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PROJECT PERFORMANCE ASSESSMENT REPORT
THE REPUBLIC OF MOZAMBIQUE
DECENTRALIZED PLANNING AND FINANCE PROJECT
(IDA-H0670)

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IEG Public Sector Evaluation
Independent Evaluation Group

Public Disclosure Authorized

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Currency Equivalents (annual averages)

Currency Unit = Mozambican metical (MZN)

2004	US\$1.00	MZN 22,144.71
2005	US\$1.00	MZN 22,850.81
2006	US\$1.00	MZN 25,758.32 (January to July)
2006	US\$1.00	MZN 25.89 (July to December)
2007	US\$1.00	MZN 25.79
2008	US\$1.00	MZN 24.19
2009	US\$1.00	MZN 27.58
2010	US\$1.00	MZN 34.24

Abbreviations and Acronyms

CCAGG	Concerned Citizens of Abra for Good Government
CPIA	Country Program and Institutional Assessments
DGA	Development Grant Agreement
DPFP	Decentralized Planning and Finance Project
FCA	Fundo de Compensa9ao Autarquica
FIL	Fundo de Iniciativa Local
FRELIMO	Frente de Liberta9ao de Mo9ambique
GTZ	German Technical Cooperation
ICR	Implementation Completion Report
IDA	International Development Association
IEG	Independent Evaluation Group
IEGPS	IEG Public Sector Evaluation
M&E	Monitoring and Evaluation
MOPH	Ministry of Public Works and Housing
MOZ	Mozambique
NDPFP	National Decentralized Planning and Finance Project
PAD	Project Appraisal document
PARPA	Action Plan for Reduction of Absolute Poverty
PEDD	Plano Estrategico de Desenvolvimento Distrital
PEFA	Public Expenditure and Financial Accountability
PESOD	Plano Econ6mico Social e Or9amento Distrital
PPAR	Project Performance Assessment Report
PRSCs	Poverty Reduction Strategy Credits
PSRP	Public Sector Reform Project
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund

Fiscal Year

Government: January 1 – December 31

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Contents

Principal Ratings	v
The Republic of Mozambique Decentralized Planning and finance Project (P001807)	v
Key Staff Responsible	v
Preface	vii
Summary	ix
1. Background and Context.	1
2. Objectives, Design, and their Relevance	2
Objectives	2
Relevance of objectives.....	2
Design.....	3
Components.....	3
Design of Monitoring and Evaluation	4
Implementation Arrangements.....	5
Relevance of Design	5
3. Implementation.....	6
Planned vs. Actual Costs by Component.	6
Implementation Experience	7
Implementation of Monitoring and Evaluation.....	8
Safeguards Compliance	8
4. Achievement of the Objectives.....	8
Outputs	9
Outcome	16
5. Efficiency	17
6. Ratings.....	18
Outcome	18
Risk to Development Outcome	18
Bank Performance.....	19
Borrower Performance.....	21
Monitoring and Evaluation	22
7. Lessons	23
References	25
Annex A. Basic Data Sheet	27
Annex B. Mozambique Decentralization timeline.....	31

Annex C. Poverty in Mozambique39
 Annex D: Elements of Intergovernmental design supported by DPFP41
 Annex E. List of Persons Interviewed 44

Boxes

Box 1. Decentralization Model.....6

Tables

Table 1. Recurrent Expenses by Jurisdiction, 2011-2012 (in Millions of Meticais) 11
 Table 2. Execution of Small-Scale Infrastructure Projects 12

This report was prepared by Clay Wescott, who assessed the project in July 2012. The report was peer reviewed by Brett Liebresco, and panel reviewed by Michael Lav. Yezena Yimer provided administrative support.

Principal Ratings

The Republic of Mozambique Decentralized Planning and finance Project (P001807)

	ICR*	ICR Review*	PPAR
Outcome	Satisfactory	Satisfactory	Satisfactory
Risk to Development Outcome	Low or Negligible	Negligible to Low	Modest
Bank Performance	Satisfactory	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Moderately Satisfactory	Moderately Satisfactory

* The Implementation Completion Report Results (ICRR) is a self-evaluation by the responsible Bank department. The ICR Review is an intermediate IEG product that seeks to independently verify the findings of the ICR.

Key Staff Responsible

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IEG Mission: Improving World Bank Group development results through excellence in independent evaluation.

About this Report

The Independent Evaluation Group assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, IEG annually assesses 20-25 percent of the Bank's lending operations through field work. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons.

To prepare a Project Performance Assessment Report (PPAR), IEG staff examine project files and other documents, visit the borrowing country to discuss the operation with the government, and other in-country stakeholders, and interview Bank staff and other donor agency staff both at headquarters and in local offices as appropriate.

Each PPAR is subject to internal IEG peer review, Panel review, and management approval. Once cleared internally, the PPAR is commented on by the responsible Bank department. The PPAR is also sent to the borrower for review. IEG incorporates both Bank and borrower comments as appropriate, and the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board, it is disclosed to the public.

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IEG's use of multiple evaluation methods offers both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. IEG evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for each evaluation criterion (additional information is available on the IEG website: <http://worldbank.org/ieg>).

Outcome: The extent to which the operation's major relevant objectives were achieved, or are expected to be achieved, efficiently. The rating has three dimensions: relevance, efficacy, and efficiency. *Relevance* includes relevance of objectives and relevance of design. Relevance of objectives is the extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). Relevance of design is the extent to which the project's design is consistent with the stated objectives. *Efficacy* is the extent to which the project's objectives were achieved, or are expected to be achieved, taking into account their relative importance. *Efficiency* is the extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. The efficiency dimension generally is not applied to adjustment operations. *Possible ratings for Outcome:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Risk to Development Outcome: The risk, at the time of evaluation, that development outcomes (or expected outcomes) will not be maintained (or realized). *Possible ratings for Risk to Development Outcome:* High, Significant, Moderate, Negligible to Low, Not Evaluable.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry of the operation and supported effective implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of supported activities after loan/credit closing, toward the achievement of development outcomes. The rating has two dimensions: quality at entry and quality of supervision. *Possible ratings for Bank Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower Performance: The extent to which the borrower (including the government and implementing agency or agencies) ensured quality of preparation and implementation, and complied with covenants and agreements, toward the achievement of development outcomes. The rating has two dimensions: government performance and implementing agency(ies) performance. *Possible ratings for Borrower Performance:* Highly Satisfactory, Satisfactory, Moderately Satisfactory, Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Preface

This Project Performance Assessment Report (PPAR) covers the Decentralized Planning and Financing Project. The objective was to improve the institutional performance of Mozambique's District Administrations to plan and manage small infrastructure investments in response to community demands. Total actual cost was \$48.68 million, of which \$45.17 million was financed by IDA Grant No. H067 MOZ, and \$3.51 million by the Government. The grant was approved on November 10, 2003, became effective on February 16, 2004, and was closed on March 31, 2009, 9 months after the original closing date.

This report was prepared by Clay Wescott, IEG consultant. The report presents findings based on review of the Project Appraisal Document, the Implementation Completion and Results Reports, aides-memoire and supervision reports, and other relevant materials. An IEG mission visited Mozambique July 8 – 28, 2012 to interview government officials, the staff of non-governmental organizations, project staff, donor representatives, and other stakeholders (see Annex E for list of persons interviewed). The mission visited and interviewed officials in Tete and Sofala Provinces; some of these officials had worked previously in Manica and Zambezia Provinces, which were also supported by the project. Bank staff members, donor representatives, and other informants were also interviewed at headquarters and by telephone and videoconference. This work was carried out jointly with a PPAR of another operation, the Public Sector Reform Project.

The assessment aims, first, to serve an accountability purpose by verifying whether the operations achieved their intended outcomes. Second, the report draws lessons that are intended to inform future operations of this nature in Mozambique and other low-income, post-conflict states.

Following standard IEG procedures, a copy of the draft Project Performance Assessment Report (PPAR) was sent to the Borrower for comments. No comments received from the Borrower.

Summary

The objective of the Decentralized Planning and Finance Project (DPFP) was "to improve the institutional performance of its District Administrations to plan and manage small infrastructure investments in response to community demands." At the time of appraisal, an estimated 54 percent of the population lived in absolute poverty. A project objective that promised to improve local government capacity to provide essential infrastructure was substantially relevant to addressing the economic challenges in some of Mozambique's poorest districts. The design was also substantially relevant. It built on the lessons of a pilot project supported by the United Nation's Capital Development Fund (UNCDF), with funding from Netherlands and Norway, in Nampula Province, which was in turn built on the lessons of comparable work in Uganda. The project also built on the experience of Gesellschaft für Technische Zusammenarbeit (German Technical Cooperation-GTZ) funded activities in Sofala (since 1998), Manica (since 1997) and Inhambane (since 2002, in coordination with Development Cooperation Ireland) in a total of 18 districts. The Bank and other partners financed a parallel program of support for financial and fiscal management improvement, which was delivering gradually improved results as measured by Public Expenditure and Financial Accountability (PEFA) assessments and Country Program and Institutional Assessments (CPIA). There were also sector-wide assistance programs *inter alia* in health, education and agriculture. The DPFP benefited from both streams of work. The approach was to support infrastructure in areas where sectors were already working; that is, provide a school house where teachers were already conducting classes without a proper building.

The achievement of objective was substantial. There are two aspects of the objective: improving local government resource management capacity, and doing so in a participatory and transparent manner. On the first aspect, provincial budget transfers to districts were established, and some financial statements were audited. Annual performance evaluations of implementation of local investment grants found that the target of good or excellent performance was exceeded in many cases, thanks to the training of local financial staff and opportunities for learning by doing. The project helped provide prior conditions for, though did not directly support, a new intergovernmental transfer system for unconditional block grants based on defined criteria, which provided added opportunities for the learning-by-doing approach to capacity development.

On the second aspect, the project did well to help set up an institutional framework for transparent district planning and management. This process of community participation within a deconcentrated framework was a politically feasible step towards improved accountability. All districts were covered, with broad representation. Key administrative and fiscal instruments combined with planning and monitoring by District Consultative Councils helped to support transparency and accountability. Survey data and the IEG field mission found evidence that citizens were satisfied with the participatory process, and the accountability it provided. One overall issue is that Government did not prepare a decentralization policy framework as it had committed to do under DPFP, the Public Sector Reform Project (PSRP), and the Poverty Reduction Strategy Credits (PRSCs), which supported a related decentralization strategy. While many policy papers were

prepared, and donors agreed on an overall aid framework for decentralization, the decentralization policy framework and strategy have not yet been adopted. Another overall issue is that over the course of project implementation, poverty was reduced only in Tete, one of the four provinces targeted, and in that case, the reason was mainly due to overall economic trends driven by rapid expansion of coal production. However, the project was not designed to reduce poverty by itself. Reducing poverty will require a much better resourced government effort in future years.

The risk to the institutional outcomes achieved is rated modest. Key elements of sub-national governance are laid out in the Constitution, enabling legislation and decrees. Government spending is increasing both on sub-national operating and investment costs. The financing of private investments outside the district planning process, while not supported by the project, is a risk for patronage and other forms of corruption. The whole point of a participatory district planning process was to generate accountability through community input, and so this exception, while declining in share over time, could undermine achievement of the objective.

Bank performance is rated as satisfactory. The design was aligned with the Government's Action Plan for the Reduction of Absolute Poverty (PARPA) and the Bank's Country Assistance Strategy, and remains relevant to the latest Country Partnership Strategy. The design draws on lessons from the Bank and other donors in Mozambique and neighboring countries. The design also draws appropriately on analytical work. The selection of the targeted districts reflected a reasonable division of labor among donors. There was extensive supervision, and no major fiduciary or safeguards issues.

Borrower performance is rated moderately satisfactory. The Government adopted enabling legislation, decrees, guidelines and strategies laying out its commitment to the project objective. The Government instituted a fiscal transfer system mid-way through project implementation, modeled on the system piloted by the project, validated by annual performance evaluations, and building on the improved subnational capacity that the project contributed to. However, the shift to supporting "productive investments", while not supported by the project, is at odds with the objective of community-based accountability, and raises concerns over the Government's commitment to the decentralization program. Other moderate shortcomings included: inability to produce a decentralization policy as had been agreed, delays in providing counterpart funds, delays in full compliance with environmental and social safeguard procedures, and lack of clarity on criteria for selection of private investment projects for funding. The Ministry of Planning and Development constituted a DPF National Steering Committee to oversee the project. The Ministry motivated and guided provincial directors of planning in achieving project objectives.

