Report Number : ICRR0021078

1. Project Data

Project ID	Project Name
P115217	MZ-Maputo Municipal Development Prog II
Country	**Practice Area(Lead)**
Mozambique	Social, Urban, Rural and Resilience Global Practice

L/C/TF Number(s)	Closing Date (Original)	Total Project Cost (USD)
IDA-48110	31-Dec-2015	105,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
30-Sep-2010	30-Jun-2017	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	50,000,000.00	0.00
Revised Commitment	50,000,000.00	0.00
Actual	48,902,272.47	0.00

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2. Project Objectives and Components

a. Objectives

This project constituted Phase 2 of a two-phased Adaptable Program Loan (APL). The overall Program Development Objective (PDO) was to strengthen Maputo City Council (CMM in the Financing Agreement or FA but CCM in the ICR. For consistency, reference will be made to the CCM as presented in the ICR) to finance, manage, and maintain urban services and infrastructure. The FA for this project noted that the PDO was "to improve the delivery and sustainability of priority municipal services in Maputo Municipality" (FA, page5). The Project Appraisal Document (PAD) stated that the PDO of this second phase was "to strengthen services and support urban planning functions and metropolitan development" (PAD, paragraph 28). This review will focus on the objective noted in the FA.

b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

1. **Institutional Development** (US$12.4 million at appraisal, US$9.4 million actual). This component financed technical assistance (TA) to the City Council of Maputo (CCM) to formulate municipal policies and plans, develop and implement municipal systems, and facilitate work processes designed to improve staff performance and monitoring and evaluation (M&E) of municipal programs and activities. In addition, funds were used to train municipal officials and staff in communications, planning and municipal management, and municipal finance.

2. **Financial Sustainability** (US$4.6 million at appraisal, US$3.0 million actual). This component financed technical assistance to CCM to expand and update information in the municipal integrated multi-purpose cadaster; develop strategies to update municipal tax regulation and procedures, resolve tax-related disputes, update the value of properties within the municipality, billing and collection administration, and enable private sector participation in services, and conduct public information campaigns to raise municipal revenues. In addition, this component funded TA to consolidate all municipal procurement under one department, strengthen financial control mechanisms, and prepare annual municipal financial audits.

3. **Urban Planning** (US$15.2 million at appraisal, US$13.4 million actual). This component financed TA to CCM to improve land administration procedures, implement a municipal Geographic Information System (GIS) to help formulate urban land use, zoning, urbanization, and environmental management plans, and disseminate information regarding these activities. This component also financed TA to strengthen land tenure regularization, and peri-urban land registration using integrated neighborhood planning methodologies to improve informal settlements.

4. **Urban Infrastructure Investment and Maintenance** (US$38.1 million at appraisal, US$51.2 million actual). This component financed the reconstruction of 10 km. of the City's Julius Nyerere Avenue, rehabilitate both the primary and secondary road networks in the city as well as its drainage structures, maintain and repaid unpaved roads and drainage structures. This component also financed environmental and resettlement assessments and action plans as well as compensation for persons displaced by project financed infrastructure projects.

5. **Metropolitan Development** (US$26.7 million at appraisal, US$38.5 million actual). This component financed TA to CCM to improve planning, operations, monitoring of solid waste management in the city, solid waste collection and disposal as well as education campaigns and similar communications outreach and studies to improve the sustainability of municipal sanitation and solid waste management.

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Project Costs: Total project costs reached US$50 million and disbursed US$48.9 million at project close (ICR, Annex 1). The unutilized balance was returned to IDA in January 2018.

Financing: The International Development Association (IDA) financed this Adaptable Program Loan (APL) with US$50 million equivalent. Both the City Council of Maputo (CCM) and the Government of Mozambique provided counterpart financing for the project (see below).

Borrower Contribution: Annex 1 of the ICR indicated that the Government committed two levels of counterpart financing: one, through the CCM at US$40 million at appraisal (actual US$49.7 million), and two, from the Government of Mozambique at US$15 million (US$16.9 million actual).

Dates: The project became effective in February 2011 and was set to close originally in December 2015 but was extended to close in June 2017. A Mid Term Review (MTR) was conducted in September 2013. There were three Restructurings:

