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IMPLEMENTATION COMPLETION AND RESULTS REPORT
(IDA-45460)

ON A

CREDIT

IN THE AMOUNT OF SDR 16.8 MILLION
(US$25 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

COMPETITIVENESS AND PRIVATE SECTOR DEVELOPMENT PROJECT

June 30, 2016

Trade and Competitiveness Global Practice
Mozambique Country Department (AFCS2)
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective February 8, 2016)

Currency Unit	=	New Mozambique Metical (MZN)
US$1.00	=	MZN 42.50
US$1.00	=	SDR 0.72

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AENOE	Spanish National Standards Body
AIDSI	Asian Institute of Development Studies
APPSA	Agriculture Productivity Program for Southern Africa
CAS	Country Assistance Strategy
CFF	Fruits Training Center in Nampula
CMU	Country Management Unit
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
CREE	Commission for Foreign Economic Relations
DASP	National Directorate for Private Sector Support
DB	Doing Business
DFID	Department for International Development of the United Kingdom
EMAN	Strategy for the Improvement of the Business Environment
ERR	Economic Rate of Return
ESHTI	Inhambane Tourism Higher Training School
ESMF	Environmental and Social Management Framework
FM	Financial Management
GDP	Gross Domestic Product
GIZ	German Development Agency
GP	Global Practice
ICF	Investment Climate Facility
ICPAI	Institute of Certified Public Accountants of Ireland
ICR	Implementation Completion and Results report
IDA	International Development Association
IDF	Institutional Development Facility (referring to the Mozambique Tourism Institutional Capacity Strengthening Project)
IEG	Independent Evaluation Group
IFAC	International Federation of Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IGPP	Mozambique Integrated Growth Poles Project
IIAM	National Institute of Agriculture Research
INNOQ	National Institute of Standardization and Quality
IP	Implementation Progress
IPAC	Portuguese Accreditation Institute
IPEME	Institute for the Promotion of SMEs

IPEX	Institute for the Promotion of Exports
ISR	Implementation Status and Results report
M&E	Monitoring and Evaluation
MASA	Ministry of Agriculture and Food Security
MCPSD	Competitiveness and Private Sector Development Project or *'PACDE'*
MESE	Matching Grant Program or '*Mecanismos de Subsídios Empresariais'*
MIC	Ministry of Industry and Commerce
MICULTUR	Ministry of Culture and Tourism
MoU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
MTR	Mid-Term Review
MZN	New Mozambican Metical
NAC	National Advisory Committee
NPV	Net Present Value
OCAM	Order of Professional Accountants and Auditors
OSS	One-Stop-Shops or *'Balcão de Atendimento Público' (BAU)*
PAD	Project Appraisal Document
PARP	Poverty Reduction Action Plan
PARPA	Poverty Reduction Support Strategy
PDO	Project Development Objective
PIU	Project Implementation Unit
PMP	Pest Management Plan
PODE	Enterprise Development Project
PPP	Public-Private-Partnership
PRSC	Poverty Reduction Support Credit Operations
PSWG	Private Sector Working Group
RPF	Resettlement Policy Framework
SCM	Standard Cost Model
SDR	Special Drawing Rights
SEW	Electronic Single-Window for trade
SMEs	Small and Medium Enterprises
T&C	Trade & Competitiveness
TA	Administrative Court
TTL	Task Team Leader
UEM	Eduardo Mondlane University
USAID	United States Agency for International Development
USD	United States Dollars (US$)
WB	World Bank
WBG	World Bank Group

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Republic of Mozambique
Competitiveness and Private Sector Development Project (MCPSD)

CONTENTS

DATASHEET

A. Basic Information			
Country:	Mozambique	Project Name:	Competitiveness and Private Sector Development
Project ID:	P106355	L/C/TF Number(s):	IDA-45460
ICR Date:	06/30/2016	ICR Type:	Core ICR
Lending Instrument:	SIL	Borrower:	Republic of Mozambique
Original Total Commitment:	XDR 16.80M	Disbursed Amount:	XDR 16.80M
Revised Amount:	XDR 16.80M		
Environmental Category: B			
Implementing Agencies: Ministry of Industry and Commerce (MIC), National Institute of Standardization and Quality (INNOQ), Order of Professional Accountants and Auditors (OCAM)			
Co-financiers and Other External Partners: Irish Aid, International Finance Corporation (IFC)			

B. Key Dates				
Process	Date	Process	Original Date	Revised / Actual Date(s)
Concept Review:	10/25/2007	Effectiveness:	11/30/2009	10/28/2009
Appraisal:	10/29/2008	Restructuring(s):		07/23/2013
Approval:	02/12/2009	Mid-term Review:	06/30/2011	08/20/2012
		Closing:	11/30/2014	11/30/2015

C. Ratings Summary	
C.1 Performance Rating by ICR	
Outcomes:	Satisfactory
Risk to Development Outcome:	Moderate
Bank Performance:	Satisfactory
Borrower Performance:	Moderately Satisfactory

C.2 Detailed Ratings of Bank and Borrower Performance (by ICR)			
Bank	Ratings	Borrower	Ratings
Quality at Entry:	Satisfactory	Government:	Moderately Satisfactory
Quality of Supervision:	Satisfactory	Implementing Agency/Agencies:	Moderately Satisfactory
Overall Bank Performance:	Satisfactory	**Overall Borrower Performance:**	Moderately Satisfactory

C.3 Quality at Entry and Implementation Performance Indicators			
Implementation Performance	**Indicators**	**QAG Assessments (if any)**	**Rating**
Potential Problem Project at any time (Yes/No):	No	Quality at Entry (QEA):	None
Problem Project at any time (Yes/No):	No	Quality of Supervision (QSA):	None
DO rating before Closing/Inactive status:	Satisfactory		

D. Sector and Theme Codes

	Original	Actual
Sector Code (as % of total Bank financing)		
Agricultural extension and research	12	35
Credit Reporting and Secured Transactions	3	0
General industry and trade sector	28	25
Other industry	11	26
Public administration- Industry and trade	46	14
Theme Code (as % of total Bank financing)		
Micro, Small and Medium Enterprise support	34	25
Other Private Sector Development	34	26
Other rural development	15	35
Regulation and competition policy	7	5
Trade facilitation and market access	10	9

E. Bank Staff

Positions	At ICR	At Approval
Vice President:	Makhtar Diop	Obiageli Katryn Ezekwesili
Country Director:	Mark Lundell	Michael Baxter
Practice Manager:	David Bridgman	Gerardo M. Corrochano
Project Team Leader:	Mazen Bouri	Mazen Bouri
ICR Team Leader:	Michélle Souto	
ICR Primary Author:	Michélle Souto	

F. Results Framework Analysis

Project Development Objectives (PDO)

The PDO is to improve the business environment and enhance enterprise competitiveness in Mozambique, by: (a) reducing the cost of doing business in the country; (b) building technical capacity at public sector agencies; (c) strengthening the ability of local intermediaries to enable them to deliver business services to Small and Medium Enterprises (SMEs); and (d) developing region specific interventions in the tourism and horticulture sectors.

Revised Project Development Objectives

No revisions to the PDO throughout the project's implementation.

(a) PDO Indicator(s)

Indicator	Baseline Value	Original Target Values (from PAD)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator (1):	***Sales growth for businesses benefitting from the matching grant program compared to that in control group***			
Value:	0%	20% rate of annual sales growth for SMEs supported in Years One to Five	10% overall annual sales growth for SMEs supported	23.5%
Date:	23-Jul-2013	15-Jan-2009	23-Jul-2013	30-Nov-2015
Comments:	On results (reported at ICR): Target of 10% sales growth exceeded by 100%. The beneficiary survey preferred estimation suggests an average impact of 23.5% (between 20% and 27%) on annual sales. On the methodology: The indicator measures a rate following the impact evaluation design that starts with no difference between firms[1]. Evidence: Impact Evaluation of the Matching Grant, February 2016 (Annex 5)			
Indicator (2):	***Value of incremental sales in supported businesses***			
Value:	0	US$4 million	-	US$12 million
Date:	15-Jan-2009	15-Jan-2009	-	15-Nov-2015
Comments:	On results: Target of US$4 million exceeded by 200%. On the methodology: The indicator was set out to measure both domestic and international sales generated from trainee businesses. Note that reported results are based on the following proxies -*'sales estimates'* and *'sales projections'*- instead of '*realized sales statistics'*. (see details in Section 3). Evidence: Impact Note on the Fruits Training Program, (Annex 6)			
Indicator (3):	***Number of days to issue commercial license***			
Value:	42	50% reduction	11[2]	7
Date:	24-Jun-2015	15-Jan-2009	14-Nov-2012	31-Oct-2015
Comments:	On results: The PAD objective 'to achieve at least a 50% reduction in the number of days' was overachieved and a commercial license can now be obtained within a week (7 days). On the methodology: The 42 days baseline was established based on the Standard Cost Model (SCM) methodology used by the IFC complementary technical assistance project. Calculation reduction table included in Annex 7. Evidence: Commercial Licensing Regulations approved by the Council of Ministries Decree n° 34/2013 of August 2.			
Indicator (4):	***Number of days to issue industrial license***			
Value:	32	50% reduction	20[3]	13
Date:	24-Jun-2015	15-Jan-2009	14-Nov-2012	31-Oct-2015

[1] The project Restructuring Paper informs that the final evaluation will use the updated figures and hence the baseline measures was adjusted from the original 'US$' amount baseline to '0%'.
[2] Despite the change in the baseline value from '42' from '22' in ISR #12 (June 2015) based on the IFC SCM evaluation, the target remained the same '11' taking into account the previous baseline value of '22'.
[3] Despite the change in the baseline value from '40' from '32' in ISR #12 (June 2015), the target remained the same '20' taking into account the previous baseline value of '40'.

Comments:	On results: As for the previous indicator, the PAD objective 'to achieve a 50% reduction in the number of days' was overachieved. Industrial companies can now obtain a license in 2 weeks (about 13 days) depending on the level of risk involved. Calculation reduction table included in Annex 7. On the methodology: The 32 days baseline was established based on the average time it took for all types of industries to get a license (large, medium, small).[4] Evidence: Industrial Licensing Regulations approved by the Council of Ministers Decree n° 22/2014 of May 16.

(b) Intermediate Outcome Indicator(s)

Indicator	Baseline Value	Original Target Values (from approval documents)	Formally Revised Target Values	Actual Value Achieved at Completion or Target Years
Indicator (1):	***Number of project supported trainees using acquired skills in tourism related businesses***			
Value:	0	800	-	1,316
Date:	15-Jan-2009	15-Jan-2009	-	30-Nov-2015
Comments:	On results: Original target exceeded by 65%. A total of 1,316 people were trained of which 899 are from the private sector. On the methodology: Results are based on trainee statistics provided by the Project Implementation Unit (PIU) and the consultant. Note – a survey of graduated students was not carried out (as per the established methodology). Evidence: Training statistics (included in Annex 7).			
Indicator (2):	***Number of trainees using the acquired techniques and quality standards to improve horticultural products***			
Value:	0	800	-	695
Date:	15-Jan-2009	15-Jan-2009	-	30-Sep-2015
Comments:	On results: Mostly achieved as the project met 87% of set target of which 449 are from the private sector. On the methodology: Results are based on trainee statistics provided by the Nampula Fruits Training Centre and the consultant. Note – a survey of graduated students was not carried out (as per the established methodology). Evidence: Training statistics (included in Annex 7).			
Indicator (3):	***Reduction in number of days to clear imports and exports***			
Value:	26 – Exports 32 – Imports	13 – Exports 16 - Imports	-	21 – Exports 25 - Imports
Date:	15-Jan-2009	15-Jan-2009	-	31-Oct-2015

[4] In the case of the industrial license the project did not adopt a baseline based on the SCM methodology since available data only covered large and medium enterprises.

Comments:	On results: According to Doing Business (DB) data, the country reduced in 19 percent (from 26 to 21 days) and in 22 percent (from 32 to 25 days) the number of days required for export and import. Given this, the project did not achieve the intended results related to the PAD objective of achieving a 50% reduction in the number of days to export and import. On the methodology: The baseline was set using DB2009 data and results derive from DB2014. During implementation the project recognized the limited relevance of DB data for measuring results and proposed the use of Customs Records and Firm Surveys. This change in methodology did not take place resulting in a limited attribution link between the project activities and reported results. Evidence: http://www.doingbusiness.org/Custom-Query/mozambique.			
Indicator (4):	***Volume of Bank Support: Institutional Development - SME***[5]			
Value:	0	US$3 million	-	US$3.5 million
Date:	01-Jul-2009	01-Jul-2009	-	30-Nov-2015
Comments:	On results: Achieved since the US$3.5 million grant available was fully disbursed. Methodology: Indicator refer to total value of International Development Association (IDA) financed grants for Micro, Small and Medium Enterprises (MSMEs). Evidence: Project financial data (see also Annex 5 – Beneficiary Survey).			
Indicator (5):	***Number of standards introduced for which standard setting has been initiated by the private sector***			
Value:	0	9	-	12
Date:	15-Jan-2009	15-Jan-2009	-	30-Nov-2015
Comments:	On results: Achieved with a total of 12 standards and norms developed based on private sector demand. Methodology: INNOQ records. Evidence: List of standards and norms (included in Annex 7).			
Indicator (6):	***Percentage of financial statement prepared by Large and Medium enterprises in accordance with IFRS***[6]			
Value:	0	200	75%	NA
Date:	15-Jan-2009	15-Jan-2009	23-Jul-2013	30-Nov-2015
Comments:	On results: Data not available. On the methodology: A review of 10% of the total financial statements submitted by Large and Medium firms was not carried out due to lack of resources. Information available 'on the number of firms that submitted financial statements to the Tax Authority' not considered a relevant proxy. (see details in Annex 2). Evidence: Not available.			
Indicator (7):	***Number of linkages contracts between SMEs and tourism establishments***			
Value:	0	50	-	78
Date:	15-Jan-2009	15-Jan-2009	-	31-Oct-2015

[5] This is a corporate Bank wide indicator added after the project started and included by default in the project ISRs. It was reported on but not included in the PAD, the Restructuring Paper or the project legal amendment.

[6] The International Financial Reporting Standards (IFRS) indicator was revised and the new methodology informed that '*10% of total financial statements submitted by Large and Medium firms will be reviewed*'.

Comments:	On results: Overachieved as target was exceeded by 56%. However, there is a decrease in the reported number of linkages (14) at project closure as some have been discontinued during project implementation. On the methodology: In most cases the evidence is based on payments made (related to the purchase of horticultures) as few contracts have been established. Evidence: Linkages statistics – control made by the greenhouses manager company (Moçambique Organicos) (included in Annex 7).

(c) Intermediate Outcome Indicator not included in the World Bank (WB) system

Note: The indicator below is included in the PAD but not in the WB system. Tracking is only done through Aide Memoirs and using the client's manual system.

Indicator (8):	***In representative organizations supported under Categories 1& 2, increase in revenue from members after project support***[7]			
Value:	0	10% for organizations supported in Years One to Five	-	140%
Date:	15-Jan-2009	15-Jan-2009	-	30-Nov-2015
Comments:	On results (reported at ICR): The matching grant program also aimed at building the capacity of business associations to better serve their members resulting in an average income increase of 140%. Methodology: Results are based on independently conducted surveys for a sample representing about 1/3 of supported business associations (9 out of 30). Income of the representative organizations include members' fees and revenues from seminars, training programs, sales of publications, etc. Evidence: Analysis conducted by the matching grant team[8].			

G. Ratings of Project Performance in ISRs

No.	Date ISR Archived	DO	IP	Actual Disbursements (USD millions)
1	05/14/2009	Satisfactory	Satisfactory	0.00
2	12/12/2009	Satisfactory	Satisfactory	0.53
3	06/26/2010	Satisfactory	Moderately Satisfactory	0.79
4	03/26/2011	Satisfactory	Moderately Satisfactory	3.42
5	12/25/2011	Moderately Satisfactory	Moderately Satisfactory	5.61
6	05/04/2012	Moderately Satisfactory	Moderately Satisfactory	8.96
7	12/22/2012	Moderately Satisfactory	Moderately Satisfactory	11.24
8	06/26/2013	Moderately Satisfactory	Moderately Satisfactory	13.96
9	12/25/2013	Moderately Satisfactory	Satisfactory	15.42

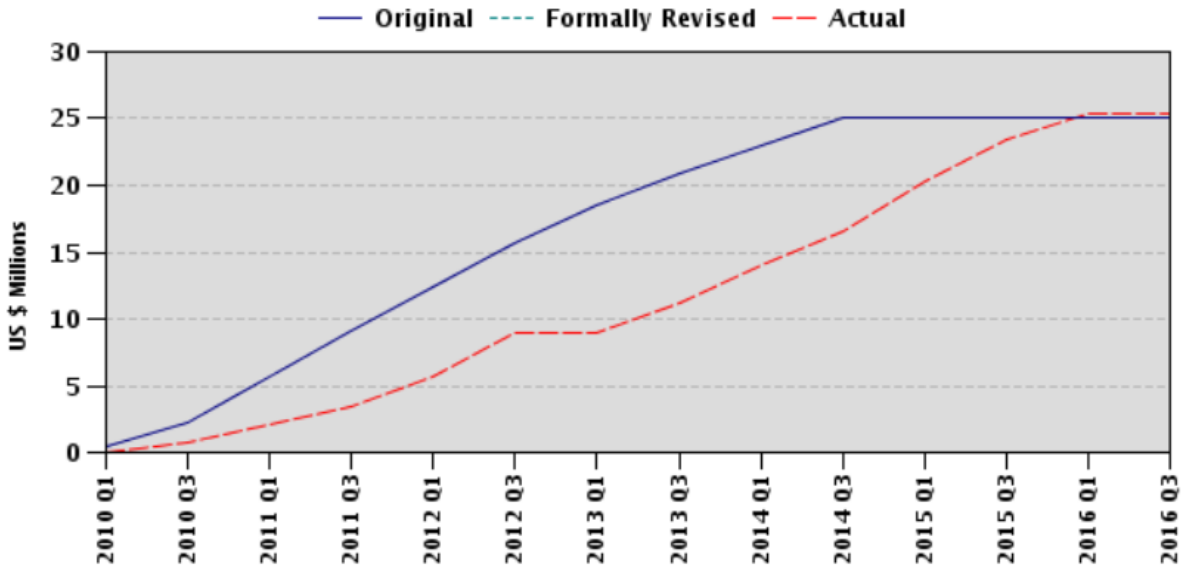
[7] Please note this indicator measures revenue of representative organizations/business associations (not their individual associated members).
[8] Not disclosed since it contains information pertaining the financial performance of representative organizations.

10	06/21/2014	Satisfactory	Satisfactory	20.30
11	12/19/2014	Satisfactory	Satisfactory	20.30
12	06/24/2015	Satisfactory	Satisfactory	23.46
13	11/29/2015	Satisfactory	Satisfactory	25.31

H. Restructuring (if any)

Date	Board Approved PDO Change	ISR Ratings at Restructuring		Amount Disbursed at Restructuring	Reason for Restructuring & Key Changes Made
		DO	IP		
July 23, 2013	Not applicable	Moderately Satisfactory	Moderately Satisfactory	US$13.96 million	A level II restructuring was approved to allow: (i) a 12 month extension of the closing date; (ii) a reallocation of financing proceeds; (iii) modify and update the results indicators; (iv) modify the eligibility criteria for business organizations applying for grants.

I. Disbursement Profile



1. Project Context, Development Objectives and Design

1.1 Context at Appraisal

Country and sector background

1. During the design of the Mozambique Competitiveness and Private Sector Development Project (MCPSD), in 2007-2008, the country showcased a solid economic performance and political stability. Poverty levels decreased from 69 percent in 1997 to 54 percent in 2003, and since then, have remained essentially the same, with rural poverty (57 percent) increasing slightly[9]. The country's development was mainly characterized by a return to political and macroeconomic stability, a first generation of structural reforms, reconstruction, strong donor support, and foreign investment in isolated mega-projects. Agriculture was the second largest contributor to Gross Domestic Product (GDP) growth and employed about 80 percent of the country's workforce, mostly in subsistence activities. Tourism was an emerging and important sector and the industry grew particularly well between 2003 and 2010.

2. With a population growth of 2.8 percent in 2008, a key challenge for the country was to expand employment opportunities through a more diversified economy and linkages with mega-projects. Despite a high growth rate (averaging 8 percent of GDP between 1993 and 2010), both new investors and existing firms were having to cope with a weak business environment[10]. Analytical work carried out by the World Bank Group (WBG) identified as top private sector constraints: informal sector competition, access to finance, tax rates, crime, corruption, electricity and transportation[11].

Rationale for Bank assistance

3. The WBG engagement in private sector development in Mozambique had been long-standing and in the form of investment operations building on each other. The preceding Enterprise Development Project (PODE, P049874), a multi-donor intervention implemented with IDA support from 2000 to 2006, served to broaden private sector participation in the country's growth by promoting access to services and finance; providing a market for training and capacity building services; establishing linkages; and strengthening the institutional capacity of public sector agencies. The PODE would form the foundation for the MCPSD as a new operation also aimed at improving both the business environment and enterprise competitiveness - while adopting a more concentrated approach through the selection of key economic sectors (agriculture and tourism), and geographic areas with proven potential for these sectors development (Nampula and Inhambane Provinces).