The monitoring framework was written up during preparation in a monitoring and evaluation (M&E) manual that provided clear instructions for use by provincial and district administrations. M&E implementation was supported by project financed M&E specialists to compensate for lack of qualified staff in local administrations. They were hired by the district administrations following project closure to ensure sustainability of the M&E function. M&E information was used to address shortcomings in the quality of district plans and underlying participatory processes.

The lessons from this operation are:

- For countries at an early stage in the decentralization process, a learning-by-doing approach can be effective where the focus is on solving locally nominated and defined problems, encouraging experimentation and experiential learning, and engaging a broad set of agents so that development efforts are viable, legitimate, relevant and supportable.
- In political settings without democratically elected subnational authorities, a process of controlled/limited participation within a deconcentrated framework can be politically feasible, and help to ensure accountability and efficient use of resources.
- While managing small scale, public infrastructure investments is useful for building subnational administrative capacity, managing lines of credit that are poorly regulated and vulnerable to manipulation can weaken legitimacy and the good will built up through participatory processes.

Richard Scobey
Acting Director-General
Evaluation

1. Background and Context

1.1 Mozambique's first Constitution defines a unitary state: "which respects the principles of autonomy of local authorities (*autarquias locais*) in its organization. The Provincial Government is the body charged with ensuring the implementation, at provincial level, of centrally defined Government policies, and it shall exercise administrative supervision over local authorities, in accordance with the law."(Republic of Mozambique, 2004).

1.2 Following the 1992 Peace Accord and the first multiparty elections in 1994, the government adopted enabling legislation that heightened the importance of subnational entities, while selectively providing more citizen participation and autonomy. These initiatives recognized that the country couldn't be governed solely from Maputo. However, unlike Mozambique's neighbors that mainly had British colonial legacies, there was not a tradition of local government in Mozambique; thus, the country has been behind its neighbors in adopting elements of decentralized governance.

1.3 The elections of 1999 allowed for the first time elected municipal governments as part of the reform to provide representative government and to promote the decentralization of political authority. These covered 23 cities and 10 of 128 district towns judged to have sufficient capacity to execute their new responsibilities. In 2008, this was expanded to include 43 cities and district towns. For other district-level entities, the central government would retain control of the planning process through appointed district administrators until sufficient capacity was built. Provincial assemblies were elected starting in 2009. Provincial assemblies approve the provincial government's program, and supervise and monitor compliance with it (Republic of Mozambique, 2004)¹. Community Authority decrees were adopted in 2000, and Local Administration Reform legislation in 2003.

1.4 Citizen participation and local autonomy received a boost in the Government's National Development Strategy or Poverty Reduction Strategy Paper: Action Plan for the Reduction of Absolute Poverty (PARPA) 2001-05, which supported decentralized decision making authority for planning and finance to provide basic infrastructure and services to accelerate poverty reduction, while reducing costs; to increase transparency, accountability and quality of planning and execution of investment projects; and to raise the efficiency and effectiveness of public service (Republic of Mozambique, 2001). In addition, the Government's closely linked 2001 Global Strategy for Public Sector Reform included measures to shift responsibilities of central authorities from managing to facilitating service delivery by provincial and district authorities. The following review will show that the efforts of Government and other donors continued through 2012 to deepen and expand support to strengthening district administration and district-level citizen participation.

1.5 These policy initiatives were likely spurred on initially by two key factors. First, Frelimo won the 1999 election by a very close margin over the second place party: Renamo won 48 percent of the presidential vote, and 39 percent of the parliamentary vote (African

¹ While provincial governments were provided for in the 1990 Constitution, elected Provincial Assemblies were only introduced in the subsequent 2004 Constitution.

Elections Database, undated). This gave the Frelimo Party's reform wing credibility in calling for improving public services through deepening decentralization, since it would be popular with voters and improve Frelimo's chances in future elections. Second, decentralization was popular with Mozambique's donors. Between 2002-2003 there was a sharp decline in aid disbursements, from \$2.2 billion to \$1.0 billion. While 2002 saw unusually large aid flows, aid in 2003 was a bit less than in 1995, in part because Mozambique was losing its "post conflict" aid premium. As a result, the government wanted to seem to be supporting what donors wanted in order to get more aid (De Renzio and Hanlon, 2007). In summary, there was support for deepening decentralization led by the Frelimo reform wing and their supporters among civil servants and civil society, and reinforced by a desire by the Government to align with a policy advocated by donors, to help facilitate increased aid flows.

1.6 In the early 2000s, there were two views on decentralization and participatory development, as spelled out in *World Development Report 2000/2001* devoted to poverty alleviation. One view supported community driven development, one of the foundations of the Comprehensive Development Framework. The other advocated the devolution of authority to legally constituted and accountable local government authorities (World Bank 2000, Mansuri and Rao 2004). The Bank's response to the Government's heightened interest in decentralization was to launch a new operation in 2003: the Decentralized Planning and Finance Project (DPFP), combining the notions of devolution of authority to legally constituted local government authorities, with accountability and priority setting supported by community-based participatory processes. This PPAR will analyze the extent to which decentralization and community participation have gained traction in Mozambique since 2003, and the extent to which this project contributed to this.

2. Objectives, Design, and their Relevance

Objectives

2.1 The objective as stated in the Project Appraisal Document (PAD) was "to improve the capacity of local government to manage public financial resources for district development in a participatory and transparent manner." (World Bank, 2003a: 7). It was differently formulated in the Development Grant Agreement (DGA): "to improve the institutional performance of its District Administrations to plan and manage small infrastructure investments in response to community demands" (World Bank, 2003b: 14). This Review will use the latter formulation, because it is more specific and monitorable.

Relevance of objectives

2.2 **High.** A project objective that promised to improve institutional performance to provide essential infrastructure was highly relevant to building up the capability of district administrations as the legitimate face of government in some of Mozambique's poorest districts. Although there was a legal framework for elected local municipal government, Mozambique's 128 rural districts were run by deconcentrated entities linked to 10 centrally appointed provincial governments. The objective is aligned with the Government's

commitment to greater citizen participation in providing poverty-reducing infrastructure and public services at the local level through the Poverty Reduction Strategy Paper (PARPA), and the 2001 Global Strategy for Public Sector Reform (World Bank 2003a: 5. It was aligned with the Bank's Country Assistance Strategy (2003 - 6) at appraisal, in particular its pillars on building capacity and accountability, and on expanding service delivery. It also continues to be aligned with the Bank's Country Partnership Strategy's (2012-15) pillar on governance and public sector capacity, supported by a follow-on operation: National Decentralized Planning and Finance Project, approved in 2010.

2.3 There was a clear political drive to push more resources to the sub-national level, but no policy document that formally stated what goals the Government intended to achieve; thus the political economy drivers need to be inferred from available documents and interviews with key players. The political impetus from the 1999 election results, and the need to address concerns of donors, have been discussed above. In addition, other political factors affected decentralization: the concern for national unity (having recovered from a civil war), and the heritage of Frelimo with a strong emphasis on popular participation. Ethnic/regional identity was also an issue, that is, coming from the south, center or north, is managed carefully through process of appointing governors and district administrators (Thomsen and Saide 2011: 15). Matrilineal structures in some areas are another feature calling for a contextualized approach. By supporting controlled and limited participation within a deconcentrated framework, the project was aligned with these political economy concerns. It should be acknowledged that the amount of resources being pushed to the sub-national level is far less than needed to achieve the ambitious targets of the Governments Development Strategy (PARPA), as evidenced by the modest success in reducing poverty since 2003 (see Annex C). However, given the political context, it was reasonable to focus at this stage on building an institutional framework that could accommodate larger resource transfers and democratically elected authorities when and if they became economically and politically feasible.

Design

COMPONENTS

2.4 The project had the following five components:

- **Participatory District Planning** (Appraisal cost: US\$8.76 million, Actual: US\$9.94 million). This component was to provide support to district administrations to establish and operationalize District Planning Teams and to prepare strategic and annual plans. To achieve this, the operation supported development of district planning manuals, training of Provincial Planning Support Teams, and of District Technical Planning Teams, seminars for local administration personnel including District Administrators, support to District Administrators in informing District Consultative Councils on the progress of district plan implementation, and annual workshops in each province for sharing of experience. The component would also develop capacity of civil society and rural communities to effectively participate in planning and ensure local administration accountability. To achieve this, the operation supported dissemination of guidelines for the functioning of District

Consultative Councils, contracting and training of district-based civil society facilitators to work with the Councils to help them understand their role, and development of a provincial participation networks to provide capacity building and exchange experience. Lastly, the component would support the development and implementation of a communications strategy.

- **Local Investment Grants** (Appraisal cost: US\$19.24 million, Actual: US\$19.96 million). This component was to provide grants for implementation of small rural infrastructure investments. Three grant types were envisioned. Type 1 was to finance investments in district administrative infrastructure, managed by the province. Type 2 grants would finance investments in small-scale public social infrastructure prioritized by communities, co-managed at the province and district level. Type 3 grants would provide small discretionary funds to District Administrations for direct contracting for micro-projects.
- **Capacity Building for Local Administration** (Appraisal cost: US\$8.52 million, Actual: US\$7.84 million). This component aimed to strengthen the training system to increase the capacity of local administration officials to undertake key local government functions more effectively (on the provincial and district level). Activities were likely to include training in basic public administration, planning and budgeting, and selected technical subjects.
- **Support for Decentralization Policy Reform** (Appraisal cost: US\$1.51 million, Actual: US\$2.98 million). This component was to finance (demand-driven) technical assistance to the Government of Mozambique to improve decision-making through policy analysis and for the further development of the institutional and policy framework for decentralization.
- **Project Coordination** (Appraisal cost: US\$8.26 million, Actual: US\$7.96 million). This component would consist of a small core team of project coordination staff at central and provincial level who would fulfill some World Bank-specific fiduciary functions and provide technical assistance to the government officials responsible for project implementation and the Government's fiduciary functions. This component would also contribute to the development of a common decentralization Monitoring and Evaluation (M&E) framework, and project resources under this component could also be used for the preparation of a future national decentralization program. Two safeguard policies were triggered by the Category B project: environmental assessment and involuntary resettlement. To ensure compliance, an environmental assessment and resettlement policy framework were prepared.

DESIGN OF MONITORING AND EVALUATION

2.5 There was a clear monitoring framework documented in a comprehensive M&E manual. The project design is consistent with a reasonable theory of change that actions supported by the operation, and aligned with recommendations from political economy diagnosis (Serrano, 2002) commissioned to inform the participation and downward accountability processes, along with complementary support from the Bank and other partners, would lead to desired results.

IMPLEMENTATION ARRANGEMENTS

2.6 The implementing agency at the national level was the Ministry of Planning and Development. Key implementing partners in the four participating provinces included the Provincial Directorate of Planning and Finance, the District Administrations, and District Consultative Councils and local fora. Provincial Steering Committees in each province provided coordination across Provincial Directorates, and ensured mobilization of required technical staff.

2.7 The project initially focused on four provinces in the central zone of the country: Zambezia, Sofala, Tete, and Manica--with a total of 49 districts. They were reportedly selected because other donors were providing support to decentralization capacity building in other provinces and districts because, inter alia, of government requests and perceived needs, while the selected districts in the four project provinces hadn't yet received much support. In 2007, training and capacity building was provided for the province of Maputo (7 districts), but no investment grants were made in this province.

Relevance of Design

2.8 **Substantial.** There is a clear statement of objectives in the DGA which is specific and monitorable. There is a broader formulation of the objectives in the PAD which is consistent and mutually supportive. The design is based on a clear and convincing logical chain between Bank funding, outputs and intended outcomes according to a model of decentralization that had been previously tested and refined in Mozambique, and other countries in the region. The Bank's funding to support consultative processes, local investment grants, capacity building for local administration, policy reform and project coordination is clearly linked to the decentralization model being supported (see Box 2.1), and would logically contribute to achieving the objectives. The networks, manuals, guidelines, and strategy all helped ensure that the sub-objectives of participation and transparency were achieved. The budget transfers and financial rules helped to plan and manage small-scale infrastructure investments. The overall approach of participatory and transparent planning and implementation of financial resources is a reasonable building block towards possible deeper institutional reforms such as democratically elected district councils in the future. The design was conditioned on, and helped to influence, the timeline of decentralization in Mozambique, as outlined in Annex B. The key elements of design for the operation, and for related intergovernmental operations supported by the Bank, are outlined in Annex D.

