PROJECT COMPLETION REPORT
FOR PUBLIC SECTOR OPERATIONS (PCR)

AFRICAN DEVELOPMENT BANK GROUP

I BASIC DATA

A Report data

Report date	Date of report:	20 April 2014	
	Mission date *(if field mission)*	From: 17 October 2013	To: 25 October 2013

B Responsible Bank staff

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

C Project data

Project name: Financial Sector Technical Assistance Project (FSTAP)		
Project code:P-MZ-HZ0-001	**Instrument number (s):** 2100155005616	
Project type: ADF-grant	**Sector:** Multi-sector	
Country: Mozambique	**Environmental categorization (1-3):** 3	
Processing milestones – Bank approved financing only (add/delete rows depending on the number of financing sources)	**Key Events (Bank approved financing only)**	**Disbursement and closing dates (Bank approved financing only)**
Financing source/ instrument1: ADF Grant	**Financing source/ instrument1: ADF Grant**	**Financing source/ instrument1: ADF Grant**
Date approved:04.10.2005	Cancelled amounts: UA 1,664,534.29	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: 23.11.2015	Restructuring (*specify date & amount involved*): None		Revised (*if applicable*) disbursement deadline:30.06.2013	
Date effective for 1st disbursement: 08.02.2006	Extensions (*specify dates*): One (from 31/01/2012 to 30/06/2013)		Revised (*if applicable*) closing date:30.06.2013	
Date of actual 1st disbursement: 27.04.2006				
Financing source/instrument (add/delete rows depending on the number of financing sources):	**Disbursed amount (amount, UA):**	**Percentage disbursed (%):**	**Undisbursed amount (UA):**	**Percentage undisbursed (%):**
Financing source/ instrument1: **ADF Grant**	**5,135,465.71**	**75.52%**	**1,664,534.29**	**24.48%**
Government:	**N/A** (see issue 2 on borrowers' performance)	**N/A**	**N/A**	**N/A**
Other (e.g. co-financiers). *Add rows as needed*				
IDA	**6,280,000**	**86.03%**	**UA 1,020,000**	**13.97%**
GIZ/KfW	**N/A**	**N/A**	**N/A**	**N/A**
TOTAL (ADF and IDA only)	**11,415,465.71**	**80.96%**	**2,684,534.29**	**19.04%**
Financing source/instrument (add/delete rows depending on the number of financing sources):	**Committed amount (UA):**	**Percentage committed (%):**	**Uncommitted amount (UA):**	**Percentage uncommitted (%):**
Financing source/ instrument1: **ADF Grant**	**5,135,465.71**	**75.52%**	**1,664,534.29**	**24.48%**
Government:	**N/A** (see issue 2 on borrowers' performance)	**N/A**	**N/A**	**N/A**
Other (e.g. co-financiers). *Add rows as needed*				
IDA	**6,280,000**	**86.03%**	**UA 1,020,000**	**13.97%**
GIZ/KfW	**N/A**	**N/A**	**N/A**	**N/A**
TOTAL (ADF and IDA only)	**11,415,465.71**	**80.96%**	**2,684,534.29**	**19.04%**
Co-financiers and other external partners: World Bank (IDA), GIZ (earlier GTZ) and KfW (parallel financing for different components through separate interventions under a common FSTAP designation)				
Executing and implementing agency (ies): Ministry of Finance				

D Management review and comments

Report reviewed by	Name	Date reviewed	Comments
Country Manager	Joseph Ribeiro	March 2014	Various comments included in the text
Regional Director	Ebrima Faal / Kennedy Mbekeani	20.5.2014	None
Sector Manager	Jacob Diko Mukete	5.5.2014	None
Sector Director	Isaac Ndoumbe Lobe	29.5.2014	None

II Project performance assessment

A Relevance

1. Relevance of project development objective

Rating*	Narrative assessment *(max 250 words)*
HS (4)	Designed as a multi-donor financial sector reform program through parallel but complementary TA interventions, FSTAP's development objective (as set out at appraisal in 2003-2005) was to 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. The strengthening of the institutional capacity of the financial sector brought about by FSTAP was supposed to achieve a two-fold long-term objective: (a) increased share of the sector in the GDP (from 8.5% in 2003/5 to 10.5% in 2010) and (b) greater financial deepening (measured by the ratio of M2 - a monetary aggregate that includes in most countries, cash, demand and checkable deposits, and savings - to GDP), from 30% in 2003/5 to 35% in 2010. These objectives were fully aligned with the Bank's country strategic framework, in particular under the governance pillar of the 2006-2009 Country Strategy Paper (CSP) and the "governance in support of inclusive growth" pillar of the 2011-2015 CSP. In addition, a more efficient and effective financial sector can be considered key to deliver the objectives of the country's Absolute Poverty Reduction Action Plans I and II (PARPA I and II, 2001-2005 and 2006-2009), which sought to reduce poverty and promote rapid, sustainable and broad-based growth, as well as its successor medium-term development frameworks. Moreover, the development objective (DO) still holds its relevance and alignment with the Mozambique's development priorities, For example, the country's new Financial Sector Development Strategy (2013-2022) stresses the need to develop the financial sector so that it becomes modern, efficient and inclusive, in order to stimulate growth and productivity, to ultimately reduce poverty and foster economic development. Also, the latest PARP (2011-2014) under general objective 2 (job creation), stresses the need to expand access to credit to domestic SME's as a way to stimulate economic growth. Finally, FSTAP's DO can be considered highly relevant to the needs of its direct and indirect beneficiaries (on the one hand, the financial institutions and GoM agencies who received TA at a time where capacity was low and the country did not meet many international financial benchmarks, and, on the other hand, the users of financial services, including Mozambican MSMEs and the Mozambican population at large, who suffered from low levels of financial inclusion), as documented in the 2003 Financial Sector Assistance Program (FSAP), the key analytical report upon which FSTAP was designed.

