Document of
The World Bank

Report No: 22962-MOZ

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 47.1 MILLION
(US$ 60 MILLION EQUIVALENT)

TO THE

REPUBLIC OF MOZAMBIQUE

FOR A

HIGHER EDUCATION PROJECT

February 4, 2002

**Human Development 1**
**Country Department 2**
**Africa Regional Office**

CURRENCY EQUIVALENTS

(Exchange Rate Effective )

Currency Unit = Meticais
SDR 1.0 = US$1.27114 (October 2001)
US$1.0 = M22,824 (October 2001)

FISCAL YEAR
January 1 -- December 31

ABBREVIATIONS AND ACRONYMS

| | |
|---|---|
| **BP** | Bank Procedures (World Bank) |
| **CAS** | Country Assistance Strategy |
| **CBP** | Capacity Building Project (in support of UEM; closed Sept. 2001) |
| **CFAA** | Country Financial Accountability Assessment |
| **CFPP** | Primary Teacher Training Institute (before 1998) |
| **COESCT** | Higher Education, Science and Technology Advisory Council |
| **EIA** | Environmental Impact Assessment |
| **ENM** | Nautical School of Mozambique |
| **ESSP** | Education Sector Strategic Program |
| **FDI** | Foreign Direct Investment |
| **FMS** | Financial Management System |
| **GP** | Good Practices (World Bank) |
| **GDP/GNP** | Gross Domestic Product/Gross National Product |
| **GIU** | University Installation Unit |
| **GoM** | Government of Mozambique |
| **HEI** | Higher Education Institution |
| **HEP** | Higher Education Project |
| **HIPC** | Heavily Indebted Poor Countries |
| **ICT** | Information, Communication and Technology |
| **IDA** | International Development Association (World Bank Group) |
| **IFC** | International Finance Corporation (World Bank Group) |
| **IMAP** | Primary Teacher Training Institute (after 1998) |
| **ISCTEM** | Higher Institute of Science and Technology |
| **ISUTC** | Institute for Transport and Communication |
| **ISPU** | Higher Polytechnic and University Institute |
| **ISRI** | Higher Institute for International Relations |
| **MESCT** | Ministry of Higher Education, Science and Technology |
| **MINED** | Ministerio da Educacao (Ministry of Education) |
| **MDLN** | Mozambique Distance Learning Network |
| **MPF** | Ministry of Planning and Finance |
| **OD** | Operational Directives (World Bank) |
| **OP** | Operational Policies (World Bank) |
| **OPN** | Operational Policy Note (World Bank) |

| | |
|---|---|
| **PCU** | Project Coordination Unit |
| **PEES** | Plano Estratégico do Ensino Superior (Higher Education Strategic Plan) |
| **PMR** | Project Management Report |
| **PIM** | Project Implementation Manual |
| **RAP** | Resettlement Action Plan |
| **QIF** | Quality Enhancement and Innovation Facility |
| **UMB** | Mussa Bin Bik University |
| **UCM** | The Catholic University of Mozambique |
| **UEM** | Universidade Eduardo Mondlane (Eduardo Mondlane University) |
| **UP** | Universidade Pedagogica/Pedagogical University |

| | |
|---|---|
| Vice President: | Callisto Madavo |
| Country Manager/Director: | Darius Mans |
| Sector Manager/Director: | Dzingai Mutumbuka |
| Task Team Leader/Task Manager: | Soren Nellemann |

**MOZAMBIQUE**
**HIGHER EDUCATION PROJECT**

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Annexes

MOZAMBIQUE
Higher Education Project

# Project Appraisal Document

Africa Regional Office
AFTH1

**Date:** February 4, 2002
**Country Manager/Director:** Darius Mans
**Project ID:** P069824
**Lending Instrument:** Sector Investment & Maintenance Loan (SIM)

**Team Leader:** Soren Nellemann
**Sector Manager/Director:** Dzingai Mutumbuka
**Sector(s):** ET - Tertiary Education
**Theme(s):** Education

**Poverty Targeted Intervention:** Y

**Program Financing Data**

[ ] Loan [X] Credit [ ] Grant [ ] Guarantee [ ] Other:

