legislation

				enforcement commitment tends to contribute to its ineffectiveness.
	Development objective (DO)			
	Development objective rating	**3**	**2**	Outcomes were satisfactory and on track indicating reasonable likelihood to achieve project targets. The review was not able to confirm functionality on the ground. Outputs were however weak. The outputs and outcomes resonated and were congruent with those in the Appraisal report
	Beneficiaries			
	Beneficiary1: Institutions		2	Beyond the strengthening of institutional capacity, there is no accompanying evidence on translating the requisite knowledge acquired from the training on the ground. The review notes that judicial staff had their trained not delivered though the majority of the institutions received training.
	Beneficiary2: Urban and rural users of financial services		UTS	No evidence is provided on the extent to which the financial inclusion reached the marginalised and the potential users of micro-finance services, that is the financial depth cannot be ascertained.
	Unanticipated outcomes (positive or negative not considered in the project logical framework) and their level of impact on the project (high, moderate, low)			
	Institutional development	NA	M (+)	Institutional capacity strengthening for the MoJ will enhance increased transformation
	Gender	NA		The project did not track gender issues, a weakness pointed out in this evaluation in line with the Bank's strategic direction on gender/inclusiveness.
	Environment & climate change	NA	NA	This is not applicable due to the nature of the type of the project.
	Poverty reduction	NA	H (+)	The deregulated financial sector is a growth driver after agriculture and transport.
	Private sector development	NA	M (+)	Increased market competitiveness is envisaged to accelerate inclusive growth as it is highly conductive in deregulated markets.
	Regional integration	NA	H (+)	Competitive markets enhance economies of production and there improved trade
	Other (specify) Organisational Constraints		M (-)	Judicial officers were not trained resulting in capacity gaps across beneficiaries. The review questioned how the cancellation of Master program in actuarial studies had a negative impact on the project, and therefore contrary to the PCR, could impede the achievement of the project's development outcomes to some extent as it was part of the design.
EFFECTIVENESS OVERALL SCORE			3	
EFFICIENCY	Timeliness (based on the initial closing date)	3	3	Although the ratio of planned implementation time (as per PAR) and actual implementation time from date of effectiveness is 0.77 (5/6.5), several delays occurred in the implementation, more specifically with the delivery of outputs.
	Resource used efficiency	4	2	The ratio between physical implementation and commitments is 68% and therefore unsatisfactory. Some activities were cancelled and there is no evidence on the reallocation of the resources from the cancelled activities.
	Cost-benefit analysis	NA	NA	By its nature this is a technical assistance project.
	Implementation progress (from the IPR)	3	2	The IPR is not attached as an obligatory annex as required by the Staff Guidelines on Project Completion and Rating (2012). The review does not confirm the implementation

				progress (IP) is rated satisfactory (3) and assess it as unsatisfactory (2). The PCR does not adequately cover the applicable IP criteria, namely i) compliance with covenant, ii) project system and procedures; and iii) project execution and financing. Given the non-availability of enough project supervisory and implementation documents, the review is not able to provide a thorough assessment of the IP. However, although there were no cost overrun associated with the project, the many delays in implementation and delivery of project outputs, as well as lack of capacity from the part of the PIU to comprehend and properly apply Bank procurement procedures are indicative of poor implementation.
	Other (specify)			
OVERALL EFFICIENCY SCORE		**3**	2	
SUSTAINABILITY	Financial sustainability	3	3	Sufficient mechanisms were structured based on lessons learnt in the past as in informed by the CSP. They were however not robust to deal with sustainability threats in a fragile economy.
	Institutional sustainability and strengthening of capacities	3	3	Strengthening institutional capacity, improved operational conditions and staff retention mitigation were in place to enhanced continued flow of project benefits on exit.
	Ownership and sustainability of partnerships	3	3	Most relevant stakeholders were engaged to ensure ownership and sustainability.
	Environmental and social sustainability	NA	NA	The project has no anticipated effects on the environmental.
OVERALL SUSTAINABILITY SCORE			3	

*The rating of the effectiveness component is obtained from the development objective (DO) rating in the latest IPR of the project (see Guidance Note on the IPR).
The ratings for outputs and outcomes are determined based on the project's progress towards realizing its targets, and the overall development objective of the project (DO) is obtained by combining the ratings obtained for outputs and outcomes following the method defined in the IPR Guidance Note. The following method is applied: Highly satisfactory (4), Satisfactory (3), Unsatisfactory (2) and Highly unsatisfactory (1).