* *For all ratings in the PCR use the following scale: 4 (Highly satisfactory), 3 (Satisfactory), 2 (Unsatisfactory), 1 (Highly unsatisfactory)*

2. Relevance of project design

Rating*	Narrative assessment *(max 250 words)*
S (3)	From approval to closure, project design was conducive to the attainment of its intended results. Building on the lessons learned from the effects of limited implementing capacity, FSTAP foresaw in its design and used during implementation a single project management unit (PIU) housed at the Ministry of Finance of Mozambique working with a variety of beneficiaries and with the four donors financing the FSTAP's 10 components. The unit was staffed with an adequate skills mix and training of staff and beneficiary institutions was provided on procurement and project management, and on the Bank's rules and procedures in Portuguese (the official language). The PIU was also key in supporting beneficiary agencies in delivering key activities (e.g., preparation of terms of reference). FSTAP design addressed the TA needs of the main segments of the financial sector, namely, the banking sector; securities market; the insurance and pension systems; micro-finance and the informal financial

	sector. The approach has enabled the project to address the most pressing problems of the sector at the time, namely, limited financial intermediation, supervisory capacity; poor access to financial services; poor legal and regulatory environment; weak financial reporting standards and systems for commercial banks and other players in the insurance and pension sectors. The project had 4 groups of funders, namely; (i) IDA/DfID/SIDA (where World Bank/IDA ultimately played a prominent role, while DfID focused on the roll-out of IFRS accounting standards in the country; (ii) the Government of Mozambique; (iii) GTZ/KfW and (iv) the AfDB. The program had 10 components and the AfDB was responsible for 5 five of them, namely, (i) strengthening of the insurance and pension system; (ii) social security; (iii) project management; (iv) support to AML (Anti-money laundering) efforts and (v) legal and judicial reforms for financial transactions. In addition, the project management component was to be funded jointly by the WB and the Bank. The project was extended once – from 31 January 2012 to 30 June 2013 – in order to complete implementation of outstanding procurement activities. In June, 2012 when the IDA/World Bank component closed, the AfDB assumed full responsibility for the operating and staff costs of the project's implementation. Neither the extension nor the assumption of new responsibilities by the AfDB had a negative impact on project implementation.

3. Lessons learned related to relevance

Key issues *(max 5, add rows as needed)*	**Lessons learned**	**Target audience**
1. The link between financial sector development, economic growth and poverty reduction did not materialized in the life-span of the FSTAP.	1 FSTAP was (most likely) designed based on the idea that economic theory, backed by empirical evidence, points out to the existence of strong links between financial sector development and economic growth and therefore with poverty reduction. In practice, however, the Mozambican economy has grown over the last decade at an average rate 7% a year and credit to the economy has gone up substantially (11.3% in 2003; 24% in 2005 and 28% in 2012) while headcount poverty has stagnated between 2005 (54.1%) and 2009 (54.7%) while income inequality (as measured by the Gini Coefficient) has increased steadily (from 0.41 in 2009 to 0.45 in 2012). During project implementation, the overall relative size of the financial sector (as share of GDP) has remained stable (about 5,3% in 2005 and 5,2% in 2010). The figures and the explanation presented above, suggest that the link between economic growth, poverty reduction and financial sector development may not have held true for Mozambique from the period of FSTAP design to completion. Part of the explanation is that the growth of the Mozambican economy has been driven by large capital-intensive and FDI-based projects (largely financed by foreign resources) with limited contribution to fiscal revenues, economic linkages and, ultimately, poverty reduction. The implication of this analysis is that though FSTAP may have contributed to an improved enabling environment in the financial sector, the ultimate effect on inclusive growth and poverty reduction is either statistically small or hard to establish, given the impact of concurrent factors (e.g., growth patterns, lack of response on the demand-side – see point 2 below). This calls for a narrow focus and clear attribution between inputs and effects (be that the purpose or the development objective) in	1. GoM, Bank Group

	future projects.	
2. FSTAP design did not address demand-side constraints of the financial sector.	2. FSTAP's design thoroughly addressed supply-side constraints of the financial sector (e.g. legal and regulatory reforms and service providers' infrastructure deficiencies), but no intervention was foreseen to address demand-side problems (e.g. financial literacy campaigns and other problems that affect access and usage of financial services). This shortcoming may explain the fact that access to finance (a demand-side element) remained low and stable at 23% of the population during the implementation of FSTAP. Possible future interventions should attempt to target and address both demand and supply-side constraints of the financial sector, in line with the new Financial Sector Development Strategy.	2. Bank Group, Government and Development partners.