**For Loans/Credits/Others:**
**Amount (US$m):**

**Proposed Terms (IDA):** Standard Credit
**Grace period (years):** 40
**Commitment fee:** 0.75

| Financing Plan (US$m): Source | Local | Foreign | Total |
|---|---|---|---|
| BORROWER | 11.12 | 0.00 | 11.12 |
| IDA | 23.37 | 36.63 | 60.00 |
| **Total:** | 34.49 | 36.63 | 71.12 |

**Borrower:** GOVERNMENT OF MOZAMBIQUE
**Responsible agency:** MINISTRY OF HIGHER EDUCATION, SCIENCE AND TECHNOLOGY
Address: Av. Julius Nyerere, 1586, Maputo, Mozambique or www.mesct.gov.mz
Contact Person: Lidia Brito, Minister
Tel: Mobile: 258-82-322026 Fax: Email: mesct.lbrito@teledata.mz

**Estimated disbursements ( Bank FY/US$m):**

| FY | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | | |
|---|---|---|---|---|---|---|---|---|
| Annual | 0.05 | 4.35 | 12.20 | 15.50 | 18.90 | 9.00 | | |
| Cumulative | 0.05 | 4.40 | 16.60 | 32.10 | 51.00 | 60.00 | | |

**Project implementation period:** 2002-2007
**Expected effectiveness date:** 06/01/2002 **Expected closing date:** 05/31/2007

## A. Project Development Objective

**1. Project development objective:** (see Annex 1)

This project is a continuation of the World Bank support to the education sector in Mozambique. This support derives from the development of a national strategy for higher education approved by the Council of Ministers in August 2000 and builds upon the detailed Plan of Operationalization of the strategy subsequently developed by the Government of Mozambique (GoM) and approved by the Council of Ministers on July 3, 2001. The World Bank is one of the partners supporting the Government in implementing this ten-year long program aimed at the nation-wide strengthening of higher education. The Government's goal for this period is to achieve a diversified, flexible, integrated and cost effective higher education system, and to train the high level labor force urgently needed for the socio-economic development of the country.

The development objectives of the proposed Higher Education Project (HEP), in line with the national objectives, are to:

*(a) enhance internal efficiency and expand the output of graduates;*
*(b) improve equitable access (gender, location and socio-economic), and*
*(c) improve the quality of the teaching-learning process and the relevance of the curriculum.*

Project activities are intended to support the elements of the national program covering the higher education system within public, private and nonprofit higher education institutions (HEIs), and in the new Ministry for Higher Education, Science and Technology (MESCT).

**2. Key performance indicators:** (see Annex 1)

Progress towards the project development objectives will be assessed in terms of:

(a) An increase in the absolute number of students graduating in all HEIs, from 786 in 2000 to 1,500 in 2006; an increase by 5 percentage points in the number of students from the North (10% to 15%) and Center (30% to 35%) enrolled in public HEIs by the year 2006;

(b) A reduction in the licenciatura completion time by increasing the admission/enrollment share from 16.3% (1,471 admitted/9,021 student enrolled in 1999) to 18.3% (20% is the ideal) in public HEIs by 2006;

(c) Curriculum changes in selected faculties that show evidence of increased use of new and updated materials and computers for word processing, information gathering, and data analysis.

(d) Qualitative reforms in the teaching-learning process, in selected faculties, that provide strong evidence of an increase in the use of student centered, project-oriented approaches, integrated with computer use, and providing a measurable increase in the proportion who pass rather than fail each course.

The individual HEIs will also develop a specific set of indicators.

## B. Strategic Context

**1. Sector-related Country Assistance Strategy (CAS) goal supported by the project:** (see Annex 1)
**Document number:** IDA/R2000-76. **Date of latest CAS discussion:** June 1, 2000.

The approved CAS for Mozambique was designed around the Government's Five Year Program and its emerging Poverty Reduction Strategy Paper (PRSP) discussed at the Board on September 25, 2001

(IDA/SecM2001/0550). It has three pillars: (i) increasing economic opportunities through private sector led growth; (ii) improving governance and community empowerment; and (iii) strengthening human capabilities -- central elements for encouraging innovation and competitiveness in order to promote employment and achieve the greatest impact on poverty. The CAS acknowledges that Mozambique's capacity to *develop human resources at all levels is vital both for the attainment of long term sustainable and equitable economic growth, thereby reducing poverty*, and, more immediately, for increasing the supply and quality of high level skills, experience and innovation in the labor force, for the purpose of achieving these goals.