4. Additionally, the first Country Partnership Strategy (CPS, 2007-2012) demonstrated the WBG continued engagement in private sector development and was aimed at supporting the Government Poverty Support Strategy (PARPA II) vision towards a more sustainable and broad-based growth in Mozambique. In this context, the MCPSD would help Government develop some of the key economic sectors, improve the

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9 Source: 2008-2009 household survey.
10 In 2008, Mozambique position in the Doing Business (DB) ranking was 141st out of 181 economies.
11 Source: Enterprise Survey (2007) and the Investment Climate Assessment (2009).

business environment, stimulate exports and develop SMEs. At the same time, the project would also contribute to achieving a number of the CPS outcomes[12] and complement other WBG projects covered under the CPS.

5. More specifically, the Bank assistance through this project would support Government to implement: (i) the Rural Development Strategy (2007), through promoting the production and processing of value-added export-oriented agricultural products in rural areas; (ii) the Strategy for Improving the Business Environment (EMAN I, 2008-2012), through streamlining the commercial and industrial licenses and reducing the number of days required for import and export; and (iii) the SME Development Strategy (2007), through improved private sector competitiveness, the establishment of linkages, and the setup of vocational training institutes and training programs.

1.2 Original Project Development Objectives (PDO) and Key Indicators

6. The Project objective was 'to improve the business environment and enhance enterprise competitiveness in Mozambique by: (a) reducing the cost of doing business in the country; (b) building technical capacity at public sector agencies; (c) strengthening the ability of local intermediaries to enable them to deliver business services to SMEs; and (d) developing region specific interventions in the tourism and horticulture sectors'.

7. The original key PDO indicators were:
   Indicator One: Number of days to issue industrial and commercial licenses;
   Indicator Two: Rate of sales growth in supported businesses;
   Indicator Three: Value of exports in supported businesses.

1.3 Revised PDO and Key Indicators, and reasons/justification

8. The PDO remained unchanged during the implementation period, however the PDO indicators were formally revised in 2013, as part of a level II restructuring, as follows:

Table 1. Revisions to Key Outcome Indicators

PDO Indicator(s)		
Original PDO Indicators (from PAD)	**Revised PDO Indicators**	**Reasons/Justification**
• Rate of annual sales growth for SMEs benefiting from the matching grant program compared to the control group (20% higher rate than the rate of the control group).	• Sales growth for SMEs benefitting from the matching grant program compared to the control group (10 percentage points above the percentage rate of growth of the control group).	The '20% annual rate of sales growth' was replaced by an overall '10% sales growth rate'. The new target, even though easier to measure, was considered to be more demanding.[13]

[12] The MCPSD would contribute to the following CPS outcomes: # 7) promoting the development of skills; # 10) improving the business environment through simplified starting a business procedures; # 11) facilitating access to finance linked to technical support for SMEs; and # 15) increasing local participation in the tourism sector and improving government capacity to regulate and oversee this sector.

[13] Under the new target, beneficiary firms have to have greater sales growth than the control group. The original target was a rate of a rate – so if control group grew by 10% the target would be 20% of 10% which is 2% or 12% sales growth of beneficiary firms. The target was revised to be 10% greater sales growth than control group – so if the control group grew by 10%, beneficiary firms' sales should grow by 20%.

• Value of incremental exports generated in businesses benefiting from Nampula Training Centre over the life of the project	• Value of incremental sales generated in businesses benefiting from Nampula Training Centre over the life of the project	The value of incremental 'exports' was changed to the value of incremental 'sales' to reflect that the businesses benefitting from the Nampula Training Centre would also be selling domestically as well as internationally.
Intermediate Outcome Indicator(s)		
Original Indicators (from PAD)	**Revised Key Indicators**	**Reasons/Justification**
• Number of quality financial statements prepared by a randomly selected sample of corporate entities and SMEs	• Percentage of financial statements prepared by Large and Medium enterprises in accordance with IFRS	The focus on SMEs changed to Large and Medium Firms because it was not realistic to expect SMEs to adhere to the IFRS and also there was no established criteria to determine "quality" financial statements. 'Number' was changed to 'Percentage' to reflect broader coverage and more clarity. Target was set to 75%.

1.4 Main Beneficiaries

9. According to the PAD, the project would benefit the following groups:
   - Private sector, including: MSMEs, business associations and service providers supported by the matching grant; tourism and tourism-related businesses in the province of Inhambane; fruits producers and workers in the province of Nampula.
   - National and local government agencies, including: the MIC and its agencies: the National Directorate for Private Sector Support (DASP), One Stop Shops (OSSs or BAUs), the National Institute of Standardization and Quality (INNOQ), and the Institute for the Promotion of Exports (IPEX). It also supported the Ministry of Culture and Tourism (MICULTUR) and its agencies; the Ministry of Agriculture and Food Security (MASA) and its agencies; the Order of Professional Accountants and Auditors (OCAM); Customs; and the Governorates of Nampula and Inhambane as well as local public training institutes.

1.5 Original Components

10. The Project funded two technical components, designed to be mutual reinforcing and complementary, as well as one administrative component.

11. ***Component One - Improving Enterprise Competitiveness:*** To enhance the competitiveness of SMEs and promote broad based growth, through the following three sub-components:
    (i) *Promoting access to business development services*, through a matching grant program to finance the costs of technical assistance and training to: (a) maximize the rate of sales growth for MSMEs; and (b) to strengthen the administrative and technical capacities of business associations.
    (ii) *Promoting the tourism sector in Inhambane*, with a focus on two areas of intervention: (a) improving public sector service provision in the tourism sector, through support to the design and implementation of a tourism strategy and capacity development for the OSS; and (b) expanding the tourism-related private sector supply chain, through the rehabilitation of training facilities, the

recruitment of trainers and the provision of legal and business advisory services to the private sector to enhance their competitiveness.

(iii) *Establishing a fruits training center in Nampula*, consisting of: (a) setting up a national training center specialized in tropical fruits' operations; and (b) a demonstration farm to serve as the training grounds for the center.

12. ***Component Two - Improving the Business Enabling Environment:*** The focus was to support Government's effort in improving the business environment, to build the capacity of agencies playing a catalytic role in export services and to strengthen the accounting profession. To be achieved through the following three sub-components:
    (i) *Supporting the Business Environment Strategy*, through three areas of intervention: a) trade facilitation; b) licensing reforms including the capacitation of OSSs; and b) public-private dialogue.
    (ii) *Supporting the Quality/Standards Infrastructure*, through the establishment of a twinning arrangement for the provision of standard-related services that at the same time promote the increase of exports.
    (iii) *Strengthening the Accounting Profession*, through the establishment of a twinning arrangement with a member institution of the international federation of accountants to enhance the delivery of OCAM's professional services.

13. ***Component Three - Project Management, Monitoring, and Evaluation:*** To support the establishment of a PIU in charge of the overall fiduciary and reporting of the project while the technical implementation would be the responsibility of the various beneficiary agencies. The exception was the matching grant to be implemented by a team of individual consultants based in the PIU.

1.6 Revised Components

14. The project components remained unchanged. However, throughout implementation, some activities were dropped (i.e., support for the establishment of the trade electronic single window), and others added (i.e., the Mocuba Industrial Zone study), based on the context and conditions found, and also on Government requests for Bank support[14].

1.7 Other significant changes

15. In July 2013, the Project was formally restructured to allow:
    (i) An extension of the closing date by 12 months (from November 30, 2014 to November 30, 2015), due to implementation delays for the following reasons:
        - Structural issues including the cumbersome process for clearing contracts by the Government Administrative Court (TA) and by the Commission for Foreign Economic Relations (CREE);
        - The need for longer lead time to prepare and procure large contracts.

[14] Initially the project intended to support Customs in the implementation of the Electronic Single-Window (SEW) system. However, soon after the project was effective in 2009, the Customs informed that it no longer requires WB financing for the implementation of the SEW as this would be fully financed under the PPP arrangement and the system went live in 2012. Alternatively, the project provided training and a number of studies (listed in Annex 2). During implementation the Government requested support for a study on the establishment of industrial parks in Zambezia Province.

(ii) A reallocation of financing proceeds mainly due to the fact that the Nampula Training Centre component proved to be more costly than originally envisaged.
(iii) Modification of the eligibility criteria for business organizations applying for grants since this was limiting the project ability to support the development of business organizations.
(iv) Changes to the results framework, including modifications of PDO and intermediate indicators.

2. Key Factors Affecting Implementation and Outcomes

2.1 Project Preparation, Design and Quality at Entry

16. *Soundness of Rationale for the Bank's Intervention.* The WB engagement in private sector development had been long-standing and oriented towards medium-term to long-term results, as confirmed under the WBG CPS approved in 2007. In addition, the Government needed donor support to take forward the goals of poverty reduction and reforms for broad-based growth outlined in the PARPA II. And finally, there was the expectations by the Government and other donors for the WBG, with its prominent role as leading partner in the policy dialogue, to support the Government efforts in developing the private sector and improving the business environment.

17. *Soundness of Background Analysis*. The project was designed to address market failures and needs identified through WBG analytical work and through extensive engagement with the Government, leading donors, private sector representatives and financial institutions. A donor mapping exercise undertaken by the Private Sector Working Group (PSWG) served to ensure complementary and leverage with other donor initiatives[15]. Also, the economic and financial analysis conducted at project appraisal served to emphasize the incremental benefits expected from the project in relation to: (i) increased output of firms in the SME sector; (ii) improved efficiency of Government institutions, (iii) rationalization of business licensing that would help improve the business environment. (see Annex 3 for more details).

18. *Adequacy of Government Commitment.* The project was designed following a Government request upon the closure of the PODE. The MIC, as the lead implementing agency as well as the Government focal point for business environment reforms, was actively involved in the project preparation and implementation even following the 2010 and 2014 Presidential elections, which resulted in a change of Ministers and other key high level officials.

19. *Risk Assessment and Mitigation.* Based on prior experience the project was expected to face weak implementation capacity, including in procurement and financial management, and this was highlighted as a substantial risk during project preparation. Building on lessons learned from the previous Country Assistance Strategy (CAS), and with the purpose of promoting Government ownership, it was initially foreseen that the

[15] The PSWG is a forum of dialogue among donors, government, private sector and civil society to jointly analyze, discuss and monitor policy- related issues pertaining private sector activities in Mozambique.

PIU would be integrated and mainstreamed into the Ministry by mid-term, and have two mandates: to carry out the project management functions and to build the Ministry's capacity (especially in procurement and financial management).

20. *Incorporation of Lessons Learned.* The project design was largely influenced by lessons learned from PODE. Most importantly it took into account the need to: (i) focus business support services around key value chains and on sectors with growth and export potential (such as tourism and agribusiness), (ii) expand the geographic outreach of business support services; and (iii) plan for sustainability at the outset. Furthermore, the project drew from the conclusion that stand-alone credit lines had not achieved the goal of promoting sustainable access to finance by SMEs, and the subsequent Independent Evaluation Group (IEG) recommendation for future interventions to consider both the financing and technical assistance aspects of access to finance.

21. *Soundness of Project Design.* The PAD clearly articulated the strategic relevance of the project, based on the WBG country engagement strategy at the time and analytical work conducted. The PAD also provided a coherent explanation for the project geographic and sector focus, and the intended synergies between the various interventions (i.e., business services, financial services, business environment reforms). The team took on board guidance provided during preparation as to simplify the project design by, for example, taking out initially intended additional activities related to a proposed partial credit guarantee component and support to the establishment of a private credit bureau.

2.2 Implementation

22. The Project was implemented over a period of 6 years, from effectiveness in October 2009 until closing in November 2015 (following a one-year extension). Implementation support was provided by a single PIU Coordinator and a single Task Team Leader (TTL), based in Mozambique for 2 years. However, it took the project longer than the six-month prescribed in the legal covenants to fill all key PIU positions.

23. Despite the original plan and the significant training provided by the project to Ministry staff, the intended mainstreaming didn't take place and it was ultimately decided to maintain a separate PIU which rented its own premises due to space constraints at MIC. The PIU informed this was due to the high turnover of Ministry personnel following changes at leadership level in 2010.

24. A project National Advisory Committee (NAC)[16] was established in early 2011 with the objective of overseeing the project implementation, mitigating problems and ensuring good inter-institutional coordination. However, the PIU informed that the NAC did not function as intended, i.e., meetings were not held on a regular basis and there was limited participation from its members, which can be partially explained by the high turnover of personnel at Government level.

[16] NAC was chaired by the Minister of Industry and Commerce with representatives from the Ministry of Economy and Finance, MICULTUR, MASA, Central Bank, IPEME and private sector representatives.

25. The project Mid-Term Review (MTR) was carried out in November 2012, more than 1 year later than the scheduled time at approval (30 June 2011) analogue to the delayed project start. At that time, some key components, such as matching grant and tourism, were not yet far advanced given that implementation of activities had only started in earnest since mid-2011. The MTR rated most project performance indicators 'Moderately Satisfactory' with the exception of Financial Management (FM) and Counterpart Funding which were considered 'Satisfactory'. The overall disbursement rate was low at 34 percent (with a lag of 10 months in relation to the original disbursement estimates).

26. A key challenge identified by the MTR was the extended timelines required for contract approvals by the TA and CREE which caused serious implementation delays (see section 2.4 on Procurement). In addition, the following needs were identified:
    - To modify some of the project indicators (for greater clarity and taking into account ground conditions since design);
    - Cost reallocation among project categories to take into account larger than originally estimated expenses (such as the rehabilitation works in Nampula);
    - To adjust the matching grant business association eligibility criteria; and
    - To intensify supervision given the complex nature of the project.

27. A Project Restructuring completed in July 2013 addressed these issues, and Implementation Progress (IP) regained momentum and was upgraded to 'Satisfactory'. In mid-2014 progress towards the PDO was also upgraded to 'Satisfactory'.

28. Project interventions related to the development of training facilities in Nampula and Inhambane Provinces faced similar challenges, including: (i) a tight timeline for implementation due to start-up delays[17]; (ii) limited sequencing of activities building on one another in the theory of change[18]; and (iii) funding constraints emerging towards the end of the project. Despite these difficulties, training activities were successfully conducted (especially in Inhambane) and remaining works not completed will be covered by other already identified sources of funding.[19]

29. During the last year of the project implementation, the SDR devaluation against the Dollar led to a financing gap of about US$1 million. This amount was still due at project completion for works and services provided[20]. While some savings were identified, most activities were already underway in the final year of the project when this issue arose, impeding more significant cuts. (see also section 2.4 below).

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[17] For example, the implementation of the training center in Nampula was curtailed from the initially foreseen 3 years to 2 years due to the long lead time needed to secure two large contracts, one for the rehabilitation of the premises and the other for the implementation and early management of the Center.

[18] The delay in starting the rehabilitation works impacted: on the delivery of the subsequent training program (done using temporary facilities); and on the knowledge transfer to government.

[19] Going forward, the IDA-funded Agriculture Productivity Program for Southern Africa (APPSA) will support the completion of the works in the Nampula Fruits Training Center, while the works in the Inhambane Tourism Training Center will be concluded by the Inhambane Tourism Higher Training School (ESHTI).

[20] The December 2014 WB FM review recommended the PIU to closely monitor the SDR/USD fluctuations to avoid over-commitments given the risk of the project not being able to fulfil its obligations as the committed amounts then were just under the remaining balance.

2.3 Monitoring and Evaluation (M&E) Design, Implementation and Utilization

30. *Design.* The PDO consisted of two broadly stated 'primary objectives'. These are supported by a set of four 'intermediate outcomes', largely stated as activities, contributing to the achievement of the PDO[21]. This particular aspect complicates the analysis of the project results chain and framework (see the logical results chain presented in section 3.2 – Achievement of PDO). In addition, the project monitoring system was based on a standard Results Monitoring Plan which basically comprised information available in the PAD. This Plan lacked detailed guidance on how to set and collect baseline data and how to measure results for many of the customized project indicators. Since M&E is not an embedded function in many agencies in Mozambique, the Government had limited capacity to comply with the project and the WB requirements at this level. In this context, having a more detailed M&E Manual would have helped ensure better quality information, more consistent reporting over time, and also better understanding and tracking by the PIU, beneficiaries and other parties[22].

31. *Implementation.* The initially designed M&E framework was updated and improved during the project restructuring in 2013 since the team realized that some indicators were no longer appropriate and had to be modified. Missing baselines were added around the MTR and the restructuring as applicable, and the team involved expressed difficulty in identifying appropriate baseline data for some indicators. Most reported results can be fully attributed to project activities. This is the case for all PDO indicators and others including: a) Component 1 - sales increase for matching grant beneficiaries and in the Nampula horticulture sector (PDO indicators); training delivered in the tourism and horticultural sectors and linkages generated (intermediate indicators linked to the region-specific interventions); and b) Component 2 - licensing streamlining (PDO indicators); and norms supported (intermediate indicators). Nevertheless, the project was not able to report results for one Component 2 intermediate indicator, despite the relevance of activities supporting the creation of OCAM[23], since a survey was not carried out due to lack of resources (see Section 3 and Annex 2 for details).

32. *Utilization.* M&E data gathered, as well as the findings and recommendations from a number of initial studies, were used to help the project team channel more efforts and resources where needed to ensure the project successful implementation. The risk of social and environmental impacts was also regularly assessed and actions taken in response to the recommendations presented during the course of project implementation. While the indicators have not been formally reformulated to mention women beneficiaries, the project included gender disaggregated data as much as possible in data collection.

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[21] The PDO two 'primary objectives' are: to improve the business environment and enhance enterprise competitiveness. The four 'secondary outcomes' implied on the PDO are: (a) reducing the cost of doing business in the country; (b) building technical capacity at public sector; (c) strengthening the ability of local intermediaries to enable them to deliver business services to SMEs; and (d) developing region specific interventions in the tourism and horticulture sectors.

[22] An issue often raised in ISRs was that data collection and results reporting was not done in a systemic way by the PIU. On the other hand, the PIU largely depended on the beneficiaries to provide information needed for M&E purposes.

[23] This is the case for Indicator (6) in the Datasheet: Percentage of financial statements prepared by Large and Medium enterprises in accordance with IFRS.

2.4 Safeguard and Fiduciary Compliance

Financial Management.

33. The project was considered to have a 'Satisfactory' financial management performance throughout implementation. It remained adequately staffed with the one or other relatively smooth staff replacement. There were no overdue Interim Financial Reports, as well as audited reports. The FM personnel benefitted from several trainings in financial management and disbursement procedures and participated in fiduciary clinics. The project generally had unqualified audit reports, particularly the last several audit reports[24].

34. Whereas the SDR/USD exchange rate fluctuation was pointed out as a single cause for the shortage of resources, it is also important to take note of the MZN/USD devaluation as a factor that would have weighted into the opposite direction. Therefore, while the SDR exchange rate affected negatively the project amount available in USD, the Metical devaluation resulted in more purchasing power for contracts paid in local currency. Thus, a better and more strategic financial management would have likely have avoided the shortcomings faced at the end. At the time of closure, the outstanding amount due to a number of consultants and contractors was about US$1 million. The WB team identified alternative funding sources for approximately US$800,000 from other related WB projects in Mozambique; the remainder amount would be the Government's responsibility to settle.

Procurement

35. Compliance with procurement guidelines was 'Moderately Satisfactory' throughout the project. This rating was mostly attributed due to delays in the implementation of the procurement plan and deficiencies in the filing system.

36. However, a major bottleneck the project faced was related to the Government process for clearing all contracts by the TA. This caused significant delays to the project implementation and was a main cause leading to the Level II restructuring in 2013. It is important to note that this was not a project specific issue but one which affected the entire Mozambique portfolio. The WB Country Management Unit (CMU) was working with support from the various projects task teams in resolving this issue. A consultant hired by the WBG to evaluate the impact of the TA procedures in project delays could not conclude that the established procedures were the main issue. The study further informs that a problem was in the quality and completeness of the documents and information required for the TA to be able to approve promptly[25]. It is also important to note that a lawyer was hired by the PIU to help address these requisites. Despite this, it was clear during the ICR assessment that this problem persisted until the project end.

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[24] It is important to note that the first two project audit reports were qualified. However, the PIU adequately addressed all comments raised by the WB during the audits.

[25] In this regard, the PIU noted that the TA often provided qualified audit reports based on the lack of supporting documents regardless of whether the documents were later provided or not.

Safeguards

37. The project was classified as a Category B as a result of the light infrastructure activities related to the rehabilitation of the Fruits Training Center (CFF) and the establishment of a demonstration farm in Nampula, and the tourism and horticulture activities in Inhambane Province. Safeguards policies triggered include: OP 4.01 Environmental Assessment, OP 4.09 Pest Management, and OP 4.12 Involuntary Resettlement. To address these issues, an Environmental and Social Management Framework (ESMF), including a Pest Management Plan (PMP); and a Resettlement Policy Framework (RPF) were prepared.

38. The task team upgraded the Safeguards rating to 'Satisfactory' during the last supervision mission based on the information that the recommendations from past supervision missions were followed upon. However, during the ICR assessment mission to Nampula in February 2016, it was noticed that some roofing plates (containing asbestos) removed from existing warehouses were still present in the premises of the Training Center given a shortage of funds to conclude the removal services. The WB APPSA Project will fund the conclusion of the rehabilitation works and the final removal and appropriate disposal of the asbestos plates in 2016.