Box 1. Decentralization Model

The model of decentralization being supported comprises appointed district administrations that mobilize resources from different sources to implement small scale infrastructure projects prioritized by district development plans. Plans are formulated with participation from District Consultative Councils. The process of soliciting ideas from the Councils, recommending priorities, and holding district administrations accountable was facilitated by an appropriate civil society organization based in each district. For districts meeting eligibility criteria, a maximum \$200,000 per district per annum grant was provided to support small infrastructure investments prioritized in district plans. The approach was to strengthen capacity for financial and works management through learning-by-doing using government systems. There was close coordination with sector directorates at the provincial level to ensure compliance with works standards, and available funds for operations and maintenance.

Source: World Bank 2003a

2.9 The project team considered and rejected four alternative designs: (1) a social fund would be efficient due to a vertically integrated structure, but would be duplicative in a context of scarcity of technical personnel, and not strengthen ongoing efforts to build local implementing arrangements; (2) direct financial support to local authorities would have been appropriate if there had already been devolution of authority and fiscal autonomy to provinces and districts, but that was not the case; (3) supporting sectoral programs would have allowed easy integration of investments and institutional improvements, but would have lacked a necessary multi-sectoral dimension, enhanced by local choice and prioritization; and (4) an area development approach was considered, but rejected because of the high-level coordination requirements going beyond available capacity at the local level, and because such approaches did not adequately reflect local demand (World Bank, 2003a: 12-13). Challenge grants were considered and rejected because of concerns to maintain equitable support across districts.

2.10 This was a safeguard category B project. An environment assessment and resettlement policy framework were prepared and disclosed according to Bank policies.

3. Implementation

3.1 The Decentralized Planning and Finance Project (DPFP) was approved November 20, 2003, and became effective February 16, 2004. The initial closing date of June 30, 2008, was extended twice. The first extension of six months was to accommodate delays in the local investment grants. The second extension to March 31, 2009, was to allow time to undertake a study of community participation in district planning, to finalize several studies, and to prepare inputs for the follow-on National Decentralization Planning and Finance Program.

PLANNED VS. ACTUAL COSTS BY COMPONENT

3.2 The total costs at appraisal were US\$46.20 million (US\$42 million from the International Development Association (IDA) and US\$4.20 million from the government), while the actual costs were US\$48.68 million (US\$45.17 million from IDA and US\$3.51 million from the government). The increased dollar amount from appraisal to actual is due to exchange rate changes. Planned vs. actual costs by component are given above in paragraphs

2.4-2.8. There was an increase in the decentralization policy component to finance greater than expected costs in policy development. Other actual component costs were broadly in line with appraised costs.

IMPLEMENTATION EXPERIENCE

3.3 The project disbursed using advances from government counterpart funds. The government was reimbursed based on quarterly financial management reports. The August 8, 2006 Mid-Term Review pointed out that full financial management reports had mainly not been produced, so that many *ad hoc* activities were financed not linked to strategic plans. However, based on a review of Implementation Supervision Reports and field consultations during the mission, this problem was addressed starting in late 2006, when there was clear improvement in project performance.

3.4 A concern was the changes over time of the block grants provided to districts through the Government's budget (not financed by the project). Starting in 2006, the Government provided an initial US\$300,000 equivalent for unconditional block grants for each district, changed in 2007 to an average Metacais 7 million² (US\$273,000). The original intent was to supplement DFPF resources for small scale infrastructure and related public works. Provincial budget allocations to districts were established for district infrastructure maintenance through budget instructions to the line ministries (education, health, water, and the like). Based on agreed criteria relating to commitment, capacity and past performance, provincial governments indicated which districts had satisfied the eligibility criteria and from these which will gain access to local investment grants in each year. The development of the eligibility criteria was supported by PRSCs, and is a good example of complementarity between the PRSCs and the DFPF.

3.5 Then, at the direction of President Guebuza in 2007, the intent of the block grants was changed to support "productive investments" (*Orr;amento de Investimento de Iniciativa Local*). This policy initiative was not supported by the Bank, either through DFPF or the PRSCs, but it raises concerns over the Government's commitment to the decentralization program. The policy caught district officials by surprise: work on ongoing projects need to stop as funds were reallocated. It wasn't initially clear whether the funds comprised loans or grants, and if the former, how they were to be repaid. Each district initially received roughly the same amount for these investments. The expressed logic was that sectoral ministries already were providing resources for public investments, and that the critical gap was for private, job-creating investments. However, these "productive investments" were typically not presented in District plans, so were not well integrated into the participatory processes supported by the project. While the grants were intended as loans to private businesses, reportedly only 7-17 per cent have been repaid. There was no known monitoring framework to determine if the projects were successful. However, starting in 2007, contracts were signed by grantees specifying the repayment schedule and interest rate. Some district consultative councils have reportedly worked to ensure that these contracts are abided by. While there are anecdotal estimates of the number of jobs created by these businesses, there is no formal analysis available on this. The field mission found that during President's open government

² Known as the "seven million" program.

consultations with citizens, criticism of the private grants was repeatedly brought up. The Bank and other donors suggested to Government in policy dialog that it reconsider its approach, since it was not well linked to the district planning and capacity building effort. In addition, productive investments are normally allocated by specialized institutions with the expertise to evaluate private business proposals and not by district level administrators as was the case here.

3.6 The Government's response in 2008 was to split the district transfers into two parts, one for productive investments, and the other for infrastructure and related operations and maintenance support, called FIL (Fundode Iniciativa Local). Each district received an equal allocation for FIL. While initially only a small part of the block grant, the Government committed through the medium-term expenditure framework to increase the proportion of delta in the total block grants from 24 percent in 2009 to 55 percent in 2012. While these changes are providing increasing resources to fund district plans, the continuing allocations for productive investments raise questions about the coherence of the Government's decentralization strategy. On the other hand, a positive sign is that the overall size of investment budget transfers to districts has increased in recent years, from 3.6 percent in 2008 to an estimated 4.9 percent in 2012³.

IMPLEMENTATION OF MONITORING AND EVALUATION

3.7 There was full reporting on the status of most indicators, except for the indicator on citizen perceptions, which wasn't reported on until the last year of implementation. M&E information was used to address shortcomings in the quality of district plans and underlying participatory processes.

SAFEGUARDS COMPLIANCE

3.8 The 2008 review of safeguard compliance found that insufficient attention had been paid to environmental and social issues in two projects out of 25 reviewed. The reason identified was that there was a high turnover of local works technicians, and insufficient training provided to new staff. The Bank advised the government to take action to mitigate the environmental and social impacts of the two projects found to have issues, and to prepare a training plan to prevent future problems of this nature; the government took action as advised.

4. Achievement of the Objectives

4.1 **Substantial.** The achievement of efficacy of objective will be measured first by considering the evidence achievement of outputs, and then to examine whether the outputs achieved contributed to achievement of the overall objective of improved performance of district administrations in planning and managing small infrastructure projects, as formulated in the DGA.

³ Republic of Mozambique, 2009: 26; 2012a: 21. 2012 estimate based on expenditures in the first three months.

OUTPUTS

4.2 Achievement of outputs is examined first by looking at project development objective (PDQ) targets. The Bank's funding to support consultative processes, local investment grants, capacity building for local administration, policy reform and project coordination all were part of a results chain intended to lead to achievement of the project objective. Thus, it is appropriate to evaluate if these intended outputs were in fact achieved.

PDO indicator-1: Percentage of districts with Development Plans and Annual Investment Plans approved

4.3 All 56 districts supported by the project were covered, which exceeded the target of 80 percent.

PDO indicator -2: Percentage of districts with the District Consultative Councils organized and approving district plans and implementation reports

4.4 District consultative councils were set up and approved district plans in all 56 districts supported by the project. In addition, 713 local consultative councils, 168 local councils in the administrative posts, and 489 local councils in the localities were also set up. DPF supported training for 11,300 consultative council members, 555 district technical specialists, and 28 provincial technical specialists (World Bank, 2009: 29, and confirmed by field mission). While there was no detailed study carried out of the effectiveness of training, the evidence of achievement of outputs produced by these trainees suggests that the training contributed to their performance.

4.5 The field mission carried out consultations in Tsangano, Chiuta and Changara Districts in Tete Province, and Nhamatanda and Gorongosa Districts in Sofala Province. Local officials and community consultative council members interviewed confirmed that plans and project ideas at the village level were prioritized within budget ceilings, vetted and prioritized again moving up the other three levels. Some projects were technically vetted by district technicians, for example, asking if a proposed dam was strong enough to hold. Other projects such as health clinics, hospitals, schools and bridges served multiple districts, so were prioritized at the district or provincial level as appropriate. Once approved, implementation of plans was supported by the Councils to the extent of their competence, sometimes with support from non-governmental organizations such as the Lutheran World Federation. Such monitoring was more likely in some areas (for example, schools), and less likely in others (for example, road construction, where technical knowledge may be lacking). In some years, only 60-70 percent of the priorities could be funded, but those not funded in one year were typically funded in the next. Unexpected visits from senior officials including the Head of State could also eat into budgets, and lead to further implementation delays. Data on actual costs and delays were not available.

PDO indicator-3: Percentage of districts in which participants in planning processes express satisfaction with responsiveness and accountability of district administration

4.6 The target was that participants in 60 percent of districts participating in the Local Investment Grants would be satisfied with the responsiveness and accountability of their

district administration. This could not be directly monitored during the operation. However, a March 2009 consultant study funded by the project included a survey of people's perception of the performance of district administrations. It revealed that 81 percent of respondents were aware of district investments, and 88 percent of these expressed satisfaction with the results. A majority believed there was now much more interaction between government and citizens, and that plans and budgets reflect community priorities. It is not known what the sample size was, how the sample was selected, and what specific questions were asked.

PDO indicator-4: Percentage of districts rated good or excellent on annual local investment grant performance.

4.7 With a target of 50 percent, DPFPP achieved good or excellent performance in 67 percent of districts. The training of provincial and district financial staff contributed to this positive result, including 49 accountants and 51 works technicians, of whom 95 were still in their posts at the end of the project, with 35 in permanent positions. These staff were initially financed by DPFPP, and then shifted to the district administration. Staff at the Departments of Public Works, Housing and Education were also trained. It would have been useful for the Government to have carried out an impact assessment of the training provided to demonstrate the link between training provided and improved performance on the job. In addition, the field mission found that a complaint of the training provided was that no certificates were provided that could enhance an officer's credentials. This has since been addressed by giving responsibility for training to the local Center for Training in Public Administration, Local and Municipal Governance, which will provide a certificate upon successful course completion. In addition, the Government has shown a clear commitment to increase financing for subnational personnel. For example, in 2007, 25 - 35 percent of recurrent spending was at the subnational level (Thomsen and Saide, 2011: 20; Boex and Nguenha, 2007: 106), a proportion mainly unchanged since 2003. In the most recent period for which spending data are available, 51 percent of all recurrent spending was at the subnational level, up from 43 percent the previous year⁴, see Table. I

⁴ Comparing spending in the first quarters of 2011 and 2012. Republic of Mozambique, 2012: 18.