**2. Main sector issues and Government strategy:**

**Background**

***Summary.*** Since the first elections in 1994, Mozambique has been one of the fastest growing economies in the world, but it remains one of the poorest countries, with a per capita income of US $210 (2000). Further sustained economic growth is critical for long term social and economic development and reduction in poverty levels. Concurrently, Mozambique is facing an acute shortage of high level professional skills which are critical for sustaining investments, improving public service delivery and providing leadership for the country. Aside from the shortage of professionals in the economy -- such as doctors (1 to 50,000), agriculture specialists, managers, accountants (there are no Mozambican certified accountants in the country), pharmacists (7 to 16 million people), engineers etc., -- the education system itself is suffering from a lack of teachers with a college degree to teach at the post primary level. At the same time, the higher education system needs to be better integrated and overall delivery improved: the quality of higher education graduates in some areas is low, the content of the curriculum inadequate to meet changing labor market requirements, research is limited and not oriented towards areas of country development, women and students from the northern areas are severely under-represented and the number of university students graduating each year is very low (about 800 for a country of 16 million people), resulting in a very high cost per graduate for publicly financed HEIs. These issues are a major concern of the Government.

The Government, as part of its overall strategy for education, has therefore intensified its efforts to strengthen the higher education sub-sector. The Bank and donor support to the basic education sub-sector, including secondary education, is already fully funded and under implementation within the framework of the US$700 million sector wide "Education Sector Strategic Program" (ESSP). The Bank has accordingly accelerated its support for the development of a project for the tertiary education sector.

***The economy, prospects for growth and poverty alleviation.*** GDP growth averaged 5.5% annually between 1987 and 1996 and *11% annually between 1997 and 1999.* In 1998, the formal modern sector accounted for more than one third of the GDP of US$3.5 billion and about 60% of domestic revenues (World Bank Growth Prospects Paper, 2000). At the same time, investor confidence has grown. Between 1996 and 1998 merchandise exports increased by 42% and Foreign Direct Investment (FDI) now represents a tenfold increase over FDI in the early 1990s. FDI is high relative both to the size of the economy and to other African countries. While some recent figures imply a peaking of infrastructure investments and modern sector development, other signs suggest that foreign investor confidence is growing rapidly and *FDI sources are becoming more diverse.* Mozambique is expected to continue to grow at 7 to 8% per annum over the next five years. Maintaining high economic growth rates and long term prospects for poverty alleviation, supporting investment in new areas, expanding employment opportunities, and increasing national income and government revenues will continue to rely on the formal modern sector and depend on foreign investor confidence and investments -- *areas heavily dependent on the availability of high level managerial and professional skills.*

***Achievement and constraints in primary and secondary education.*** The education system and the country as a whole continue to suffer from a very limited number of higher level graduates. Only 3% of the population have attended secondary school, technical education or higher education. Enrollment into upper secondary education has increased almost ten times since 1993. There are now about 9,000 students enrolled and 4,000 students graduating every year. However, due to the expanding economy and the limited number of upper secondary schools, the shortage of secondary graduates persists. Progress is being made, as enrollment into primary education has almost doubled (by 900,000 children) since 1993 (see also Annex 4). As a result, in 1998, the primary gross enrollment rate reached 92%. However, only one out of three children completes grade 5. In response to this attrition rate, substantial efforts are underway to improve the quality of teaching and learning and increase the retention of students. A similar trend is evident at the lower secondary level and the upper secondary pre-university level.

***External efficiency: labor force - structure, demand and supply.*** The labor force reached 9.7 million in year 2000, an increase of about 60% since 1990. Approximately 9%, or *about 800,000 people, are employed in the formal modern sector.* However informal labor market surveys show that there are virtually *no Mozambicans employed in middle and higher level management positions in the largest foreign companies.* Many industries are currently facing the need to replace an aging stock of educated professionals trained in the period preceding the civil war, and now nearing retirement. Thus far, the country has relied on imported labor to meet demands for professional or highly trained staff. This strategy has not only failed to build capacity in the country, but has pushed the Government to limit the employment of foreigners in companies through legislative measures, thus, possibly jeopardizing future investments, if the number of Mozambican professionals is not rapidly increased.