39. During the final supervision mission to Inhambane in November 2015, the team identified a number of errors in the practical training kitchen of the Tourism Training Center, in terms of set up and the lack of adequate ventilation or exhaust system causing a potential hazard to the students and staff. The ESHTI, the Government agency responsible for the Center management will rectify this as part of the remaining works to be concluded (see Section 2.2 – Implementation).

2.5 Post-completion Operation/Next Phase

40. Although no phase-II MCPSD is envisaged at this stage, the WBG is in the process of formulating follow-up support for the development of the private sector through the upcoming Country Partnership Framework (CPF).

41. Nevertheless, the outcomes of the MCPSD in the business environment are currently being sustained and built on through continued direct support from the Irish Aid to MIC and to OCAM, and through the WB Mozambique Integrated Growth Poles Project (IGPP) in collaboration with the IFC. Additionally, the WB and the MICULTUR have agreed on furthering support to the Inhambane Tourism Training Center, through a WB Institutional Development Facility (IDF) Project to ensure the operationalization of the Center and the capacitation of the ESHTI to manage the facilities. Lastly, the WB APPSA Project will build on the support for the Nampula Training Center.

3. Assessment of Outcomes

3.1 Relevance of Objectives, Design and Implementation

Overall Rating: Substantial

42. *Relevance of Objectives: High.* At the project's inception, the PDO primary objectives' of '*improving the business environment and enhancing enterprise competitiveness*' were highly relevant and remain so at completion. The project expanded scope was

consistent with the WBG FY08-FY11 CPS, especially Pillar III goal of ´promoting sustainable and broad-based growth´. During implementation, the project interventions were also reflected in the CPS covering the FY12-FY15 period, contributing specifically to Pillar I – Competitiveness and Employment – where the WBG aimed to help improve the regulatory environment, enhance agricultural productivity and employment in key sectors. Moreover, the project rational was also aligned with the Government´s third Poverty Reduction Action Plan (PARP, 2011-14) recognizing that boosting production and productivity and promoting employment depended on an improved business climate. Lastly, the project targeted sectors (horticulture and tourism) remain a priority in the Five Year Plan of the Government for 2015-2019.

43. *Relevance of Design: Substantial.* The project two components: *´enhancing enterprise competitiveness ´* and *´improving the business environment´* are fully aligned with the two primary PDO outcomes, and reflect the Government and the WBG priority areas. Proposed activities under these components were also well aligned with country policy and underpinned by WBG analysis carried out during the project preparation phase. Furthermore, the project design recognized the need for the identified spectrum of activities to provide the necessary platform for broad-based and inclusive growth.

44. *Relevance of Implementation: Substantial.* The MCPSD supported Government implement: a) the business environment strategies (EMAN I and II, covering the 2008 - 2017 period), through streamlining the commercial and industrial licenses, supporting the OSSs and the e-BAU (an automated platform for government service delivery to citizens), in partnership with the Irish Aid and the IFC; b) the Rural Development Strategy (2007), through promoting the production and processing of value-added export-oriented agricultural products in rural areas; and c) the SME Development Strategy (2007), through implementation of the matching grant scheme for SMEs aimed at improving private sector competitiveness, and the provision of vocational training. Moreover, the project's approach, especially as it evolved during implementation is particularly pertinent. By recognizing the horticulture industry potential for production and importance of diversification, the project expanded its initial focus of the Nampula Tropical Fruits Institute, to include produce other than bananas, and also incorporated both domestic sales and exports in the revised indicators. In Inhambane, recognizing the potential for greater linkages, the project added a focus for greenhouses as part of the tourism related value chain development.

3.2 Achievement of Project Development Objectives

45. The PDO consisted of two 'primary objectives' ("*to improve the business environment and enhance enterprise competitiveness in Mozambique*") to be achieved through a number of contributing 'intermediate outcomes' ("(*a) reducing the cost of doing business in the country; (b) building technical capacity at public sector agencies; (c) strengthening the ability of local intermediaries to enable them to deliver business services to SMEs; and (d) developing region specific interventions in the tourism and horticulture sectors*").

46. The PDO was to be measured through a set of PDO-level and intermediate indicators. The project successfully achieved the two PDO outcomes, as detailed below. The Table presents the PDO level and intermediate indicators along the four 'intermediate outcomes', given that these contribute to the PDO 'primary' outcomes.

Table 2: The MCPSD Logical Results Chain

PDO outcomes	PDO intermediate outcomes	Clusters of Activities/ Project Components	Indicator Description and Level	
Component One: Improving Enterprise Competitiveness				
Enhanced enterprise competitiveness	**(1) Ability of local intermediaries to deliver business services to SMEs strengthened**	• Matching grants to MSMEs	- *Sales growth for businesses benefitting from the matching grant program*	- *PDO Indicator 1*
		• Matching grants to business associations	- Increase in revenue from members of representative organizations benefitting from project support	- Intermediate Indicator 8
	(2) Region specific interventions in the tourism and horticulture sectors developed	• Establishing a fruits training center in Nampula	- *Value of incremental sales in supported businesses* - # of trainees using the acquired techniques and quality standards to improve horticultural production	- *PDO Indicator 2* - Intermediate Indicator 2
		• Promoting the tourism sector in Inhambane	- # of project supported trainees using acquired skills in tourism-related businesses - # of linkages contracts between SMEs and tourism establishments	- Intermediate Indicator 1 - Intermediate Indicator 7
Component Two: Improving the Business Enabling Environment				
Improved business environment	**(3) Cost of doing business in the country reduced**	• Supporting the Business Environment Strategy	- *# of days to issue commercial license* - *# of days to issue industrial license* - # days to clear imports and exports	- *PDO Indicator 3* - *PDO Indicator 4* - Intermediate Indicator 3
	(4) Technical capacity at public sector agencies built	• Supporting the Quality/ Standards Infrastructure	- # of standards introduced for which standard setting has been initiated by the private sector	- Intermediate Indicator 5
		• Strengthening the Accounting Profession	- % of financial statements prepared by Large and Medium enterprises in accordance with IFRS	- Intermediate Indicator 6

PDO 1: Enhanced enterprise competitiveness

Rating: High

47. PDO outcomes are associated with the demonstration of 'increased sales' for supported beneficiaries, and include:
    - Enhanced MSMEs sales, and representative organizations revenues, through the financial support provided by the matching grant program (sub-component 1.1)*;*
    - Incremental sales of businesses and producers supported in the Nampula Province based on improved horticulture skills (sub-component 1.3).

48. Associated to this, key intermediate outcomes achieved include:
    - Improved skills through tourism related training leading to job creation in the Inhambane Province (sub-component 1.2);
    - Establishment of linkages with local farmers involved in the greenhouses production program (sub-component 1.2);

49. **The PDO target for 'sales growth for businesses benefitting from the matching grant program' was exceeded by a significant margin (23.5 percent average annual sales growth against a target of 10 percent)[26].** The matching grant program (sub-component 1.1) was designed to introduce SMEs to business service providers and to build the capacity of business providers to serve SMEs. In turn, the expected primary outcome was an increase in beneficiaries' sales and to achieve this, the US$3.5 million grant available was fully absorbed in the delivery of business services. The main activities supported were design of promotion materials, website development, training of employees, and quality certification. A total of 852 activities were supported, reaching 363 unique beneficiary firms/associations in the country with the majority of the funds allocated to microenterprises (81 percent)[27]. In terms of results achieved, the average annual sales growth for businesses benefitting from the matching grant program is 23.5 percent (against the initial target of 10 percent). In dollar terms, the estimated impact per firm is US$17,515 of annual sales while for the total of 333 firms supported this refers to gains in annual sales estimated at US$5.853 million. The changes in sales are associated with better business practices, mainly marketing, which is one area where the matching grant program supported a large number of firms.

50. Additionally, the matching grant program also aimed at building the capacity of business associations to better serve their members. The US$300,000 grant available for this purpose resulted in an average income increase of 140 percent[28] for representative organizations (against a target of 10 percent). The income derived

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[26] Results reported contribute to the 'intermediate outcome' **(1):** Ability of local intermediaries to deliver business services to SMEs strengthened, indicated in the Table 2.

[27] This is measured under Intermediate Indicator #4: Volume of Banks support: Institutional Development – SME (target: US$3 million), a corporate indicator not included in the logical results chain table.

[28] Evidence presented in a beneficiary survey carried out by the Matching Grant team for a sample representing about 1/3 of supported business associations (9 out of 30). The survey results shows that while some associations had declining revenues from members over time, others had increasing ones, some of them by a significant amount, and the average reflects these differences.

mostly from members' contributions but also from revenues from seminars, training programs, and sales of publications[29].

51. *Attribution:* The impact of the project support on the sales growth is traceable since the beneficiary survey was designed to compare the effects of the project against what would have happened in its absence. For that effect, it compares beneficiary firms with a control group of other enterprises that face similar challenges and opportunities over time. (see Annex 5 for details)[30].

52. **The PDO target for 'incremental sales in supported businesses' in the Nampula Province horticulture sector was also exceeded by a significant margin (US$12 million against a target of US$4 million)[31].** The project supported the setting up of a national training center specialized in tropical fruits' operations (sub-component 1.3) through the rehabilitation and equipping of existing facilities and the mobilization of experts and staff for managing the Center operations and delivering the training courses. While the project delivered training to a large numbers of producers and stakeholders (see Annex 7 for details), key to the achievement of the PDO is the GlobalGAP certification delivered and that served to prevent the spread of the Panama disease currently affecting the banana production in this region. The Global GAP accreditation was granted to a 300 hectares area (in February 2015) and this also created the opportunity for the sector to sell the produce to more markets, including Europe. About US$11 million 'estimated sales' alone derive from the banana production sector. Additionally, about US$1 million incremental sales are estimated, based on 'future sales projections', for a number of small producers, over a longer time horizon (2-5 years). (see Annex 6 for details).

53. *Attribution:* Except for the banana sector, the link between the project activities and the productivity of local farmers, expected to generate a sales increase is of longer term. The proxy used, 'sales projections' is based on the fact that at closure, the project was unable to assess actual sales for most trainees since the effect of the additional training will take time to be realized due to the longer periods required for establishing a new plantation and for fruit gestation. This aspect also impacted the project ability to promote the establishment of linkages between some of the domestic producers and exporters by project end date.

Achievement of associated intermediate outcomes:

54. In Mozambique, the shortage of quality workforce and of technical training programs is consistently pointed in Government policies and existing analytical work as a major bottleneck to private sector development. To address this, the project supported the delivery of vocational training and the setup of two vocational training institutions

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[29] This is measured under Intermediate Indicator #8: Increase in revenue from members of representative organizations benefitting from project support, included in the logical results chain table.

[30] The WB supervision team gratefully acknowledges funding and technical support from the WBG's Umbrella Facility for Gender Equality and Africa Gender Innovation Lab for supervising the matching grant impact evaluation, including in the baselintarget e and follow-up surveys that were carried by a local firm contracted by the project.

[31] Results reported contribute to the 'intermediate outcome' (2): Region specific interventions in the tourism and horticulture sectors developed, indicated in the Table 2.

through its region specific interventions in the tourism and horticulture sectors (implemented in Nampula and Inhambane Provinces).

55. **While the target related to the 'number of trainees' in the Inhambane Province was largely exceeded (1,316 against a target of 800), the target in the Nampula Province was largely achieved (695 trainees against a target of 800)[32].**

56. Given the delay in starting up the Nampula Fruits Training Center (sub-component 1.3), the project was able to support the training of 695 trainees during a 2 year period (instead of 800 over a 3 year period as initially foreseen). (see Annex 7 for evidence). Even though the usage made of acquired skills by trainees was not measured, its impact can indirectly be assumed positive given the results related to the increase of incremental sales of supported horticultural producers (see PDO indicator 2). It is also important to note that given the success of this pilot project, the Government is now envisaging the replication of the approach by establishing similar training centers in other regions of the country to facilitate access by the private sector and local producers to this type of services as to help promote the development of agriculture in the country.

57. In the Inhambane Province (sub-component 1.2), the project contributed to overcoming the vocational training gap by training people in tourism related skills through over 40 different courses and workshops. Cumulatively, this sub-component delivered training for a total of 1,316 trainees of which 899 are from the private sector[33]. Particularly successful was the training provided through the Tourism Training Center curriculum developed with project support. In terms of impact, the training delivered contributed to youth employment with 74 percent of students (590 out of 800 who achieved certification) absorbed by the local labor market at the time of the graduation in November 2015[34]. This fact demonstrates not only the demand/need for this type of training but also the high quality of the training delivered. (see Annex 7 for details).

58. *Attribution*: Results in the area of vocational training both in Nampula and Inhambane Provinces are attributable to the project and made possible through the strong engagement and contribution of Government counterpart agencies. In Nampula, the National Institute of Agriculture Research (IIAM) provided the facilities for the establishment of the CFF and acquired the land for the demo farm. In Inhambane there was strong support and engagement from the Eduardo Mondlane University (UEM), represented by ESHTI at the local level, and the MICULTUR that also contributed monetarily to the equipping of the newly established training center.

59. **The 'number of linkages' created (78) surpass the target set (50)[35].** In the Inhambane Province, the project delivered technical assistance and capacity building

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[32] Results reported contribute to the 'intermediate outcome' (2): Region specific interventions in the tourism and horticulture sectors developed, indicated in the Table 2.

[33] The total of private and public sector participants in the various training is 1,465. However 149 participants have not achieved certification, hence the total of trainees accounted for is 1,316.

[34] Employment numbers shared by ESHTI as part of the internship program established with hotels and other establishments that accommodated intern students.

[35] Results reported contribute to the 'intermediate outcome' (2): Region specific interventions in the tourism and horticulture sectors developed, indicated in the Table 2.

activities aimed at expanding the tourism-related private sector supply chain (sub-component 1.2). Recognizing the potential for greater linkages, the project added a focus for greenhouses as part of the tourism related value chain development. As part of this process, the project contracted a private operator with the responsibility of providing training to local producers, developing the greenhouses, and serving as an intermediary distributing the local production to the market. As a result, a total of 78 linkages were established between these horticulture producers (21) participating in a greenhouse management program. (see Annex 7 for details).

60. These local producers are now engaged in meeting the demand for fresh quality products by the tourism industry and local markets. In the interview conducted, local producers highlighted two important benefits of the project support: a) an increased household income through additional revenues; and b) the capacity to produce more with less losses through the use of this type of technology (greenhouses and irrigation).

61. *Attribution*: Results in this area are fully attributable to the project and possible through the strong support and engagement from the IIAM. Contributing to the success of this pilot program is the type of model adopted – a Public-Private-Partnership (PPP) established through a Memorandum of Understanding (MoU) signed between the local government and a private operator. Towards the end of the project the Irish Aid provided limited support during the last phase of the project.

PDO 2: Improved business environment

Rating: High

62. The reduced cost of doing business in the country, stated in the PDO, was expected to be achieved through streamlined licensing procedures and a reduction in export and import clearance requirements. Results related to project interventions in both areas (licensing and trade) are presented below.

63. **The target to reduce by 50 percent the 'number of days to issue commercial licenses' and the 'number of days to issue industrial licenses' was exceeded[36].** In support of the Government efforts in the implementation of the business environment strategy (sub-component 2.1), the project provided technical assistance, equipment, works and training to streamline business licensing and to build the capacity of OSSs. (see Annex 2 for details). On the regulatory reform side, these efforts culminated in the approval of new streamlined licensing regulations by the Council of Ministers as described below. Ultimately, and as stated in the PDO, these reforms are expected to reduce the cost of doing business in the country by lessening the administrative burden for the private sector.

64. Commercial licensing: An average 83 percent reduction in the number of days to issue commercial licenses was achieved (from about 42 days to 7 days) as per the new regulations passed by the Council of Ministers in 2013 (Decree n° 34/2013 of August 2). Further strides include: automated licensing procedures (through the launch of the

[36] Results reported contribute to the 'intermediate outcome' (3): Cost of doing business in the country reduced, indicated in the Table 2.

e-BAU platform); reduced number of procedures (from 9 to 6); reduced fees for certain comercial licenses; the elimination of pre-inspection for activities that do not involve risk to the environment, safety, hygiene and public health; decentralization of licensing powers; and making most commercial licenses valid indefinity. (see Annex 7 for details).

65. Industrial licensing: An average 59 percent reduction in the number of days to issue industrial licenses was achieved (from a baseline of 32 days to 13 days) as per the new regulations passed by the Council of Ministers in 2014 (Decree n° 22/2014 of May 16). This regulations also served to: eliminate pre-inspection for many industries[37]; simplify requisites and reduce the number of procedures; reduce in 45 percent the costs for medium-sized industries not requiring pre-inspection (from US$1,013 to US$557); and decentralize competencies to provincial and district levels. (see Annex 7 for details).

66. *Atribution:* The project attribution to both the licensing outcomes is shared with the Irish Aid and the IFC. By capitalizing on the parallel Irish Aid funding and the IFC complementary technical assistance, the project contribution to improving the business environment was larger than initially envisaged through the development and capacity building of the OSSs network offering a range of services related to starting a business[38], and the implementation of the e-BAU[39] (see section 3.5 - Overarching Themes, Other Outcomes and Impacts).

Achievement of associated intermediate outcomes:

67. In addition to the PDO level indicators, there was a set of intermediate level indicators for improving the business environment presented as follows:

68. **The 'number of standards introduced' (12) surpass the target set (9)[40].** The INNOQ, the beneficiary agency, successfully developed these 12 standards with project support from the project by entering into a one-year intensive twinning arrangement with a consortium consisting of the Spanish National Standards Body (AENOE) and a Portuguese consultancy firm. INNOQ adhered to the project principles for standard setting in a market-led way by studying the demand for its services and taking into account the Mozambican context when developing standards rather than simply attempting to import international standards. (see Annex 7 for details).

69. *Attribution*: The introduction of new standards are fully attributable to the MCPSD support through the coaching and training of staff in demand assessment and policy making. Another implied objective for this component, as stated in the PAD, was to help promoting export in key sectors. According to INNOQ, this has not been achieved

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[37] Pre-inspection is now only required for large industries or SMEs with the potential risk to cause health, safety or environmental problems and required to hold an environmental license.

[38] Specific support provided by the project include developing the OSSs corporate design, equipment and refurbishments, staff training, and communication of reforms.

[39] The e-BAU received technical assistance from the Investment Climate Facility (ICF) and the MCPSD support was in the form of training, equipment, digitalization of licensing databases.

[40] Results reported contribute to the 'intermediate outcome' (4): Technical capacity at public sector agencies built, indicated in the Table 2.

by the fact that INNOQ's certification is still not recognized in other countries. At the moment INNOQ is receiving support from the European Union to bridge this gap. It is expected that until the end of the year INNOQ's certification by IPAC (the Portuguese Accreditation Institute) is concluded allowing for international recognition of local exporting companies certified on management systems.

70. **The target related to achieving a 50 percent reduction in the 'number of days to clear imports and exports' was not achieved[41].** According to DB data, the country reduced in 19 percent (from 26 to 21 days) and in 22 percent (from 32 to 25 days) the number of days required for export and import[42]. Noting the sequencing of events, the project reports these partial results before the reform recommendations were potentially adopted by the Government. While this was due to the fact that the project was following the DB methodology, the MTR recommended in 2012 for a change in the measurement methodology since the DB data was considered no longer appropriate. (see Annex 2 for list of activities delivered by the project in this sub-component 2.1).

71. **Results related to the 'percentage of financial statements preepared by Large and Medium enterprises in accordance with IFRS' are not traceable[43].** The project provided technical support to OCAM by means of a twinning arrangement between with the Institute of Certified Public Accountants of Ireland (ICPAI), a member of the International Federation of Accountants (IFAC). Despite the major institutional development achievement that is the establishment of OCAM, data for the validation of this indicator are not available since a survey was not carried out due to lack of resources.

72. **Lastly, given that an implied PDO intermediary outcome refers to building the capacity of public sector agencies[44]**, it is important to highlight the following institutional strengthening aspects achieved with project support:
    - Improved Government capacity to champion and implement business environment reforms and to develop norms and standards, i.e., the Government passed important licensing reforms (PDO outcomes) led by MIC, and the INNOQ is now able to develop and offer demand-driven services in the fields of standardization, certification and metrology;
    - The establishment of OCAM - a modern professional accountancy body - counting with over 3,000 members already;

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[41] Trade activities fall under the 'intermediate outcome' (3) aimed at reducing the cost of doing business in the country, indicated in the Table 2.

[42] The baseline is established based on DB2009 data and the results derive from the DB2014 report published October 2013.

[43] Activities to strengthening the accounting profession fall under the 'intermediate outcome' (4) aimed at building institutional technical capacity, indicated in the Table 2.

[44] The strengthened institutional capacity (stated in the PDO) is transversal for the achievement of the two project primary outcomes related to '*improved business environment*' and '*enhanced enterprise competitiveness.* It refers to: i) support given directly to public sector agencies (MIC, INNOQ, IPEX, Customs, etc); ii) support for the establishment of OCAM; as well as iii) support for the creation of the Nampula Fruit Training Center and the Inhambane Tourism Training Center.