- In January 2014 (ICR, section 1.7) to amend the implementation arrangement by establishing a Project Management Team within the City Council of Maputo (CCM) called the Office of Strategic and Institutional Development (OSID); to amend the target value of an intermediate indicator; the Solid Waste Management Fee structure; and reallocate proceeds between disbursement categories.
- In December 2015, to extend the closing date from December 2015 to December 2016 to accommodate the completion of three infrastructure works, and amend the Legal Covenant guiding the Solid Waste Management Fee.
- In November 2016, to extend the closing date a second time, from December 2016 to June 2017 to complete newly identified drainage problems in two major infrastructure works.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The PDOs contributed to the country's Five Year Development Plan 2015-2019 by supporting two of plan's five priorities, namely, to improve productivity and competitiveness, and to develop economic and social infrastructure. This relevance was justified on the basis of Maputo being the largest city and hence, heightened potential to contribute to the country's overall economic growth. The PDOs were also relevant to the decentralization pillar of this development plan, the two other pillars were consolidating the democratic rule of law, and good governance. Maputo's enhanced capacity to deliver and maintain urban services and infrastructure provided a roadmap to inform the country on its decentralization strategy while its use of the Citizen Report Card as part of an institutional monitoring and evaluation system directly supported its aim for accountability and good governance.

The PDOs were consistent with the World Bank's Country Partnership Framework (CPF) for 2017-2021. The PDOs were relevant to two of the three focus areas of the CPF - (I) promoting diversified growth and enhanced productivity by improving the business environment for job creation; and (ii) enhancing sustainability and resilience by increasing accountability and transparency of government institutions.

Rating
Substantial

b. **Relevance of Design**

The project design was consistent with the phased approach of the financing instrument, the APL. This project was the second phase of a two phased APL and followed the extensive consultations with stakeholders, who identified investment priorities supported by this project (roads and solid waste management) and analytical work under Phase 1. The objective was clearly stated. The Project Results Framework (PRF) linked outputs and outcomes in a logical manner even though there were specific shortcomings discussed under Bank Performance (see Section 8 below). Weaknesses in design were revealed in technical design of the projects. One was the technical design of the rehabilitation of Ave Julius Nyerere. That design was prepared in the early phase of the APL and was not updated to consider the growth of the informal sector along the avenue, which affected erosion and flooding in the area. The informal sector also showed social and economic impacts during implementation, which delayed implementation. There was also lack of an in depth analysis of the drainage basin, which again contributed to delayed implementation in the rehabilitation of Ave Nyerere. Another design shortcoming was the consideration of a heightened risk from a separately funded alternative disposal site, which was part of the whole solid waste management delivery chain. A third design shortcoming was an overestimated financial management capacity of the implementing entity even though this project was a continuation of an earlier phase. These design shortcomings were addressed successfully after the 2013 MTR.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1
Objective
The FA for this project distinguishes two sub-objectives, the first is "to improve the delivery of priority municipal services in Maputo Municipality"

Rationale

This project constituted Phase 2 of a two-phased Adaptable Program Loan (APL). The overall Program Development Objective was "to strengthen Maputo City Council to finance, manage, and maintain urban services and infrastructure." The single PDO noted in the FA -"to improve the delivery and sustainability of priority municipal services in Maputo Municipality" - was divided into two sub objectives: to improve delivery and to improve sustainability.

The project results framework provided evidence in the ICR linking outputs to the resulting capacity of the CCM to finance, manage, and maintain urban services and infrastructure. These outcomes were directly attributed to the project as evidenced by the increase in real estate tax revenues, the use of the Citizen Report Cards to inform investment priorities, budgeting for operations and maintenance of infrastructure projects, particularly transport and solid waste management, both financed by the project as well as the creation of a Masters program in Planning and Management of Informal Settlers to generate a cadre of local practitioners. The only drawback in the project outcome was the inadequate attention paid to the disposal segment of the solid waste management service delivery. The existing dump site was reaching full capacity and a new dump site was identified but would have been separately funded. A critical assumption made during the project design was that this new site would have been ready for use by project close but had not yet started by the time of the ICR (ICR, Section 2.2, paragraph 2).

As an APL, the following three triggers were met before this Phase 2 could begin:

- per cent nominal increase in own-source revenues
- amount of solid waste deposited in the landfill
- additional km of unpaved roads in good condition per year

The following trigger was considered substantially met - per cent of organizational units with new staffing table defined and existing personnel redeployed. One trigger remained unmet - the development and implementation of an Integrated Financial Management System (SIGEF) (ICR, footnote 1). This component was removed as a trigger to be an entirely separate operation, but which was eventually cancelled.

The key outcome indicators of this first sub-objective were (PAD, paragraph 31):

- percent of cumulative annual real increase in revenue from property tax (real estate tax or IPRA) collections,
- annual coverage by priority municipal services (solid waste, land tenure, and access to all-season roads),
- mean user perception of quality of public services, and
- number of direct beneficiaries, of which 51.5% are female

OUTPUTS:

- The average processing time, in days for construction licenses was reduced to 45 days from a base line of 75 days to a revised target of 45. Revised target days took into account changes in procedures required

under the project.