Further evidence of excess labor market demand is provided by frequent reference to students from the engineering and economic faculties of Eduardo Mondlane University (UEM) leaving for employment before completing their thesis and formally graduating. Conservatively assuming zero growth Mozambique will have to replace about 1,200 professionals every year to fill the available jobs in the public sector alone. In comparison, in 1998, *the total number of new higher education graduates in Mozambique was only 786* (World Bank, Education Cost and Financing Study, 2000/PEES, GoM, 2000). Under the current positive and realistic growth scenario evidenced by the present level of investment, the shortfall of professionals and the demand for graduates and high level professionals will be even greater. Finally, in addition to demand for normal replacement, the prevalence of HIV/AIDS is likely to have a deleterious impact on overall attrition rates and increase further the number of professionals required.

**Higher education issues**

The central sector issues for the higher education sector are described in detail in the Government's Strategic Plan for Higher Education, 2001-2010, Working Document 1 (see under **www.mesct.gov.mz**). Among key issues are the following:

***Supply and coverage.*** The higher education system reflects the country's history. At first there was only one university, Eduardo Mondlane University (UEM), offering courses modeled on the Portuguese system, with 5-6 years of study leading to a single qualification (*licenciatura)* along with a limited number of shorter degree programs. During the civil war coverage remained limited. After the peace agreement in 1992, UEM remained the main provider of higher education, accounting for about 75% of total enrollment of which about 25% were women. New admissions remained fairly stable between 1992 and 1995, at around 1,000. However in the last five years the system has begun to expand, albeit on a weak financial basis (see also Annex 4. Economic Analysis).

By 1999 total higher education enrollment had increased to 11,619 and new admissions doubled from 1,088

in 1995 to 2,155 in 1999. At the same time *the number of applicants to public HEIs continues to be five times* that of the available vacancies (PEES, Working Document, GoM, 2000). This situation is due to the high social demand in relation to available space and not all of this number have the requisite qualifications for the course they wish to pursue. At the same time, largely because of cost factors, the number of vacancies in the private HEIs in some areas is higher than the number of applicants. Concurrently, there are certain programs or areas of education that are not offered by the public HEIs, but are in high demand by both the public and private sectors -- such as accountancy (there is no degree program equivalent to Chartered Accountant (ACA or ACCA), Certified Public Accountant (CPA), or "Revisor Oficial de Contas" (ROC), tourism (there are no tourism schools or programs), informatics engineering, dentistry, pharmacy and business. In addition there is an acute shortage of teachers for the teacher training colleges and secondary schools of the rapidly expanding education sector.

There are currently ten HEIs in Mozambique as shown in the table below (see Annex 12 for details).

| Name/Ownership | Year Established/ Upgraded to HE Status | Location (+ Branches) | Number of Courses (2001) | Number of Students (1999) |
|---|---|---|---|---|
| **Public Institutions** | | | | |
| Eduardo Mondlane University (UEM) | 1962 (renamed | Maputo | 22 | 6,800 |
| Pedagogic University (UP) | 1976) | Maputo + Branches | 12 | 1,987 |
| Higher Institute for International Relations (ISRI) | 1985 (renamed 1995) | in Sofala & Nampula | 1 | 234 |
| Nautical School of Mozambique (ENM) | | Maputo City | 3 | N.A. |
| Academy of Police Sciences (ACIPOL) | 1986 Upgraded 1991 | Maputo City Maputo Province | 2 | 127 |
| **Private Institutions** | 1999 | | | |
| *Private Denominational Institutions* | | | | |
| Catholic University of Mozambique (UCM) | | | 9 | 1,035 |
| Mussa Bin Bik University (UMB) | 1995 | Beira + Branches in Nampula & Niassa | 3 | 133 (in 2000) |
| *Private Profit Institutions* | 1998 | Nampula | | |
| Higher Polytechnic and University Institute (ISPU) | | | 8 | 919 |
| | 1995 | Maputo City + Branch in Quelimane | 7 | 644 |
| Higher Institute of Science and Technology of Mozambique (ISCTEM) | 1996 | Maputo City | 3 | 200 |
| Institute of Transport and Communication (ISUTC) | 1999 | Maputo City | | |

***Private sector involvement and the emergence of the non-government sub sector.*** As indicated above perhaps the most significant and dramatic development of the past seven years in Mozambican higher education has been the end of the state monopoly over its provision. The private and religious HEIs which have emerged offer alternatives to the older public institutions, bring healthy competition and functional complementarity. While they face similar issues of low academic quality and inadequate learning environment and materials, they demonstrate what can be done in terms of creative attention to issues of demand driven education, accountability, teacher management and performance evaluation. More generally they illustrate, and disperse to the public, the idea that higher education can be delivered and managed in many different forms.