Criteria	Sub-criteria	PCR Work score	IDEV review	Reasons for deviation/comments
BANK PERFORMANCE	Proactive identification and resolution of problems at different stage of the project cycle		3	The Bank implemented its 5 components to fruition. It approved the execution of certain activities not foreseen in the project for GiFIM and for the DSA Unit at the Ministry of Finance and the conversion of training of staff from INSS in actuarial studies into masters degree project. The Bank exercised flexibility during the project (Supervision Report 03/06/2013p 4). The Bank took over the components of the IDA/World Bank after its closure which could have disrupted the continued flow of the benefits and resilient focus on the DO due to the interrelatedness of the harmonised portfolio. This smoothened the complementarity of the components over and above the five components of the

Criteria	Sub-criteria	PCR Work score	IDEV review	Reasons for deviation/comments
				Bank. The Bank supervised the project regularly, every 6 months and was able to identify corrective measures in tandem with other stakeholders
	Use of previous lessons learned from previous operations during design and implementation		3	The CSP informed the design and implementation process and fully aligned with the PARP. The project drew experiences from the implications of constrained capacity resulting in a multi-skilled PIU, staff training and tailored design to meet financial needs. The design however did not address the demand side.
	Promotion of stakeholder participation to strengthen ownership		3	Most relevant stakeholders were engaged extensively resulting in ownership and synergy. However, they were some shortcomings from the part of the stakeholders. Both the Bank PCR and the World Bank ICR noted a great deal of stakeholder involvement and ownership.
	Enforcement of safeguard and fiduciary requirements		n/a	
	Design and implementation of Monitoring & Evaluation system		n/a	Outputs and outcomes are mixed somewhat in the formulation.
	Quality of Bank supervision (mix of skills in supervisory teams, etc)		n/a	The review was not able to assess the quality of the Bank's supervision as not information was provided.
	Timeliness of responses to requests		n/a	
OVERALL BANK PERFORMANCE SCORE		**3**	**3**	
BORROWER PERFORMANCE	Quality of preparation and implementation		**3**	Satisfactory.
	Compliance with covenants, agreements and safeguards		3	Satisfactory.
	Provision of timely counterpart funding		3	The borrower fast tracked its counterpart contributions resulting in timely delivery. Donors gained political commitment from the GoM and PIU, which was strategically placed to win the support of the MoF and delivered results.
	Responsiveness to supervision recommendations		3	PIU was at all times very responsive to and receptive to supervision missions. It was effective, experienced and competent.
	Measures taken to establish basis for project sustainability		3	Strong ownership, commitment, involvement and institutional capacity mechanisms ensured that project activities were leveraged with broader Government financial sector reforms. PARP (2011-2014) and the FSD (2013-2022) are central in continuing the benefits made by the FSTAP.
	Timeliness of preparing requests		2	Incomplete and inaccurate disbursement requests delayed payments. Both the MoF and BoM faced delays relating to project implementation resulting in short comings
OVERALL BORROWER PERFORMANCE SCORE		**3**	**3**	

Criteria	Sub-criteria	PCR Work score	IDEV review	Reasons for deviation/comments
PERFORMANCE OF OTHER STAKEHOLDERS	Timeliness of disbursements by co-financiers		n/a	Not discussed in PCR. In addition, the evaluation does not have any information to assess this aspect.
	Functioning of collaborative agreements		n/a	The PCR indicated that the performance of the WB was similar to that of the AfDB. However, the functioning of the collaborative agreements was not fully discussed. In addition, the evaluation does not have any information to adequately assess this aspect.
	Quality of policy dialogue with co-financiers (for PBOs only)		n/a	Not a PBO.
	Quality of work by service providers		n/a	The service providers are not discussed in PCR. In addition, the review does not have any information to assess this aspect.
	Responsiveness to client demands		n/a	This aspect as well was not discussed in PCR. In addition, the review does not have any information to assess this aspect.
OVERALL PERFORMANCE OF OTHER STAKEHOLDERS		**3**	**2**	The PCR refers to the World Bank's assessment (December 2012 Implementation Completion and Results Report). This does not form a basis for the Bank Group's own delivery on its 5 components. Whilst this is useful, this criteria was not adequately considered in the PCR. Consultants deliverables are reported late.

The overall rating is given: Very Good, Good, Fair and Poor.