- The creation of two public 'Centers of Excellence' - the Nampula Fruit Training Center and the Inhambane Tourism Training Center. The positive results of this capacitation is clearly visible in the indicators related to the number of trainees;
- The emergence of a second generation of 'OSSs' with a corporate image, automated procedures and better service delivery to citizens.
- Furthermore, numerous project activities were directed at strengthening the capacity of IPEX and Customs, playing a catalytic role in trade facilitation, and the public sector at Inhambane Province (see Annex 2 for details).

3.3 Efficiency

Rating: Substantial.

73. The same economic and financial analysis undertaken at the project conclusion (Annex 3) yielded returns higher than the estimated in the design stage, with a Net Present Value (NPV) of US$80.07 million and Economic Rate of Return (ERR) of 93 percent. As done at Appraisal, Component 1 activities where benefits are quantifiable (i.e., matching grant; and the sector focused interventions in Inhambane and Nampula), the analysis covers 63% of project costs. This positive and significant higher results can be attributed to the beneficiaries achieving higher sales than anticipated for matching grants, the greater value of achieved by the Nampula horticultural production companies (especially the banana producing sector), and higher tourism receipts in Inhambane Province. Table 3 below shows the aggregate estimates of economic cost-benefit analysis calculated in the PAD and the actual figures.

Table 3. Economic Analysis – Component 1

	Present values of Flows	
	Net economic –Financial	
	PAD	Actual
Benefits (US$ mn)	44.9	92.7
Costs (US$ mn)	10.3	12.7[45]
Net Benefits (US$ mn)	34.6	80.1
ERR (%)	48%	93%

74. Even including all project costs (i.e., for Components 1, 2 and 3), Component 1 benefits still yield a positive NPV, and the ERR of 49 percent is just above the Appraisal estimate. The sensitivity analysis using a higher discount rate and shorter time horizon of benefits yield similar positive results in both cases (i.e., including only Component 1 costs and when including all project costs). (see details in Annex 3).

75. In terms of the overall cost-benefit analysis, as seen from Annex 1, the total costs at project closure were US$25.33 million, representing 101 percent of estimated costs at appraisal of US$25 million. On top of this, the cost overruns (about US$1 million), represents 4 percent of the estimated costs at appraisal. (discussed in section 2.4 – FM).

45 The total cost of Component 1 is US$15.94 million, and US$12.67 million is the present value of the total Component 1 costs in a 10-year period with a 12% discount rate.

Table 4. Economic Analysis - Including all Components costs

	Present values of Flows
	Net economic –Financial
	Actual
Benefits (US$ mn)	92.7
Costs (US$ mn)	20.1
Net Benefits (US$ mn)	72.6
ERR (%)	49%

76. The project management costs were 25 percent higher than the appraisal estimates (US$4.56 million compared to US$3.66 million). This is explained by the one year project extension, and unforeseen additional costs related to the translation of all procurement materials from English to Portuguese to meet TA prior review requirements, plus the 15 percent tax on all consulting contracts. On covering the project costs it is important to note the Irish Aid contribution since it also covered the contract cost for the project Coordinator throughout the project lifetime.

77. In terms of individual components, it is worth highlighting the following:
    - The Nampula Fruits Training Center component shows the highest variance with appraisal estimates since actual costs were US$5.24 million against the initially foreseen US$2.92 million (about 79 percent higher). This design inefficiency contributed to the project restructuring as to allow the re-distribution of budget between components.
    - With regards to the matching grant, the project originally allocated US$3 million for SMEs (US$1 million for Micro and US$500,000 for associations). At design, the project assumed an average of US$10,000 grant size for SMEs (with planned 300 grants in total), an average US$5,000 grant size for micro (for 200 grants in total), and US$15,000 in association grants (resulting in 33 planned grants). However, during the course of the project, there was much higher demand from micro than SMEs, resulting in lower grant sizes than initially envisaged. At project closing the project supported a total of 847 grants (against the initially foreseen 533 grants) with an average grant size of approximately US$4,000. The project allocated more grants than initially envisaged and the returns for this component - based on the 23 percent average growth sales achieved against the initially foreseen 10 percent increase - helps outweigh the project higher costs due to its extended implementation timeline.
    - The project effectively leveraged on other donor's resources through the partnerships established with the Irish Aid and the IFC for implementation of the licensing reform component. While the IFC led the reform work through technical assistance, the Irish Aid parallel funding amounted to a total of € 1,065,000.

3.4 Justification of Overall Outcome Rating

Rating: Satisfactory

78. The overall outcome rating of the project is assessed to be 'Satisfactory' based on the 'Substantial' rating for relevance of objectives, design and implementation; on the

'High' rating for efficacy in achieving in achieving the PDO outcomes; and on the 'Substantial' rating for efficiency.

79. Note that a split rating was not calculated for the project based on the fact that there were no revisions to the PDO and no substantial changes to the original key associated targets, f.e. the two indicators changed still measured the same - sales increase – by using a more demanding target. (see Section 1.3 – Revised PDO and Key Indicators, and reasons/justification).

3.5 Overarching Themes, Other Outcomes and Impacts

(a) Poverty Impacts, Gender Aspects, and Social Development

80. The project interventions in Inhambane and Nampula contributed to broad-based growth and are therefore likely to have also contributed to poverty reduction. It is expected that fruit plantations established in Nampula, as part or after the training provided, will positively impact on the nutrition of the population in this region. The assessment included in Annex 6 estimate that fruit available for family consumption will increase from 50 to 150 tons per year (valued at US$20,000 and US$120,000[46] respectively). Additionally, training provided to 24 local producers, as part of a World Vision social development program, is expected to result in US$3,900 annual sales for a single producer, corresponding to US$325 per month, or about five times the established minimum wage for the agriculture sector (US$66)[47]. Lastly, as part of its corporate social responsibility, the Center plans to promote the engagement of local communities in the fruit business (i.e., through the development of 100 hectares by smallholder producers for fees or profit share). Similarly, in the Inhambane region, the inclusion of 21 subsistence farmers, most of them women, in the greenhouse management and the horticultural linkages program resulted in additional household income for their families. The project also contributed to the employment of about 590 students through the implementation of quality tourism vocational training courses designed to address the needs of the local labor market.

81. Overall, the project did not have specific gender objectives except for the matching grant component that identified women-owned businesses as a priority group. According to the beneficiary survey only 27 percent of the businesses supported were owned by women (about 85 firms). This low percentage is likely due to the fact that women are more prevalent in the informal economy while the program targeted formal established firms. Disaggregated statistics show that 29 percent of the trainees in Nampula were women (205) and a similar proportion is estimated for Inhambane[48].

(b) Institutional Change/Strengthening

82. Main outcomes regarding institutional strengthening, an area of main focus for the project, are presented in Section 3.2 – Achievement of PDO.

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[46] Valued at 1 million to 6 million meticais at the exchange rate of 1 US$/50 MZN.
[47] The minimum salary for the agriculture sector in Mozambique is MZN3,298 valid from April 2016.
[48] The project did not collect disaggregated gender information for all training conducted in Inhambane.

(c) Other Unintended Outcomes and Impacts (positive or negative)

83. The project derived important benefits and efficiencies from the established partnerships with other donors. As already mentioned, with all the available resources the Project was able to provide support beyond its initial scope of work and contribute more efficiently to improving the business environment. A clear example is the project contribution to the e-BAU platform allowing the automation of licensing procedures. Through a team of consultants based at MIC, the project also contributed to the review of the simplified licensing regime (Decree 5/2012) that served to simplify even further the licensing of economic activities in 9 economic sectors (agriculture, commerce, industry, civil construction, communications, culture, fishing, services and tourism) and resulting in cost savings for the private sector of about US$170.000 per year. As a result a larger number of MSMEs now benefit from easier and less costly start-up procedures as recognized by the DB assessment.

3.6 Summary of Findings of Beneficiary Survey and/or Stakeholder Workshops

84. A beneficiary survey was carried out for the matching grant, as part of an impact evaluation study to understand the effects of the program and provide lessons for similar programs. A detailed account of the survey results is incorporated in Annex 5.

4. Assessment of Risk to Development Outcome

Rating: Moderate

85. The risks of the project development outcomes not being maintained are rated moderate, and predominantly related to institutional capacity to sustain the project achievements. Key vulnerabilities relate to: (i) completion and maintenance of infrastructure; (ii) financial sustainability and operational capacity of the training centers; (iii) political commitment and government capacity to continue improving the business environment; and (iv) institutional capacity to promote the development of SMEs.

86. Throughout the course of implementation, the project was able to develop partnerships or establish mechanisms to mitigate some of these sustainability risks. For example:
    - (i) While the bulk of rehabilitation activities have been carried out by the project, going forward remaining items in Inhambane and Nampula (i.e., electricity and gas hook-ups, removal of remaining asbestos sheets from site, completion of external illumination and ventilation) will be concluded with support from the WB APPSA Project in Nampula and the ESHTI in Inhambane.
    - (ii) The Inhambane Training Center was officially established by the UEM and the ESHTI is responsible for its management in the long run while the UEM will cover its running costs. In the short term, the MICULTUR will provide support to the Center operations through the WB IDF Project implemented in collaboration with the MICULTUR[49]. Additionally, the ESHTI is already

[49] WB IDF funds for building institutional capacity in the tourism sector will be used to ensure the continued engagement of a private sector operator to operationalize the Center and transfer to ESHTI the necessary know-how for manage the facility in the longer run, and to provide further training (given the high demand from local youth and the private sector).

engaging with other donors to continue the process of training of trainers (through French Aid).

(iii) With regards to the greenhouse incubator in Inhambane, a public – private partnership has been established between IIAM and Mocambique Organicos, by means of a MoU allowing the continued use by the private sector of the greenhouses for farm training and market expansion as well as the use of the refrigerator vehicle for produce delivery. Additional support has been received from Irish Aid with prospects for more funding in 2017.

(iv) The IIAM is committed to support the Nampula Training Center running costs and is taking forward the development of a 142 hectare demo farm through a synergetic relation with Amarula Farms, a private sector operation. The demo farm is an important requirement for the Center sustainability since it will serve both as training grounds and as a source of revenue from the sales of produce.

(v) OCAM financial sustainability depends on its membership base and on the delivery of services supporting the development of the accounting profession. Current revenues are sufficient to keep its internal structure running. However, to make a real change in the accountancy profession, OCAM is still much dependent on external support. With support from the Irish Aid OCAM was able to provide training on accounting, auditing and ethical standards to more than 1,500 members. Additionally, OCAM was recently accepted as a member of Pan African Federation of Accountants and the Federation is supporting the preparation of a 5 year strategic plan aimed at ensuring OCAM longer term sustainability. However, to ensure the quality of the profession and compliance with current international standards, a number of key fundamental issues remain to be addressed: (i) a deep review of the stale legislation governing the accounting profession; (ii) a change of the curriculum offered by universities and institutes since these are not aligned with international best practices.

(vi) On the investment climate side, the Government is committed to continue improving the country's regulatory framework as evidenced by the approval of a DB focused reform action by the Council of Ministers in February 2016. The WBG is still engaged through technical assistance provided by the IFC and the WB IGPP Project ending in 2019. Moreover, other donors[50] are also active in this area while the Irish Aid is now providing funding resources directly to MIC. As for the licensing reforms achieved, it is important that the Government: (i) ensures the good functioning of the automated system; (ii) ensures regulatory quality by avoiding the introduction of policies reversing or undermining the impact of established reforms.

(vii) The Government would like to continue delivering competitiveness enhancing programs directed at SMEs. IPEME, the Institute for the Promotion of SMEs, was designated as the implementing agency of future similar programs. During the matching grant implementation, IPEME role was mainly as a focal point at provincial level and was not fully engaged in the day-to-day management of the program. IPEME is a relatively new institution and has limited capacity,

[50] Other donors include the United States Agency for International Development (USAID), the German Development Agency (GIZ) and the Department for International Development of the United Kingdom (DFID).

implying that the management of a similar program would likely need to be outsourced. MCPSD proceeded with the handover of the final implementation report to ensure that institutional memory is kept in the Ministry.

Table 5. Summary of Key Risks to Development Outcome

Risk	Probability	Impact	Mitigation measures	Overall risk assessment
1. Technical/financial				
Conclusion of infrastructure (e.g. training centers in Nampula and Inhambane) and Establishment of the Demo Farm in Nampula. Financial sustainability of local training institutions	Significant	Limited contribution of the Centers operations to generate income for financial sustainability. Limited institutional capacity to deliver quality training.	Funding from other WB projects to conclude works at Nampula and ensure the operations in Inhambane; Financial support from the UEM and IIAM budgets for the Centers operations; Future income deriving from future training programs, the rendering of tourism related services, and the sales of products	Moderate
Financial sustainability of OCAM	Moderate	Ability of OCAM to advocate and support regulatory and curriculum changes to improve quality of the accounting profession.	Continued support from the Irish Aid; the Pan African Federation of Accountants; registration of OCAM as an IFAC member.	Moderate
Sustainability and replication of the Greenhouses Management Model	Moderate	Discontinuation of private sector involvement in the training of local producers and their inclusion in greenhouse management scheme	PPP for the management of the greenhouses established; Government funding to expand the model with the participation of local producers associations.	Negligible
2. Legal/regulatory/infrastructure				
Continued improvement of the business environment	Significant	Poor functioning of e-BAU; Introduction of negative reforms	Training of BAU staff, purchase of ICT equipment, reforms communication.	Moderate
3. Political/Governance/Social				
Political tension, security threat, and debt crisis	Significant	Flight of foreign investment; Increased violence; Reduced tourism; Reduced government capacity to maintain the Centers running costs; Negative impact on investment climate.		Significant
OVERALL				**Moderate**

5. Assessment of Bank and Borrower Performance

5.1 Bank Performance

(a) Bank Performance in Ensuring Quality at Entry
Rating: Satisfactory

87. The section (2.1) on 'Project Preparation, Design and Quality at Entry' provides details demonstrating satisfactory quality at entry, but key aspects are summarized here from an assessment perspective. The WB carried out significant preparatory work, and held extensive consultations with various stakeholders, which informed the architecture of the project and ensured buy in. Technical design aspects were also grounded in sound background and economic analysis carried out during the appraisal period, and on lessons from past experiences. The project objectives were aligned with high-priority issues in the CPS and the PARPA II and the preparation process leveraged the input and collaboration from the highest levels of government. The selection of the regions and the sectors were also aligned with the government strategic development plans and supportive of its overarching agenda to promote broad-based growth.

(b) Quality of Supervision
Rating: Satisfactory.

88. The Bank team was able to forge exemplary strategic partnerships with the IFC and other development partners; undertook regular implementation support missions with a broad range of expertise with clear action-plans in the aid-memoirs; and the TTL was based in the country for 2 years to offer day-to-day implementation support. Additionally, the WB involved a wide-range of specialists supporting the project supervision as to ensure technical quality (see Annex 4 for list of specialists involved).

89. Additionally, the supervision of fiduciary and safeguard aspects during implementation were strong. Procurement and financial reviews were routinely carried out and their findings reflected in the overall supervision reporting. Mission reports were thorough and pro-active in identifying weaknesses (e.g. internal control) and presenting recommendations to address them[51]. The Bank team closely supervised environmental and social safeguards, provided detailed reports and recommendations in the Aide Memoirs and adjusted the ISR rating to reflect compliance.

90. The project MTR was deferred to mid-2012 (despite the credit agreement indicating that it should occur by June 2011), in light of the fact that the project was launched in December 2009, and that some key components such as matching grant and tourism were only then beginning their activities in earnest. Subsequently, a level II

[51] In December 2014 the WB FM review recommended the PIU to closely monitor the SDR/USD fluctuations to avoid over-commitments given the risk of the project not being able to fulfil its obligations as the committed amounts then were just under the remaining balance.

restructuring was approved to allow a 12 month extension of the closing date; a reallocation of financing proceeds; modify and update the results indicators; and to modify the eligibility criteria for business organizations applying for grants.

91. A weakness found relate to the lack of a dedicated M&E expert in the project team and some inconsistencies in the monitoring and reporting for some intermediate indicators - due to adequacy of methodology (i.e., trade) or quality of source data (i.e., IFRS).

(c) Justification of Rating for Overall Bank Performance
Rating: Satisfactory.

92. The 'Satisfactory' rating is justified on the basis of a technical well prepared project at entry, and a satisfactory rating for supervision taking into account the strong team of specialists involved and the partnerships forged with other donors.

5.2 Borrower Performance

(a) Government Performance
Rating: Moderately Satisfactory.

93. The Government was closely involved in project preparation and during implementation (as most beneficiary agencies were government institutions) and there was a good rapport and frequent communication with the WB supervision team during the project lifetime.

94. Through Government engagement and leadership, the project contributed to the approval of two simplified licensing regimes; the establishment of two vocational training institutes as 'Centers of Excellency' in key sectors – tourism and agribusiness; the establishment of a linkages program to which the government is now providing s monetary support to local producers associations to develop more greenhouses to promote horticultural production in Inhambane; and lastly the development of quality standards and norms in a demand-driven way.

95. On the other hand, weaknesses inherent in government performance include:
    - The advisory committee did not meet on a regular basis and was therefore not a useful mechanism to review progress and collectively agree on corrective measures.
    - There was a great turnover of personnel at the Ministry in areas such as UGEA (Procurement) and DAF (Finance Department). This made it harder for the PIU to transfer skills to those critical areas and did not allow for the mainstreaming of the PIU in the Ministry.
    - Delays in contract approvals by the TA and the CREE caused an overall implementation delay leading to the project restructuring.

(b) Implementing Agency or Agencies Performance
Rating: Moderately Satisfactory.

96. The PIU succeeded in following through the achievement of the project PDOs despite the delays impacting on the time available for implementing activities in a logical sequence as well as the subsequent shortage of funding to conclude certain activities.

97. The project had limited presence outside Maputo, with only a regional PIU located in Inhambane, but worked efficiently with the local government and stakeholders in Nampula. Despite limited capacity for national level outreach, the matching grant team was able to generate high visibility and interest from the private sector resulting in excess demand towards the end of the project.

98. In terms of hiring staff for the PIU, it took the Project longer than the 6-month prescribed in the legal covenants to fill all key PIU positions reflecting the low capacity available and constraints this type of project has to face.

99. In terms of fiduciary compliance, following from Section 2.4:
   - The SDR/USD resulted in significant cost overruns and should have been monitored more properly by the project.
   - On the E&S side, health and safety risks not addressed during the project closure relate to unfinished services and works due to shortage of funding (i.e., collection and safe disposal of the asbestos plates in Nampula, and the lack of an adequate ventilation system in the practical kitchen in the Inhambane Training Center).

(c) Justification of Rating for Overall Borrower Performance
Rating: Moderately Satisfactory

100. This rating is justified on the basis of the 'Moderately Satisfactory' rating of government performance and on the 'Moderately Satisfactory' rating of the PIU.

6. Lessons Learned

101. Fiduciary Aspects. The differences in WB and Government (TA) requisites and procedures for approval of procurement processes and financial auditing hindered the project performance. To avoid the need for dual reporting using two different sets of rules a greater harmonization of procedures is needed. This would help ensure not only better compliance with pre-established requisites, but also help fast-tracking the implementation of projects.

102. M&E. Good M&E is necessary for good project management. The M&E weaknesses pointed out in section 5 above, make it difficult to attribute some of the reported intermediate outcomes to project activities (i.e., trade) or to measure results (i.e., IFRS). Amendments made during restructuring were not comprehensive to fully rectify identified shortcomings.

103. Development Partners. There were important benefits and efficiencies derived from the established partnerships with other donors. With all the available resources, the Project was able to provide support to the Government beyond its initial scope of work and contribute more efficiently to improving the business environment. Moreover, partnership-driven implementation can enhance sustainability by promoting shared responsibility for project outcomes.

104. Sequencing of activities. The project effectiveness can suffer if activities are not properly sequenced or if implementation timelines are curtailed by a delayed project start up. In this project, mis-sequencing affected the project training components,

especially the Inhambane Training Center, which ran courses using adapted temporary facilities, and the project ability to transfer the knowledge required to strengthen the institutional capacity to manage these facilities in the longer run.

105. Matching Grant. The successful implementation of the matching grant provides valuable lessons for future WBG programs. (see Annex 5). A few key lessons include:

- While the WB considers the 'closed window' approach to have been a determining factor contributing to the success of the program[52], the PIU indicated that a ´first come first served´ approach would have worked better specially towards the end of the Program since this would allow more control over the number of applications versus the remaining available funds.
- Proactive measures - like close monitoring, establishing price ranges per service type, audits, and setting up a green line for complaints - helped mitigate identified risks related to financing activities that were found to be either: (i) overcharging for the type of services rendered; (ii) not fully completed; or (iii) not of full value for the beneficiary firms.
- Teams need to be sufficient in number and capacity to ensure the program has the capacity for handling demand properly and performing all its duties (such as coaching, mentoring and quality control) while still keeping in mind the cost-benefit of implementing a program like this.
- Outreach and working with firms at the provincial level would have been more efficient if the project had properly trained staff available on the ground, instead of focal points with little ownership and knowledge about the program.
- Future programs should create a database of service providers and black list the non performing ones to avoid poor quality of deliverables.

106. Key lessons that were emphasized by the PIU relate to the importance of:

- Ensuring the fast tracking of contract approvals by the TA given the experienced delays impacting the project implementation;
- Making provisions for contingencies to avoid exchange rate risk, such as the SDR/USD that the project experienced;
- Making provisions to ensure key PIU positions remain active until the disbursement deadline (4-months after the project closure date).