B Effectiveness

1. Progress towards the project's development objective (project purpose)

Comments
Provide a brief description of the Project (components) and the context in which it was designed and implemented. State the project development objective (usually the project purpose as set out in the RLF) and assess progress. Unanticipated outcomes should also be accounted for, as well as specific reference of gender equality in the project. The consistency of the assumptions that link the different levels of the results chain in the RLFshould also be considered. Indicative max length: 400 words.
FSTAP came about, following an assessment of the Mozambican Financial Sector in 2003 by the African Development Bank (ADB) and the World Bank and IMF's Financial Sector Review in 2000 and the Financial Sector Assessment Program in 2003, which concluded that despite the progress registered in transitioning the financial sector from a State-dominated one to one led by the private sector, it remained fragile, as demonstrated by a major banking crisis in 2000. Following a request from the Government of Mozambique for assistance to address the shortcomings of the financial sector, the FSTAP project was created as a multi-donor-funded and sector-comprehensive initiative. Each donor would fund a different and specific segment and components of the financial sector. The overall FSTAP had 10 components, namely, (i) Strengthening the banking sector; (ii) strengthening the bank of Mozambique; (iii) improve 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 transactions; (viii) support for anti-money laundering efforts; (ix) strengthening microfinance and (x) project implementation. Components 1 to 4 were to be financed by IDA/DfiD/SIDA; components 5 to 8, by ADF and component 9 by KfW/GTZ, while project management costs under component 10 were to be borne jointly by ADF and IDA. Being an operation geared towards policy reforms and infrastructure upgrades of the whole financial sector with limited attention to demand-side considerations, FSTAP did not specifically address gender issues or imbalances. The purpose of the FSTAP was to 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. Progress towards this purpose can be considered satisfactory. For the ADF funded components, there were two medium-term outcomes – (i) strengthened banking and insurance sectors in the country and (ii) increase in the social security coverage in the country. Four out of five indicators for the first outcome have been met and exceeded and the sole indicator of the second outcome was also met and exceeded (see below). During FSTAP implementation, the Mozambican financial sector benefited from various interventions (from Government, donors and private players) that somehow helped in attaining, consolidating and magnifying the results and outcomes of FSTAP. For example, outside the scope of the FSTAP, the Bank of Mozambique has

approved new Laws and regulations that encourage the expansion of financial services to rural and remote areas. Likewise, the Government has created the District Development Fund (worth about MZN 7 million per district per year) to stimulate access to finance and local economic development at the district level.

The assumption that continued political support to financial sector development in the country was important, held true during the implementation of the project and still is relevant today as the new Financial Sector Development Strategy (2013-2022) shows the GoM's commitment to the creation of an enabling environment for private investment in the financial sector as well as the promotion of financial inclusion, in particular targeting MSMEs and rural areas.

NOTE: The Project's logical framework was designed in 2005 without regard to current Bank guidance and practice on results monitoring. As a result, outcomes and outputs are measured against a long list of indicators and specific deliverables, sometimes in the absence of baselines. The tables below follow the original logframe and try to adapt it, in so far as possible, to the current PCR format.

2. Outcome reporting

Outcome indicators (as per RLF; add more rows as needed)	**Baseline value** (Year)	**Most recent value** (A)	**End target** (B) (expected value at project completion)	**Progress towards target** (% realized) (A/B)	**Narrative assessment** (indicative max length: 50 words per outcome)	**Core Sector Indicator** (Yes/No)
Outcome 1: Strengthened banking and insurance sectors.					**Met.** Four out of five indicators have been met and exceeded the target. Regulatory reforms in the insurance sector (most of which fall under the components implemented by the AfDB) have directly contributed to this result.	
1.1.Deposit/loan transformation rate:	25% in 2005	30% in 2013	30% by 2010.	**100% realization.** The average deposit transformation in the Banking sector is 30%.		No
1.2. Interest rate spread in the banking sector.	22% in 2005	5.4% in 2012	18% by 2010.	**415% realization**. A fall in average inflation and reference interest rate in Mozambique as well as legal and regulatory reforms in the banking sector have contributed to		No

				the fall in overall lending rates as well as the spread.		
1.3. Banking sector non-performing loans reduced:	22% in 2005.	2% in 2012	15% by 2010.	**<u>285.7% realization</u>**. Prudent KYC requirements and sector restructuring have contributed to reduction in NPL in Mozambique.		No
1.4. Credit to the economy reverses its current annual decline and achieves an annual rate of 14% by 2010.		28,6% in 2012.	14% by 2010	**<u>200% realization.</u>** Credit to the economy has consistently been on the rise from inception of FSTAP and now stands at about 28% of the GDP.		No
1.5. Insurance premium (as % of GDP) increases	1.8% in 2005	1,4% in 2011	3% by 2010	**<u>46,67% realization.</u>** The insurance sector has grown and become more diversified, but less rapidly than GDP. Therefore, insurance penetration in the country remains low		No

				(below 5% of the GDP). Part of this performance is explained by a better-than-anticipated growth pattern.		
Outcome 2:Increase in the social security cover in the country:	3.5% in 2005	10% in 2013	5% in 2010	**<u>200% realization</u>**	**Met.** The target was achieved and exceeded. The remaining challenge is the inclusion and provision of services to self-employed workers.	No

Rating* (see IPR methodology)	Narrative assessment
S (3)	**<u>Outcomes' progress is rated Satisfactory</u>**. Four out of five indicators for the first outcome have been met and exceeded and the sole indicator of the second outcome was also met and exceeded. As for the first outcome (Strengthening the banking and insurance sectors), additional data strongly suggest a satisfactory performance: from 2005 to 2013 the number of banks has 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 insurance sector has grown and become diversified (from 5 insurers in 2005 to 13 2011), but the sector as whole remains small in relative terms (premia represent less than 5% of the GDP). Moreover, regulatory reforms in the financial sector such 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, created the conditions for the entry of new financial players as well as the increased geographical footprint. Outcome performance could arguably been higher if FSTAP had also included demand-side interventions.