- Annual surveys of Maputo residents were conducted and reflected in annual Citizen Report Cards, which were widely disseminated (original target, annual surveys between 2012-2014, achieved)
- Municipal Financial Execution Report was publicly disseminated through the municipality's website (target annual posting, achieved)
- 126% of recurrent expenditures were covered by own-source revenue (baseline 96%, original target 100%, exceeded). In 2016, own source revenue exceeded expenditures by 26% and in 2017, by 7%.
- MTn 202.4 million in recurrent expenditures spent on operations and maintenance on roads (baseline of MTn 7.89 million, target MTn 9.59 million, exceeded). Expenditures for 2017 reached MTn 186.65 million for operations and maintenance on roads, covering most paved and unpaved roads in Maputo.
- 20 spatial plans were prepared covering 30 barrios with land use oriented by land use spatial plans (baseline 9 barrios, target 17 barrios, exceeded).
- 194 km of non-rural (urban) roads were rehabilitated and/or maintained over the life of the project (baseline was 0, target 28 km, exceeded).
- Two informal settlements (baseline 0, target mentioned several) were improved. 102 families were affected by the rehabilitation of the two informal settlements and 55 of them compensated, with 5 families pending compensation by project close.
- The Metropolitan Transit and Transport and Solid Waste Commissions were initiatives to improve metropolitan coordination in key sectors such as transport and solid waste. These two commissions were operational by project close (baseline, 0, target 2 sectoral metropolitan commissions implemented, achieved).

OUTCOMES:

- Consumer Price Index (CPI)-adjusted annual real estate tax collections increased by 281% covering the period 2010-2016 (baseline not available, target 288%, virtually achieved 281%). The real estate tax base expanded through (I) reassessment of property values using new real estate tax legislation; (ii) additional 20,000 properties incorporated into the fiscal cadaster. The real estate tax collection for the first half of 2017 already reached 236% so, on track to achieve or exceed project target.
- 1.14 million residents (target 0.73 million, target 1.04 million, exceeded) solid waste collection reached 100% coverage in Maputo representing 90% of the municipality. The Solid Waste Commission is operational. Revenue from the cleaning fee is 54% of the costs of all collection contracts and full cost recovery had not yet been achieved by project close.
- 33,057 households had secure land tenure formalized with Rights of Use and Access to Land or DUAT (baseline, not available, target 30,800 households, exceeded). This increase was due to the implementation of a systematic land tenure regularization campaign focused on peri-urban areas where more poor households were concentrated.
- 968,963 people in urban areas had access to all-season roads (baseline 60,000, target 300,000, exceeded). The increase was the result of physical investments such as the rehabilitation of key access and main arteries and improvements in secondary paved roads and unpaved roads in peri-urban areas. Municipal current operating expense for road maintenance increased by more than 16 times. The

Metropolitan Transit and Transport Commission was operational and a metropolitan perspective adopted for providing priority urban services (both in transport and solid waste).

- The mean user perception of the quality of public services reached 2.7 (baseline 2.8, target 3.0, not achieved). The target was not achieved but perception remained stable. Disaggregated results indicated improved perception in solid waste management collection and road and street conditions. The last Citizen Report Card was completed in December 2015. The percentage of residents who expressed dissatisfaction with the conditions of the city's roads and streets decreased from 43% to 35%.

Rating
Substantial

Objective 2
Objective
The second objective is to improve the sustainability of priority municipal services in Maputo Municipality.

Rationale
This project constitutes Phase 2 of a two-phased Adaptable Program Loan (APL). The overall Program Development Objective (PDO) was to strengthen Maputo City Council to finance, manage, and maintain urban services and infrastructure.
The key outcome indicators of this objective were the same as those in Objective 1 above.

OUTPUTS:

- A communications strategy and a participatory budgeting methodology were implemented. A residents survey "Report Card" was conducted annually. CCM website and Facebook page were operational and provided an alternative means to reach citizens. Participatory sessions were conducted at district levels to obtain inputs for the municipality's Five Year Program, Deconcentration Plan, and Strategic Municipal District Plans. Open elections were conducted for the President and councilors of municipal districts who were previously appointed by the municipal president.
- A non-computerized Medium Term Expenditure Framework as an instrument for annual planning and budgeting was implemented.
- There was an increase from 37% (baseline) to 96% in signed procurement contracts from 2012 to 2016 (target 100%) within specified deadlines for the period 2012-2016.
- 15 Partial Urbanizations Plans were completed covering 20 neighborhoods (baseline 0, target, 60% of mainland peri-urban neighborhoods (PAD, Annex 4, paragraph 23). Four environmental plans and an environmental education plan were completed and implemented in schools (baseline, targets not provided). *Sistema Integrado de Gestão Municipal* (SIGEM or Integrated Municipal Management System) modules were expanded to support land use management.
- 38 students, including 13 senior and technical staff from the municipality have completed the coursework

for a master's degree in planning and management of informal settlers (baseline 0, target 10 scholarships). Five municipal managers and technical staff (target met) participated in a study tour in Brazil.