Table 1. Recurrent Expenses by Jurisdiction, 2011-2012 (in Millions of Meticaís)

	2011	2012		2011	2012		2011	2012
Ámbito Central	39 308.8	10 352.4	2Y	46 885.8	46 814.0	9 710.3	20.7	-8.0%
Ámbito Provincial	11			22 m.,5	345.a		25,1	18.7%
Niassa	1.					SS.S.1	W.,2	211 -6.6%
Cabo Delgado	67.	6SM				8rr.1	2els	24.1%
Nampula	5U	fj				.91	.1	13.6%
Zambézia	u_e	■.i		m m_ig	16625	.,:6.6	26_1	26.5%
Tete	1 404.3	3:20!!1	z:ta	61	11631.S	432.	26A	30.6%
Manica	1 555.1			'	1 .1		au	-11.6%
Sofala	2 259.1			2'5ii7.;	2611.5		3fi.0	26.7%
Inhambane	959.li			1 .2	1 1 1		25.2	34.5%
	10 UI				1. t1		23.2	24.7%
Maputo	1 441.3	281.3	19-S	!!001	1		22.!	51.2%
Cidade de Maputo	2 069.9	463.9			23:		.22i	19.7%
Ámbito Distrital	14 339.2	3 040.9				089.9	28.6	30.4%
Distritos de Niassa	813.0					1.	270.2	32.0
Distritos de Cabo Delgado	1 236.0				1259.G		334.4	26.5
Distritos de Nampula	3 048.8		19-9				673.6	27.5
Distritos de Zambézia	2 258.7	51520	N				29_3	29.0%
Distritos de Tete	1 215.2		23.a	US'U			VA	
Distritos de Manica	983.4	ii	j	I 0219	1 199	ma	L-	304.4%
Distritos de Sofala	1 216.7	2160.5	21i	:m.	11 .3	.9	3fi.3	26.9%
Distritos de Inhambane	1 326.3	W.5					29.6	24.0%
Distritos de Gaza	1 188.5	>>					2a	18.3%
Distritos de Maputo	1 052.6	ZSU		1 058.9	1 058.9	288.2		20.5%
Ámbito Autárquico	1 001.6	2 1.2					26.S	
Total	73 648.7	1 165.9					213	

Source: Republic of Mozambique, 2012: 18.

4.8 The operation's Local Investment Grants were a critical part of the capacity building strategy, giving accountants and technicians experience using government systems at the provincial and district level to manage small-scale socio-economic infrastructure projects. A total of about 826 small projects were initiated, of which 774 are considered successfully completed, see Table 2. Success was measured as a project completed according to design, with proper financial accounting. This is an appropriate measure, given the operation's focus on strengthening managerial and participatory skills. The bulk of the financing (\$13.27 million) went to type 2 projects, financing social infrastructure prioritized by communities. \$4.7 million went for type 1 projects, financing district administrative infrastructure managed by the province, and \$1.72 million went for type 3 projects, financing direct contracting by district administrations. Type 2 and 3 grants were allocated based on a participatory planning process with four levels of consultation and priority setting: at village, locality, administrative post and district level. Provincial governments carried out their roles of managing and reporting on local investment grant use by the districts under their authority. Financial management procedures were those used by the Government, strengthened as deemed necessary to meet World Bank standards and to facilitate improvements in quality

and timeliness. The project manual provided guidelines on the size of grants, and on what could and could not be financed. The stakeholders consulted in the sample of 5 districts told the field mission that community requests were taken into account where possible, and that the criteria for selection were followed. Prior to this, the government had no system for rules based fiscal transfers to districts. The field mission found some evidence presented in Section 5 that these projects represented better value for money than would have been available from alternative channels.

Table 2. Execution of Small-Scale Infrastructure Projects

<i>Category</i>	<i>Expenditure (million US\$)</i>	<i>Number properly executed</i>	<i>Number initiated but not executed successfully</i>
Type 1	4.7	73	13
Type 2	13.27	298	13
Type 3	1.72	403	26
Totals	19.69	774	52

Source: World Bank, 2003: 29.

4.9 Once projects were completed, maintenance became the responsibility of the relevant sectoral authorities, with simplified maintenance manuals and extra training provided at the provincial and district levels. For example, roads were handled differently depending on their grade. Trunk roads were the responsibility of the National Roads Administration, though district and provincial authorities could complain when there are issues. Tete Province was reportedly a pioneer in mapping priorities for repair on all lower tier roads. District governments could carry out emergency maintenance while awaiting a more thorough job from national and provincial authorities. If roadwork was delayed, citizens might complain, and the government needed to explain why work wasn't being done. There was no evidence of communities trained to do basic technical monitoring of issues such as pavement composition and thickness, as has happened in other parts of the world (e.g. CCAGG, undated), although their involvement in basic functions such as fetching sand may over time help build understanding of proper standards for road work.

PDO indicator-5: Percentage of districts at national level adopting DPFP approach and methodologies for participatory planning and governance.

4.10 The operation also aimed at extending its methodology regarding participatory district strategic and budgeting planning to other districts that fell outside the direct scope of the project. By the end of the project, all 128 districts in Mozambique had adopted the operation's approach, which exceeded the fifth PDQ indicator's target of 60 percent. The field mission found that all the districts visited are using the project-supported strategic planning and annual planning and budgeting approaches. Some districts are on their second or third generation plans. In a few cases, these plans, together with sector level and provincial plans, feed into an operational plan and budget: *Plano Económico Social e Orçamento Distrital* (PESOD).

4.11 Progress in this area was linked to UNCDF's innovative piloting in Nampula province that was the basis for the project's approach, and in turn the Government's guidelines for institutionalization of participation and community consultation. These were

seen as alternatives to a process of electing district level officials. They were approved and gazetted by Government as a condition for project effectiveness. Also important was UNCDF's subsequent piloting in Nampula (and Cabo Delgado beginning in 2003) of the structured operational plan and budget. Much more ambitious than in the original DFPF program design, this was the basis for the planning guidelines developed by the Government in 2005-6, and rolled out in 2007. On the other hand, DFPF went much further than the original Nampula design in giving district officials the authority to manage funds and account for their use. The field mission found that the project took a graduated approach to capacity challenges. Some districts in 2003 had not recovered from the damage done by the civil war, with no public water supply, marketplaces, or housing for public officials; the project helped officials to understand the income generating potential of their districts, and to start putting basic infrastructure in place to catalyze the local economy. A key motivating factor for attracting staff to positions in districts is provision of housing; to address this, the project supported construction of housing for technical staff under type 1 grants. There are possible risks with such a scheme; for example, when employers control the housing situation of employees, patronage could lead to improper decisions. However, other alternatives such as a pay enhancement system for employees in remote areas would not be sufficient in many administrative centers lacking suitable housing for rent. One district official explained that construction of housing was prioritized as follows: housing for the two technicians first (one an accountant, the other a construction engineer), for the district administrator second, and for school principals third. The reason for prioritizing technician housing first was that an administrator without technicians couldn't do his job. The project also hired essential technical staff, and when their contracts were finished they were in many cases hired by government under the same terms.

4.12 In addition to insufficient housing, attracting qualified staff to serve in remote districts faced additional challenges because of limitations of essential infrastructure, power, water, fueling stations, banks, phone and Internet service, schools, and health facilities. Staff may have to travel long distances on very rough roads to cash their paychecks, obtain fuel, and pursue further education, at great inconvenience and expense.

4.13 The parallel Public Service Reform Project, being assessed in another PPAR, supported deployment of senior level staff to provinces, one of which (Sofala) was supported by the operation. As staff were deployed and capacity expanded, provinces increased responsibilities to district administrations. The PSRP had some modest success in improving service quality in areas including land titling, visa services, commercial licensing, school registration system, exam registration system, vehicle imports, and driving licenses. There were many more improvements documented at the provincial level over the period 2006-8 in health care, education, justice, transport, and many other fields, as measured generally by reduction in time to receive a particular service (Republic of Mozambique: 2012a).

PDO indicator-6: Key administrative and fiscal instruments adopted supporting transparent district planning and management.

4.14 This PDQ indicator supported the adoption of five key administrative and fiscal instruments. The target of four out of five was achieved, including:

- Publication in the official gazette of guidelines for community participation and consultation in district planning,
- The adoption of a law on the local organs of state and its implementing regulations that formalized the district as a budget unit,
- The publication of operational rules and procedures for district finance.
- The establishment of provincial budget allocations to districts for infrastructure maintenance through budget instructions to line ministries.

4.15 The fifth instrument called for a 3 percent per year increase in the state investment budget allocated for provincial planning and management with district input. This was not as well specified as the other four (for example, did it mean 3 percent increase in the nominal budget, or 3 percent increase in the budget share; was it a formal undertaking, or an indicative target) so its achievement can't be confirmed. However, as discussed earlier, there has been an increase in the share of the district investment budget in recent years. Although there are challenges in comparing figures across years from different sources, there is evidence that overall sub-national investment as a proportion of total public investment may have increased from 12 percent in 2007 to 16 percent in 2012, and the share of investment at the district level has increased from 3.6 percent in 2007 to 4.9 percent in 2012 (Boex and Nguenha, 2007: 107 and Government of Mozambique, 2012: 2). During the same period, overall public investment has more than doubled. Thus, although the proportionate amount managed at the district level is small (but growing), the amount of funds being managed is considerably more than it was.

4.16 The operation's design called for technical assistance to several key ministries to help implement these instruments. For example, the project along with other development partners provided critical assistance to the Tribunal Administrativo to conduct audits of the districts' financial accounts--which contributed to upward accountability in all provinces, including those supported by the operation.

4.17 According to three PEFA assessments carried out in the period 2006-10, at least 90 percent of allocations are rules based and transparent, the highest rating possible under indicator PI-8(i): Transparent and rules based systems in the horizontal allocation among subnational governments of unconditional and conditional transfers from central government (both budgeted and actual allocations). However, the first two assessments look only at transfers to municipalities, so aren't relevant to this operation. The latest one, based on 2010 field work, gives the same rating, but the basis for this isn't clear, as it says that it is unclear whether there is a formula or specific methodology to determine the size of sectoral and geographic allocations to Provincial Governments, while there is a formula for releases to the district level. There is presently a rule-based process to allocating investment budget transfers to provinces and districts. For provinces, transfers are weighted by population (70 percent) and poverty (30 percent), and for districts by population (35 percent), surface (20 percent), own revenues (15 percent) and poverty (30 percent)⁵. However, the field mission was told that the actual district allocations are also influenced by a political process that may not always follow these rules.

⁵ Republic of Mozambique, 2012b: 22-3.

4.18 In addition, by the end of the project, there was an improvement in PEFA indicator PI-8(iii): Extent of consolidation of fiscal data for general government according to sectoral categories. This improvement can reasonably be attributed to the capacity building supported by DPFPP and other comparable projects in other provinces.

Other achievements and issues

4.19 In addition to achievement as measured by these PDQ indicators, there were many other achievements supported by the operation:

- Three networks for community participation were established.
- 13 standardized manuals for district participatory planning were adopted, covering issues such as district diagnostics, preparation of development strategies and action plans, production of district economic and social plan and budget, monitoring and evaluation, and organization and functioning of local consultative councils.
- Guidelines for the preparation of the district land-use plans were prepared, and some 18 land-use plans developed. The work included diagnosis of the present situation, production of thematic maps of current land use, administrative divisions, population, infrastructure and facilities, physical conditions, and trends in settlement expansion.
- A communication strategy was formulated to help ensure that citizens became better aware of the decentralization reforms. Based on this, radio and television production staff were trained, a regional seminar on the new law on local organs and participatory planning conducted, and sessions of open radio debates carried out.
- Audits of 48 districts' financial statements were conducted in 2006, the first audits of district finances in the country's history. 107 district financial statements were audited in 2007, and more in subsequent years. However, no details were provided to the mission on what share were audited, and on trends in compliance. In addition, extensive support was provided to the Administrative Tribunal, including preparation of an Audit manual, institutional analysis and preparation of a project for addressing priority needs, improvement of legislation, and provision of training. The result is that district administrators were expected to comply more strictly with procedures to more carefully manage funds under their control.

4.20 One disappointment is that Government did not prepare a Decentralization policy framework as it had committed to do in its PARPA, with support from DPFPP. As discussed above, the theory of the project was that that district administrations would mobilize resources to implement small scale infrastructure projects prioritized by district plans, that had been produced using participatory processes, and supported by an appropriate policy framework. The Government did produce numerous papers on decentralization, but they didn't present a coherent and comprehensive approach. There was also the decentralization joint review workshop in 2006, where participants identified key principles for a national decentralization program and four pillars focused on participation, execution, audit, and human resources development (see section 6 below); however, this exercise was never formalized by the Government.