3. Output reporting

Output indicators (as specified in the RLF; add more rows as needed)	**Most recent value (A)**	**End target (B)** (expected value at project completion)	**Progress towards target** (% realized) (A/B)	**Narrative assessment** (indicative max length: 50 words per output)	**Core Sector Indicator** (Yes/No)
Output 1: A comprehensive and strengthened regulatory and supervisory regime for the insurance industry developed.	1.1) 100% Completed	1.1). New prudential regulations and a supervisory framework for insurance developed by 2007	1.1) **<u>100% realization.</u>** (Decree 29/2012 approved new statutes of ISSM and Ministerial Decree No 300/2012 approved new Internal Regulations for ISSM)	**<u>Met (with delays)</u>**. All targets for output 1 were met, though, on average 4 years after the planned date.	No

	1.2) 100% completed	1.2). New pension funds legislation approved by 2007.	1.2) **<u>100% realization</u>** Approved through decrees No 25/2009 and 262/2009.		
	1.3) 100% completed	1.3). Training of IGS staff commenced by 2006.	1.3) **<u>100% realization</u>** ISSM staff provided insurance training in 2011.		
	1.4) 100% completed.	1.4). Insurance companies adopt IFRS by 2009	1.4) **<u>100% realization</u>** Ministerial Decree No 22/2012 approves a new chart of accounts based on IRFS.		
Output 2: A modern and efficiently administered social security system developed	2.1) 50% completed	2.1) Recommendations on improving social security coverage implemented by 2008,	2.1) **<u>50% realization</u>** (Completion is contingent on the completion of the INSS Strategic Plan), which is still pending.	**<u>Partially met.</u>** Three out of 7 targets have been fully met, though, on average 3 years after the planned date. Four out of 7 targets had a completion rate below 75%.	No
	2.2) 50% completed.	2.2) New organization structure for INSS adopted by 2008	2.2) **<u>50% realization</u>** (Completion is contingent on the completion of the strategic plan).		
	2.3). N/A	2.3).Number of registered participants of INSS as % of private sector workers increases from 68% to 90% by 2010.	2.3). N/A. Relevant data could not be confirmed by the INSS during the PCR preparation as INSS lacks reliable source of labor market information		
	2.4) 46 % in 2012	2.4) The number of active contributors to INSS increases from 20% to 60% by 2010	2.4) **<u>76% realization</u>**. (the number of active contributors to INSS was 20.488 in 2012, representing 46% of total contributors).		
	2.5) 0% completed	2.5).INSS is able to finalize its audited accounts within 6 months of FYE as from 2007	2.5) **<u>0% realization.</u>** The last audit was conducted in 2010 due to internal restructuring		

	2.6) 100% completed	2.6) A new investment policy for and adopted by INSS by 2008	2.6) **100% realization**. A new version was approved in 2013 by the (current) Board, following calibration of the 2011 version.		
	2.7) 75% completed. (3 months to 1 week for categories of benefits).	2.7) The time taken for processing and payment of benefits improves as follows: - **Hospitalization benefits**: from 6 months to 3 weeks. **- Disability benefits**: from 3 months to 3 weeks. **- Dependents benefits:** from 3 months to 3 weeks; **- Funeral benefits:** from 6 months to 2 weeks; **- Death benefits:** from 6 months to 2 weeks.	2.7) **75% realization**. Processing time for all types of benefits has gone down to 3 months to 1 week. Levels of digitalization and city-size determine processing speed. In large cities and rural areas processing speed is lower.		
Output 3: Improved legal and judicial environment for lending activities achieved	3.1) 100% completed.	3.1) New bankruptcy law enacted by 2007;	3.1.) **100% Realization**. A Bankruptcy law for the banking sector was adopted in 2007	**Partially met.** 3 out of 5 targets were fully met, while 1 was not and the other was partially met.	No
	3.2) 100% completed	3.2) New commercial sections created in the Judicial tribunals of city of Maputo and cities of Beira and Nampula by 2007.	3.2) **100% Realization** The sections were created in 2005 (two years earlier than planned).		
	3.3) 0% completed	3.3) Training of judicial officers commence by 2006	3.3) **0% realization.** The training did not happen due organizational constraints		
	3.4) 75% completed	3.4) New law on property registries enacted by 2007;	3.4) **75% realization.** The law is pending approval by the Parliament.		

	3.5.) 100% completed	3.5) Credit registry expanded to include all credit provided by 2009	3.5**) 100% realization.** All credit provided by formal banks is registered in the credit registry		
Output 4:Effective implementation of Mozambique's Anti-Money Laundering Law achieved	4.1) 100% completed	4.1) Feasibility study for the establishment of the FCIU completed by 2006	4.1) **100% realization.** GIFiM established as planned in 2007. Capacity building and logistics support provided between 2007 and 2013.	**Met as planned**. The establishment	No
	4.2) 100% completed	4.2.) Law for the creation of the FCIU operations enacted by 2007.	4.2) **100% realization.** The FCIU (now called GIFiM – Financial Information Bureau) was created through law 14/2007 of 27 of June.		
Output 5:An improved management of collaterals for lending transactions achieved	5) 80% completed	5) All property registries in the country computerized and linked electronically by 2009	5) **80% realization.** The Computerization process is partially completed (about 80%, pending installation)	**Partially met**. Hardware and software equipment already purchased and delivered to the Ministry of Justice as per the tender documents. Given the delays in the preparation of procurement documents, the activity focused only on Maputo and Matola provinces and on immovable property. Completion of installation is pending configuration of the equipment procured. Unfortunately, the contract with the supplier did not include this activity.	No
Output 6: Effective implementation of Mozambique's Anti-Money Laundering Law	6) 100% completed	6) FCIU established and fully operational by 2007	6) **100% realization**. The FCIU became fully operational in July, 2011 following provision of working equipment with FSTAP resources.	**Met,** with delay.	No