OUTCOMES:

- Enhanced municipal capacity to respond to residents feedback for services as evident in the use of Citizen Report Cards for service delivery priority setting and enhanced transparency and accountability of CCM.
- The partial implementation of the deconcentration plan (baseline covering 7 districts and 63 neighborhood structures, PAD, Annex 4, paragraph 14) resulted in increased coverage in street cleaning, maintenance of unpaved roads, and solid waste collection. Participatory budgeting processes resulted in investments in small neighborhoods according to their priorities (e.g., rehabilitation of primary schools and playgrounds).
- Increase in private investment in municipal infrastructure such as the rehabilitation of public open spaces, public kiosks and toilets, construction of six restaurants in municipal fairgrounds, other infrastructure to support cruise tourism in Portuguese Island (baseline was 22 PPP projects plus 6 in the pipeline, PAD, Annex 4, paragraph 16).
- For the period 2010-2016, property tax collections increased by 281% (baseline 2009 with 20,000 active registries that yielded US$1.3 million in tax revenues and 128,000 in taxable properties, PAD, Annex, 9, paragraph 16), and own-source revenues increased by 118% in real terms for the period 2011-2016. The municipality maintained a ratio between own source revenue and current expenditures equal to 126% in 2016 (baseline 96%, target 100%, exceeded).
- The Medium Term Expenditure Framework was used to carry out comprehensive financial planning linked to the municipality's strategic plans and annual budget cycles. Annual audits contributed to improved financial processes.
- Centralization of procurement functions (baseline decentralized functions) resulted in better programming, rationalization, and control of municipal expenditures.
- Land use and environmental planning were enhanced, with SIGEM and set the foundation for more equitable and sustainable municipal land management. SIGEM improvements will lead to a unified register for all functional municipal units and improve municipal administrative services even though not all functional units have adopted all the SIGEM instruments.
- The School of Architecture has installed and began to offer a Masters Program in Planning and Management of Informal Settlers (baseline 0, target 1, achieved) developed under the project to train future practitioners.

Rating
Substantial

5. Efficiency

Economic Efficiency: The ICR presented economic and financial analyses (EFA) in Annex 3 focusing on the same three components (these include (i) roads and maintenance, of the neighborhood improvement investments, (ii) financial sustainability component, and (iii) solid waste management services) analyzed during appraisal and adding economic efficiency analyses for the neighborhood improvement investments along Ave Nyerere that were not yet identified at appraisal. The Annex provided extensive evidence of the project's positive benefits from the project investments for all components. A cost benefit analysis was used for urban infrastructure investments as was done during appraisal. A financial analysis was conducted for the Financial Sustainability component of the project as well as for the solid waste management services under the Metropolitan Development component of the project (ICR, paragraph 72 and Annex 3). Benefits were measured according to the type of intervention. For roads, time saved measured benefits from the project, property appreciation measured benefits for slum upgrading. The same discount rate of 12% was used both at appraisal and at project close (note that at mid project implementation, the discount rate recommended by the Bank for road projects was reduced to 6% and would have resulted in an even higher IRR for this project). Actual costs using 2010 prices were used to compare with costs used during appraisal. Cost comparison was used "with" and "without the project" scenarios. In the case of the financial sustainability component of the project, benefits came from the cumulative increase in property taxes, the share of own source revenues against current operating expenditures, and the current operating expenditures for road maintenance.

The ex post IRR attributed to the increase in property tax revenues was 46% and for increases in operating surplus was 136%. The ex post ERRs for the upgrading of the two neighborhoods registered at 125% for the George Dimitrov neighborhood and 299% for the Chamanculo C neighborhood. The ex post ERR for the rehabilitation of the Nyerere Avenue was 49% even without adding values from benefits derived from reduced flooding, lessened erosion along the rehabilitated roads, lower road accidents, and appreciation of property values and economic development along the rehabilitated road. The ex post IRR for the solid waste management component of the project was 14%. The ICR pointed to a lack of a target cost recovery rate for the solid waste management component of the project as a shortcoming of its Project Results Framework (ICR, Section 2.3, paragraph1). These ex post rates of return covered 67% of total project cost (ICR, Section 3.3, and Annex 3, Table A3.13)
For purposes of the comparison below, EIRRs refer to the urban infrastructure investments and maintenance for the Nyerere Avenue, which was assessed with an EIRR of 153% at appraisal (PAD, Annex 9, Table 9) and an the ex post EIRR of 49% (ICR, Section 3.3, and Annex 3, Table A3.13).
Implementation Efficiency (Administrative and Operational): The early implementation period experienced operational inefficiencies particularly in financial management and procurement. The 2013 MTR introduced changes such as transferring the overall project coordination to the newly created Office of Strategic Institutional Development (OSID), hiring a dedicated financial management specialist, and a procurement analyst. Construction of Ave Nyerere experienced quality delays, financial problems with the original construction consortium, contract termination, reparation and refund to compensate for execution problems, and finally a rebidding after revising design and including new drainage works. These actions resulted in extending the project end twice (effectively an 18 month extension). Additional resources were made available because of the devaluation of the local currencies in 2016, which allowed for financing infrastructure