7. Comments on Issues Raised by Borrower/Implementing Agencies/Partners

(a) Borrower/implementing agencies

See Annex 8 for full set of Borrower's comments.

(b) Cofinanciers

107. The Irish Aid provided parallel funding to the project since its early stages. Comments shared include the fact that the project was a good opportunity to get

[52] These are the advantages of the 'closed window' approach from the perspective of the WBG team: (i) allowing for a better organization of the Unit's time with a well-defined division between promotion, screening and intervention stages, and (ii) helping understanding the volume of demand early on during the process and adjust accordingly.

involved in the private sector development space. The project offered the platform for Irish Aid to link up with government in its efforts to improve the business environment. Beyond the project end date the Irish Aid continues its direct support to MIC and to OCAM contributing to further institutional development. On the downside, Irish Aid expressed concerns with the delayed start of some key project activities making it more difficult to measure impact by project end date.

(c) Other partners and stakeholders

108. The implementation of the IFC Project benefited greatly from its close collaboration with the WB MCPSD project. Under this symbiotic relationship: (i) both projects objectives and activities were aligned to achieve a common goal; (ii) the WB benefited from the IFC's experience and technical expertise available locally and in the region; (iii) the IFC leveraged from access to a wider pool of funds and resources made available by the WB to the government in support of the IC reform agenda. In parallel, both projects were able to benefit from the WB's political leverage by having common reform targets set as prior actions for financial support to the State budget through the WB Poverty Reduction Support Credit Operations (PRSC) series.

109. In this context, the WB MCPSD and the IFC Moz IC Program pioneered the Trade & Competitiveness (T&C) Global Practice (GP) operational model before its implementation by the WBG. At completion, the results achieved by both projects demonstrate the benefits of WBG teams moving from interaction to integration. The materialization of the T&C GP came to allow for a better alignment of WBG resources and portfolio supporting private sector development and investment climate reforms. Furthermore, it has served to facilitate and formalize the integration of WB and IFC teams working together in Mozambique towards common goals. Benefits of working together under this operational model include:

- A broader view of issues and challenges across different sectors and the development of a larger and more diversified stakeholders networks;
- Increased effectiveness and sustainability of WBG operations through the availability and application of different tools.

Annex 1. Project Costs and Financing

(a) Project Cost by Component (in USD Million equivalent)

Components	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Component 1: Improving Enterprise Competitiveness			
1.1 Promoting Access to Business Development Services	6.46	5.5	85%
1.2 Promoting Tourism Sector in Inhambane	5.01	5.2	104%
1.3 Establishing a Tropical fruits training center in Nampula	2.92	5.24	179%
Sub-total Component 1:	**14.39**	**15.94**	**111%**
Component 2: Improving the Business Enabling Environment			
2.1 Support to Business Environment Strategy	4.2	3.3	79%
- Trade Facilitation	*3.5*	*2.2*	63%
- Licensing Reform	*0.5*	*0.7*	140%
- Public-Private Dialogue	*0.2*	*0.4*	200%
2.2 Support to Quality/Standards Infrastructure	0.5	0.55	110%
2.3 Strengthening the Accounting Profession	0.6	0.65	108%
Sub-total Component 2:	**5.30**	**4.50**	**85%**
Component 3: Support to Project Implementation			
Total Component 3:	**3.66**	**4.56**	**125%**
Total Baseline Cost:	**23.35**	**25.00**	**107%**
Unallocated funding	1.50	0.00	0.00
Front-end fee PPF	0.60	0.33	55%
Total Project Costs	**25.00**	**25.33**	**101%**

Note: The appraisal estimates are taken from Annex 5 of the PAD and the costs estimated by the Bank (since these were not made available by the Client).

(b) Financing

Source of Funds	Type of Co-financing	Appraisal Estimate (USD millions)	Actual/Latest Estimate (USD millions)	Percentage of Appraisal
Borrower/Private Sector	In-kind	4.66	1.80	39%[53]
IDA	Credit	25.00	25.33	101%
Irish Aid	Parallel	0.00	1.35[54]	

[53] Latest estimate based on Government in-kind contribution to the Nampula Center (US$500,000) and to the Inhambane Center (US$200,000); and the Private Sector contribution to the matching grant (US$1.1 million).

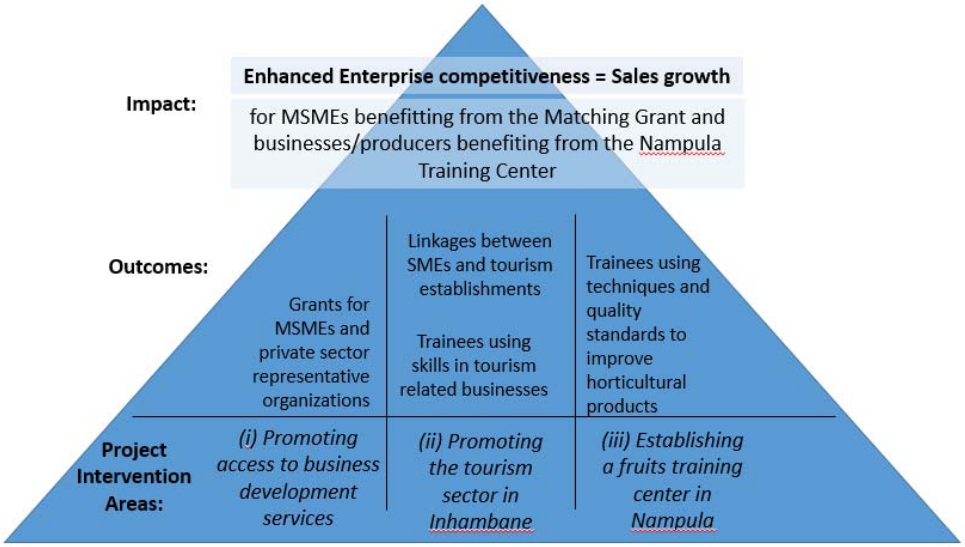
[54] The Irish Aid annual contribution to the project amounted to € 1,065,000 for the implementation of the Licensing Reform Component. The exact USD amount cannot be estimated due to exchange rate variation over the years. The estimate is based on an average figure for the 2009-2015 period.

Annex 2. Outputs by Component

1. Following from Section 3, this Annex presents the project outputs supporting the achievement of the key results, while also describing some factors contributing to or constraining the project implementation.

<u>Component One: Improving Enterprise Competitiveness</u>

Figure 1. Component 1 - Expected impact and related outcomes



Sub-component 1.1. Promoting access to business development services

2. The matching grant program catalyzed the delivery of business services to SMEs by promoting access to services providers for the delivery of technical assistance, training and advisory services. All funds allocated to the component were implemented, initially with some delays, and later with excess demand. The main activities supported by the project were design of promotion materials, website development, training of employees, and quality certification. A total of 852 activities were supported, reaching 363 unique beneficiary firms/associations in the country. Each grant was on average of US$4,100. Each beneficiary completed on average 2.34 activities. The average accumulated grant for each beneficiary was of US$9.600. (see Table 1 below and Annex 5 for more details).

3. While the matching grant program was designed as a demand driven activity, without any specific quota or allocation of resources based on regions or sectors, it endeavored to reach three priority groups: SMEs in the manufacturing sector, enterprises operating outside Maputo and women-owned businesses. Despite this, the results show that: a) the program grabbed most interest among firms in services and commerce sectors and from microenterprises and only 13 percent of the supported firms were from industrial and agro-processing sectors; b) the majority of the companies supported were located in Maputo despite intensive promotion and outreach undertaken across all provinces; and c) only 27 percent of the businesses supported were owned by women (this low

percentage of women is likely to be due to the fact that women are more prevalent in the informal economy while the program targeted formal established firms).

Table 1: Activities and Number of Firms By Size of Business[55]

Size of business	Number of completed activities	% of completed activities	Amount	% of amount	Number of businesses	% of businesses
Associations	70	8%	293,368	8%	30	8%
Micro	692	82%	2,788,997	81%	281	78%
SME	85	10%	380,132	11%	47	13%
Total	*847**		3,462,497		*358**	

Source: Impact Evaluation of the Matching Grant, February 2016

Sub-component 1.2. Promoting Tourism Sector in Inhambane

4. This sub-component focused on the following areas of intervention:

a) Rehabilitation of Tourism Training Facilities: The project supported the rehabilitation works for the creation of the new Tourism Training Center using an existing building made available by the Government. The Center is still not operational due to some missing final works (i.e., gas and vent system), but all equipment, furniture and main works has been acquired by the project with some funding also provided by the MICULTUR. Despite this, the Center will become operational during the course of 2016 with further support from the WB and the MICULTUR. On the other hand, the ESHTI will ensure the conclusion of the remaining works mentioned.

b) Expanding the tourism-related private sector supply chain, through the establishment of a linkages program: The project contracted a private sector company, Mocambique Organicos, to construct 9 greenhouses in 2 districts (Inhacongo and Massinga), to provide training to local producers (21 in total), and to serve as an intermediary buying and distributing the local production to the market. The project also financed a refrigerated delivery car for products delivery.

c) Improving public sector service provision in the tourism sector: Most activities related to public sector services provision in planning, statistics and institutional capacity building were successfully undertaken in the earlier part of the project between 2012 and 2014. Training activities undertaken focused mainly in building capacity of the private sector, nevertheless selected transversal trainings were extended to the public sector stakeholders (a total of 566 people trained) such as solid waste management, tourism planning and management and marine biodiversity. Key outputs include:

- Development of a Provincial Tourism Strategy;

[55] The total of completed activities and number of businesses does not reach the total achieved in the program of 852 activities and 363 beneficiaries, due to some missing information on disaggregated data of 5 firms.

- Creation of a land registration database for the Jangamo District;
- Tourism signage in the main tourism routes in Inhambane Province;
- Statistics and data collection capacitation.

Sub-component 1.3. Establishing a Tropical fruits training center in Nampula

5. This sub-component focused on the following two areas of intervention:

a) Setting up a national training center specialized in tropical fruits operations: The Project supported the rehabilitation of the facilities using existing facilities made available by the IIAM, mobilized project management experts (AIDSI) and staff for the development and implementation of training courses on fruits. While some final rehabilitation works could not be completed by project end date[56], the project was able to fully equip the Center with equipment, office and house/dormitory furniture allowing the Center to host part of the training activities in its premises. The project also developed demo plots and a master plan for the site.

The newly established Center hosted the First National Fruit Forum conducted in November 2015. The event was crucial to promote the Center services to both the private and public sectors involved in fruit production nationwide. During this event, a working group was established as a forum to monitor and coordinate the Center activities.

In terms of the Center institutional set up, the PAD foresaw the establishment of the Center as a non-profit, public-private partnership based on the premises that a well-functioning training institute requires strong management, financial autonomy, and ongoing support and input from the private sector. During the project implementation, the Government opted instead for implementing a "Center of Excellence", a public institute aimed at offering experiential-based training and development services to the fruit industry (i.e., human resource and business development, and networking). It is important to note that, at project closure, the Center special by-laws was still not created due to the restructuring of the Ministry of Agriculture following the institution of the new Government in 2015.

Lastly, it is also important to note the following two industry-specific factors affecting the fruit industry in the region and the envisaged operational model for the Center: (i) the exit from the country of Chiquita, a major player in the Mozambican fruit industry, with whom the Project intended to work closely with in starting up the Center operations; and (ii) the emergence of the Panama disease in the region affecting Mozambique's banana production and exports in this region.

b) Establishment of a Demonstration Farm as a venue for practical training and generation of income for the CFF: Notwithstanding the time delays and limited resources which have inhibited the full demo farm development, the project was able to start the early preparatory phase for the farm development in close partnership with the IIAM (i.e., dike repair, pump house and opening of roads along

[56] The rehabilitation works will be concluded with support from the WB APPSA project.

the periphery) and to develop a business plan both for the Center and the demo farm. A challenge faced was the need to identify and prepare another location for the demo farm since the first area identified was deemed unsuitable given the lack of water for irrigation. Alternatively, the IIAM was able to secure a larger area nearby.

c) Development of Training Modules: The CFF developed 31 training modules covering topics along the following main themes: A- General training on business management, quality, and logistics; B-Banana; C-Pineapple; D-Mango; and E-Papaya. The material is available both in English and Portuguese.

Environmental and Social Safeguards Aspects:

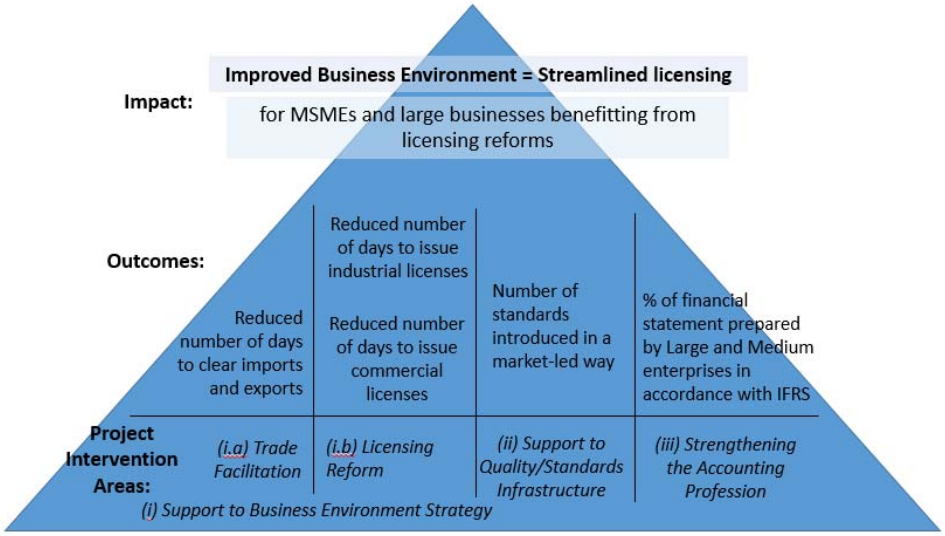
6. During project implementation certain activities (as civil reconstruction works), required compliance with good practices of environmental and social management. Despite a few unconcluded E&S related activities (i.e., asbestos removal and ventilation system)[57], the project had an acceptable record of compliance with both Mozambique's environmental requirements as well as Bank's safeguards policies.

7. Throughout the project implementation recommendations from supervision missions were followed upon consistently and satisfactorily, namely the management of solid waste in the Nampula Training Center (through placement of eco-points, removal of roofing materials from the old buildings, a sports areas, etc.); preservation and building of a Mausoleum for the resting place of the Régulo, or community leader, of Namialo; pesticides management in the greenhouse seedling in Nhacongo. Particular attention was also given to the need to incorporate issues such as gender and vulnerable groups' empowerment in line with environmental and social management sustainability.

Component Two: Improving the Business Enabling Environment

Sub-component 2.1. Support to Business Environment Strategy

Figure 2: Component 2 - Expected impact and related outcomes



[57] To be followed through with support from Government or other WB interventions upon project closure.

Trade Facilitation – Customs:

8. In order to achieve a reduction in import and export days by 50 percent, the PAD foresaw support for the implementation of the SEW between Government and a private operator. However, soon after the project was effective in 2009, the Customs Agency informed that it no longer requires WB financing for the implementation of the SEW as this would be fully financed under the PPP arrangement.

9. Alternatively, Customs requested a number of technical assistance activities that would serve to build broader capacity at Customs and help oversee and implement this new automated system. It was in this context that the project focus changed and funded instead a large technical assistance assignment that delivered a series of recommendations and training through 10 different activities (listed in the Table 2 below).

10. Another important aspect to take into consideration is that the Time Release Study (listed above, submitted to Government in November 2014), actually informs that it takes more time to process clearances on the new internet based electronic customs management and single window system compared to the old system. The study further recommends the implementation of a number of reforms considered vital for the achievement of the project trade facilitation objectives (i.e., risk based scanning, establishment of a dedicated cargo clearance terminal, a bypass road and the One-Stop Border Post).

Table 2. List of Activities Delivered to Customs

	Activity Description	Activity Finish Date	Report Submitted	Report Approved
1.1	Time Release Study	23/11/2014	24/11/2014	11/12/2014
1.2	Review of Valuation Reference Database	26/06/2014	11/07/2014	23/07/2014
1.3	RKC & ATF: Gap Analysis	04/06/2014	30/06/2014	07/02/ 2104
1.4	Refined Petroleum and Mineral Resources	30/08/2013	21/11/2013	16/06/ 2014
1.5	Forms Evaluation	16/5/2014	30/06/2014	02/07/ 2014
1.6	Operational Effectiveness: OSBP	11/07/2014	30/07/2014	20/10/2014
	Study Tour - Chirundu	06/06/2014	02/ 07/2014	23/07/2014
1.7	Compensation Legislation	24/07/2014	11/ 09/2014	15/9/2014
1.8	Post Clearance Audit	11/10/2013	21/11/2013	16/ 06/ 2014
	2015 Annual Audit Visit Plan	07/11/2014	20/11/2014	24/11/2014
2.1	Organisational Design	16/05/2014	30/07/2014	04/ 08/ 2014
3.1	Audit: IT Infrast., Communication, Data Storage & Staffing	30/10/2013	21/11/2013	16/06/2014

Source: Project Aide Memoir Dated June 2015

Trade Facilitation – IPEX:

11. One of the project goals was to build the capacity of agencies playing a catalytic role in exports services. In this context, main outputs related to the technical assistance and capacity building provided to IPEX include:
    - Design and implementation of a management information system for exporting companies (this system generates updated statistics on the country exports);
    - Equipment supporting the implementation of the exports information system.
    - Elaboration of foreign trade operators manual and exporters directory;
    - Studies on market research, and the pre-assessment of producers (mango, pineapple and bean) for certification;
    - A multitude of capacity building activities mostly aimed at improving the level of Government services to assist SMEs in the aspects related to exports, fair organization and business missions;
    - Production of promotion material for fair participation, IPEX promotion, etc.

12. Furthermore, following a Government request, the project supported the development of a study for the establishment of industrial parks. Due to timing and funding constraints, only Phase I was carried out providing the recommendation for selection of one specific site in the Mocuba District.

Licensing Reform:

13. Key activities and outputs related to the project contribution to the licensing streamlining and to the development and capacity building of the OSSs were provided to DASP from primarily through the Irish Aid parallel support. These include:
    - Implementation of the new corporate design in BAUs in several provinces;
    - Equipping for the front office OSS in Maputo City, and in several provinces;
    - Training to OSSs staff in areas of attendance to improve services, reformed licensing procedures, the commercial law, and English language;
    - Training in Cape Verde in matters of infrastructure, installation, configuration and administration of computer networks, related to the instalaton of the e-BAU;
    - Deployment of the BAÚ Clinic with a corporate image that will, at the same time, accumulate functions of a Business Information Centre, to provide and disseminate reliable information of business interest;
    - Acquisition of promotional material for the OSSs and the BAU Clinic;
    - Acquisition of computer equipment and consumables for the DASP and OSSs;
    - Digitalization of licencing information in support of the e-BAU;
    - Establishment of a new model for public private dialogue at central and provincial level to identify important and priority reforms that contribute to promote the business environment in Mozambique;
    - Sponsorship for the Ease of Doing Business Initiative (EDBI) Regional Conference held in 2014 in Maputo gathering about 150 delegates from 17 African countries.
    - Hiring of various consultants (economists, lawyers, executive secretary) to strengthen the capacity of DASP to manage the OSSs and develop business regulatory reforms including support for the completion of a licensing inventory covering 700 plus licenses;
    - Learning exchange visits to Rwanda and Mauritius on Doing Business Reforms.
    - Surveys were to determine the level of satisfaction of OSSs users.

Sub-component 2.2. Support to Quality/Standards Infrastructure

14. Associated with the development of standards and norms, additional project inputs and outputs include the purchase of ITC equipment (i.e., professional printer); and a large number of training and certification sessions were provided to private sector businesses (see Table below). In terms of people trained, major outputs are:
    - 15 training courses – trained 227 people coming (62 private companies, 14 from public agencies and 150 INNOQ staff);
    - 6 seminars on certification and standardization - with the participation of 326 participants (125 private, 119 public and 82 INNOQ staff).

15. Private sector reported satisfaction both with the quality of training, materials and affordability of training. It also appreciated the fact that the training was carried out in Portuguese and that all the material were also in this language. Furthermore, another advantage for the private sector is that having this type of certification available in Mozambique reduces costs.