4.21 The result has been uneven clarity on many key aspects. The 2003 Law of the Local Organs of the State sets out the principles for organization, competencies and functioning of

provinces, districts, administrative posts and localities. It clearly states that the district is the most important sub-national territorial unit, and that 'finance should follow function. However, the details of expenditure assignments are less clear. For example, the Law and its regulations are clear that local water supply systems are assigned to district governments to construct and manage. By contrast, in the education sector, it isn't clearly stated whether districts have the responsibility to construct, operate or maintain schools; instead they are given the job of guaranteeing the good functioning of schools and to promote education. The field mission was told that this lack of clarity leads to problems such as expansion of schools in areas already relatively well-served, leading to problems in access for more needy school aged children. This contributes to challenges in the quality of education, including 44 percent of primary school children being over-aged, only 20 percent of secondary school age children attending secondary school, and gender gaps in education and literacy.

4.22 In addition, the desired timing of decentralization isn't clear, with few timetables or benchmarks (Boex and Nguena, 2007: 36-7). Another sign of a lack of a clear policy framework is the initiative to support "productive investments". The selection and implementation of these investments with neither community inputs nor transparent monitoring and follow-up seemed to work against the DFPF objective. In recent years, the Government has intensified work supported by the PRSCs to prepare a decentralization strategy to clarify responsibilities across different levels of government and to serve as the unifying framework for future reforms. However, this hasn't yet been adopted.

4.23 The Bank and other partners financed a parallel program of support for financial and fiscal management improvement, which was delivering gradually improved results as measured by Public Expenditure and Financial Accountability (PEFA) assessments and Country Policy and Institutional Assessments (CPIA). There were also sector wide assistance programs *inter alia* in health, education and agriculture, and support from PRSCs. The DFPF benefited from all these streams of work. The approach was to support infrastructure in areas where sectors were already working; that is, provide a school house where teachers were already conducting classes without a proper building.

OUTCOME

4.24 This section reviews the evidence that the achievement of the outputs examined above contributed to the achievement of the overall objective of improving the institutional performance of district administrations to plan and manage small infrastructure investments in response to community demands.

4.25 774 small-scale infrastructure projects were successfully delivered according to agreed selection criteria, with appropriate links to sectoral units to ensure quality standards were met, and maintenance costs would be covered. Sixty seven percent of districts achieved good or excellent performance on annual local investment grant performance. These small-scale projects were prioritized in district development plans and annual investment plans, that were prepared in consultation with district consultative councils. According to survey evidence, participants expressed satisfaction with the responsiveness and accountability of their respective district administrations. The Bank project provided technical assistance and training that supported the outputs discussed in the previous section that contributed to

achieving these outcomes, including the preparation of district development plans and annual investment plans in 56 districts, and also supported setting up and training district consultative councils in these 56 districts. The Bank project also financed the small-scale infrastructure projects. A disappointment is that Government did not prepare a decentralization policy framework as it had committed to do under its PSRP and the PRSCs, which supported a related decentralization strategy. However, many policy papers were prepared with support from the project, and donors agreed on an overall aid framework for decentralization.

5. Efficiency

5.1 **Substantial.** The ICR rates efficiency as: not applicable. This was incorrect: according to Bank guidelines, all investment projects should be rated on efficiency. The Project Appraisal Document didn't calculate an economic rate of return. However, Annex 4 of the Document gives extensive data from other African countries on favorable economic rates of returns for small scale infrastructure investments. This is consistent with extensive research in developed countries finding that decentralization generally increases the production efficiency of service delivery (Ahmad and Brosio 2009: 141-2). This implies that ensuring local autonomy is consistent with meeting national sector goals. In the case of this project, there were some delays in payments caused by lack of timeliness of provision of government counterpart funds as reported in the Mid-Term Review; however, these issues were subsequently addressed, as discussed below under Government performance.

5.2 Considering project management, an indicator of good efficiency is that expenses for project coordination were below the budgeted cost, despite a 9 month extension of the closing date. Aside from the payment delays mentioned above, procurement and fiduciary management was carried out to ensure that funds were used as intended. One informant believes that small scale infrastructure in provinces not supported by the Bank such as Nampula, Cabo Delgado and Gaza was more cost effective, because procurement rules were more flexible. This allowed greater use of local materials and contractors, less theft, and more economic stimulus to the communities. By 2006, these processes led to the creation of 33 small contractors with nearly US\$1 million earnings equivalent in Nampula. However, this anecdotal evidence could not be confirmed.

5.3 The field mission was informed by officials in Tete that there were preferences in some procurements supported by the Bank project for local artisans, but that they often needed to be trained in basic business practices, and teamed up with more experienced contractors from outside the province. The mission could not find any formal studies to confirm this, and no evidence to indicate any serious issues concerning efficiency. In many localities it was reportedly difficult to attract the interest of contractors because the projects were so small and widely dispersed. To address this, districts tried to bundle together construction projects funded by the Bank, the United Nations Children's Fund (UNICEF) and other partners to increase the contract size, and make bidding on them more attractive. There has also been a helpful change in Government regulations. Contractors can now bid on contracts when they need to hire necessary equipment; previously, they could only bid if they owned the equipment.

6. Ratings

Outcome

6.1 **Satisfactory.** The objectives were highly relevant, the design was substantially relevant, and efficacy and efficiency were both substantial. The operation supported participatory, district planning, which *inter alia* supported the design and implementation of small investment projects in all target districts. Staff in these districts were trained. All other districts in the country have also adopted the same approach. Provincial budget transfers to districts were established, internal financial reporting was carried out in a proper manner, and some financial statements were subject to external audit. The Government has increased the budget allocation to districts through 2012. There was a generally favorable perception of this effort as measured by a citizen survey and two pilot citizens' charters. These and other outputs supported by the project contributed to achievement of the objective of improving the institutional performance of district administrations to plan and manage small infrastructure investments in response to community demands.

Risk to Development Outcome

6.2 **Modest.** Key elements of sub-national governance are laid out in the Constitution, enabling legislation and decrees. While there were delays in the early years in accessing counterpart funds, by the time of project closing 82 percent of the agreed funds had been provided. The initial design was broadly "adopt a district" with other partners piloting similar approaches in different places. The outcome was a single system, rather than parallel systems being built up and persisting. Starting in 2006, the government launched its own intergovernmental transfer system, drawing on the most attractive features from DPFP and other pilots when there were minor differences. The size of investment and recurrent budget transfers to sub-national authorities has increased since 2007. There was a joint decentralization review by donors in 2006, including the Mid-term Review of the Bank project, and reviews of similar support including PPFN-Norte (UNCDF, UNDP, Norway, Netherlands, Ireland, and Switzerland) and PRODER (GTZ). Following the recommendation of the joint review, the government agreed there would be two sources of partner support for decentralization: a common or basket fund overseen by donors and budget support where funds are provided to support agreed priorities, and monitored through the Government's budgeting system. The common fund for donor support to decentralization was launched in 2008, and there is an active decentralization working group, with sub-working groups for each pillar (see below). DPFP-Centro is the precursor of the current NDPFP-National in which all donors active in the decentralization sector joined forces (in a SWAP program, led by the Bank) to support the government decentralization program. The design of the NDPFP-National was built on the many of the lessons from DPFP-Centro in various areas like community participation and district planning. The follow-on Bank project became part of the common fund managed by the Ministry of Planning and Development. Donors and government agreed that future support would be aligned around a national program comprising four pillars:

- Pillar A Participatory Planning and Budgeting Coordinated by Ministry of Planning and Development:
- Includes participation IPCCs strategic planning PEDDs annual planning and budgeting PESOD,
- Pillar B Execution Coordinated by Ministry of Planning and Development:
- Focuses on financial management and procurement,
- Pillar C Control Coordinated by Tribunal Administrativo:
- Focuses on Internal and External Audits and Procurement,
- Pillar D Human Resource Development and Knowledge Management Coordinated by Ministry of State Administration:
- Focuses on Human Resource Management Capacity Building and Knowledge Management.

6.3 In addition to support through the preferred modalities or common fund or budget, project support would be allowed as a third choice if required to meet particular donor rules; in all cases, donors were encouraged to align with the four pillars (World Bank, 2006). This harmonized approach was intended to help to ensure that future assistance from the Bank and other partners was productive. The advances in regulatory framework, experience base, and well-coordinated donor support all worked to ensure sustainability of the operation's development outcome. On the other hand, the difficulties in preparing a decentralization strategy to clarify responsibilities across different levels of government showed that there was not yet a political consensus on how to move forward. This risk is mitigated by the fact that the Government has adopted a series of laws, regulations and decrees over the last two decades that have had the effect of broadening and deepening key aspects of decentralization. The sustainability of the small infrastructure investments supported is not certain, since it has not been monitored. This risk is being mitigated by the roll-out of an improved conceptual model for M&E for PARPA implementation to target sectors, provinces and districts, supported by the World Bank (2011). The experience in other countries is that when there is community involvement in priority setting and implementation by local administrations, the chances of sustainability increases for local investments (see for example, Anokbonggo and others 2004). Finally, the allocation process of "productive investments" goes against the priority setting and participatory system of planning supported by the project, and raises concerns over the Government's commitment to the decentralization program. This risk is mitigated by the fact that the proportion of such investments in district allocations has decreased in recent years.

Bank Performance

6.4 **Quality at entry. Satisfactory.** The design built mainly on the lessons of a pilot project supported by the United Nation's Capital Development Fund (UNCDF), with funding from Netherlands and Norway, in Nampula Province, which was in turn built on the lessons of comparable work in Uganda (cf. Pyndt and Steffensen, 2005). Drawing on Uganda's experience was ambitious in Mozambique. Analysts have classified Uganda as a high-functioning intergovernmental system well on the way to consolidating decentralization,

where Mozambique is considered a low-functioning intergovernmental system mainly relying on deconcentrated structures. The fact that Mozambique drew on cutting edge ideas from Uganda can be characterized as pushing the boundaries of the institutional environment. The country took on additional risk in doing this, but it was justified by confidence that local government and civil society leaders would support the changes (cf. Serrano-Berthet et al, 2010: 125).

6.5 Building on this experience, the design improved on the structures for civil-society/district dialog, increased transparency about public procurement, and created conditions for downward accountability about plan implementation. It also built on the experience of GTZ funded activities in Sofala (since 1998), Manica (since 1997) and Inhambane (since 2002, in coordination with Development Cooperation Ireland) in a total of 18 districts. Each of these parallel programs demonstrated that participatory decentralized planning, local investment grants and financial management could be adopted in Mozambique as building blocks for future decentralization. The design was aligned with the Poverty Reduction Strategy Paper (PARPA) and the Bank's Country Assistance Strategy, and remains relevant to the latest Country Partnership Strategy. The design draws on lessons from the Bank and other donors in Mozambique and neighboring countries. The design also draws appropriately on analytical work, e.g. Serrano, 2002. The selection of the initial four provinces reflected a division of labor among donors. With hindsight, the choice seems appropriate for the additional reason that these provinces had demonstrated among the best performance in reducing poverty up to the time of appraisal, and were thus good prospects to raise their performance to an even higher level. Within the target provinces, the Bank engaged at provincial, district and community level on the project. Another Bank project worked with municipalities. The M&E framework was clearly designed, supported by a comprehensive manual and largely complete, with minor shortcomings such as the lack of an impact assessment demonstrating the link between training provided and improved performance on the job.

6.6 The learning-by-doing approach is consistent with the latest thinking on iterative adaptation, where the focus is on solving locally nominated and defined problems, encouraging experimentation and experiential learning, and engaging a broad set of agents so that development efforts are viable, legitimate, relevant and supportable (Andrews, Pritchett and Woolcock 2012).

6.7 **Quality of Supervision. Highly Satisfactory.** There were 13 supervision missions over a 5 year period. Although there were 3 Task Team Leaders, each had been part of the project team before taking over, so handovers were smooth. Implementation Supervision Reports rated project performance realistically, and the team focused on the goal of mainstreaming the approach across Government, even at the expense of quicker disbursement. There was good donor coordination, with the Bank contributing to three joint reviews of decentralization projects, one of which constituted the DFPF's mid-term review (World Bank 2006), which was comprehensive in raising issues and making practical recommendations. Following the midterm review, the project showed a clear improvement in performance and the implementation performance rating was upgraded from moderately unsatisfactory to satisfactory. The Bank and other development partners frankly raised sensitive issues with the authorities such as the use of district funds to support productive

investments, and the need for a decentralization policy framework. In the case of the former, the government agreed to renew its support for block grants for infrastructure. In the case of the latter, Government deliberation is still continuing. The addition of Maputo province at a later stage due to demand from the Government is acceptable, given the challenges of low-income communities there of recent migrants from rural areas. The 2008 review of safeguard compliance found issues in two projects, for which it advised the government to take action, and to prepare a training plan to prevent future problems of this nature; the government took action as advised. Taking the above into account, overall Bank performance is rated **Satisfactory**.