***Fiscal framework and financing of higher education.*** Higher education is consuming up to one fourth of overall public spending for education in Mozambique (see Annex 4 for details). Public funding is allocated

in the form of institutional grants; only public HEIs are eligible for receiving these. The level of financing is defined by the actual level of expenditures by category (staff costs, equipment maintenance, etc.) in the preceding budget periods and is the subject of negotiations between the Ministry of Planning and Finance (MPF) and the management of separate HEIs. This kind of fiscal framework provokes a tendency for education management to inflate institutional demands for inputs. It also undermines incentives for revenue generation or savings in public budget allocations, as the transfer of funds between categories of the public budget is prohibited and all potential savings are expected to be returned to the MPF. Self-generated funds in public institutions (up to 14% of state budget financing at UEM) and donor financed projects are recorded and managed separately from public financing, thus, resulting in reduced efficiency in management.

Public financing is covering staff costs, educational inputs and many non-educational expenditures (staff housing at UEM, student bursaries, food etc.). Tuition fees in public institutions are very low (below US$100 per year) while students in private institutions contribute, at a minimum, ten times more. Public HEIs operate several student scholarship schemes that provide financial assistance to most needy students.

***Graduation rates and internal efficiency.*** The number of new graduates in *public* HEIs remained approximately 260 a year between 1992 and 1994, increasing slightly to 398 graduates in 1995 and 483 graduates in 1998. Expressed as a proportion of total student numbers however, *the public graduation rate is very low, at only around 47% per year* (the net graduation rate *is less than 10%* (see Annex 4)). The low level of graduation points to a high degree of wastage and low efficiency of the public system. This combined with internal inefficiencies of institutional governance and management, entailing low utilization of staff and facilities, has resulted in the low graduation rates and high costs per graduate. The average public expenditure per student is at par with average per capita spending in Anglophone and Francophone Africa (see Annex 4), but because of the low internal efficiency the cost per graduate is very high.

***Quality and relevance.*** Another issue is the situation that many courses and programs offered at public HEIs, are outdated, of *limited relevance and quality* and do not respond to the demands of a fast growing economy, specific needs in individual provinces, or emerging sectors. Furthermore, and more important, *the style of learning is often rote learning, in a situation where problem solving and innovative skills are what employers seek* (The 100 Biggest Companies in Mozambique, KPMG, 2000). This is exacerbated by the limited motivation and incentive for academic and administrative staff in public HEIs to improve their teaching, learning and research and respond to changing times. In general, research facilities, library and educational materials are limited and outdated, with correspondingly deleterious effects on the overall learning environment.

***Sector integration and capacity for policy design and implementation.*** The HEIs are *not well integrated and articulated,* with limited possibilities for students to move across comparable programs within or between institutions. Furthermore, general policy coordination and monitoring of sector performance is weak. Equally important for understanding the development of higher education in Mozambique is the fact that for many years the university system operated under a centrally planned economy, paying limited attention to internal and especially external efficiencies and such issues as the allocation and management of resources. Finally, in the absence of a definitive legal framework, there is an inadequate demarcation of responsibilities and articulation between the new Ministry and the HEIs.

***Equity: gender, provincial access and socioeconomic disparities.*** As described in Annex 4 there are still *severe geographical disparities of access between Maputo and most other provinces,* resulting from a concentration of HEIs in the south, where job opportunities are greatest and the life style most attractive.

Between 1990 and 1999 about 60 % of students were from Maputo or the South, compared *with only 10% from the North and 30% from the Central provinces*. Although increasing demand for higher education has brought an expansion of HEIs, this expansion continues to benefit the higher income groups (Education Costs and Financing Study, 2000). At the same time the weak financial solidity of the newer private HEIs points to the inadequacy of resources among students. Finally, in public HEIs less than 1/3 of students are female. This is partly due to the limited number of girls graduating from secondary education.