achieved					

Rating* (see IPR methodology)	Narrative assessment
S (3)	**Outputs' progress is rated satisfactory**. Overall, outputs were satisfactorily met. 3 out of 5 were partially met, implying that all or most targets for those outputs are on track to be met after the closing of FSTAP. The overall rate for all outputs stands above 75% realization. First, a regulatory package for the insurance sector was produced and enacted as planned. As a result, the insurance sector now uses IFRS (International Financial Reporting Standards); there is a regulatory framework for the micro-insurance sector; the insurance supervisor (ISSM) has benefited from capacity enhancement through, actuarial training and IT infrastructure improvements. Second, progress with modernization of the administration of the social security coverage has been mixed as realization has been successful for some targets and not so successful for others, mostly due to the effects of internal reorganization and changes in the leadership of INSS. For example, the time taken to process most social security benefits (funeral, hospitalization, disability, death and dependents) has been significantly reduced, but not to 1 week as planned for some benefits. Nevertheless, in some cases processing time is very short (1day to 1 week in case of funeral benefits) and the results seem to be determined by the size of the city (population size and density) and degree of data computerization in the management of the benefit at stake. Third, progress on the improvement of the judicial and legal environment for lending activities has been satisfactory. Three new commercial sections in the judicial court houses of Maputo, Nampula and Beira have been set up; a bankruptcy law (for the banking sector) was approved and enacted in 2007. The main drawback under this output was the lack of training of judicial officers. Fourth, Financial crimes unit (GiFIM) was created in 2007 and has been operational since 2011. Fifth, improvements in the management of collateral for lending activities have been limited. Although the computerization of property registries (immovable assets) is a key activity under the ADF-funded components of FSTAP, delivery of the property registration system has not yet fully materialized. Information from the June, 2013 supervision of FSTAP indicates that the computerization of properties registries will only take place in the city of Matola as opposed to country-wide as initially planned. The implication of this is that resources will have to be sourced beyond FSTAP so that the system can be rolled out to the rest of the country.

4. Development Objective (DO) rating[1]

DO rating (derived from updated IPR)*	Narrative assessment (indicative max length: 250 words
S (3)	**The Development Objective is rated satisfactory**. As both outcomes and outputs rated Satisfactory, the likelihood that the project's development objective will be attained is very high. Given that, FSTAP has the same development objective for all of its components and co-financiers, the current Bank assessment of the DO is further confirmed by the positive assessment of the World Bank's Implementation Completion and Results Report of December 2012, which rated the Project's Outcomes as "Moderately Satisfactory."

5. Beneficiaries (add rows as needed)

Actual (A)	Planned (B)	Progress towards target (% realized) (A/B)	% of women	Category (eg. farmers, students)
Ministry of	Ministry of	100	N/A	N/A

[1] For operations using the old supervision report and rating system in SAP, the DO rating for the PCR shall be calculated using the IPR methodology.

Justice	Justice			
GiFIM (Financial Intelligence Unit)	GiFIM (Financial Intelligence Unit)	100	N/A	N/A
Debt Management Unit	Debt Management Unit	100	N/A	N/A
INSS (National Institute of Social Security)	INSS (National Institute of Social Security)	100	N/A	N/A
ISSM (Instituto de Supervisão de Seguros)	ISSM (Instituto de Supervisão de Seguros)	100	N/A	N/A

6. Unanticipated or additional outcomes (add rows as needed)

Description	Type (eg. gender, climate change, social, other)	Positive or negative	Impact on project (High, Medium, Low)
Cancellation of Master program in actuarial studies. The Government requested the Bank to finance the development and implementation of this Master program as an efficient alternative to capacity building to INSS, through staff training in actuarial studies in Portugal, with a view to strengthen domestic capacity in this crucial area. However, this activity was cancelled as preparation of technical details experienced delays and could not be achieved during the duration of the Project.	Other	Negative	Medium

7. Lessons learned related to effectiveness (add rows as needed)

Key issues (max 5, add rows as needed)	Lessons learned	Target audience
1. Various Project activities could not be implemented prior to the Project's closing due to delays in procurement processes (in particular regarding the preparation of terms of reference and technical specifications)	(a) Involvement of the PIU was crucial to support beneficiary agencies in the preparation of key procurement documents but further support (including with FSTAP resources) might have minimized delays; (b) task management by MZFO-based staff improved dramatically Bank performance in handling procurement-related No Objections	Bank, GoM
2. Use of a single PIU for coordinated interventions by various donors worked well.	FSTAP is a good example of the use of single PIUs for multi-donor TA interventions in a given sector. This experience could be replicated in other sectors.	Bank, GoM
3. Missing link between target indicators and project activities	The Project's logframe contains a long list of outcome indicators, some of which are not related to specific activities implemented with Project support. To some extent, the logframe reflected sector targets, not the specific objectives and deliverables of TA	Bank

	activities. This missing causal chain would not have taken place under the Bank's current practice on results monitoring.	

C Efficiency

1. Timeliness

Planned project duration – years (A) (as per PAR)	Actual implementation time – years (B) (from effectiveness for 1st disb.)	Ratio of planned and actual implementation time (A/B)	Rating *
5	6.5	0.77	S(3)
Narrative assessment (indicative max length: 250 words)			
In terms of timeliness FSTAP is rated Satisfactory, although many project activities were implemented with significant delays and a few other activities (e.g., Master in actuarial studies) could not be implemented at all, so this rating should be taken with caution. The project's effective disbursement date was February 8, 2006 and the original final disbursement date is January 1, 2012. Following an 18-month extension, the disbursement deadline was changed to June 30, 2013. The extension was granted to enable the project to honor (i) outstanding contract commitments (UA 1,059,851.96) as well as planned procurement processes (UA 2,072,798.96).			