Borrower Performance

6.8 **Government Performance. Moderately Satisfactory.** Prior to project approval, the government had expressed its commitment to strengthening local administrative capacity through the piloting of 5 year district strategic and development plans, and adoption of legislation creating municipalities with full financial and political autonomy, a Decree legally recognizing community authorities as interlocutors between rural communities and district administration, the PARPA, and the Global Strategy for Public Sector Reform. Since then, the Government adopted further enabling legislation, decrees, guidelines and strategies laying out its commitment to the project objective. For example, the Government instituted a fiscal transfer system mid-way through project implementation, modeled on the system piloted by the project, and building on the improved sub-national capacity that the project contributed to. The shift to supporting "productive investments", while not supported by the project, suggests that the political leadership did not fully understand or accept the approach of territorial based finance, planning, and community-based accountability, thinking that infrastructure should be provided by sectoral ministries outside of the territorial system. On the other hand, the budget guidelines for 2008 partially clarified the situation, making division between the 7 billion (that were kept for productive investments--until today) and the FIL that is still used for public investments. Over time the FIL has become more important (in terms budgetary allocations) than the 7 billion.

6.9 Another moderate shortcoming is the lack of clarity on criteria for selection of private investment projects for funding. The inability to produce a decentralization policy as had been agreed is disappointing. Agreement on such a policy is challenging because of the legacy of a recent civil war with a territory-based insurgency and a strong desire by the leadership to preserve the hard fought unity of the nation. There are also continuing concerns among some in the leadership over giving recognition to traditional community leaders (Makgetia 2010).

6.10 By the time of the Mid-Term Review in 2006, the government had only approved US\$205,500 out of a budgeted amount up to that time of about US\$480,000. In addition, there were problems with the timely availability of counterpart funds, leading to payment delays to providers of goods and services, and delays in project implementation. To address this, the legal agreement was amended in 2008 to allow 100% Bank financing of all project activities. By project close, 82 percent of the original total counterpart contribution agreed at appraisal had been paid, and no payments were outstanding at the end of the project due to the shortfall and delayed availability of counterpart funds.

6.11 Implementing Agency Performance. Satisfactory. The Ministry of Planning and Development was an appropriate choice as implementing agency because it had the power and influence to change procedures and processes. It also had the ability to work across sectors, and the power to protect the project and to scale up the decentralization process as conditions allowed it. The Ministry constituted a DFPF National Steering Committee to oversee the project. The Ministry motivated and guided provincial directors of planning in achieving project objectives. The Ministry also worked to get important procedural changes from other ministries, including the first budget transfers made to districts, the first auditing of district financial statements, and a significant increase in budget transfers. A moderate shortcoming is that provincial governments didn't take the lead in three out of the four provinces for designing subprojects as had been anticipated, despite the stationing of staff from the project implementation unit in the provinces. In response, some investment cycle operations needed to be pulled back to the project implementation unit in Maputo, making the operation in this respect more like a micro-projects program rather than a governance one. A minor shortcoming was weak coordination with other ministries in some cases. There was also lack of full compliance with environmental and social safeguard procedures at some points in project implementation; however, appropriate action was taken following Bank recommendations. Taking the above into account, overall Government performance is rated **Moderately Satisfactory**.

Monitoring and Evaluation

6.12 M&E Design. The monitoring framework was written up during preparation in an M& E manual that provided clear instructions for use by provincial and district administrations, tailored to Mozambique's needs, capacity and institutions. M&E implementation was supported by project financed M&E specialists to compensate for lack of qualified staff in local administrations. Following project closure, project-financed specialists were absorbed by the district administrations.

6.13 One of the six indicators directly measured achievement of the project objective to improve the institutional performance of district administrations to plan and manage small infrastructure investments in response to community demands, by tracking those districts rated good or excellent on annual local investment performance based on a performance management framework supported by the project. The other five indicators all measured outputs that contributed to achievement of the objective. All had baselines starting from zero which was appropriate.

6.14 A minor shortcoming was the differing statements of objectives in the DGA and PAD. The statement in the PAD was much broader, and more difficult to monitor. The statement in the DGA was specific and monitorable based on the selected indicators. Another shortcoming is the lack of impact assessments linking the training provided to improve job performance.

6.15 M&E Implementation. There is full reporting on status of the six key project development objective (PDQ) indicators starting with the third Implementation Status Report of April, 2005. The project's third PDQ indicator aimed at 60 percent of districts participating in the Local Investment Grants, in which participants in planning processes

express satisfaction with responsiveness and accountability of district administration, but could not be monitored during the operation. A study to measure this took place in 2009, carried out by DFPF financed consultants. However, it is not known what the sample size was, how the sample was selected, and what specific questions were asked. The operation also supported pilot citizen report cards in two districts, but the effort was discontinued, awaiting a comprehensive effort for use of citizen report cards as part of the national statistical system. Another shortcoming was the limited sharing of M&E information with stakeholders between districts and across different levels of administration. Another shortcoming is the lack of monitoring on the cost effectiveness of small scale infrastructure supported by the Bank. Although productive investments supported by the Government's fiscal transfer system are not supported by the project, some district consultative councils are reportedly monitoring repayment practices, trying to ensure that beneficiaries make payments as specified in their contracts.

6.16 Use of M&E Data. M&E information was used to address shortcomings in the quality of district plans and underlying participatory processes. For example, M&E findings on the need for structural reform contributed to the establishment in 2008 of a unit within the district governmental structure dedicated to planning and finance. It also led to production of training manuals, guidelines, and support for private contractors, and greater supervision at the provincial level of the planning process. For example, reports on works implementation raised serious capacity weaknesses of contractors. The response was the development of training on preparing bidding proposals, the introduction of standard timeframes to verify and monitor implementation progress, and rollout of a prices database for reference purposes, and a template for preparing supervision reports.

6.17 Overall M&E Quality Rating. Taking all these factors into account, IEG rates Monitoring and Evaluation as **Substantial**.

7. Lessons

7.1 There are three key lessons coming out of this review. First, for countries at an early stage in the decentralization process, a learning-by-doing approach can be effective using iterative adaptation, where the focus is on solving locally nominated and defined problems, encouraging experimentation and experiential learning, and engaging a broad set of agents so that development efforts are viable, legitimate, relevant and supportable. A well-designed M&E framework can help to inform the work of planning and finance units, and to inform revisions in operational programs and training manuals. For district administrations, the process of working each year with consultative councils, sectoral directorates, and other stakeholders to plan and implement small-scale infrastructure projects will bring up a variety of issues and challenges. Responding to these helps build capacity for solving future challenges, while enhancing legitimacy to rural populations. While well designed training courses can contribute to building up essential skills, there is no substitute for on-the-job learning by managing resources according to a basic set of rules, with participation from local citizens.

7.2 Second, in political settings without democratically elected subnational authorities, a process of controlled/limited participation within a deconcentrated framework can be

politically feasible, and help to ensure accountability and efficient use of resources. The political impetus may come from close national elections, pressure from donors, and a desire to manage ethnic and regional issues. The low initial cost of the approach helps to mitigate opposition from other claimants to government resources. The process of improving greater accountability may be uneven, with setbacks along the way as political interests are accommodated. Yet with a combination of strong technical direction and sustained interest from civil society, an overall positive trend can be maintained.

7.3 Third, while managing small scale, public infrastructure investments is useful for building subnational administrative capacity, managing lines of credit for private investments that are vulnerable to manipulation, and not well monitored or regulated, can weaken legitimacy and the good will built up through participatory processes.

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Annex A. Basic Data Sheet

The Republic of Mozambique Decentralized Planning and finance Project –
P001807 (LOAN IDA-H0670)

Key Project Data (amounts in US\$ million)

	Appraisal estimate	Actual or current estimate	Actual as % of appraisal estimate
Total project costs	46.29	48.68	105
Loan amount	42.00	45.17	108
Cofinancing			
Cancellation			

Cumulative Estimated and Actual Disbursements

	<i>FY04</i>	<i>FY05</i>	<i>FY06</i>	<i>FY07</i>	<i>FY08</i>	<i>FY09</i>	<i>FY10</i>
Appraisal estimate (US\$M)	7.45	13.95	22.15	32.55	42.00	42.00	42.00
Actual (US\$M)	2.67	7.68	14.20	25.53	40.13	45.19	45.17
Actual as % of appraisal	35.84	55.05	64.11	78.43	95.55	107.60	107.55
Date of final disbursement: July 2009							

Project Dates

	Original	Actual
Initiating memorandum	10/15/1999	10/21/2002
Negotiations	07/23/2003	07/23/2003
Board approval	07/12/2001	11/20/2003
Signing	12/19/2003	12/19/2003
Effectiveness	02/16/2004	04/16/2004
Closing date	06/30/2008	03/31/2009

Staff Inputs (staff weeks)

<i>Stage of Project Cycle</i>	<i>Staff Time and Cost (Bank Budget Only)</i>	
	<i>No. of staff weeks</i>	<i>US\$ thousands (including travel and consultant costs)</i>
LENDING		
FY00	18.63	96.5
FY01	18.24	124.8
FY02	40.34	186.6
FY03	41.28	316.6
Total:	118.49	724.5
SUPERVISION/I CR		
FY04	25.23	130.2
FY05	25.39	157.3
FY06	23.62	153.7
FY07	64.32	237.2
FY08	56.30	209.5
FY09	30.72	49.3
Total:	225.58	937.2

Task Team Members

<i>Names</i>	<i>Title</i>	<i>Unit</i>	<i>responsibility/pecialty</i>
LENDING			
Lance Morell	Team Leader	AFTU1	Local government
Alan Corell	Team Leader		Decentralization
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Kevineto Bila	Operations Officer	AFC02	Project quality
Joao Tinga	Financial Management Analyst	AFTFM	Financial management
Marius Koen	Senior Financial Management Specialist	AFTFM	Financial management
Subhash Dhingra	Senior Procurement Specialist	AFTPC	Procurement
Natalino Nascimento	Consultant	AFTU1	Civil engineering
Lauren Wojtyla	Financial Specialist	AFTFM	Local government finance
Louis Helling	Decentralization Specialist	AFTU1	Decentralization
Alberto Ninio	Senior Counsel	LEGAF	Legal agreement
John Hatton	Environmental Specialist	AFTEN	Environmental safeguards
Bridie Champion	Disbursement Officer	LOA	Disbursements
Lu Kang	Program Assistant	AFTU1	Program assistance
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Rildo Santos	Team Assistant	AFTU1	Team assistance
Supervision/I CR			
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Jose Macamo	Consultant	AFTUW	Public sector issues
Mafalda Duarte	Consultant	AFTUW	Capacity building
Wendy Ayres	Consultant	AFTUW	M&E and Implementation and Results Report

Other Project Data

Borrower/Executing Agency: Follow-

on Operations

<i>Operation</i>	<i>Credit no.</i>	<i>Amount (US\$ million)</i>	<i>Board date</i>
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Annex B. Mozambique Decentralization timeline

<i>Year</i>	<i>National political, constitutional, legal events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
1990	Constitution (provincial governments)		
1992	Peace Accord concluding 16 year civil war signed by the leaders of Frente de Libertação de Moçambique (FRELIMO) and the Resistência Nacional de Moçambique (RENAMO); Law n° 5/92, of 6 May, which defines the role of the <i>Tribunal Administrativo</i>		
1993			Rural Rehabilitation Project, approved 1993, closed 2000: Pilot experiences with participatory planning and decentralized small works management in Sofala and Zambezia Provinces; Capacity Building Human Development Project, approved 1993, closed 2001. Expanded quantity and improved quality of university graduates, and enhanced the quality of upper secondary education.
1994	first multiparty election for president and parliament		
1995		First piloting of 5 year district strategic and development plans: <i>Plano Estrategico de Desenvolvimento Distrital</i> (PEDD).	
1996	Local authority law approved		