**Government strategy**

***Issues:*** The three issues driving the Government's initiative in higher education were the need to: (a) meet social demand for higher education through expansion of access and enhanced equity, (b) respond to labor market demand and national skill requirements, and (c) increase efficiency in the use of available resources.

***Strategic plan process and policy initiatives:*** Signaling the seriousness of its intent to address these issues, the Government *formed a new Ministry of Higher Education Science and Technology (MESCT) in early January 2000* with a view to strengthening the coordination and direction of policies in the sector. Together with the Higher Education Task Force established in October 1999, this accelerated the preparation of the National Strategic Plan for Higher Education (PEES). The strategy has been the subject of extensive participatory consultation and was refined in a national seminar, "Expansion with equity, guarantee of quality" in July 2000 opened by President Chissano. The strategy, approved by the Council of Ministers in August 2000, forms the basis for a variety of initiatives undertaken in Mozambique higher education (see also sections D.4: Government's Commitment).

The overall objectives of the strategy are expected to be met through a comprehensive set of initiatives and policies. These include *national policies and a fiscal framework* for the system of higher education at large as well as actions and measures carried out at *institutional level* within the framework of institutional autonomy. The Plan for the Operationalization of the Strategy was approved by the Council of Ministers on July 3, 2001.

By introducing a nation-wide vision of higher education, and by suggesting a comprehensive set of measures to achieve this vision, the Government is proposing significant innovation and seeking to turn a disconnected set of independent institutions into a coherent national system of higher education. While the 1993 Higher Education Law provides the legal framework it is envisioned that the new measures for such a system will be provided under the revision of the Law on higher education.

The proposed law, including a national fee policy, will provide the grounds for stable and more transparent resource allocation and a fiscal framework for higher education, built on formula-based institutional grants and contractual obligations of public institutions for service delivery. An increasing share of public financing will be allocated in the form of support for payment of student tuition. Some public financing would become available to support educational innovation. The nation-wide approach will be reflected in the national regulatory framework that will facilitate innovation in higher education and enhance the quality of academic programs. Public resources will be invested in the diversification of higher education through support for increased variety in the programs and courses being offered, greater geographic spread of educational provision (including expansion in the North and Center of the country) and the introduction of new types of educational institutions and distance education. Opportunities for private providers of higher education, diversification of providers and the non-arbitrary allocation of public funding will define the new external environment for autonomous higher education institutions and provide incentives for increased efficiency in service provision.

***Actions and measures:*** The Strategic Plan also envisions a comprehensive set of measures at the

institutional level that would support improvements in the internal efficiency and cost-effectiveness in the sub sector. These measures include *reform of curriculum, reduction in time of licenciatura programs and implementation of a bachelor and master degree* in existing institutions. This will be complemented by the introduction of programs of shorter length and different design, tailored to meet labor market needs and the requirements of individuals (including evening programs, one to two year long programs, associate degree etc.) that will require new 'college' type institutions. Expansion of remedial programs (general and in maths and science) for graduates of secondary schools would also contribute to improved graduation rates and higher efficiency within educational institutions. Curriculum reform will be complemented by large scale training activities and up-grading of the cadre of faculty for existing and new educational programs. Instructional excellence will be encouraged by the introduction of faculty evaluation in public institutions and promotion of new ideas and teaching methods through the Quality Enhancement and Innovation Facility (QIF).

Measures to increase utilization of resources (space, equipment, staff time) will be undertaken. Within a framework of institutional autonomy, measures will be undertaken to improve the quality of professional institutional management, ensure internal support for academic excellence and develop incentives for additional revenue generation and cost savings.

***Constraints:*** The sector is however, also faced with numerous *constraints*. Leading and coordinating this reform process is a complex task for a new Ministry. The intention is to build a balance between the programs to be implemented by the new Ministry and those at the institutional level, in which the Ministry focuses on overarching issues such as systemic planning, coordination, regulation, monitoring and evaluation. The Ministry will be also taking the lead in such initiatives as the development of alternative models for structuring an integrated higher education system, including new types of HEIs and programs. The current project is seen by the Government as an important instrument in sector-wide strengthening, and increased participation, especially by smaller and private HEIs and provincial governments. The strategy as a whole defines the potential and momentum for change on which the Bank project is being built.

The specific activities to be supported under the PEES are outlined in the Plan of Operationalization of the Strategy for Higher Education and described in the draft Letter of Sector Policy.