works (a market) to complement a segment of Ave Nyerere occupied by informal settlements. Delays in compliance with a legal covenant pertaining to increases in solid waste management fees resulted in two FA amendments and led to achieving the agreed 40% increase in revenues from these fees.

Efficiency Rating
Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal	✓	153.00	23.00 ☐Not Applicable
ICR Estimate	✓	49.00	44.00 ☐Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

Relevance of objectives was rated substantial. The overall efficacy of objectives was rated substantial. Efficiency was rated substantial even though there were significant initial operational inefficiencies, which were sufficiently addressed after the 2013 MTR. Relevance of design was rated modest because of shortcomings derived from the technical design of a project component which led to implementation delays, but given most of these issues were dealt with following the MTR, the overall outcome rating is Satisfactory.

a. Outcome Rating
Satisfactory

7. Rationale for Risk to Development Outcome Rating

The following pose risks to the sustainability of the project's development outcomes:

- Technical - the systems and procedures instituted under the project may not be sustained over time, including applicable software updates. There may be insufficient own-resources to pay for these periodic updates and there were no indications in the ICR to suggest that these systems, for example, the municipal revenue module under the municipal's own management information system (Geo-referenced Integrated Municipal Management System or SIGEM) would be supported in the future. New management tools under

SIGEM were noted as pending adoption by all units. The ICR only pointed to requiring CCM authorities to give it high priority.

- Institutional capacity - Improvements introduced in capacity within CCM are anticipated to be sustained over time because implementation was incorporated into the CCM internal structure. However, human resources remain a work in progress requiring continued support by municipal authorities. Municipal elections are scheduled for 2018 and introduces uncertainty regarding support for improvements introduced by previous administrations. The CCM's long term engagement with the World Bank under the municipal management sector is also winding down. There will be need to identify a new medium term strategy to expand municipal development engagement. The continued use of the annual Citizen Report Cards as visible tools for residents to demand accountability requires both talent retention and political willingness on the part of CCM to invoke support for this transparency culture.
- Environment - the closing of the project without the completion of the new landfill poses a risk to the positive outcome of the solid waste management component. To mitigate this risk, a new sanitary landfill, the Maputo-Matola landfill, secured funding from the Korean Export-Import Bank but has not started because of issues such as resettlement of settlers in the site. While that landfill will be constructed, the old one has reached maximum capacity, disposal of waste that continues to be generated, poses health and environmental risks to city residents.
- Sustainability of own source revenue - Increased collections from the real estate tax revenues depend on expanding the tax base and requires periodic update of fiscal cadasters and would benefit from implementing the SIGEF. SIGEF remained pending by project close and poses substantial risk to meeting CCM's financial administration. In addition, while road maintenance and operations are on track for continuing support (districts trained on spot repairs of unpaved roads after rains, annual budgets and work plans routinely include road maintenance and operations) the picture for solid waste management is not as strong. Monitoring the quality of service made by private providers of waste collection is complex; overpayment for waste collection service remains a challenge because of lack of equipment (equipment to weigh incoming garbage was not working for extended periods of time but an alternative methodology was adopted, which was not as accurate), and lack of an alternative disposal site that was supposed to have been funded outside the project poses serious risks to the outcome under this component. In addition, full cost recovery remains elusive even as targets for increased revenues from solid waste management fees were reached by project close. Willingness to achieve full cost recovery depends on the strengthened capacity and political will of CCM and municipal leadership.

a. Risk to Development Outcome Rating

Substantial

8. Assessment of Bank Performance

a. Quality-at-Entry

This project was the second phase of a two-phased program. The project design benefited from lessons learned from the preceding phase. The project complemented the medium term priorities of the city despite a change in municipal leadership in between projects. A new mayor was elected in 2008 and continued to support the earlier strategic framework for municipal development. Evidence derived from the earlier project also strengthened the project's design and a ready road map to implement this second phase. Consultations and outcomes of the annual Citizen Report Cards , which formed part of the M&E system of the previous project, also informed the priority infrastructure projects (roads and solid waste management). The quality at entry benefited from the sequences planned for the project, beginning with strengthening municipal capacity, institutional, and financial reform which laid the groundwork to deliver infrastructure services. However, the weaknesses identified during the implementation of the first phase of the program continued into the second phase although these were successfully addressed in the course of supervision (below). Overall, continuity was a beneficial hallmark of the project design. The ICR did not indicate that the Bank had a continuing role in ensuring transition arrangements for the regular operations of CCM after loan closing beyond having strengthened its capacity (ICR, Section 2.5).