<i>Year</i>	<i>National political, constitutional, legal events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
	(Law 9/96)		
1997	<p>Municipal Legislation (<i>Pacote Autarquico</i>) created 33 urban municipalities with full financial and political autonomy. (Law 2/97 and 11/97) The law sets out clear criteria for determining the distribution of the two annual transfers that municipalities receive from central government, namely the <i>Fundo de Compensacao Autarquica</i> (FCA) to cover recurrent expenditure and the <i>Fundo de Investimento de Iniciativa Local</i> (FIIL) for investment expenditure. It also indicates that overall transfers should reach 1.5-3 percent of domestic revenue. Distribution of transfers should be based on four criteria: population, area, revenue collection, and degree of economic development. In this sense, the system is transparent and rules-based. Score for PEFA PI-8 on intergovernmental transfers is C+, referring only to practices concerning municipalities based on assessments in 2004</p>		

<i>Year</i>	<i>National political, constitutional, legal events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
	and 2006 (Lawson and others, 2006: 23-4 and Lawson and others, 2008: 40-1); also, Law n° 13/97, of 10 July, which establishes the regime for the audit and inspection of public expenditures by the <i>Tribunal Administrativ</i>		
1998		Decentralization of rural water supply provision through reform and capacity building Community participation and beneficiary responsibility through demand driven approach to water supply provision	National Water Development Project, approved 1998, closed 2005:
1999	multiparty election for president and parliament		Education Sector Strategic Program Project, approved 1999, closed 2006: Decentralized management of the delivery process Greater role for communities in decision making process in the schools Increased community roles in planning and implementation of school construction with more sustainable construction technology
2000	Decree 15/2000 legally recognized Community Authorities as interlocutors between rural communities and district administration.		Coastal and Marine Biodiversity Management Project, approved 2000, closed 2007: Adoption of strategic spatial development plans by national, provincial and district authorities in pilot areas

<i>Year</i>	<i>National political, constitutional, legal events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
2001	Action Plan for the Reduction of Absolute Poverty (PARPA or PRSP), that identified decentralized planning and finance as a key element of its program in rural areas, adopted by Council of Ministers.		<p>Municipal Development Project , approved 2001, closed 2007: Pilot municipal grant system for local investment planning, financing and management; capacity building for municipal officials; decentralization policy and regulatory development for municipalities. Decentralized maintenance of tertiary and non-classified roads Increased district responsibility and community participation in non-classified road maintenance and spot improvements</p> <p>Roads and Bridges Management and Maintenance Program Project (Phase I) , approved 2001, closed 2007; Phase II approved 2007 and ongoing</p> <p>Rural Travel and Transport Program, (regional program) Mozambique technical workshop 2001 see http://www4.worldbank.org/afr/ssatQ/Resources/SSATP-WorkingPa_Qers/SSATPWP61.Qdf</p>
2002	Global Strategy for Public Sector Reform identified decentralization as a key area of action. Law n° 9/2002, of 12 February, which approves the State Financial Administration System (<i>Sistema de Administrarç;io Financeira do Estado - SISTAFE</i>)		
2003	Local Administration Reform (Lei das 6rgoas Locais do Estado - LOLE) legislation,	2003 DPFP National Steering Committee constituted DPFP National Steering Committee	Public Sector Reform Project, approved 2003, closed 2009; see other PPAR

<i>Year</i>	<i>National political, constitutional, lef(al events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
	inter alia makes district a budget entity, and emphasizes the role of districts as development poles, and the foundation for Mozambique's planning system. (law 08/03). Guidelines for community participation and consultation in district planning published in the official gazette. These provide for the composition and operation of consultative councils. Due to these guidelines, all consultative councils include at least 30 percent women, and representatives of vulnerable and disadvantaged groups and of geographically remote communities.	(Comite de Supervisao or CS) comprised of National Directors from MPF, the Ministry of State Administration (MAE), the Ministry of Agriculture and Rural development (MADER) and the Ministry of Public Works and Housing (MOPH)..	DPFP, approved 2003; 2008 amendment to the legal agreement to allow for 100 percent Bank financing of all project activities, because government couldn't provide counterpart funds; closed 2009.
2004	Decree n° 23/2004, of 20 August, which approves the SISTAFE Regulations; linked to Law 9/2002. Constitution (provincial assemblies). Election.		
2005	Regulations (decrees 11/2005 and 13/2005) to implement the 2003 OLE law. Procurement Law (Contracts for Public Works, Supply of Goods and	3 networks for community participation established. Adoption of 13 standardized manuals for district participatory planning covering issues such as district	

<i>Year</i>	<i>National political, constitutional, local events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
	Services for the State - Decree 54/2005 of 13 December) Inter alia, documents for all competitive contracts must be submitted to the Administrative Court within 5 working days from the date of award, which can either approve or request additional information.	diagnostics, preparation of development strategies and action plans, production of district economic and social plan and budget, monitoring and evaluation, and organization and functioning of local consultative councils. Guidelines for preparation of the district land-use plan prepared.	
2006	Procurement Regulation adopted in July to implement Decree 54/2005.	District Performance Assessment System. Some 18 land-use plans prepared. The work included diagnosis of the present situation, production of thematic maps of current land use, administrative divisions, population, infrastructure and facilities, physical conditions, and trends in settlement expansion. Communication strategy formulated. Audits of 48 districts' financial statements conducted, the first audits of district finances in the country's history. Audit manual elaborated. First direct budget transfers to the districts, replacing previous discretionary allocation of funds by provinces. Provincial budget allocations to districts were established for	2006 PEFA based on 2004 assessment (Lawson and others, 2006)

<i>Year</i>	<i>National political, constitutional, electoral events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
		district infrastructure maintenance through budget instructions to the line ministries (education, health, water, and the like).	
2008		Operational rules and procedures for district finance were published	2008 PEFA based on 2006 assessment (Lawson and others, 2008) 2008 Intergovernmental fiscal relations study (Boex and others). This describes the current situation and lays out options for transferring responsibilities from the central level and the provincial levels to the district level. The study has informed the development of the government's decentralization strategy.
2009	Election, including first election of provincial assemblies.	All 56 districts participating in DFPF had prepared participatory district development plans and annual investment plans approved by district development councils. All 128 districts in Mozambique had adopted the DFPF approach by the end of the project. All the districts are using the project-supported strategic planning and annual planning and budgeting approaches. Government decided to increase the proportion of the state budget allocated for financing of district plans, while keeping	2009 Analysis of Experiences Relating to Community Participation and Consultation in District Planning in Mozambique, completed. This provides an in-depth assessment of the mechanisms for community participation established under the project in the north, central, and southern regions (Niassa, Nampula, Tete, Zambezia, Manica Inhambane and Gaza Provinces). 2009 Analysis of District Finances in Mozambique completed. This analyzes the current situation of district finances in Mozambique and proposes improvements based on theoretical considerations and international good practice. Strengthening M&E for PARPA III. Approved 2009,

<i>Year</i>	<i>National political, constitutional, electoral events</i>	<i>Institutional capacity building</i>	<i>World Bank and other donors</i>
		funds for productive investments flat, indicating a commitment to supporting district capacity to plan and manage small infrastructure investments.	closed 2013. To strengthen the Government of Mozambique's capacity to coordinate the overall M&E framework for the upcoming third Poverty Reduction Strategy (referred to as PARPA) and, particularly, to strengthen the results orientation at sector level.

Source: World Bank documents. Bolded entries supported by project.

Annex C. Poverty in Mozambique

The DPFP was designed to support the Government's PARPA, and its commitment to greater citizen participation in providing poverty reducing infrastructure and public services at the local level. Thus it is important to examine what happened to poverty in the provinces supported over the life of the project, and whether any change in poverty levels can be attributed to project interventions.

At the time of appraisal, an estimated 54 percent of Mozambique's population lived in absolute poverty⁶, caused by: "(i) slow growth of the economy until the beginning of the 1990s; (ii) low levels of education of working age household members, particularly women; (iii) high dependency rates in households; (iv) low productivity in the family agriculture sector; (v) lack of employment opportunities within and outside of the agricultural sector; and (vi) poor infrastructure, especially in rural areas." The poor were also vulnerable to natural disasters (floods) and economic shocks (agricultural price declines) (Republic of Mozambique, 2001: 2).

Table C.1. Poverty Headcount, 1996-2009

	1996-97	Lewis. % 2002-03	2008-09	Diff. % 1996-97 to 2002-03	Diff. % 2002-03 to 2008-09
Annual	69.4	54.1	54.7	-15.3	0.6
Urban	61	51.5	49.6	-10.5	-1.9
Rural	71.3	55.3	56.9	-16	1.6
North	66.3	55	46.5	-11	-8.5
Center	73.8	45.5	59.7	-28.3	14.2
Southern	65.8	66.5	56.9	0.7	-9.6
Beira	70.6	52.1	31.9	-18.5	-20.2
Delgado	57.4	63.2	37.4	5.8	-25.8
Manhiça	68.9	51.6	54.7	-16.3	-1.1
Zambezia	68.1	44.6	70.5	-23.5	25.9
Tete	82.3	59.8	42.0	-22.5	-17.8
Maioca	62.6	43.6	55.1	-19	11.5
Somhi	87.9	36.1	58.0	-51.8	1.9
Inhambane	81.6	80.7	57.9	-1.9	-12.8
Gaza	64.6	60.1	61.5	-4.5	2.4
Maputo	65.6	69.3	67.5	3.7	-1.8
Matuto	47.5	51.6	66.2	5.5	-17.4
Disproportion:					
Provinces	11.7	12.6	13.2	17.2	18.3
Concentration coefficients:					
Concentration		-0.001	-0.006		-0.633
Initial level	-0.683	-0.668			
Destination		0.731	0.726		

Notes: Disproportion of the population in poverty and changes in poverty rates is shown by the second column. The correlation coefficient for consecutive surveys shows the correlations for each column with the preceding column. Initial level and change shows the correlation starting with the first level column and the first rates column. Destination level shows the correlation starting with the second column and the first rates column. All correlations are performed on province level.

Source: Government of Mozambique, 2010: 26.

⁶ Using flexible bundle approach, which takes changes in relative prices since 1996-97 into consideration (Government of Mozambique and others 2004).

7.4 Looking at what happened to poverty in the target provinces prior to appraisal, Zambezia, Tete and Sofala were provinces showing the largest reduction in poverty between two household surveys in 1996-7 and 2002-3. Reasons included unusually high poverty levels at the starting point due to flooding and the impact of previous civil conflict, and favorable agricultural production and prices in 2002-3.

7.5 Poverty is affected by many factors, so the operation rightfully did not target poverty reduction as a PDO. Never the less, the logic of project design is that the outputs supported are: "...central to the growth strategy to reduce poverty." (World Bank, 2003a: 2) Thus, it is important to understand what the poverty trends were, and what effect the project might have had on them. Based on data from 2008-9, poverty decreased from levels in 2002-3 in only two of the five provinces targeted: in Tete (from 60 percent to 42 percent), and Maputo Province (from 70 to 68 percent), see Table D.1. Poverty increased in the other three, with two provinces posting among the highest increases in poverty of all provinces: a 26 percentage point increase in Zambezia and 22 percentage point increase in Sofala, and Manica showing a 12 percent increase. The results in other provinces receiving decentralization support from other donors were also mixed, with a 2.1 percent poverty increase in Nampula province, and a 23% reduction in poverty in Inhambane. By comparison, there was a 1.6 percent average increase in poverty nationwide in rural areas over the same period.

7.6 These data suggest that changes in poverty result from other factors than the early stage decentralization support provided by the Bank and other donors. For example, while it is difficult to pinpoint the reasons for the steep increases in poverty in Zambezia and Sofala, one factor could be declines in agricultural production. Survey data indicates that per capita production of food crops was 32 percent lower in Sofala measured by calorie values, and 19 percent lower in Zambezia in 2008 compared to 2003. This is likely to be connected to more severe climate shocks (for example, flooding in late 2007), along with low rates of access to agricultural technologies such as fertilizers, more extreme agricultural price variability, and greater severity of the HIV/AIDS epidemic in the central region than in other parts of the country (Republic of Mozambique, 2010: 74-77). The sharp reduction in poverty in Tete was likely influenced by overall economic trends driven by rapid expansion of coal production during the period.