Table 3. List of Activities and Number of Trainees – INNOQ

Acção	Carga horária (h)	Nº Participantes / Formandos		
		INNOQ	Clientes externos	
			Públicos	Privados
C08. Abordagem prática da ISO17021	7	8	0	0
C05. Técnicas de negociação e vendas nos serviços	14	8	0	0
C06. Marketing de serviços orientado para o cliente	14	8	0	0
C02. Abordagem prática da ISO14001	14	14	3	7
C03. Abordagem prática da OHSAS 18001	21	7	1	15
C01. Práticas e ferramentas de auditoria	21	3	0	19
C12. Gestão de processos de certificação	14	12	0	0
C07. Abordagem prática da ISO19011	12	9	3	1
C11. Abordagem prática a sistemas de gestão integrados	14	8	1	13
N01. Práticas do negócio e envolvimento dos stakeholders	4	14	0	0
N02. Sistemas de financiamento	4	14	0	0
N03. Tecnologias da informação e normalização	4	14	0	0
N04. Contribuição Internacional	4	14	0	0
C13. Abordagem prática da ISO9001	14	8	6	8
C14. Auditoria formativa a empresa de serviços (MCEL)	21	9	0	0
S02. Certificação nos serviços	4	14	12	37
S01. Certificação em empresas exportadoras	4	12	8	16
S03. A certificação do produto	4	9	4	19
S07. A certificação nos serviços públicos	4	18	78	6
S08. Gestão do Risco, Ambiente e Segurança	4	15	13	39
S05. Gestão Florestal Sustentável	4	14	4	8
TOTAL PARCIAL	206	232	133	188
TOTAL	**206**	**553**		

Source: INNOQ Third Periodical Report dated August 2012

Sub-component 2.3. Strengthening the Accounting Profession

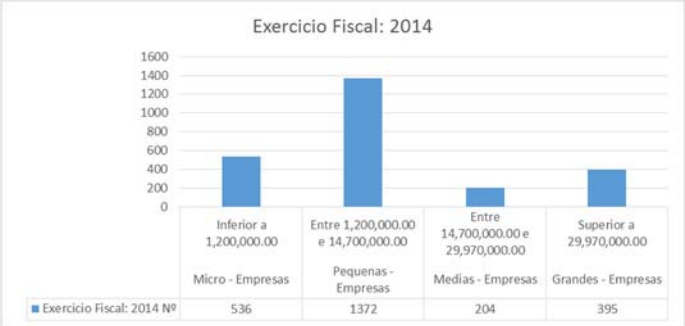
16. This sub-component was aimed at supporting the financial reporting infrastructure for the private sector and overcome the shortage of qualified accountants, as well as a deficiency of reliable financial statements. In this regard, the OCAM was successfully

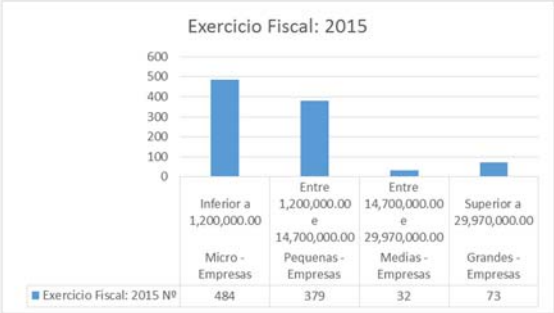
established in 2012 with the overall goal to help develop and serve professional and technician accountants working both in private and public sector institutions and influence Government in accountancy profession related matters. At project closing date in November 2015, OCAM had already 3,006 members: 91 auditors and 2815 accountants.

17. The project provided technical support to OCAM by means of a twinning arrangement between OCAM and the ICPAI a strong member of the International Federation of Accountants (IFAC), to provide technical assistance, training, and goods. The twinning organization used a wealth of experience and practices in their institute to develop a large amount of manuals and procedures related to the OCAM operations.

18. Despite this major institutional development achievement, the rate of success related to the quality of the financial statements being produced could not be established since a results measurement survey was not carried out by the project. OCAM concurred that the only way to assess whether companies were making use of the training provided on updated IFRS would be through a sample survey. As general information, OCAM shared statistics on the number of large and medium companies that have submitted financial statements in 2014 and 2015 (see Figure 3 below).

Figure 3. Number of financial statements submitted by companies[58]





Source: OCAM shared statistics, April 2016

19. Factors affecting implementation include:
    - The twinning arrangement did not fully yield the intended benefits to OCAM as ICPAI used external consulting firm to deliver most of the project components;
    - Delays in the enactment of legislation related to the accountancy profession and the establishment of OCAM (2012) in relation to the contracting of the consultancy (2011) impacted on the start of some deliverables;
    - Institutional creation delays hindering the ability of ICPAI to transfer skills to the OCAM new Board and Secretariat;
    - Timely engagement with stakeholders and language barriers due to the fact that ICPAI was not based in the country, deliverables produced did not take into account Mozambique specifics, and most of the deliverables were written in English or poorly translated.

[58] The 2105 number is drastically low compared to the previous year (599) due to the fact that the submission period only ends in June 2016.

Annex 3. Economic and Financial Analysis

Introduction

1. The MCPSD Project was designed to facilitate private sector growth and increased competitiveness and enhancing Mozambique's business environment through a combination of financing instruments, capacity building initiatives and technical assistance to different government agencies and SMEs. The overall objective of the project would be achieved by: (i) reducing the cost of doing business, through support to Government reforms and capacity building of key public sector agencies; (ii) developing and strengthening the capacity of local intermediaries to deliver business services to SMEs; and (iii) piloting region specific intervention in tourism and horticulture sectors. The project addresses both supply and demand issues constraining the SME sector with an expected positive impact on the overall growth of the private sector, employment and broad based-growth.

2. The component aimed at improving enterprise competitiveness was designed in a manner that, on one hand, it would result in tangible economic benefits such as improved sales growth of SMEs, increased growth in tourism revenues and increased exports proceeds due to horticulture production training. On the other hand, this component would yield intangible benefits such as enhancing the ability of SMEs to develop specialized and innovative skills in different segments of the production chain, creating a sustainable market for providers of business development services, expanding the tourism related private sector supply chain capacity, and developing human resources necessary to export tropical fruits. Owing to these benefits, this component would also help in achieving the broader development objective of increased employment and income generation in the local economy.

Restatement of Economic Analysis Estimates at Project Appraisal

3. In order to contextualize the team's analysis, the PAD had noted that the economic analysis of this type of private sector development project faces some difficulties particularly where there is indirect relationship between the technical assistance provided under the project on its stream of benefits. Therefore, in keeping with common practices in the appraisal of a project of this type, a mix of quantitative and qualitative techniques has been used to analyze the economic benefits and costs of the project, as follows:
   - A quantitative economic and financial analysis was undertaken for the activities under component one - improving enterprise competitiveness - which include rehabilitation activities and catalytic interventions in the private sector;
   - A qualitative analysis was conducted for the activities under component two which provide technical assistance and advice to improve the overall enabling environment.

4. With that caveat, the Component One activities, were expected during appraisal to result in a NPV of US$34.60 million (for a 12 percent discount rate) and an ERR of 48 percent. Component two activities were expected to result in a better business climate for business expansion and job creation.

Table 1. Economic Analysis per Sub-component at Appraisal

	Present Value of Flows			
	Benefits	Costs	Net Benefits	ERR (%)
Component1:Improving Enterprise Competitiveness	**44.86**	**10.26**	**34.60**	**48%**
(i) Matching Grant Sub-component	7.24	3.57	3.66	31%
(ii) Promoting Tourism Sector in Inhambane	18.21	3.47	14.24	36%
(iii) Tropical fruits training Centre in Nampula	19.41	2.71	16.69	69%

5. In order to arrive at a quantitative assessment, following the PAD, a conventional methodology was used to carry out the economic analysis by estimating future stream of costs and benefits and deriving net benefits to calculate the NPV and ERR, in a "with" and "without" project framework, based on 10-year forecast time frame. NPV is positive when ERR is greater than the assumed discount rate. The NPV is the decision criteria.

ICR Update of the Project's Economic Analysis

6. Component 1 - Improving Enterprise Competitiveness: The same economic and financial analysis undertaken at the project conclusion yielded returns higher than the estimated in the design stage, with a NPV of US$80.07 million and ERR of 93%. This positive and significant higher results can be attributed to the project restructuring that contributed to higher revenues than initially targeted for under the matching grant program, the greater value of achieved by the Nampula horticultural production companies (especially a large banana producing company), and higher tourism receipts in Inhambane Province. Table 2 below shows the aggregate estimates of economic cost-benefit analysis of component 1 calculated in the PAD and the actual figures.

Table 2. Economic Analysis – Component 1

	Present values of Flows	
	Net economic –Financial	
	PAD	Actual
Benefits (US$ mn)	44.9	92.7
Costs (US$ mn)	10.3	12.7[59]
Net Benefits (US$ mn)	34.6	80.1
ERR (%)	48%	93%

7. Similarly, the re-estimated ERR and NPV figures calculated per sub-component indicate the same positive collective estimation presented above. These are estimated as follows:

   (i) Matching Grant sub-component: At project closure, the NPV is US$11.09 million and the ERR of 20 percent against NPV and ERR figures calculated at the design stage of US$3.66 million and 31 percent respectively. This estimate was based on

[59] The total cost of Component 1 is US$15.94 million, and US$12.67 million is the present value of the total Component 1 costs in a 10-year period with a 12% discount rate.

the impact evaluation study information that annual sales growth per firm supported by the project are between 20-27 percent against the comparison group and which is higher than the growth of 10% estimated at the PAD.

(ii) Tourism Sector in Inhambane sub-component: The ERR and NPV figures calculated at the design stage were 36 percent and US$14.24 million. These estimated figures vary considerable from the actuals calculated, particularly for the ERR (over 36 percent estimated versus the actual of about 131 percent). For the NPV, the actual is almost the double of what was projected (US$28.02 million versus US$14.24 million). The actual higher returns can be attributed to the fact there were more tourism receipts in Inhambane than anticipated.

(iii) Fruits Training Center in Nampula sub-component: The actual ERR is 72 percent, or three percent higher than the value estimated at the design stage (69 percent) and the actual NPV is US$28.019 million (higher than the initial amount estimated at US$16.69 million). The actual higher returns and NPV can be attributed to the changes of the project results measurement methodology as the original analysis of the project was focused on banana exports, but the project was restructured to reflect not just exports but sales from a range of different supported fruits (such as pineapple, mango, litchi, and papaya) that had positive impact on increasing the results of this component. Additionally, the estimated incremental sales achieved were greater than originally envisaged.

Table 3. Economic Analysis per Sub-component at Conclusion

	Present Value of Cashflows			
	Benefits	**Costs**	**Net Benefits**	**ERR (%)**
Component 1: Improving Enterprise Competitiveness	92.743	12.669	80.07	93%
(i) Matching Grant Sub-component	15.46	4.371	11.09	20%
(ii) Promoting Tourism sector in Inhambane	32.15	3.61	28.019	131%
(iii) Tropical fruits training Centre in Nampula	39.74	3.83	35.904	72%

8. Even including all project costs (i.e. Components 1, 2 and 3)[60], and limiting benefits to just Component 1, the project still yields a positive NPV and an ERR of 49 percent just above the Appraisal estimate[61].

[60] Remainder project costs were allocated to each sub-component of Component 1 weighted to their relative costs within the overall Component (ie Matching Grant costs were US$5.5 million out of US$15.94 million Component 1 costs were allocated 34.5 percent of the remainder costs of US$9.39 million; similar process for Inhambane which was allocated 32.6 percent of remainder costs and Nampula which was allocated 32.9 percent

Table 4: Economic Analysis Including All Project Costs

	Present values of Flows
	Net economic –Financial
	Actual
Benefits (US$ mn)	92.7
Costs (US$ mn)	20.1
Net Benefits (US$ mn)	72.6
ERR (%)	49%

Project's Sensitive Analysis

9. The project sensitivity analysis consists of adopting a more aggressive discount factor (18 percent) in acknowledgement of the fact that in the event of interest rates rise combined with exchange rate depreciation, the discount rate of 12 percent is not sufficiently conservative.

10. The results of the sensitivity analysis indicates that under both scenarios (the component on aggregate basis and also the subcomponents), positive NPVs and ERR are greater than discount. This implies that results will still be positive even with a higher discount factor.

Table 5. Results by Sub- Component - Sensitivity Analysis (18% discount rate)

	Present Value of Cashflows			
	Benefits	Costs	Net Benefits	ERR (%)
Component 1: Improving Enterprise Competitiveness	66.64	11.463	55.18	83%
(i) Matching Grant Sub-component	10.07	3.955	6.12	14%
(ii) Promoting Tourism sector in Inhambane	23.35	3.22	19.61	120%
(iii) Tropical fruits training Centre in Nampula	28.09	3.5	24.593	64%

Table 6. Results by Sub-Component - Sensitivity Analysis (8 years forecast horizon)

	Presenter values of Flows			
	Benefits	Costs	Net Benefits	ERR (%)
Component 1: Improving Enterprise Competitiveness	56.68	12.66	44.01	90%
(i) Matching Grant Sub-component	6.937	4.37	2.257	9%
(ii) Promoting Tourism sector in Inhambane	19.92	3.61	15.77	130%
(iii) Tropical fruits training Centre in Nampula	24.43	3.83	20.59	69%

11. Similar sensitivity analysis was conducted when including all Project Costs and only Component 1 benefits. In the case of a higher discount rate of 18 percent, the resulting NPV is US$66.6 million and ERR of 41 percent. In the case of shorter time horizon of 8 years, the resulting NPV is US$52.1 million and ERR 39 percent.

Assumptions:

12. Based on the results from the monitoring and evaluation framework, information from field visits and experiences from similar projects in other African countries, the following assumptions were made:

i. It is assumed that the financial costs and benefits can be equated with the economic costs and benefits of the project sub components.

ii. The discount rate used is 12 percent based on the standard assumption that the opportunity cost of capital is 10 percent in most WB projects.[62]

iii. The project impact is expected to start materializing during project implementation, the maximum impact of the project will be reached once the relevant capacity, institutions and investment climate are strengthened. Keeping this in view, a 10-year forecast time frame is used.

iv. The additional output created by assisted firms is defined as the difference between the level of output achieved by firms assisted by the projects and the level of output these same firms would have achieved otherwise.

v. For the sub component on support to tourism sector in Inhambane it is assumed that, owing to capacity building efforts and creation of linkage contracts with SMEs, the tourism receipts of the province would grow at an estimate of 0.5 percent annually from year 2 onward. The estimate is in line with the current long term average growth rate of tourism in Mozambique.[63][64]

vi. A stable macroeconomic environment with price and exchange rate stability is also assumed.

[62] Hand book on Economic Analysis of investment Operations , OPBR, May 2006

[63] Source UN WTO Tourism Highlights , 2014 Edition

[64]Second Strategic plan for the development of tourism in Mozambique, Volume 1 Core Report
SNV, Baseline Study on tourism and socio-Economic Development in Inhambane , Maputo, December 2007

Annex 4. Bank Lending and Implementation Support/Supervision Processes

(a) Task Team Members

Name	Title	Unit	Responsibility/Specialty
Lending			
Mazen Bouri	Senior Financial Sector Specialist	GFM01	
Eduardo Brito	-		
Elias Evaristo Enoque	-		
Edeltraut Gilgan-Hunt	-		
Kabifya Edard Gondwe	-		
Friis Michael Jensen	Consultant	GTC02	
Munzele Samuel Maimbo	Practice Manager	GFM3A	
Shaun Mann	Senior Investment Policy Officer	GTCCS	
Herminia Martinez	Consultant	AFCF2	
Rita Ramalho	Manager	DECDB	
Anna Spenceley	-		
Dileep M. Wagle	Consultant	GFM01	
Lala Elias Aly	Consultant	GGODR	
Antonio L. Chamuco	Senior Procurement Specialist	GGO07	
Laura Herrera Cordero	-		
Yeshareg Dagne	-		
Laure Yvette Djachechi	-		
Joseph Thomas Doyle	-		
Kabifya Edward Gondwe	-		
Zachary A. Kaplan	-		
Uzma Khalil	Senior Financial Sector Specialist	GFM01	
Isabel Maria Nkassengo Massingue	-		
Jonathan Nyamukapa	-		
Rajagopalan Kuttalam Ramamoorthy	-		
Guilherme Jose Reis	Practice Manager	GTCTC	
Devinder Sood	-		
Ahmet I. Soylemazoglu	-		
Anna Spenceley	-		
Niraj Verma	Practice Manager	GFM06	
Faarbaek Karen De Andrade Lima	-		
Numa F. De Magalhaes	Senior Private Sector Development Specialist	GTCIC	
Delia Rodrigo Enriquez	Consultant	GTC03	
Andres F. Garcia	Senior Economist	GTC02	
Leonardo Iacovone	Senior Economist	GTC04	
Nasiru Musa	Driver	AFCW2	
Beatriz Jacqueline Veloz Lockward	Paralegal	LEGLE	
Ke Yuan	Consultant	AFREC	
Mulungo Samate Victor	-		
Celio Brasil	-		
Leitao Maraes Francisco Campos	Senior Economist	GTC13	
Olavi Michael Engman	Senior Economist	GTC06	
Deborah Porte	Consultant	GTCDR	
Zubaidur Rahman	Consultant	GGODR	
Cheikh A.T. Sagna	Sr. Social Development Specialist	GSU01	
Ahmad Furqan Saleem	Sr. Financial Management Specialist	GG013	

Zhihua Zeng	Senior Economist	GTC01	
Patrick Kabuya	Sr Financial Management Specialist	GG013	
Manuel Rosario Marapusse	-		
Maika Watanuki	-		
Michael Corlett	Senior Operations Officer	GFM01	
Ross Alan Hall	Consultant	GTCDR	
Vasco John Emerson Siquice	Program Assistant	GTCS2	
Supervision/ICR			
Mazen Bouri	Senior Financial Sector Specialist	GFM01	
Francisco Moraes Leitao Campos	Senior Economist	GTC13	
Irene de Almeida Rego F. Chagasteles	Resource Management Analyst	BPSGP	
Eden Gabriel Vieira Dava	Consultant	GSU01	
Eneida Herrera Fernandes	Senior Private Sector Development Specialist	GTC13	
Jorge Joao Faria	E T Consultant	GFM01	
Paulo Jorge Temba Sithoe	Environmental Specialist	GEN01	
Alan Ross Hall	Consultant	GTCDR	
Patrick Kabuya	Sr Financial Management Specialist	GG013	
Cheikh A.T. Sagna	Sr. Social Development Specialist	GSU01	
Emerson John Vasco Siquice	Program Assistant	GTCS2	
Paulo Jorge Temba Sithoe	Environmental Specialist	GEN01	
Zhihua Zeng	Senior Economist	GTC01	
Michelle Souto Gomes	Operations Officer	GTCA2	
Tanangachi Ngwira	Operations Analyst	GTC07	
Barbara Weber	Sr. Operations Officer	GTC07	
Alfredo Ricardo Zunguze	Consultant	GPSQP	

(-) Not listed in people page

(b) Staff Time and costs

Stage of project cycle	Staff Time and Cost (Bank Budget only)	
	No. of staff weeks	USD thousand (including travel and consultant costs)
Lending		
FY2008	33.23	166,671.37
FY2009	57.78	273,733.02
Total Lending	**91.01**	**440,404.39**
Supervision/ICR		
FY2010	51.43	111,946.60
FY2011	61.85	99,214.71
FY2012	19.10	78,466.55
FY2013	16.92	112,040.02
FY2014	32.99	182,909.93
FY2015	27.91	186,650.26
Total Supervision	**210.2**	**771,228.07**

Annex 5. Beneficiary Survey Results (Matching Grant Component)

Impact Evaluation of the Matching Grant (Summary)[65]

Introduction

1. PACDE's Component 1.1 managed and financed a matching grant program for MSMEs in Mozambique named *Mecanismos de Subsídios Empresariais* (MESE). The Component amounted to US$3.5 million post mid-term review. MESE financed 70 percent of business development services for micro-enterprises and 50 percent for SMEs. In addition, the program supported business associations with 75 percent of the costs of investments in capacity building, new services, and commissioned studies.

2. All funds allocated to the component were implemented, initially with some delays, and later with excess demand. The main activities supported by the project were design of promotion materials, website development, training of employees, and quality certification. The majority of the funds were allocated to microenterprises. Given at design it was expected a higher demand from SMEs, this required adjusting twice the categories of the lending agreement towards these microenterprises. The majority of the companies supported with the matching grant were located in Maputo, reflecting the relatively importance and sophistication of the enterprises in the capital. The program grabbed interest among firms in services sectors – a relatively low proportion were in retail/commerce, suggesting that a matching grant program is mostly oriented towards more innovative sectors such as those in services and manufacturing.

3. The component incorporated an impact evaluation from the outset. This impact evaluation is important for both understanding the effects of the program, as well as provide lessons for other similar programs. Given it was not possible to complete a randomized controlled trial due to ethical concerns of randomizing out eligible applicants, the impact evaluation design incorporated a comparison between participants and control groups of similar firms.

Beneficiary Survey Findings and Results

4. When controlling for initial differences between enterprises and general economic development over time, the impact evaluation identifies that MESE had positive effects on sales of enterprises. Our preferred estimation suggests impacts between 20-27 percent against a comparison group, although these effects are not statistically significant due to limited statistical power. These impacts are above the target set by PACDE of 10 percent. The changes in sales are associated with better business practices, mainly marketing, which is one area where MESE supported a large number of firms as well as increased market access, better usage of technology, and business investment and likely access to finance. However, the impacts on profits are not clear, and in most variables they are not always statistically significant, which in part is related to the small sample size of beneficiaries in the impact evaluation.

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[65] Note that the complete report provides extensive information on the methodology followed.

5. A total of 852 activities were supported by MESE through matching grants, reaching 363 unique beneficiary firms/associations in the country. Each grant was on average of US$4,100. Each beneficiary completed on average 2.34 activities. The average accumulated grant for each beneficiary was of US$9,600.