(i) (HS) : 4
(ii) (S) : 3
(iii) (US) : 2
(HUS): 1

DESIGN, IMPLEMENTATION AND UTILIZATION OF MONITORING AND EVALUATION (M&E)

The review finds that the Appraisal Report has a Results Framework and an Implementation Schedule Annex 8 and a Matrix of Issues and Actions for ADF-Financed Components (Annex 10). The review finds that baselines in the RLF are realistic and feasible in consideration of the industry. However there is no evidence that suggests the operationalization of the M and E system during the implementation of the project. While the M and E system is a bedrock to enhance implementation and monitoring effectiveness. However, the functionality of the system could be tracked with the availability of the Back to Office and Progress Reports which assessed ADF components in detail. The review finds that the two Supervision Reports of good quality provided adequate evidence over and above that in the PCR.

Criteria	Sub-criteria	IDEV Score	Comments
M&E DESIGN	M&E system is in place, clear, appropriate and realistic	3	An M and E system is partially in place. The system was reasonable with the RLF setting out targets and complimented by the Technical Woking Group as an M and E mechanism.
	Monitoring indicators and monitoring plan were duly approved		The monitoring of the implementation of the project was assigned to the MoF, through the PMU with clear deliverables: quarterly reports on the progress of implementation of the overall project, including the components financed by the ADF and a private audit firm, selected to carry out the annual audit of project accounts
	Existence of disaggregated gender indicator	1	A weakness was found in treating inclusiveness. The project lacked inclusiveness.
	Baseline data were available or collected during the design	1	The M and E system had baselines though not systematically presented.
	Other, specify		
OVERALL M&E DESIGN SCORE		***2***	
M&E IMPLEMENTA-TION	The M&E function is adequately equipped and staffed	3	The supervision team combined appropriate skills mix requisite for effective monitoring and evaluation tasks.
OVERALL M&E IMPLEMENTATION SCORE		3	
M&E UTILIZATION	The borrower used the tracking information for decision	3	The tracking of information was found satisfactory on the basis of evidence provided in the Supervision Mission and flagging follow up actions driven by current progress made. Ample MOVs were provided in the RLF but not all of them were used on monitoring and evaluation of the project. Despite, inherent weaknesses, the PIU is reported to have responded to supervision reports.
OVERALL M&E UTILIZATION SCORE			
OVERALL M&E PERFORMANCE SCORE		3	The M and E system is satisfactory. It could have been more robust if it tracked indicators using the diversity of MOVs MoF and FCIU Reports, UTREL Reports BoM Reports and Economic Bulletins, Annual Reports of banks, FSTAP progress reports and MoF Reports.

PCR QUALITY EVALUATION

Criteria	PCR-EVN (1-4)	Comments
QUALITY OF PCR		
1. Extent of quality and completeness of the PCR evidence and analysis to substantiate the ratings of the various sections	3	The PCR is completed, rated and adheres to the Staff Guidelines, August 2012, for Project Completion Reporting Rating. The PCR substantiated and demonstrated justification for its claims and verdict. The overall FSTAP goal was to contribute between 8.5% and 10% of the GDP and poverty reduction through financial sector reforms. The contribution to GDP was 5.2% in 2010, 5.6% in 20012 and financial deepening 28.8% (target being 35.5% of GDP). Both fell below the envisaged long term targets. The review could not confirm outputs functionality to translate benefits onto the ground and how this catalysed change (TOC) at the level of nationally owned objectives of the GoM. More evidence could have been gleaned from the PARPA review reports, BoM Annual Reports and Quarterly, Annual Reports, Annual Reports of banks and insurance companies and the social security in substantiating and constructing its ratings. The PCR could have shaded in detail the vulnerability of households to aggregate and idiosyncratic shocks, resulting from a mix of high exposure to risks and the lack of capacity and coping mechanisms to deal. The narrative explanation for output 4 was found incomplete.
2. Extent of objectivity of PCR assessment score	3	The scores show a variation in objectivity. The review found output execution, the DO and resource use efficiency scores overstated. Explanatory notes accounting for the IP rating textually tantamount to unsatisfactory rating rather than satisfactory.
3. Extent of internal consistency of PCR assessment ratings; inaccuracies; inconsistencies; (in various sections; between text and ratings; consistency of overall rating with individual component ratings)	3	A detailed analysis revealed some inaccuracies and inconsistencies in text and context on outcomes, for instance the financial deepening ratio was set at 35% of M2 to GDP in the Appraisal Report RBLF whilst the supervision mission swapped the measure with credit to the economy in its report p10. The review noted errors of omission in the date of entry into force captured as 23 November 2015 (instead of 23-Nov-2005) by which exact same date the program was in 2 years of closure. The number of outputs reported are understated by one, being 6 rather than 5 with evident implications on the execution ratio. The disbursement ratio is 75.5% and cannot be textually glorified as over 75%. While project data concurred with EVRD/SAP, loan data did not converge. The net amount disbursed in the PCR (UA5,135,465.71) differs by 1.8% from the actual net amount in the EVR database (UA 5,129,371.44). Some of the outputs are simultaneously reported as met and partially achieved at the same time resulting in a contradiction. A textual conflict in the same body of evidence arises in the treatment of outcome 2 with specifically output 2 indicators which should be in harmony not at a continuum or digression.
4. Extent of identification and assessment of key factors (internal and exogenous) and unintended effects (positive or negative) affecting design and implementation	2	Financial sustainability is not fully explored in-depth e.g. cost recovery measures, the sources of sustaining the implementation of the new financial strategy (FSDS) and continued capacity. This presents a risk to the continued flow of benefits.
5. Adequacy of treatment of safeguards, fiduciary issues, and alignment and	2	The review found this unsatisfactory.