There were two important risks categories identified at appraisal - those that posed risks to meeting the PDO and those that posed risks to achieving component results. None of the risks were rated as High but two were rated Substantial. Only one substantial risk to meeting the PDO pointed to a possible lack of central government action on policies supportive of municipal development and its own-source revenue mobilization efforts (PAD, paragraph 68). This risk was to be mitigated by policy dialogues to ensure municipal control over local tax instruments. The other substantial risk noted was that CCM may not be able to mobilize resources to meet its commitment to the project or to sustain systems and assets financed under the project. This was mitigated by central government and project support to strengthen CCM capacity to collect taxes and fees. Communications activities were identified to address constituent awareness of the links between taxes and service delivery. This last effort resulted in the effective use of the Citizen Report Cards to provide feedback on setting investment priorities as well as paying for improved basic services. One risk identified at appraisal was the capacity of the CCM which would lead to implementation delays. This risk was to be mitigated by training and the implementation of SIGEF. However, SIGEF was removed as a project component to be a separate operation, which was eventually cancelled. CCM managed to implement SIGEM as an alternative.

Quality-at-Entry Rating

Moderately Satisfactory

b. Quality of supervision

The Bank conducted regular, biannual supervisory missions and closely coordinated regularly with counterparts. The Bank team proactively identified and resolved threats to achieving development outcomes. For example, a project implementation unit within CCM was created to ensure fiduciary compliance and overall project coordination. Another example was updating the design of the road and drainage works when inspection noted new conditions, such as informal settlements after the original design was completed. Mission findings were comprehensive, and candid as evidenced by the frank discussions to arrive at solutions to operational issues such as an unacceptable Resettlement Action Plan. An audit was even

started to ensure safeguards compliance when a private investor compensated informal settlers to move out of a segment of Ave Nyerere they occupied because the private investor was interested in developing the area. This was after an alternative Resettlement Action Plan was adopted to resettle the informal settlers and make room for drainage improvements in the area. Another example is the Bank's team use of implementation status ratings to motivate the implementing entity to positively address issues like reducing the number of days required to process construction licenses. The Bank team conducted its MTR in 2013, a few weeks later than originally scheduled, but with no substantive impact on its outcome. In that MTR, the Bank team also identified how to address the shortcomings of the implementing entity's fiduciary role by recommending the formation of the OSID and a dedicated financial specialist and procurement analyst to address operational inefficiencies. Changes introduced after the MTR and 2015 Restructuring improved project performance.

The weaknesses that emerged from the previous phase carried into this second phase. For example, the technical design of the Ave Nyerere was not updated to consider the informal settlers who have now populated a stretch of the avenue, affecting flooding, soil erosion, and social and economic considerations that were not part of the original design prepared in the early 2000s. These drawbacks delayed implementation and eventually resulted in cost overruns. Another setback revolved around the solid waste management delivery chain. A new landfill was part of the service delivery but was funded outside of the project and its delayed implementation highlighted the risk of not having control over the whole chain of delivering solid waste management services. Finally, the Bank team overestimated CCM capacity when a large amount of financial transactions during the first part of project implementation resulted in delays. The 2013 MTR recommended and the CCM responded by creating the OSID to oversee project implementation.

Quality of Supervision Rating
Satisfactory

Overall Bank Performance Rating
Moderately Satisfactory

9. Assessment of Borrower Performance

a. Government Performance
The Government showed its continued support to the project by agreeing to the overall program to be implemented over two phases and committing timely resources through the Ministry of Finance and the Ministry of Environmental Coordination in support of the implementing agency, the CCM (below). The Ministry of Environmental Coordination reviewed the Environmental Impact Assessments of infrastructure works. The Government's commitment to the project was also reflected in disbursing more that its original counterpart commitments (see Section 2, Borrower Contributions). In addition, the Council of Ministers approved a decree in 2010 allowing revaluing urban properties, paving the way for increased revenue potential for CCM and other municipalities.

Government Performance Rating
Satisfactory

b. Implementing Agency Performance

The implementing agency was the City Council of Maputo (CCM). CCM continued as the implementing entity from the first phase of the project into this second phase. CCM was in charge of overall implementation, coordination, financial management and procurement, Once a large number of transactions resulted in implementation delays during the first half of implementation, CCM created a new department, the OSID to be in charge of overall project coordination following the 2013 MTR. The local executive supported this project, carrying forward the commitment made by the previous leadership. There was a commitment to a robust M&E system to inform local leadership and heightened the implementing entity's accountability in the face of citizens who were surveyed annually (since 2006) and provided feedback through its Citizen Report Card (CRC) system.