6. While at project design, two thirds of the grants were expected to be directed to SMEs and just 22 percent were expected to be used for micro firms, the reality showed that the majority of the firms in the country were micro (as defined by the decree No. 39/2003), and the proportion of funds had to be reallocated inversely. In the end, US$2.8 million were spent in grants with micro firms and US$400,000 were spent with SMEs. This is presented in detail in Table 3.

7. In terms of activities supported by the project, Table 1 ranks them according to the number of approved individual grants. These can be interpreted as a response to the needs raised by firms – at the baseline of the survey used for this report, firms in Mozambique raised issues of limited sales, excess competition, and workers productivity as the main constraints for business development.

8. Approximately 40 percent of the activities completed under MESE were linked directly with access to markets, namely through the design of promotion materials, websites, market research, and trade fair participation. Other activities completed have a less linear relation with sales, and can perhaps have effects on the beneficiary firm through other mechanisms, including productivity (eg: workers training, production efficiency), innovation (eg: product development), and business practices (eg: new IT, accounting systems). About 10 percent of the activities – notably business plans, short-term management, M&A - may have impacts through multiple mechanisms of firm development.

Table 1: Number and amount of grants by type of activities supported

Type of activities	Number	% of activities	Amount (US$)	% of amount
Design of promotional materials	186	22%	546,893	16%
Websites and e-commerce	156	18%	424,868	12%
Employee training	153	18%	653,807	19%
Quality certification	97	11%	541,691	16%
Business plan	87	10%	548,759	16%
Trade fair participation	64	8%	248,303	7%
IT systems	26	3%	118,829	3%
Accounting, internal auditing	20	2%	60,429	2%
Short term management contracts	18	2%	79,366	2%
Market research	10	1%	68,873	2%
M&A, partnerships, investors' search	9	1%	19,327	1%
Product development research	8	1%	65,014	2%
Improvement of production efficiency	7	1%	51,511	1%
Packaging design	6	1%	23,737	1%
Total*	***847***		***3,451,409***	

9. The Government of Mozambique had identified three priority groups for targeting: manufacturing, women-owned businesses, and enterprises operating outside of the Province of Maputo particularly in the Northern and Central Regions. In that vein, special effort were made to promote within these groups through workshops with sector

associations and enterprises of these sectors/locations. The other groups were not excluded from promotion but increased effort was provided with those groups.

10. Table 2 shows the distribution by sector of operations of the firm of number of activities and firms receiving grant. It shows that commerce and services represent the large majority of the sectors that received support. In terms of manufacturing, a total of 13 percent of the firms are from industrial and agro-processing sectors. This is a higher proportion than the 10 percent of firms that are in manufacturing in Mozambique, according to the Statistical Office Census of Enterprises.

Table 2: Number and amount of grants by type of activities supported

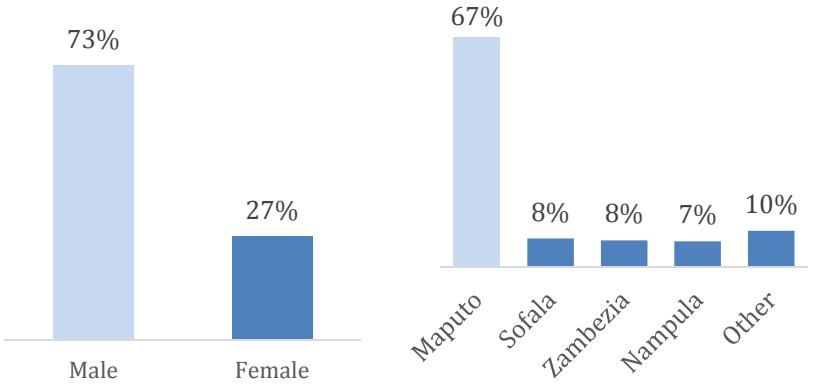
Sectors of operation	Number of firms	% of firms	Amount (US$)	% of amount
Services	136	45%	1,251,157	43%
Commerce	42	14%	458,853	16%
Hotels and Tourism	21	7%	147,678	5%
Industrial	20	7%	176,334	6%
ICT	19	6%	210,711	7%
Agriculture	17	6%	196,836	7%
Construction	14	5%	134,987	5%
Agro-Processing	11	4%	95,049	3%
Finance	10	3%	168,368	6%
Transportation	10	3%	102,120	3%

11. In terms of gender, given the program targets especially formal established firms, while women are more prevalent in the informal economy, the results reflect to some extent the composition in the country.

12. In terms of location of the business, the program was able to attract half of the applications to come from outside of Maputo but it was also in these other Provinces that the program faced higher proportion of applicants not completing the activity. This can partly be explained by the characteristics of the firms outside of Maputo: firms outside of Maputo are smaller than those in Maputo, and hence expected to be more constrained in completing applicable activities. The lower uptake may perhaps also be due to the easier access of the project team based in Maputo to the firms located in the region. Although the project had identified focal points in all Provinces (typically IPEME or district level officials), these were not part of the core project team and were often not performant in following up on applications.

13. Overall, this study seems to suggest that a matching grant program may be an important mechanism of driving private sector development in a country such as Mozambique with a relatively dense formal MSME sector. The lessons from the implementation of the matching grant in conjunction with the findings from this impact evaluation provide an opportunity for designing future programs in Mozambique and in other countries in the region – there are important lessons on organization of teams, targeting, awareness campaigns, selection processes, follow-up in implementation, and mechanisms of changing impacts, that can be very relevant for future projects. While MESE had its strengths, it had its weaknesses, and future programs should learn from both.

Figure 1: Number of firms that received grant by gender and location



Matching Grant Program – Approach and Lessons

14. In order to structure the process of awareness campaigns, selection of approvals, and follow-ups on implementation, the matching grant was structured around closed window periods of applications. These application window periods were a novelty introduced in this program – not common in previous World Bank matching grant programs in Africa, which were typically run on a first come first serve basis – and had the advantage of allowing for a better organization of the Unit's time with a well-defined division between promotion, screening and intervention stages. They were also helpful for understanding the demand for MESE early on.

15. The implementation of approved activities included 4 windows of applications with follow-up over a period up to 6 to 12 months for implementation of approved activities. The first window period of applications was from March to June 2011. This was followed by window periods in 2012, 2013, and 2014. The process of attributing grants to associations did not follow the window period selection as the number of applicants is relatively small by the nature of the applicants.

16. The Unit prepared individual Logistical Plans per Province around the launch of the Window Periods. The Logistical Plans aimed to outline for each Province the target number of applications for the Window Period and explain how MESE envisages reaching that target both in terms of promotion and logistics. The main focus of the logistical plans were to prepare carefully the collection of applications particularly in remote districts.

17. During the window periods, MESE was pro-actively promoted. The primary instrument for this promotion were presentations in workshops or seminars with the business communities of the country. In addition, other outreach instruments included advertisements on various media (newspapers, radio, etc), and leaflets to be distributed widely through associations, financial institutions, among others. The Unit also worked in the promotion with different organizations including Provincial Divisions of the Ministry of Industry and Trade, IPEME, Provincial Departments of Rural Development, Local Districts, Agencies of Local Economic Development, Business and Sector Specific Associations, Women's Entrepreneurs Associations, Microfinance and other Financial Institutions, etc.

18. Purchases of hardware, even if exclusively required for the activity being assisted, would not be eligible for grant support. Similarly, expenditures on internal costs, such as on the employment of staff, would not be eligible. Firms were allowed to receive multiple grants. No firm or group of firms under common control were allowed to receive more than $70,000 in grants in total. All grants were approved by the internal committee of advisors chaired by the Matching Grant Manager. Any grant approved by the committee that would take the cumulative total of grants received by that beneficiary firm over $35,000 would require a "No Objection" by the World Bank.

19. Although the beneficiary firm was responsible for selecting the service provider (or provide three quotes), the Unit prepared lists of service providers specialized in typical activities supported by the program including those developing websites, preparing quality standards assessments, performing training programs, preparing business plans, etc. This would be provided to firms when needed. After gathering some experience, the Unit also prepared a reference price for activities requested seldom by clients.

20. The approval of grants had to consider the following aspects:
    - That the beneficiary firm is legally entitled to operate its business in Mozambique;
    - That the special conditions applying to start-up's are met;
    - That a Plan for Business Growth developed by the firm is realistic, and appropriate to the firm's current realities;
    - That each service supplier specified in the application is technically qualified to carry out the grant-assisted activity specified; and
    - That the fees, expense budgets, days of work, etc., are in line with market realities.

21. The initial idea was for payment of grants to be on a re-imbursement basis. But as this raised issues in terms of liquidity of the beneficiary firms and in doing payments to firms directly instead of services providers, it was decided to accept direct payment to service providers after a confirmation by the beneficiary firms and evidence of a successful completion.

22. To achieve the figure of 363 beneficiaries supported, the program received applications from 819 individual enterprises/associations. A significant share of them did not reach the stage of completing activities with the support of the matching grant. Less than 50 percent of the firms that have applied initially ended up receiving the matching grant. This happened for different reasons: (1) in window 1 and 2, the Unit had limited capacity to conduct due diligence visits in all firms that had applied; (2) some firms did not submit an eligible request for support, leading to not agreeing activities with advisors; and (3) enterprises were dropped during the process of approval or implementation due to lack of responsiveness to requests for documentation or due to internal challenges[66]. Very few firms had processes taken to the committee's approval and were fully rejected – typically the processes with problems were sent back for further improvement.

[66] Some firms alleged lack of funding for their share of the activity to explain not being able to complete an activity. This lack of funding sometimes was associated with other aspects becoming a priority for the firm like dealing with a fire in their premises, dealing with more difficult economic environment, etc.

Figure 2. From applications to completed activities (as a % of firms that have applied – data of program implementation up to mid-2014)

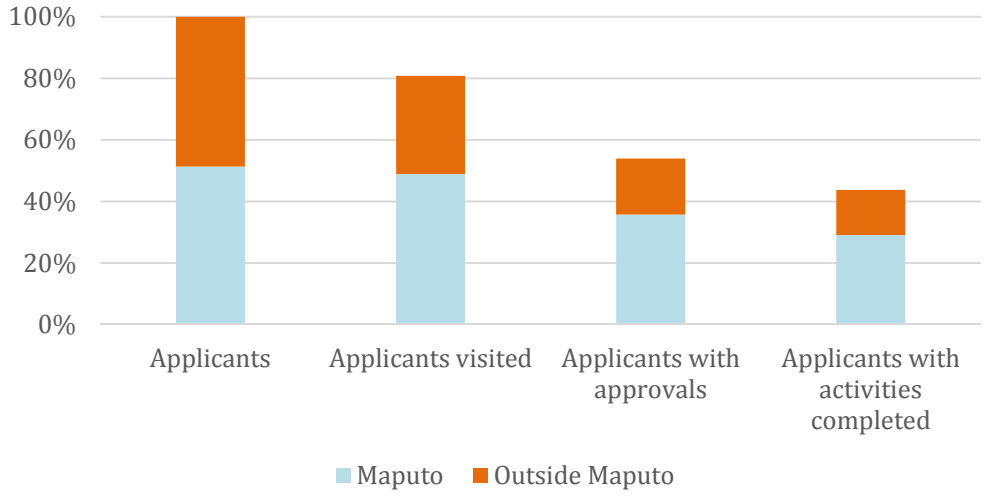


Table 3: Statistics on MESE beneficiaries (using program administrative data)

ACTIVITIES COMPLETED	Summary Statistics		Grant Disbursement (USD)		Male Owned		Female Owned	
	Obs	%	US$	%	Obs	%	Obs	&
ACTIVITIES								
Accounting, internal auditing	20	2%	60,429	2%	12	2%	8	4%
Business plan	87	10%	548,759	16%	53	10%	16	8%
Design of promotional materials	186	22%	546,893	16%	115	21%	46	22%
Employee training	153	18%	653,807	19%	91	17%	42	20%
IT systems	26	3%	118,829	3%	17	3%	9	4%
Improvement of production efficiency	7	1%	51,511	1%	6	1%	1	0%
M&A, partnerships, investors' search	9	1%	19,327	1%	7	1%	2	1%
Market research	10	1%	68,873	2%	8	1%	2	1%
Packaging design	6	1%	23,737	1%	2	0%	0	0%
Product development research	8	1%	65,014	2%	6	1%	1	0%
Quality certification	97	11%	541,691	16%	70	13%	13	6%
Short term management contracts	18	2%	79,366	2%	14	3%	1	0%
Trade fair participation	64	8%	248,303	7%	27	5%	34	17%
Websites and e-commerce	156	18%	424,868	12%	114	21%	31	15%
Total	*847*		*3,451,409*		*542*		*206*	
PROVINCE								
Cabo Delgado	11	1%	53,142	2%	11	2%	0	0%
Gaza	10	1%	30,600	1%	8	1%	1	0%
Inhambane	36	4%	112,588	3%	26	5%	9	4%
Manica	22	3%	108,804	3%	15	3%	1	0%
Maputo	583	69%	2,478,099	73%	373	69%	163	79%
Nampula	40	5%	115,125	3%	18	3%	10	5%
Niassa	5	1%	30,562	1%	5	1%	0	0%
Sofala	56	7%	185,554	5%	41	8%	7	3%
Tete	10	1%	25,840	1%	5	1%	5	2%
Zambezia	68	8%	258,573	8%	42	8%	11	5%
Total	*841*		*3,398,887*		*544*		*207*	

BUSINESS SIZE								
Associations	70	8%	293,368	8%	55	10%	6	3%
Micro	692	82%	2,788,997	81%	430	79%	182	88%
Small/Medium	85	10%	380,132	11%	58	11%	19	9%
Total	*847*		*3,462,497*		*543*		207	
SECTOR								
Agriculture	50	7%	196,836	7%	45	9%	5	2%
Agro-Processing	26	4%	95,049	3%	16	3%	10	5%
Commerce	106	15%	458,853	16%	62	12%	44	21%
Construction	33	5%	134,987	5%	28	5%	5	2%
Finance	33	5%	168,368	6%	26	5%	7	3%
Hotels and Tourism	46	6%	147,678	5%	15	3%	31	15%
Manufacturing	35	5%	176,334	6%	27	5%	8	4%
Services	330	45%	1,251,157	43%	238	46%	92	45%
ICT	48	7%	210,711	7%	45	9%	3	1%
Transportation	21	3%	102,120	3%	21	4%	0	0%
Total	*728*		*2,942,092*		523		205	
YEAR								
2011	25	3%	138,065	4%	18	3%	5	2%
2012	168	20%	621,133	18%	115	21%	47	23%
2013	298	35%	1,158,814	33%	193	36%	85	41%
2014	316	37%	1,333,113	38%	194	36%	65	32%
2015	38	4%	228,726	7%	21	4%	3	1%
Total	*845*		*3,479,851*		541		205	
Total	***852***		***3,479,851***					

Annex 6. Beneficiary Survey Results (Nampula Component)

Project Note on Impact of Training Program on Fruits

As of 30 September 2015, the Center had conducted 22 seminars and 13 training events attended by 695 participants. Among the total participants, 205 were female and 490 were male while 246 participants are from the public sector and 449 participants are from the private sector. The target number of participants had been attained but the increment in sales as a result of the training cannot be attained due to reasons beyond the control of the project. Given the longer gestation period in fruit business and establishing fruit plantation, the sales indicators expected for the project will be difficult to attain if not unrealistic in a short period of time (two years) but can be realized given longer time horizon and favorable investment condition.

Monitoring tools for the training participants was formulated and was pre-tested to the training participants on pineapple production (training 26-28 March 2014). Out of the 23 participants, there were six (6) who attempted to make a proposal to establish a three (3) hectare plantation but did not push through due to lack of capital. One participant had established about 3,000 pineapple plants in August 2015. It is expected that after 18 months (February 2017), these plants will produce at least 2,700 fruits valued at MZN54,000 (at MZN20/fruit) and 16,200 suckers valued at MZN81,000 (MZN6/sucker).

There were 18 participants of the series of seminars conducted in 2013-2014 that responded to the monitoring interview and indicated that after the seminar they have tried planted few trees of mango, papaya, avocado, and citrus in their farm but not yet for commercial purposes but for family consumption. They also indicated that beside CFF, they get information about fruit production from other sources such as television, technicians and friends.

Jacaranda requested CFF to conduct a seminar on Global Warming and Fruit Production on 26 October 2013 as a part of the company efforts to orient the plantation staff and workers on global warming and what fruit production can help to mitigate it. The seminar was attended by 26 workers and supervisors including the Farm Manager. After the seminar, tree planting was done. As a part of the company's community relation program, the seminar was re-echoed to the community within the periphery of the banana plantation. As per feedback from the Farm Manager, about 300,000 seedlings of assorted trees including fruit trees (eg mango, sugar apple, and citrus) were distributed to the community in 2014 and planted within the periphery of the plantation. Although these fruit trees are not intended for commercial purposes, this will have an impact on the nutrition of the population. With at least 5,000 fruit trees surviving and will bear fruit after three (3) years of at least 10 kilos and increasing to 30 kg per tree in five years, fruit available for family consumption will be increasing from 50 to150 tons per year which can be valued at one million to six million meticais.

There were 39 extensionist from Zambezia and Cabo Delgado that had been trained on mango and lichi production last 18-29 August 2014 as sponsored by the Fundo Desenvolvimento Agraria (FDA). FDA started the distribution of seedlings of lychee and mango in September 2015. With 10,000 seedlings of mango due for distribution in the two

provinces, these can be translated to about 300 tons of fruits after five (5) years which can be conservatively valued at MZN60 million. The FDA is expanding its program on fruit production and the CFF implements its training component. Two batches of training on mango and pineapple production had been conducted for the 44 extensionists from the Provinces of Nampula, Niassa and Cabo Delgado on 3-7 and 10-14 August 2014.

There were 24 smallholder producers and 4 students that had been trained on papaya and pineapple production on 23-28 February 2015 as a part of the project of World Vision-Nampula. However, the establishment of papaya and pineapple is still yet to be implemented as well. As planned, each of the small producers will plant 50 seedlings of papaya and intercropped with 3,000 suckers of pineapple. The 50 papaya trees are expected to produce 1,500 marketable fruits with an average weight of 1.2 kg per fruit or about 1,800 kg valued at about MZN36,000 during the first fruiting season (12 months after planting) and another 1,200 kg of fruits during the second fruiting season (18 months after planting) valued at MZN24,000. The 3,000 pineapple is expected to produce MZN54,000 worth of marketable fruits after 18 months and marketable suckers valued at MZN81,000. In 18 months a small producer with Papaya intercropped with pineapple can produce MZN195,000 worth of fruits and planting materials. Thus with at least 15 producers involved in the project, will produce at total value of sales MZN2,025 million.

There were 100 workers and supervisors of Matanuska that had been trained on the basic of GlobalGAP on 25-26Nov and 2-3 Dec 2014 as part of the requirements for the banana plantation to be accredited for GlobalGAP. The training also provided protocol to the workers and the supervisors to prevent the spread of Panama disease from Farm 2 to Farm 4. The GlobalGap accreditation had been granted to Farm 4 (300 hectares) of Matanuska in February 2015. With the Global GAP certification, Matanuska had the opportunity to sell the produce from the Farm 4. It was estimated that about 45,000 kg of banana per hectare or about 4,100 boxes (11 kg/box) can be produced at Farm 4. At a conservative price of US$9 per box, this would translate to about US$11 million value of fruits produced in the 300 hectares of banana in Farm 4.

The CFF established a one- hectare MD2 pineapple nursery in October 2015. About 40 workers were trained to do the selection, treatment and planting of MD2 pineapple suckers. One-half hectare was established as a joint venture with Amarula Farms. The CFF provided about 30,000 suckers and will pay for the cost of production while Amarula Farms provided the land and irrigation water. Amarula farms will be given a share of 10 percent of the suckers that will be produced wherein the CFF will have the first option to buy if Amarula Farms will sell instead of planting them. About 180,000 suckers are expected to be produced after 12 months valued at MZN1.8 million. Another 30,000 suckers of MD2 pineapple were planted at one-half hectare area at CFF Campus, which are also expected to produce MZN1.8 million worth of suckers. However, CFF is not planning to sell those suckers of MD2 pineapple but rather expand its MD2 pineapple nursery to about 6 hectares in 2017 to realize a potential revenue of MZN21.6 million in 2018.

With increasing interest from the public and private sector to invest in fruits, it is expected that there will be more efforts to promote the expansion of fruit production in the country. Capacity building is a critical component but has to be done in conjunction with the effort to ensure the availability of quality planting materials, capital, logistics, and other

requirements to develop the fruit industry. With this, CFF will strive to continue its effort to develop the training, research and development services capability to support the fruit industry in Mozambique.