Criteria	PCR-EVN (1-4)	Comments
harmonization		
6. Extent of soundness of data generating and analysis process (including rates of returns) in support of PCR assessment	3	The rates of return was not applicable. The PCR generated reasonable analysis of data with a link to macro-level indicators especially accounting for a sectoral share of the GDP which was reported in the Results Framework (p10) to be 5.6% in 2012 against a target of contribution set between 8.5% and 10.0% as stated in the Appraisal Report. Specific measures though for instance financial deepening (28.8% in 2012 against a target of 35.5%) were provided from the BoM Monetary policy review statement. So the theory of change is partially articulated.
7. Overall adequacy of the accessible evidence (from PCR including annexure and other data provided)	3	Whilst evidence was provided on tracking the majority of indicators, the PCR was weak on gender reporting and did not however attempt to link the contribution of the ADF components to the long term outcome. More evidence is needed to support the claim on Outcome 3.The IPR was not annexed.
8. Extent to which lessons learned (and recommendations) are clear and based on the PCR assessment (evidence & analysis)	1	The three lessons and one recommendation presented did not resonate with the performance of the project. They were also fewer than required and weak, hence the review reformulated both lessons and recommendations in line with enhancing the delivery of the vision of Bank Group and beneficiaries/RMCs. The formulation of lessons could have reasonably benefited from the Staff Guidance Note's 4 primary lead questions as a useful gold standard.
9. Extent of overall clarity and completeness of the PCR	3	The case constructed by this PCR largely flows with a crystal clear account of the story though it could have been more rigorous in adducing evidence to its claims.
Other (specify) Risk identification and mitigation	3	The PCR treats clearly the pertinent risks and their mitigation, presenting a huge strength in mitigating risk to enhance sustainability. For instance competitive remuneration and improved operational conditions to retain trained staff to continue dissipating project benefits. Reasonable risk analysis, including harmonisation, political commitment, sector wide risks that could potentially overhaul sustainability of the sector, especially the institutional and financial sustainability were undertaken. The project included some covenants to mitigate those risks. The constraint was to identify how many staff have been retained and what has been the change as a result of the retention.
PCR QUALITY SCORE	**3**	The PCR is well argued out and presented. It has minimal errors, for instance the date of entry into force was erroneously captured as 23 Nov 2015 for a projected that was closed in 2013. The financial sector is positioned as a growth driver and an anchor for economic growth and poverty reduction. The examination of the PCR and supporting literature linked the overall outcome over and above the two intermediate outcomes and demonstrated the sectoral contribution and linkages with the long term outcome. It tracked results consistently alongside Appraisal Report indicators. Overall, the financial sector contribution did not achieve the set target between 8% and 10.5% of GDP but rather attained 5.6%. The PCR needed to account for this variance by way of analysing the attributing factors and probably arguing them out as critical lessons. More so, exploring the baselines and indicators from a realism prospective would strengthen the findings of the PCR or provide on functionality of outputs. The PCR did not take into account gender dimensions and inherited the lack of baselines from design. Mozambique has a higher gender inequality index of .591 (ranked 135) and reflected in the lower