7.7 However, the ambitious targets of the Government's development strategy such as reducing poverty will not be achieved without much larger resource flows to support education, health, rural roads and other essential public goods.

Annex D: Elements of Intergovernmental design supported by DFPF

7.8 Table E.1 summarizes the elements of intergovernmental design supported by the Bank, through this and other projects, and the value added over the project life. Many of these elements were also supported by the Bank and other donors in other ways, including investment projects, technical assistance, common funds, and advisory work.

Table E.1. Elements of Intergovernmental Design Supported by the Bank and in Which Sequence

<i>Elements of Intergovernmental Design</i>	<i>Assessed at project initiation</i>	<i>Value added over project life</i>
<p>Enabling legislation: Clearly mandated spheres of government Viable and sustained jurisdictions Expenditure and revenue assignments</p>	<p>1997 municipal legislation constitutionally limited to cities and towns; PARPA that identified decentralized planning and finance as a key element of its program in rural areas; 2001 Global Strategy for Public Sector Reform identified decentralization as a key area of action. In 2000, "community authorities" legally recognized as interlocutors between rural communities and district administration. Laws on Local Organs of State (LOLE 2003)</p>	<p>Supported implementation of laws: LOLE (2003 and 2005), the State Financial Administration System (SISTAFE 2002, 2004), and procurement (2005, 2006)</p>
<p>Intergovernmental fiscal design to pay for the (i) one-off transitional costs of creating local governments and (ii) the recurrent costs of service delivery and economic development through: Optimized own revenues Transfers Access to credit and borrowing</p>	<p>The intergovernmental fiscal system assigned a portion of the annual state budget (OE) to provinces. Recurrent expenditures to districts were determined at provincial level as part of the provincial sector budgets. The district budget had no legal standing. Thus, districts did not manage the capital budget nor the civil service component of the recurrent budget.</p>	<p>Starting in 2006, districts started receiving direct fiscal transfers for recurrent and capital expenditures, replacing previous discretionary allocation from provinces. LOLE requires a five-year strategic and development plan, called Plano Estratégico de Desenvolvimento Distrital (PEDD) for each district. Some of the pilot districts have evolved beyond their first plan and are on second or third generation strategic plans. These plans, together with provincial and central level sector and strategic plans provide the basis for annual planning and budgeting via an operational plan and budget known as the Plano Económico Social e Ordenamento Distrital</p>

<i>Elements of Inter-governmental Design</i>	<i>Assessed at project initiation</i>	<i>Value added over project life</i>
		(PESOD).
Cross-cutting resource management systems: Public financial management (both revenue and expenditure) Human resource management (see below)	FM: high fiduciary risks: material receipts and payments are excluded from the budget and from Government accounting and reporting system; accounting systems and standards are outmoded; internal and external auditing require substantial support; and parliamentary oversight requires strengthening,	FM: PEFA indicators show improvement from 2006 to 2008 & 2010 as the PFM reforms led to successful improvements. Mozambique is now among the highest performing developing countries of Africa in terms of average PEFA score. However, there are gaps between policies, laws and regulations and their implementation, particularly at the subnational level with weak interministerial coordination, and resistance to change. In some critical areas re sectors, performance has gotten worse, for example, PI-2 from B to D.
Administrative structures: Local government structures and administrative cadres Reoriented line ministries, agencies, and departments	Very weak capacity in target districts, but government commitment to staff District Accountant and District Works Technicians posts. Local contracting industry capacity also very weak (re infrastructure sub-projects)	All target districts have PEDD and PESOD. 2/3 rated good or excellent on local investment grant performance. All districts in the country have adopted DFPF approaches for participatory planning. Sofala increased number of sr. staff from 242 to 292 (supported by PSRP). Min Health, Education and Pub Works have reasonable capacity at prov level with support from SWAPs; Agriculture and other ministries do not.
Accountabilities Vertical (to finance/sector ministries) vs. horizontal (communities)	Weak procurement, audit and internal controls on FM Link to community authorities and PEDD piloted since 1995: UNCDF and GTZ support	e-SISTAFE rolled out, increased coverage of internal and external audit. However sectoral limitations in health controls and procurement (cf Health PEFA), education (teacher absenteeism), agriculture and justice. Consultative councils rolled out to support planning, but limits on civil society monitoring of managerial weaknesses. Provincial assemblies elected from beginning 2009 mainly to discuss plans and budgets for previous and coming years. Consultative committees at

<i>Elements of Inter-governmental Design</i>	<i>Assessed at project initiation</i>	<i>Value added over project life</i>
		village level (localidade), intermediate level (posto administrativo) and district level, but weak capacity.

Source: Bank documents

Annex E. List of Persons Interviewed

In Washington, DC (including teleconferences)

Alwahti, Ali Y. DFPF TTL
 Carroll, Allan –DFPF TTL prior to appraisal
 Morrell, Lance -DFPF TTL at appraisal
 Kuper, Kate - DFPF TTL
 Helling, Louis - Consultant
 Boex, Jamie, Urban Institute
 Pomerance, Phyllis - former CD until 2000, Zambia Mozambique. Now at Duke
 van Holst Pellekaan, Jack - Consultant, member of Mozambique CAE team

In Mozambique

Government

Alberto, Domingo's Calicos - technician Nhamatanda District, Sofala Province
 Alberto, Manuel Rodrigues -National Director, National Directorate of Municipal
 Development, Ministry of State Administration
 Alfane, Rocha Amborete – Deputy Director Finance and Planning, Sofala Province (was in
 Zambezia Province during DFPF)
 Antonio, Rui -Provincial Technical Team, Sofala Province
 Banze, Olegario dos Angos -National Deputy – Director, National Directorate for
 Promotion of Rural Development, Ministry of State Administration
 Belessone, Ana - District Administrator, Tsangano District, Tete Province
 Cardozo, Agostinho Manuel Maria - technician and manager of DFPF since 2006, Chiuta
 District, Tete Province
 Carlos, Tenday -Provincial Technical Team, Sofala Province
 Coanai, Miguel Taembera – Director of Maintenance, National Road Administration
 Costa, Ana Virgilio da silva - Permanent Secretary, Nhamatanda District, Sofala Province
 Diaz, Chimonio – Provincial Technical Team, Sofala Province
 Erskog, Hans – Senior Financial Analyst, Ministry of Environmental Coordination
 Fonseca, Maria de Lurdes de – Provincial Director, Provincial Directorate of Planning and
 Finance, Tete Province
 Francisco Saize Chiria, district technician for buildings, joined 2005, Chiuta District, Tete
 Province
 Gideon, Claudio - Nhamatanda District, Sofala Province
 Grachane, Cecilio -Director General, National Road Administration
 Head, Gabriel George. – Head, Administrative post of Thika, Nhamatanda District, Sofala
 Province
 Jutha, Momad Piaraly – National Director, National Directorate of Planning, Ministry of
 Planning and Development
 Lambo, Domingos – National Director, National Director of Social Welfare, Ministry of
 Finance
 Lemane, Alfredo -Provincial Technical Team, Sofala Province

Lubrino, Grilo -National Director of Studies and Administrative Procedures, Ministry of Public Service
 Mafunga, Adeline -Permanent Secretary, Chiuta District, Tete Province
 Majacunene, Paolo -District Administrator, Gorongosa District, Sofala Province
 Makingi, Helder - Team Leader, NDPFP Tete
 Maleji, Rimundo- technician Nhamatanda District, Sofala Province
 Matavel, Antonio Augusto - provincial coordinator, Sofala decentralization Program GIZ
 Moiana, Sergio Sional - District Administrator, Nhamatanda District, Sofala Province
 Motsinhe - Civil Engineer, National Directorate of Buildings, Ministry of Public Works and Housing
 Mucudos, Custudio dos –Head NDPFP Project Implementation Unit, National Directorate of Planning, Ministry of Planning and Development
 Nhahingo, Antonio, Vice President of the Tete Provincial Assembly
 Nhmatande, District Administrator, Nhamatanda District, Sofala Province
 Nyangwni, Raphael M - Education Director Nhamatanda District, Sofala Province
 Pereira, Herminio – Trainer, Tete Provincial Directorate
 Sakut, Ibrahim Abdul -accounts specialist, Ministry of State Administration
 Soca, Brito Antonio – Civil Engineer, National Directorate of Buildings, Ministry of Public Works and Housing
 Somane, Elisa Arissone G. – Provincial Permanent Secretary, Provincial Secretariat, Province of Sofala
 Tui, Atalia - Director Finance and Planning, Sofala Province
 Vasquez, Ivan – Chief Technical Advisor, National Directorate for Promotion of Rural Development, Ministry of State Administration
 Victor, Armando - Technician, Gorongosa District, Sofala Province
 Vinfani-Tecuico, Smacio Jose- technician Nhamatanda District, Sofala Province
 Yemela, Chadreque - Nhamatanda District, Sofala Province
 Zambeze, Francisca Alberto - Permanent Secretary, Changara District, Tete Province

Civil Society and Private Sector

Aefimar, Antonio Augusto -Nhamatanda District Council, Sofala Province
 Allmeida, Fernando Jose Martins Ruas –Businessman and recipient of loan from "productive economic" grant, Changara District, Tete Province
 Antonio, Jose - Nhamatanda District Council, Sofala Province
 Antonio, Jusand - Nhamatanda District Council, Sofala Province
 Armando, Adeline -District Council member since 2003, Gorongosa District, Sofala Province
 Banze, Felix A.- Executive Director, APDCOMA
 Barry, Manuel Oaulo - Nhamatanda District Council, Sofala Province
 Dalusa, Joaozinho -Former Chair, Village Council, Gorongosa District, Sofala Province
 Dava, Lomino -Program Coordinator, Center for Public Integrity
 Faekm Baltazar Jorge -Researcher, Center for Public Integrity
 Jacob, Deolindo – Former member, District Council Gorongosa District, Sofala Province
 Jenmee, Antinio - Nhamatanda District Council, Sofala Province
 Jenmee, Antinio - Nhamatanda District Council, Sofala Province

Khanda, Celestine - District Council Gorongosa District, Sofala Province
Mabunda, Antonio Albino - Managing Director, AM International Procurement
Macuane, Jose - Political analyst, UNDP and Dfid consultant
Manuel, Ibrahim - District Council Gorongosa District, Sofala Province
Munhequete, Aida – Interpreter
Nkamate, Salvador - Liga Mo9ambicana dos Direitos Humanos (Mozambican Human Rights League) <http://www.ldh.org.mz>
Osman, Magid – Owner, Lex Mozambique (former Finance Minister)
Quenece, Alfredo - Nhamatanda District Council, Sofala Province
Seboural, Jeremia - Nhamatanda District Council, Sofala Province
Solomon, Nhamatanda District Council, Sofala Province

Development Partners

Antonopoulou, Fotini - Attache, European Union
Barnes, John - Technical Advisor, UNDP
Bronselaeer, Dirk - Sr. Procurement Specialist, World Bank
Bruschi, Francesca - Policy Analyst, Italian Cooperation
Chamuco, Antonio L. - Sr. Procurement Specialist, World Bank
Figueiredo, Carlos Mauricio Cabral – Expert on Supreme Audit Institutions, Decentralization Program, GIZ
Hawkins, Peter - Sr. Water and Sanitation Specialist, World Bank
Imparato, Ivo - TTL, National Decentralized Planning and Finance Program
Ising, Josef – Program Director, Decentralization Program, GIZ
Karlsen, Anders B. - Head of Cooperation, Royal Danish Embassy
Lefebvre, Anne-Lucie - Sr. Public Sector Specialist, World Bank
Malate, Amos - Procurement Analyst, World Bank
Mason, Jocelyn T. - Country Director, UNDP
Raich, Uri - TTL Mozambique Urbanization and Municipal Development Project and NDPFP (successor to Imparato)
Saleem, Furqan Ahmad - Sr. Financial Management Specialist, World Bank
Ulens, Wim - Attache, European Union
Verissimo, Patrick - Sr. Sector Economist, World Bank
Vilissa, Datto - Analyst, Royal Danish Embassy