Table. Projected value of sales indicators resulting from training activities of CFF

TRAINING	PARTICIPANT	BASIS OF ESTIMATE	PROJECTED VALUE OF SALES
Seminar on Global Warming and Fruit Production , 26 October 2013	26 Farm workers and supervisors	At least 5,000 fruit trees surviving and will bear fruit after three (3) years of at least 10 kilos and increasing to 30 kg per tree in five years. Fruit available for family consumption will be increasing from 50 to150 tons per year.	Fruit production valued at one million to six million meticais after five (5) years
Pineapple Production Training , 26-28 March 2014	23 Farm workers	one participant planted 3,000 suckers that can produce 2,700 fruits and 16,200 suckers after 18 months	MZN135,000 in 18 months
Mango Production Training – Cabo Delgado, 18-22 Aug 2014	20 Extension workers	5,000 mango seedlings distributed producing 150 tons of fruits after 5 years	MZN30 million in 5 years
Mango and Lichi Production Training-Zambézia, 25-29 Aug 2014	19 Extension workers	5,000 mango seedlings distributed producing 150 tons after 5 years	MZN30 million in 5 years
Introduction to Global GAP Training-Matanuska, 25-26Nov and 2-3 Dec 2014	100 Farm workers and supervisors	Farm 4 with 300 hectares banana plantation producing 45 tons of banana per hectare per year	US$11 million per year
Pineapple and Papaya Training-World Vision, 23-28Feb 2015	24 Producers and 4 Students	15 producers producing 2,700 kg of papaya fruits, 2,700 pineapple fruits and 16,200 suckers after 18 months	MZN2 million in 18 months
MD2 Pineapple Nursery Production, 22 October 2015	40 workers	60,000 plants producing 360,000 suckers for one hectare nursery in 18 months to be expanded to 6 hectares after 3 years.	MZN3.6 million in 18 months MZN21.6 million after 3 years

Annex 7. Results Evidence for Primary and Secondary Outcomes

This annex complements Section F – Results Framework Analysis and Section 3.2 – Achievement of PDO, by presenting evidence for reported results.

PDO Outcome: Enhanced enterprise competitiveness

Intermediate Indicator #2: Number of trainees using the acquired techniques and quality standards of improve horticultural production (target: 800). Main beneficiaries of the training included managers and workers from private sector companies, Government officials working in extension services, local producers funded by NGOs active in the agriculture sector, students and teachers from universities and other higher training institutes as well as from primary schools (Table 1).

Table 1. List of Activities and Number of Trainees - Nampula CFF

Institution/Training	Date	Group	Sex			Sector	
			F	M	Total	Public	Private
Namialo Primary School	14 Aug 2013	Students	18	32	50	0	50
	21 Sept 2013	Teachers	20	25	45	45	0
Nacala Secondary School	23 Aug 2013	Teachers	7	30	37	37	0
		Students	21	26	47	0	47
Agriculture Institute of Ribaue	05 Oct 2013	Teachers	0	7	7	7	0
		Students	12	32	44	0	44
Agriculture Institute of Nacucha	06 Oct 2013	Director	1	1	2	2	0
Provincial Directorate of Agriculture (DPA) – Cabo Delgado	23 Sept 2013	Officials	6	9	15	15	0
Meconta District Government	18 Oct 2013	Officials	1	1	2	2	0
Farm Producers of Namialo	05 Aug 2013	Producers	17	53	70	0	70
Training on Global warming and the Role of Fruits- Jacaranda	26 Oct 2013	Farm workers, supervisors	6	20	26	0	26
Seminar on Banana Disease Management	23 Mar 2014	Farm workers, supervisors	6	28	34	15	19
Pineapple Production Training	26-28 Mar 2014	Farm workers	9	14	23	0	23
Mango Production Training – Cabo Delgado	18-22 Aug 2014	Extension workers	1	19	20	20	0
Mango and Lichi Production Training- Zambézia	25-29 Aug 2014	Extension workers	1	18	19	19	0
Namialo Primary School	11 Nov 2014	Students	19	21	40	40	0
Introduction to Global GAP Training- Matanuska	25-26 Nov and 2-3 Dec 2014	Farm workers and supervisors	18	82	100	0	100
Pineapple and Papaya Training- World Vision	23-28 Feb 2015	Producers Students	4	24	28	0	28

The Role of Women in Agriculture and the importance of fruits	07 Apr 2015	Students	30		30		30
Internship program on fruits	April-June 2015	Students	2	8	10	0	10
Internship program on fruits	July-Sept 2015	Students	1	1	2	0	2
Training on Mango and Pineapple Production	03-07 Aug 2015	Extension technician	3	22	25	25	
Training on Mango and Pineapple Production	10-14 Aug 2015	Extension technician	2	17	19	19	
TOTAL			**205**	**490**	**695**	**246**	**449**

Source: 3rd Quarterly Report, July-September 2015, Management and Operation of Nampula Training Center and Demonstration Farm, Asian Institute of Developmental Studies, Inc. (AIDSI)

Intermediate Indicator #1: Number of project supported trainees using acquired skills in tourism-related businesses (target: 800) Following up from Section 3.2, Tables 2 and 3 below shows the breakdown related to tourism vocational training provided to the private sector (899) and the public sector (566).

Table 2. List of Activities and Number of Trainees from the Private Sector - Tourism Training in Inhambane

Training	**2011/12**	**2013**	**2014**	**2015**	**Final**
Train the Trainer			21	20	41
Kitchen and Pastry				14	14
Restaurant and Bar				16	16
Front Desk				14	14
Housekeeping				9	9
Stocks and Cost Control				12	12
Dive Masters				4	4
long duration vocational training					*110*
Tourism/Hospitality technical Refresher courses	153		0	242	242
Tourism/Biodiversity workshops	319		71	476	547
Total Training Courses	**472**		**92**	**807**	**899**

Source: ESHTI and Consultant Statistics shared with the team in September 2015

Table 3. Inhambane Component – Training provided to the public sector

CURSO	**ANO**				**TOTAL**
	2011/2	**2013**	**2014**	**2015**	
1. Formação Formadores	**0**	**0**	**42**	**0**	**42**
1.1. Componente Pedagogia	0	0	24	0	24
1.2. Componente prática	0	0	18	0	18
Cozinha e Pastelaria	0	0	4	0	4
Restaurante e Bar; Economato e Controlo de Custos	0	0	6	0	6
Serviços de Andares	0	0	3	0	3
Recepção	0	0	5	0	5
1.4. Cursos de curta duração	**0**	**54**	**0**	**91**	**145**
Restaurante e Bar	0	0	0	6	6

Serviço de Andares e Lavandaria 1ª Edição	0	0	0	1	1
Serviço de Andares e Lavandaria 2ª Edição	0	0	0	0	0
Gestão de Alojamentos	0	0	0	10	10
Gestão de Restaurantes	0	0	0	5	5
Serviços de Recepção	0	0	0	10	10
Agências de Viagens	0	0	0	7	7
A arte de Pastelaria	0	0	0	0	0
Enologia	0	0	0	12	12
Guias de turismo	0	0	0	7	7
Marketing	0	0	0	5	5
Informática I	0	0	0	2	2
Informática II	0	0	0	7	7
Inglês níveis I e II	0	12	0	15	25
Inglês níveis III	0	0	0	4	4
GIS	0	42	0	0	42
	2011/12	**2013**	**2014**	**2015**	**Total**
1.5. Seminários de Capacitação	**323**	**0**	**20**	**36**	**379**
Biodiversidade Marinha I	0	0	13	0	13
Biodiversidade Marinha II	0	0	0	3	3
Gestao de Residuos Sólidos	0	0	0	19	19
Gestão e Planeamento do Turismo	0	0	0	2	2
Noções básicas de gestão de negócios	1	0	0	0	1
Obrigações Fiscais no Sector de Hotelaria	7	0	0	0	7
Estatísticas do Turismo	67	0	0	0	67
Enologia	0	0	0	12	12
Marketing Turístico com recurso a TICs	0	0	7	0	7
Licenciamento	112	0	0	0	112
Gestao de Recursos Naturais e Ambiente	132	0	0	0	132
Concessoes Turisticas	4	0	0	0	4
Grande Total Sector Público	**323**	**54**	**62**	**127**	**566**

Source: Project Aide Memoir dated June 2015

Intermediate Indicator #7: Number of linkages contracts between SMEs and tourism establishments (target: 50)

Table 4. Number of Linkages established in Inhambane

Linkages	Nº of Linkages	Type of Services	Type of contract	Proof
A. Seedlings	12	Goods and Services	Payment, contract and informal agreement	Receipts and cash sales
B. Supermarkets	9	Buy and Sell	Weekly / monthly payments	Receipts; Registration of the company
C. Hotel, Lodges and Restaurants	11	Clients	Weekly / monthly payments	Receipts; Registration of the company
D. Local Market	46	Informal Sector	Cash sale	N/A
Total Linkages	**78**			

Source: Company Moçambique Orgânicos Lda.

PDO Outcome: Improved business environment

PDO Indicator 3: Number of days to issue commercial license (target: 50% reduction)

Table 5. Commercial Licensing Reform – Reduced Number of Days

Business type	**Baseline (based on SCM[67])**	**Result (based on approved Decree)**	**Reduction (%)**
Foreign representation - Delegation	19	10 or 8	59%
Foreign representation - Agency	19	10 or 8	59%
Bulk commerce	78	10 or 8	90%
Retail commerce	78	10 or 8	90%
Services Provider	78	8	90%
International trade operator - import	11	3	73%
International trade operator - export	11	3	73%
Average Baseline and Result	**42**	**7**	**76%**

Source: IFC Results Development Matrix, Mozambique Investment Climate Project

PDO Indicator #4: Number of days to issue industrial license (target: 50% reduction)

Table 6. Industrial Licensing Reform – Reduced Number of Days

Business Type	**Baseline (based on old Decree)**	**Result (based on approved Decree)**	**Reduction (%)**	**Obs.**
Large	45	31	27%	
Medium	45	17	62%	risk
	45	7	84%	no risk
Small	27	17	37%	risk
	27	7	74%	no risk
Micro	1	1	0%	
Average Baseline and Result	**32**	**13**	**47%**	

Source: Based on analysis of old and new industrial licensing regulation

[67] SCM is a time and motion study methodology to estimate the private sector's cost of complying with regulatory obligations. It strives to describe the actual procedures and costs of private companies, rather than the official descriptions of how things should be. This makes information collection from private firms a crucial component of the analysis.

Intermediate Indicator #5: Number of standards introduced for which standard setting has been initiated by the private sector (target: 9)

Table 7. Standards developed by INNOQ[68]

Nr.	English	Portuguese
1	Client Service Charter (Requirements	Cartas de Serviços (requisitos)
2	Hospitality services and catering – Requirements for the implementation of a self-control System based on HACCP principles	Hotelaria e serviços de restauração – requisitos para a implementação de um sistema de autocontrole baseados nos princípios APPCC
3	Tourism information offices – service provision requirements	Pontos de informação turística – requisitos para a prestação do serviço
4	Balanced foods for animals	Alimentos balanceados para animais
5	Management of chicken slaughterhouses	Gestão dos matadouros de frango
6	Specification requirements for cigarette	Especificação de requisitos para cigarros
7	Requirement for rations	Requisitos para racções
8	Chicken slaughtering	Frango abatido
9	Chicken processing	Processamento do frango
10	Good agricultural practices for fruits, aromatic herbs, horticulture and harvesting and post-harvest	Boas práticas agrícolas para frutos, ervas aromáticas, horticulturas para colheita e pôs colheita
11	Sawn wood	Madeira serrada de coníferas
12	Shows and events	Eventos e espetáculos

Source: Project Aide Memoir dated June 2015

[68] INNOQ is continuing to develop standards using the project (market-led) approach. Subsequent standards and norms developed are not accounted for in the ICR.

Annex 8. Summary of Borrower's ICR and/or Comments on Draft ICR

Borrower's Implementation Report (ICR)

The Government of Mozambique's (GoM) second Poverty Reduction Support Strategy (PARPA II) placed the private sector as the main engine for investment, growth, and employment. Realizing the vision set out in the PARPA II entails improving the business environment, stimulating exports, promoting growth in sectors where Mozambique has a comparative advantage, and targeting small and medium enterprises (SMEs), which generate the greatest number of jobs.

To that end, the Ministry of Industry and Commerce (MIC) requested the World Bank (WB) support for a new Private Sector Development (PSD) operation which would assist in the business environment reform efforts, in implementing the strategy to deal with greater international and regional competition, and in strengthening the small business sector.

In this context, the Mozambique Competitiveness and Private Sector Development (MCPSD) project goal was to improve the business environment and enhance the competitiveness of targeted SMEs trough implementation of activities across various sectors including tourism and tropical fruits.

The project consisted of two main technical components (improving enterprise competitiveness and promoting the business enabling environment) and a third project implementation component. It started in October 2009 and closed in November 2015. The initial close date was November 2014.

A Project Implementation Unit (PIU) was responsible for the implementation of the project. It liaised with the WB mainly through the TTL and on specific project matters with the WB fiduciary experts on procurement and financial issues. The relationship between the PIU and the WB was good and professional.

Overall, project indicators were met during the project life and, some not fully completed are likely to be materialized in follow up activities based on the foundations built by the project. Most activities will be continued by the beneficiaries of the project major components.

Based on this project experience, general lessons learned and recommendations are indicated below:

a) Country performance portfolio reviews should be a common practice because they are instrumental in addressing possible bottlenecks at institutional level.
b) Government and WB should make provision for contingencies during negotiation of credit agreement to avoid exchange rate risk, such as the SDR/USD that the project experienced.
c) The objective of creating a professional accounting body was fully accomplished with the creation of the Order of Professional Accountants (OCAM). Besides,

OCAM has now gained enough autonomy to negotiate directly financial support based on the foundation laid by the project.

In regards to the matching grant component, a program locally known as MESE, the most important lessons are recommendations are:

a) The program was implemented in a "window" system as opposed to the "first come first served" approach adopted in previous programs like PODE. The adherence at the initial stage was slow due to lack of knowledge of the benefits of the program despite the wide advertisement campaign made in the media and through the provincial and district contact points. During the 4th and last window the number of eligible and approved applicants was greater that the funds available. As a result the project had to suspend any further approvals and, in the case of a service provider covering 10 grant supported activities where there were delays in submission, only a third of the grant was paid. In order to avoid such situations it is recommend that towards the end of the program the ´first come and first served´ approach is adopted. This would enable the program to control the number of applications versus the remaining available funds and avoid the exercise of looking for additional funds.
b) The number of business advisers should be increased in future programs in order to enable the handling of increased demand from SMEs. This would also enable the program to perform all its duties such as coaching and mentoring.
c) Future programs should create a database of service providers to ensure that only qualified and credible service providers are selected.
d) More resources should be allocated in future programs to enable the field work (due diligence).
e) Programs such as MESE should not be discontinued. Since the Government has designated IPEME to be the implementing agency of future matching grant programs, negotiations should have taken place with the WB, or other donors, to ensure continuity and thus gain on the momentum created.
f) Results of the impact survey should be made available sooner in order to assist both the Government and funding agencies design better similar programs.

To conclude, the MIC has reviewed the World Bank ICR, shared with the Government for comments and contributions. On this report, the MIC would like to state its agreement with the following three key ICR evaluation criteria:

- **Relevance:** *Substantial.* The relevance of the project objectives and core activities remained relevant throughout its lifetime.
- **Efficacy:** *High.* Most project indicators, especially at Project Development Objective (PDO) level were met, and the project had a prominent role in building the capacity of numerous Government agencies
- **Efficiency:** *Substantial.* Based on the economic and financial analysis carried out at project appraisal and closure showing and ERR of 93%.

Lastly, the MIC is also in agreement with the '*Moderately Satisfactory*' performance rating attributed to the Implementing Agency based on the reasons presented under Section 5.2 related to the Borrowers Performance.

Annex 9. List of Supporting Documents

Project Files:

Project Concept Note; October 25, 2007

Project Appraisal Document; January 15, 2009

Development Credit Agreement; April 02, 2009

Restructuring Paper; July 23, 2013

Aide Memoires and Implementation Status Reports; December 2009 – November 2015

Other Documents:

Republic of Mozambique. 2007. *Rural Development Strategy*.

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Republic of Mozambique. 2008. *Strategy for the Improvement of the Business Environment (2008-2013).*

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World Bank. 2012. *Mozambique - Country Partnership Strategy for the period FY2012 - FY2015*. Washington, DC: World Bank

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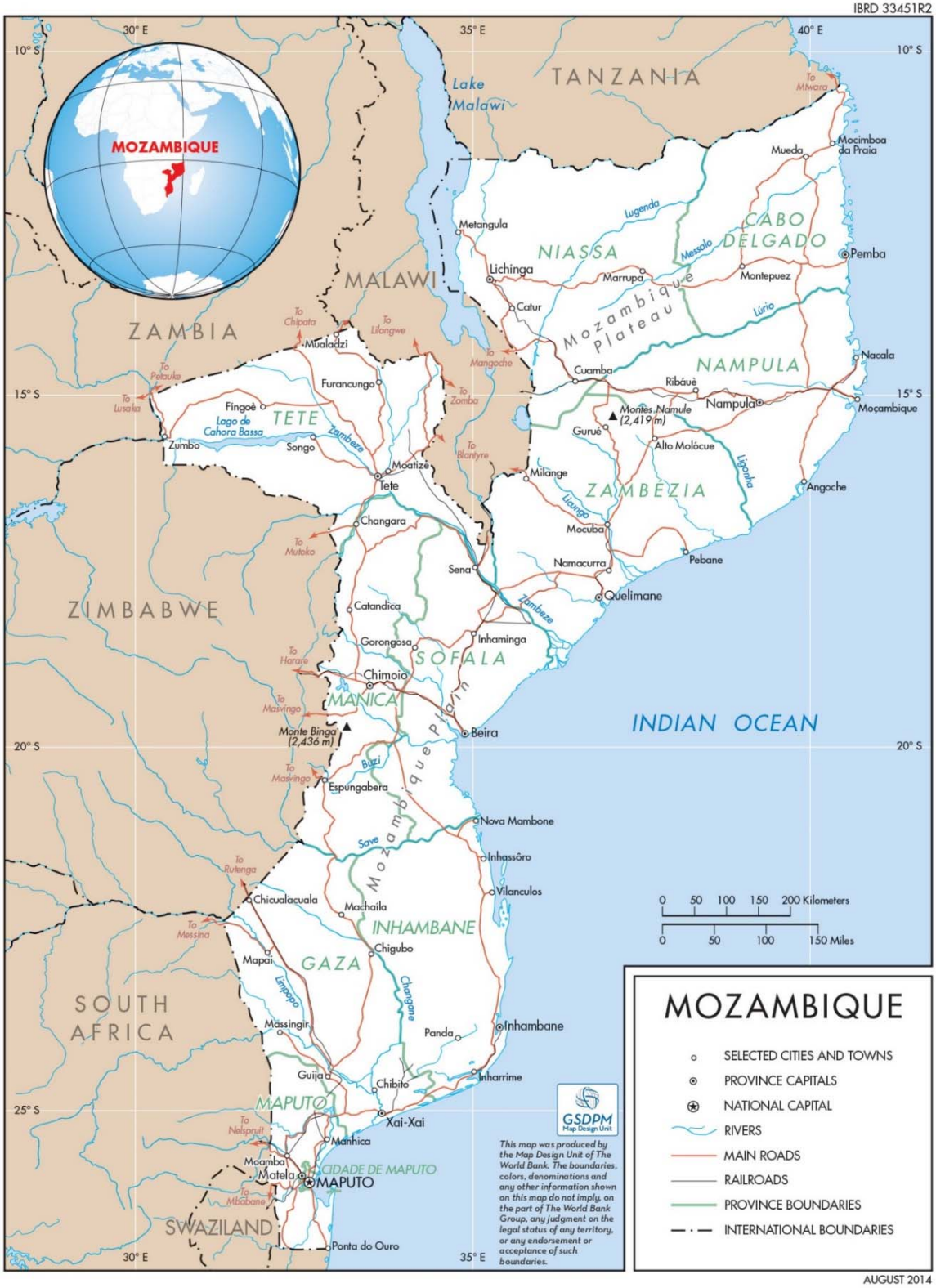
World Bank. 2013. *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises.* Washington, DC: World Bank Group.

World Bank. 2018. *Mozambique - Country Assistance Strategy for the period FY2008-FY2011*. Washington DC: World Bank Group.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SOFALA
MANICA
INHAMBANE
GAZA
MAPUTO
CIDADE DE MAPUTO
Mozambique Plateau
Mozambique Plain
Lago de Cahora Bassa
Mueda
Mocimboa da Praia
Pemba
Montepuez
Metangula
Lichinga
Marrupa
Catur
Cuamba
Ribáuè
Nampula
Nacala
Moçambique
Montes Namule (2,419 m)
Gurué
Alto Molócue
Milange
Mocuba
Angoche
Pebane
Namacurra
Quelimane
Tete
Moatize
Changara
Sena
Catandica
Gorongosa
Inhaminga
Chimoio
Monte Binga (2,436 m)
Beira
Espungabera
Nova Mambone
Inhassôro
Vilanculos
Chicualacuala
Machaila
Chigubo
Mapai
Massingir
Panda
Inhambane
Inharrime
Guija
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Moamba
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Ponta do Ouro
Zumbo
Songo
Furancungo
Mualadzi
Fingoè
To Chipata
To Lilongwe
To Mangoche
To Zomba
To Blantyre
To Petauke
To Lusaka
To Mutoko
To Harare
To Masvingo
To Rutenga
To Messina
To Nelspruit
To Mbabane
To Mtwara
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Messalo
Lúrio
Licungo
Ligonha
Zambeze
Buzi
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Limpopo
Changane
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PROVINCE CAPITALS
NATIONAL CAPITAL
RIVERS
MAIN ROADS
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