2. Resource use efficiency

Median % physical implementation of RLF outputs financed by all financiers (A) (see II.B.3)	Commitment rate (%) (B) (See table 1.C – Total commitment rate of all financiers)	Ratio of the median percentage physical implementation and commitment rate (A/B)	Rating *
87.5	80.96	1.08	HS (4)
Narrative assessment (indicative max length: 250 words)			
Overall, the project has delivered its outputs within the available resource envelope. Except for a few intra-budget line reallocations, the project has not exceeded any amount allocated per budget line nor has it made any inter-budget allocations. The fact that some activities were cancelled (e.g. masters program in actuarial studies) and that others were partially implemented (e.g. computerization of property registries at the Ministry of Justice) explains the infra-utilization of FSTAP resources (the Bank financed components achieved a disbursement rate of over 75% at closing). However, the ratio between physical implementation and commitments remains highly positive.			

3. Cost benefit analysis

Economic Rate of Return (at appraisal)	Updated Economic Rate of Return (at completion)	Rating *
N/A	N/A	N/A
Narrative assessment (indicative max length: 250 words)		
No cost-benefit analysis (or Economic Rate of Return) was carried out for the project. Therefore, this criterion is not applicable for the ADF funded components of FSTAP.		

4. Implementation Progress (IP)[2]

IP Rating (derived from updated IPR) *	Narrative comments (commenting specifically on those IP items that were rated Unsatisfactory or Highly Unsatisfactory, as per last IPR). (indicative max length: 500 words)
S (3)	**Overall, FSTAP's implementation progress is rated Satisfactory**. Some elements, such as impact on development, financial performance and project implementation are rated highly satisfactory, while others are rated (close to) unsatisfactory .For example, under activities and works, FSTAP (the ADF funded components) performed unsatisfactorily with respect to adherence to implementation schedule and performance of consultants as (i) the project got extended once to allow for the execution of outstanding procurement contracts and completion of delayed activities, and (ii) at times, some consultancy services did not meet the planned deadlines ultimately delaying physical implementation (e.g. design of the software for the computerization of property registries). The same example, applies for the unsatisfactory performance of procurement of services, specifically under procurement of consultancy services.

5. Lessons learned related to efficiency

Key issues (max 5, add rows as needed)	Lessons learned	Target audience
The long number of beneficiaries with varying levels of capacity proved to be a challenge and	The overall FSTAP project included up to 10 beneficiary organizations, some of which with limited capacity. This required the PIU to work closely with beneficiaries to strengthen technical documents (e.g., terms of reference) and created transaction costs. The creation and use of a "technical working group" with representatives of all beneficiaries to closely and frequently coordinate activities and work of different beneficiaries was essential for successful implementation.	GoM, Bank Group, donors

D Sustainability

1. Financial sustainability

Rating *	Narrative assessment (indicative max length: 250 words)
S (3)	**In terms of financial sustainability FSTAP is rated Satisfactory.** The development of the financial sector remains a priority for the Government of Mozambique and in fact, a new financial sector development strategy (FSDS 2013-2022) was recently approved. This strategy builds upon milestones achieved with FSTAP support and makes the consolidation of Banl-funded components (e.g. improvement of actuarial capacity) as well as others components funded by other donors (e.g. strengthening of the central bank's supervisory capacity) an important policy priority for the GoM. Therefore, benefits generated by FSTAP are likely to be further built upon by GoM reforms with support from various donors, including the World Bank, which is currently preparing a financial sector development policy loan (sector budget support).

2. Institutional sustainability and strengthening of capacities

[2] For operations using the old supervision report and rating system in SAP, the IP ratings need to be converted from the 0-3 scale used in SAP to the 1-4 scale used in the IPR..

Rating *	Narrative assessment (indicative max length: 250 words)
S (3)	**<u>In terms of institutional sustainability and strengthening of capacities FSTAP is rated Satisfactory.</u>** FSTAP has consolidated and put in place important reforms and capacities that did not exist in the Mozambican financial sector. Key FSTAP contributions to institutional and capacity strengthening in the sector include: the approval of a comprehensive regulatory package in the insurance sector that provides a platform for the operation of micro insurers; the adoption of IFRS standards, which are now being used 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. Moreover, various short-term training programs were funded under FSTAP for key beneficiary institutions. FSTAP has also funded the acquisition of IT equipment and software that has improved the work efficiency and service delivery by the beneficiary institutions (e.g., document management system at ISSM and the data recovery site for GiFIM). In some cases, project activities did not have a nation-wide reach and can be seen as pilot experiences. For example, the computerization of the property registries only covered the South of the country (Matola/Maputo) while capacity building programs for the most part have only involved staff at the headquarters of the beneficiary institutions as opposed to field-based staff.