**3. Sector issues to be addressed by the project and strategic choices:**

While, the project will support the entire national program as outlined in the Plan of Operationalization, *there are specific issues that the project will address:*

***(a) Limited capacity and operational efficiency of the sector.*** The project regards the development and improvement of system wide operational capacity and efficiency as an issue of first order priority. It will be addressed first, through strengthening the policy and fiscal framework for higher education (new legislation, building capacity of the Ministry for Higher Education and for the establishment of the Higher Education, Science and Technology Council (COESCT). Second, it will support measures for strengthening the operational capacity of the Ministry and institutions of higher education, focusing on the skills of management staff in the areas of planning, budget management, monitoring and policy implementation. Third, more in-depth diagnosis of the sector efficiency issues will be undertaken and used as a background for policy changes in the area of resource allocation and resource utilization, including formula based budgeting, measures for cost-saving and revenue generation by individual institutions and internal institutional staffing and teacher motivation issues. The introduction and use of ICT and improving capacity and financial management are key elements.

***(b) Low quality, variable relevance, and weak market linkages.*** The issues of academic quality and relevance are the second set of core issues selected for attention by the project. They will be addressed

through support for curriculum reform, expansion of remedial programs, and the introduction of programs of shorter duration and manifest need. In order to improve the quality of instruction and the teaching-learning process, the project will finance improvements of the learning environment - in particular library and IT facilities - and training staff for new teaching methods and course content. Improved market linkages will be strengthened by the project through developing demand driven financing principles (provincial scholarship program), innovations and the development of programs and courses of high market demand - tourism and hotel management, teacher training, general, public, and private business management. This will also include support for the development of a degree program in accountancy, identified as a high priority by the Government in the Country Financial Accountability Assessment (CFAA).

***(c) Access inequities, slow graduation rates, restricted pipeline.*** Issues related to equity, access and low graduation rates constitute the third area of project attention. These issues will be addressed through a combination of interventions on the supply and demand side. Improved operational efficiency at institutional level, better quality and more relevant course content, achieved within the current public resource envelope, will increase the output of graduates. Additional actions on the demand side (putting additional resources into a scholarship program), support for new types of institution, opening up for private sector diversification, geographic diversification of existing institutions (UEM and UP) and the introduction of distance education (the Mozambique Distance Learning Network) and other delivery modes will ease geographic and gender inequality in access. The latter will be supported through a number of secondary school scholarships for girls under the on-going ESSP and extending pre-university courses (remedial courses through distance education or counseling groups of teachers).

**Strategic choices**

Mozambique reflects in extreme form issues that face higher education in most countries on the African continent. These issues will not be resolved quickly or neatly; they require long term commitment and a gradual approach. The context in which decisions about focus, selectivity and concentration take place is one of a reform process that is just beginning. The country is working towards a supportive policy framework and ultimate vision for higher education. The project can encourage, stimulate and support government steps in these directions but can not itself create them. Within this context there are a number of strategic choices that the Government and the project team have made during the design of the project.

***Higher education investment.*** It could be argued that the country's state of poverty and the slowly changing enrollment profile provide little basis for investment in higher education at this time. Neither the Government nor the Bank share that view for several reasons.

First, the extent and severity of Mozambique's shortage of highly trained professionals for technical, managerial and economic policy leadership is unique in Africa and an impediment to growth and investment and to national direction of it. The shortage of capacity has to be urgently addressed in order to counter increasingly strong constraints to national economic and social development.

Second, sizable programs are being implemented by the Government, the Bank and other donors aimed at strengthening primary and secondary education, expanding enrollment and increasing graduation rates. In this context support for higher education does not diminish investment at the lower levels, but rather complements it. These investments are not substitutable.

Third, a major goal of the Government is to strengthen *a system* of education and, within this, an integrated higher education sector is an important component. Efficient and effective higher education is vital for strengthening secondary education, both in terms of staff training and in setting standards and positive backward linkages.

Fourth, there can be little doubt that in Mozambique an increase in the number of well trained and committed doctors, teachers and engineers will provide the potential human resource pool for the delivery of services currently inaccessible to poorer segments of the population.

Finally, there is a public good argument. For a country with a painful colonial and post colonial history, in a continent itself torn by strife, ethnic cleavages and mismanagement, nation-wide higher education can play an important unifying and leadership role in helping to define the identity of Mozambicans and the mission of the Mozambican nation.