Criteria	PCR-EVN (1-4)	Comments
		HDI values for women (0.390) compared to men (0.443). Finally, the review raises a question on the basis of the strategic/purpose of the FSTAP as to what extend did the project improve the soundness and efficiency, reach and depth of the Mozambican financial system so as to enhance its contribution to economic growth and poverty reduction as set out in the Appraisal Report or were the targets at appraisal ambitious? This is the missing gap the review finds. This component is not solid especially in the outcome areas of social security safety nets and improved access to financial services. It thus tended to be more of a narrative outline than an outcomes based analysis. Some textual conflict was established in the analysis.
PCR compliance with guidelines (PCR/OM ; IDEV)		
1. PCR Timeliness (On time = 4; Late= 1)	4	The PCR Quality is satisfactory and was submitted timely according to the SNQO PCR Inbox.
2. Extent of participation of borrower, Co-financiers & fields office in PCR preparation	3	Satisfactory. However, it is noted that consultants missed deadlines. Co-financiers did not fully honor their commitments as pledged.
3. Other aspect(s) (specify)		
PCR COMPLIANCE SCORE	3	The PCR adhered satisfactorily to required standards. The Staff Guidelines for Project Completion Reporting and Rating requires the scores to be rounded off to the nearest numbers rather than fractions as per PCR treatment of scores.
*** rated as Very Good (4), or Good (3), or Fair (2), or Poor (1)		

Literature Consulted

1) Project Completion Report, 4 June 2014
2) Supervision Report, Mission number : 0014 , Date of Mission : 03.06.2013
3) Project Results Assessment Report, 2013
4) Appraisal Report June 2005
5) Mozambique Country Strategy Paper 2002-2004
6) Mozambique Country Strategy Paper 2006-2009
7) Mozambique Country Strategy Paper 2011-2015
8) Resolution No. F/Mozb/2005/34: Outcome Of Negotiations: Mozambique: Proposal For An ADF Grant Of UA 6.80 Million To Finance The Financial Sector Technical Assistance Project
9) Staff Guidance On Project Completion Reporting and Rating, August 2012
10) Bank of Mozambique Annual Report 2010
11) ICR June 2013 World Bank

Acronyms

ADB	African Development Bank
ADF	African Development Fund
AML	Anti-Money Laundering
DAM	Delegation of Authority Matrix
DO	Development Objective
FSDS	Financial Sector Development Strategy
GoM	Government of Mozambique
GIFiM	Mozambique Financial Information Cabinet
IDA	International Development Association
INSS	National Social Security Institute
IP	Implementation Progress

ISSM	Mozambique Insurance Supervision Institute
IFRS	International Financial Reporting Standards
PARPA	Absolute Poverty Reduction Action Plan
PARP	Poverty Reduction Action Plan
PIU	Project Implementation Unit

Independent Lines of Evidence

1) http://documents.worldbank.org/curated/en/691891468288080006/pdf/NonAsciiFileName0.pdf
2) http://lnweb90.worldbank.org/oed/oeddoclib.nsf/DocUNIDViewForJavaSearch/8525682E0068603785257AE7004F3C8F?opendocument
3) https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0T
4) www.africaneconomicoutlook.org/sites/...05/Mozambique_GB_2016%20WEB.pdf/www.africaneconomicoutlook.org.
5) http://www.aprmtoolkit.saiia.org.za/component/docman/doc_view/78-atkt-mozambique-country-report-2009-en,
6) https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0
7) http://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Mozambique Full PDF Country Note.pdf.
8) http://www.bancomoc.mz/fm_pgTab1.aspx?id=106. http://www.uneca.org/sites/default/files/PublicationFiles/sro_sa_ersa_2012.pd
9) https://www.imf.org/external/pubs/ft/scr/2015/cr1512.pdf
10) http://pubdocs.worldbank.org/en/744811468275677442/mozambique-finscope-consumer-survey-mozambique-2014.pdf
11) https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0
12) http://www.sadc.int/news-events/newsletters/harmonised-consumer-price-index-newsletter.
13) http://data.worldbank.org/country/Mozambique), http://oro.open.ac.uk/23270/1/
14) https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Mozambique%20Full%20PDF%20Country%20Note.pdf
15) https://www.imf.org/external/pubs/cat/longres.aspx?sk=23525.0