3. Ownership and sustainability of partnerships

Rating *	Narrative assessment (indicative max length: 250 words)
S (3)	**<u>FSTAP's ownership and sustainability of partnerships is rated satisfactory.</u>** FSTAP was designed and implemented as a multi-donor project with day-to-day coordination led by a single PIU and a high level of country ownership amongst the key stakeholders in the financial sector (which have been direct beneficiaries of the Project). Cooperation with GoM and amongst donors is likely to continue throughout the implementation of the new FSDS (2013-2022), with a World Bank sector budget support operation currently under preparation and various other donors (e.g., DfID, KfW) planning to provide TA and other targeted support. Despite a slow start (partly due to capacity constraints), over time beneficiaries have developed ownership over the project and their respective components. The technical working group that was set up during the implementation of the project did reinforce this sense of ownership. CSO and private sector involvement during project design was however limited but indirect beneficiaries have greatly benefited from financial sector reforms supported by TA from FSTAP.

4. Environmental and social sustainability

Rating *	Narrative assessment (indicative max length: 250 words)
N/A	The project is classified as Category 3 in line with the Bank's Environmental and Social Assessment Procedures. Being principally a technical assistance/capacity building operation, the project had no direct or indirect impact on the environment, and any social impact would be positive (e.g., expanded social security coverage and improved standards of service, greater access to financial services, etc.).

5. Lessons learned related to sustainability

Key issues (max 5, add rows as needed)	Lessons learned	Target audience
1. Geographical and institutional coverage and reach of project activities, must be cleared demonstrated in the PAR.	FSTAP's design was based on the identification of shortcomings in the financial sector at the national level, but the	Bank Group, GoM, and Development

	intervention logic and project activities (aside from regulatory reforms) were carried out for the most part only in the capital Maputo. Therefore, FSTAP's impact has had or will have a limited geographical and intra-institutional coverage in the country. Future interventions should balance capacity building at the central level with support to decentralized entities. This applies to both soft activities (e.g. training programs) and to physical delivery activities (e.g. provision of equipment).	partners
2. Further reforms in the financial sector require additional TA and capacity building support	FSTAP has delivered tangible results tanks to hands-on technical assistance in support of sector reforms. While policy dialogue and program-based operations (e.g., WB sector budget support, Bank general budget support) can be of considerable value in supporting FSDS implementation, donors need to be cognizant of capacity constraints and the role of TA to ensure the timely delivery of those reforms.	Bank Group, Development Partners
3. Social sustainability of financial sector reforms and ownership require a broader approach to financial sector constraints	As a complement to a first generation of financial sector reforms, FSTAP focused on supply-side capacity and institutional constraints to financial sector development. Future operations need to place greater emphasis on demand-side constraints (e.g., financial inclusion) and involve non-governmental actors (e.g., CSOs, financial service providers, etc.).	GoM, Bank, Development partners

III Performance of stakeholders

1. Bank performance

Rating *	Narrative assessment by the Borrower on the Bank's performance, as well as any other aspects of the project (both quantitative and qualitative). See guidance note on issues to cover. (indicative max length: 250 words)
S (3)	Government and FSTAP beneficiaries have assessed project outcomes satisfactorily, recognizing the significant progress made in key areas (e.g., AML, insurance regulation, etc.), but point to significant delays in procurement processes, particularly during the early years of Project implementation, and the fact that a few activities (e.g., Master in actuarial studies) could not be implemented.

Comments to be inserted by the Bank on its own performance (both quantitative and qualitative). See guidance note on issues to cover. (indicative max length: 250 words)
The Bank has, to the extent possible, proactively responded to changing circumstances to improve FSTAP's efficiency. For example, the Bank has approved the execution of certain activities not foreseen in the project such as the purchase of security door for GiFIM, the acquisition of furniture for the DSA Unit at the Ministry of Finance with the balance from training activities and the conversion of training of staff from INSS in actuarial studies into a masters degree program in Mozambique.

The Bank has, over the implementation of the project, carried out comprehensive supervisions of FSTAP every six months. This has enabled the identification of corrective measures and search of joint solutions with project beneficiaries.

Prior to the new DAM (Delegation of authority Matrix) and hiring of a permanent procurement specialist, MZFO relied on the support of either regional or Headquarters' procurement specialists to assist in processing and clearing procurement requests. For some time, this modus operandi, coupled with the task management of the project from HQ, resulted in a slow processing speed of procurement requests. This factor partly explains the delays in the implementation of certain activities (e.g. computerization of property registries).

Key issues (related to Bank performance, max 5, add rows as needed)	**Lessons learned**
1. Slow disbursement	Training of beneficiaries on Bank's rules and procedures for disbursement as well as on project cycle management improved the quality of submissions and therefore, increased the Bank's overall disbursement pace;
2. Lengthy reaction-time to process procurement No Objection requests	The new DAM and the presence of sector staff in the field to task manage the project improved the Bank's reaction and processing time of No Objection to no more than two weeks, depending on the complexity involved.

2. Borrower performance

Rating *	**Narrative assessment on the Borrower performance to be inserted by the Bank (both quantitative and qualitative, depending on available information). See guidance note.** (indicative max length: 250 words)
S (3)	The Borrower's overall performance is rated satisfactory. Both the Government and the PIU have, for the most part, discharged their responsibilities well. First, counter-part funds were provided timely and a beneficiary monitoring and evaluation mechanism (known to FSTAP as "Technical Working Group) was created in 2011 to improve project performance. Second, the PIU was at all times very responsive to and receptive to supervision missions. Third, being FSTAP a multi-stakeholder project and a key area to foster economic development, the Government of Mozambique was able to allocate its own resources and to leverage other from donors for the implementation of FSTAP as well as for the consolidation of the outcomes achieved through the inclusion of some major components of FSTAP in the new FSDS for 2013-2022 as a way to ensure sustainability of the outcomes. In terms of preparation of requests, the preparation of procurement documents has proven challenging, in particular given weak capacity to prepare technical documents at the beneficiary level. On a few occasions, the PIU submitted incorrect, incomplete and inaccurate disbursement requests which to some extent delayed payments.