CCM, however, had a problem implementing its Resettlement Action Plan for a segment of the Ave Nyerere, which required emergency drainage works to safeguard the road investment and people living along the drainage canal from flood risk and soil erosion. An audit was not yet finalized when the ICR was completed to see if the non-relocation of the informal settlers followed Bank safeguard procedures after the settlers accepted financial compensation from a private developer interested in the area, sidestepping the implementation of an agreed upon Resettlement Action Plan.

There were also financial management and procurement issues (see Section 11, Other Issues (b) Fiduciary Compliance below), which were addressed by the 2013 MTR by forming an OSID, hiring a dedicated financial management specialist and a dedicated procurement analyst. Additional resources were made available because of the devaluation of the local currencies in 2016, which allowed for financing infrastructure works (a market) to complement a segment of Ave Nyerere occupied by informal settlements.

Implementing Agency Performance Rating

Moderately Satisfactory

Overall Borrower Performance Rating

Moderately Satisfactory

10. M&E Design, Implementation, & Utilization

a. M&E Design

The design of the project's Monitoring and Evaluation (M&E) system continued the system developed under Phase 1 of the project. New indicators were jointly identified by both the Bank and the implementing entity and enhanced the robustness of the Project Results Framework. The M&E system included evaluation activities that included financial support to implement the conduct of surveys to generate annual Citizen Report Cards (CRCs), which registered perceptions regarding the quality of delivering infrastructure services in the city. CRC findings were disseminated in local newspapers and helped identify weaknesses in service provisions and determine municipal priorities. Municipal authorities held public forums to discuss CRC findings.

b. M&E Implementation

The CCM implemented the M&E system to track progress in implementing the project activities. M&E indicators were also integrated into other municipal planning instruments. CCM collected M&E data. Line managers of each directorate collected data in his or her area and submitted the data to the OSID, a department of CCM. OSID was responsible for the overall project coordination and monitoring. Independent consultants were hired to oversee the evaluation instruments, including the CRC surveys. CRC covered neighborhood safety, garbage collection, health centers service provision, drinking water supply and its quality, road surface conditions, neighborhood cleaning, public transport, school vacancies, electricity supply, and drainage. In addition, as part of the CRC, random Maputo residents from seven municipal districts were interviewed to capture more in depth perceptions of the quality of municipal services and priorities.

c. M&E Utilization

The information from the M&E system informed the project's challenges. The CCM used the M&E system to report to the mayor, the municipality's consultative council, the municipal assembly and other stakeholders. High visibility in the use of M&E data served to motivate CCM staff to provide data and contribute to project implementation. For example, CRC findings were disseminated in local newspapers, identified weaknesses in service provision, and helped municipalities inform ts investment priorities. Municipal sponsored public forums discussed CRC findings, which facilitated accountability of the CCM’s actions.

M&E Quality Rating

Substantial

11. Other Issues

a. Safeguards

The project triggered Environmental Assessment (OP/BP 4.01) as well as Natural Habitats (OPP 4.04), Physical and Cultural Resources (OP/BP 4.11) and Involuntary Resettlement (OP/BP 4.12). The CCM prepared Environmental Impact Assessments and Environmental Management Plans. The CCM was adequately staffed and secured compliance with environmental safeguards.

Compliance with social safeguards was uneven. The Resettlement Action Plan (RAP) for a segment of the Ave Nyerere was satisfactory but the RAP for the segment where there were more informal settlers was more problematic. Project funds were used to placate settlers who did not agree to relocate by creating a market with improved accessibility for both consumers and vendors using resources brought about by foreign exchange gains. Erosion and flood risk in another segment of Ave Nyerere required emergency drainage works, which would have resulted in resettlement of some families who lived along the drainage canal. The Bank did not accept an inadequate RAP for this part of the works because the resettlement site was far away from original residences, located in a flood-prone area, which had no access to basic

infrastructure (ICR, footnote 7). The Bank agreed to a subsequent solution but before that could be implemented, a private developer compensated the informal settlers because of its interest in developing the area. The Bank required an audit of the transaction to make sure that safeguard compliance was met. That audit had not yet been submitted by the time of the ICR completion.

b. Fiduciary Compliance

Financial Management: Performance in financial management was problematic early in the implementation period. Recurring slow disbursements, errors in financial reports, excess payments in some categories, delays in submitting audit reports and management letters were evidence of inadequate financial management capacity. This was addressed during the 2013 MTR by hiring a dedicated Financial Management Specialist to be part of the newly formed OSID formed to serve as the new project coordination unit within CCM. Following the 2013 MTR, the ICR noted improved financial management performance with timely and satisfactory financial reporting. In addition, ICR Annex 2, Section B.2 noted that after dropping the Municipal Financial Administration System (SIGEF), which would have improved financial execution and improved financial controls mechanisms, CMM instead conducted annual internal and external audits of all municipal accounts. These audits led to improved financial processes following the implementation of audit recommendations. The project itself was audited and the last one submitted in June 2017 indicated a qualified rating by the independent auditors.