Key issues (related to Borrower performance, max 5, add rows as needed)	**Lessons learned**
1. Disbursements, Special Account/Revolving Funds Operation	The project has been using two disbursement methods, namely Direct Payment and Special Account. The Bank records in SAP show an unjustified balance of UA 326,136.69 as of 31st December 2013. This amount represents the unjustified balances from replenishment applications N00060 and N00101 transferred to the Project on 13/10/2010 and 05/09/2012 respectively. However, part of justifications have already been handed by PMU to the Bank and are under review by the Bank's Disbursement Division.

2. Financial Management, Internal control and Auditing	The PMU has maintained proper accounting systems. It has used an accounting software (named PHC) customized for the Project to record and report financial transactions. The Project had a financial management manual developed and used for processing, recording and reporting of financial transactions. Contrary to the Bank's advice during onsite supervision missions, the Government contributions towards the Project have never been included in the Project accounts as required by the Bank policies and procedures. In general the project has been operating with a multi skilled range of staff. However, as the Project was finalizing certain key activities during the last 2 years implementation some of the staff left the PMU. Therefore, the Financial Management Officer was handling all the financial transactions of the Project, which was against internal control principles There was a strong commitment from PMU on timely submission of audit reports. During the last three years (2010, 2011 and 2012) the audit reports were delivered within Bank's deadline. The audit was conducted by a private audit firm and in some cases, the audit reports were accepted by the Bank after some amendments. In general, the auditors expressed unqualified audit opinions on the Project accounts and also noted that the Bank's policies and procedures had been complied with in implementing the Project activities. The audit recommendations expressed in the management letters were partially implemented by the Project Management.

3. Performance of other stakeholders

Rating *	Narrative assessment on the performance of other stakeholders, including co-financiers, contractors and service providers. See guidance note on issues to cover. (indicative max length: 250 words)
S (3)	World Bank-financed components performed at a equivalent level to those financed by the Bank, as described in the December 2012 Implementation Completion and Results Report.

Key issues (related to performance of other stakeholders, max 5, add rows as needed)	Lessons learned (max 5)	Target audience (for lessons learned)
Closer donor cooperation, Flexibility to share information and experiences among donors	Closer day-to-day cooperation, regular meeting and exchanges of information among co-financiers can lead to a better planning of activities, resolution of challenges and better implementation progress.	Co-financiers, GoM and PIU

IV Summary of key lessons learned and recommendations

1. Key lessons learned

Key issues (max 5, add rows as needed)	Key lessons learned	Target audience
1. Flexibility to share information and experiences among donors	Closer day-to-day cooperation, regular meeting and exchanges of information	Co-financiers, GoM, PIU

	among co-financiers can lead to a better planning of activities, resolution of challenges and better implementation progress.	
2. Slow disbursement	Training of beneficiaries on Bank's rules and procedures for disbursement as well as on project cycle management improved the quality of submissions and therefore, increased the Bank's overall disbursement speed.	Bank and co-financiers, PIU
3. Lengthy reaction-time to process procurement No Objection requests	The new DAM and decentralization of task management have improved the Bank's reaction and processing time of No Objection to no more than two weeks, depending on the complexity involved.	Bank

2. Key recommendations (with particular emphasis on ensuring sustainability of project benefits)

Key issue (max 10, add rows as needed)	**Key recommendation**	**Responsible**	Deadline
1. FSTAP design did not address demand-side constraints of the financial sector.	FSTAP's design thoroughly addressed supply-side constraints of the financial sector but no intervention was foreseen to address demand-side problems (e.g. financial literacy campaigns and other problems that affect access and usage of financial services). This shortcoming may explain the fact that access to finance (a demand-side element) remained low and stable at 23% of the population during the implementation of FSTAP. Possible future interventions should attempt to target and address both demand and supply-side constraints of the financial sector, in line with the new Financial Sector Development Strategy.	Bank Group, Government and Development partners.	Medium to long-term
2. Further reforms in the financial sector require additional TA and capacity building support	FSTAP has delivered tangible results tanks to hands-on technical assistance in support of sector reforms. While policy dialogue and program-based operations (e.g., WB sector budget support, Bank general budget support) can be of considerable value in supporting FSDS implementation, donors need to be cognizant of capacity constraints and the role of TA to	Bank Group, Development Partners	Medium to long term

	ensure the timely delivery of those reforms.		

V Overall PCR rating

Dimensions and criteria	Rating*
DIMENSION A: RELEVANCE	***3.5***
Relevance of project development objective (II.A.1)	4
Relevance of project design (II.A.2)	3
DIMENSION B: EFFECTIVENESS	***3.0***
Development Objective (DO) (II.B.4)	3
DIMENSION C: EFFICIENCY	***3.3***
Timeliness (II.C.1)	3
Resource use efficiency (II.C.2)	4
Cost-benefit analysis (II.C.3)	N/A
Implementation Progress (IP) (II.C.4)	2.9
DIMENSION D: SUSTAINABILITY	***3.0***
Financial sustainability (II.D.1)	3
Institutional sustainability and strengthening of capacities (II.D.2)	3
Ownership and sustainability of partnerships (II.D.3)	3
Environmental and social sustainability (II.D.4)	N/A
OVERALL PROJECT COMPLETION RATING	**3.20**

VI Acronyms and abbreviations

Acronym (add rows as needed)	Full name
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*

TA	*Technical Assistance*

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