Procurement: Early implementation experienced delays arising from limited procurement capacity to respond to a high volume of transactions. A dedicated procurement analyst was hired following the 2013 MTR as part of the newly formed OSID at CCM, which resulted in improved performance. The ICR added that the specialist assisted CCM's own procurement team and contributed to enhancing its capacity.

c. Unintended impacts (Positive or Negative)

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d. Other

An issue with a legal covenant referring to the increase in the solid waste management fee under the project required two amendments to the FA. The first amendment was made in the 2014 Restructuring where, instead of two 20% increases by July 2013 and by December 2015, a single 40% increase by end of 2014 was adopted. The second amendment was made in the 2015 Restructuring where the target increase was revised to a 30% increase by end of 2015 and included a 10% decrease in the commission earned by the electric company for including the collection of the solid waste management fee in its electric bill. An increase in the number of additional users/payers resulted in reaching the targeted revenues.

The new Maputo-Matola sanitary landfill secured funding from the Korean Export-Import Bank but experienced delayed implementation because of issues with resettlement. There was no alternative landfill in

the works by project close. Meanwhile, waste continued to be generated and present health and environmental hazards to Maputo residents by project close.

The financial management component of the project called for the completion of the Integrated Financial Management System (SIGEF) but both the Bank and the Government agreed to have this component financed by another World Bank Program (Cities and Climate Change Project) to be implemented by the Ministry of State Administration and Public Function and include not just Maputo but 19 other cities for a total of 20 cities. The component was expanded from a financial management module to a wider municipal management system. The project did not materialize but CCM developed a municipal revenue module under its own management information system called SIGEM.

12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	---
Risk to Development Outcome	Modest	Substantial	New SIGEM tools are pending adoption. Acute health and environmental risks remain while the new landfill is pending implementation. Full cost recoverability of solid waste management services appear elusive.
Bank Performance	Satisfactory	Moderately Satisfactory	There were shortcomings at design and the default methodological protocol is rounding the rating down.
Borrower Performance	Satisfactory	Moderately Satisfactory	There were issues with the implementing agency and the default methodological protocol is rounding the rating down.
Quality of ICR		Substantial	---

Note
When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons

The ICR presented a dozen lessons from this operation. The most important are listed below:

- **A country can use the opportunity offered by a strategic vision in pursuing sector reform (e.g., municipal development), by an optimal use of an appropriate lending instrument such as an Adaptable Program Loan (APL).** In this project, the Government, both at the national and local levels, committed, through effort and counterpart resources, its largest and capital city Maputo as a laboratory to showcase what a long term engagement (i.e., two phases of five years each), could achieve by sequencing interventions that engaged its citizens (annual Citizen Report Cards) to strengthen accountability and institutional processes, studies and practical evidence that inform the way forward, deliver improved municipal infrastructure services and mobilize revenues.
- Project design benefits from having control over the whole spectrum of infrastructure delivery. For example, a new landfill was evidently needed but because it was funded outside the project, the solid waste component of the project was deemed completed even if there were heightened environmental and health risks from the accumulation of waste absent the completion of another disposal site by project close. In addition, an Integrated Financial Management System (SIGEF), which was pending implementation from the first phase of the APL, and originally was a trigger to proceed to Phase 2 (this project) became a standalone project, which was cancelled in the end. The project required an integrated financial management component for sustainability so the project came up with alternative modules and a non-computerized solution, which affects sustainability.

14. Assessment Recommended?

No

15. Comments on Quality of ICR

This ICR was concise, clear, results-oriented, and consistent with the OPCS guidelines for a revised structure beginning in July 1, 2017. There was a clear description of the project story line, objectives, and key indicators to assess outcome. There was abundant evidence of project results, particularly in the use of the annual Citizen Report Cards. Significant changes during implementation, like the solid waste management fee determination, the delay in constructing a separately-funded new landfill, the lack of progress in the Integrated Financial Management System (SIGEF) that was originally part of the project, as well as construction delays caused by an outdated road works technical design, were candidly discussed, particularly as these affected operational efficiency. There were very minor internal inconsistencies with regard to dates (Mid Term Review, Restructuring).

a. Quality of ICR Rating

Substantial