***Institution - oriented versus system-wide orientation of the project.*** The bulk of current public provision for higher education is covered by a single large university - UEM. A narrow follow-on operation to the Capacity Building Project (CBP), Cr. 2436, targeted at the premier university (UEM) was considered in 1999. While UEM will continue to play a critically important role in the provision of professional skills and postgraduate research and education, economic and social development requires diversification. Diversification of the skill mix, increasing geographic diversity of service provision and the institutional presence of institutions of higher education in various parts of the country. Thus, continuance of a single institution option was not regarded as a desirable one. The recent rapid expansion in the private provision of higher education demonstrates the potential of alternative modes of service provision and speaks in support of system-wide public policy in higher education (UEM's share of this total number of students has declined from 76% in 1995 to 59% today). The project took this as a guiding principle and will provide support not only for existing public institutions of higher education but also for system wide improvement and innovation.

***Sector expansion versus capacity building and efficiency improvement.*** As an alternative to rapid expansion of the system, the project will contribute to strengthening higher education, initially through improved efficiency of service delivery, enhanced academic quality and reinforced management capacities in existing institutions. The project is emphasizing more intensified utilization of resources and assets already available. It is recognized that for specific areas, notably teacher training and management, where supply is short, the situation could justify an increased intake. Such expansion would initially be incorporated into the project. More energetic expansion of the sector might be supported at later stages of the project on the basis of demonstrated operational efficiency.

## C. Project Description Summary

**1. Project components** (see Annex 2 for a detailed description and Annex 3 for a detailed cost breakdown):

The Higher Education Project, will have three components: (1) System-wide Reform and Development; (2) Institutional Development and Investments: (a) Eduardo Mondlane University, (b) Pedagogical University, (c) Higher Institute for International Relations, (d) Mozambique Distance Learning Network, (e) Quality Enhancement and Innovation Facility; and (3) Provincial Scholarships.

***1. System-wide Reform and Development***

This component will finance activities to support overall policy, system reform and development. The purpose is to create a dynamic system of higher education which is integrated, more efficient in its resource utilization and diversified, as well as structured in ways that enable it to deliver types of learning which contribute directly to economic development and social welfare. A prerequisite for this systemic reform is the development of the Ministry itself -- the strengthening of its institutional, technical and managerial capacities -- so that it can fulfill its government-mandated leadership and coordination role for higher

education in Mozambique.

Activities will include technical assistance, minor rehabilitation work, training, studies and workshops for the development of: (i) new regulatory, fiscal and accountability frameworks; (ii) new pedagogical teaching methods and programs; (iii) the use of ICT in the delivery and teaching of higher education; (iv) an accreditation system; (v) new or alternative sources of funding; and (vi) a HIV/AIDS prevention and support program for students.

*2. Institutional Development and Investments*

This component will support comprehensive sub-projects in the higher education sector aimed at improving efficiency, academic and pedagogical quality, research and scope of service delivery by specific institutions in their defined areas of specialization and in specific geographic locations. It has five sub-components:

**(a) Eduardo Mondlane University.** The overall objective of this sub-project is to improve the graduation rate and efficiency in resource utilization while improving the quality of programs, learning environment and pedagogical methods used in the classroom. Investments in curriculum reform -- improving pedagogical teaching methods and including more interactive and project oriented methodologies -- will be a necessary first step. This will require enhancing the capacity of the UEM academic staff to teach more relevant and advanced courses, promote capacity for self-study, and as elsewhere, to use ICT as an integral part of their instructional strategy and providing internet and PC access to students, thereby improving IT capabilities. Short term training of teachers and further revision of the curriculum using assessment based on international standards, will ensure higher standards of relevance and quality in programs and in their mode of delivery by the teaching staff.

This sub-project will support the following key activities: (i) curriculum and academic reform and external quality reviews in disciplines selected by the institutions; (ii) academic and administrative staff development; (iii) reform of financial management, university management and administration, and efficiency improvements: establishment of efficient computer based financial and academic management and information systems, based on the analysis and recommendations of the study by external management consultants; (iv) central library/ICT: the establishment of a central library with advanced ICT capability and the possibility of serving the information needs of other public and private institutions in Mozambique; and (v) new facilities.

**(b) Pedagogical University.** An adequate supply of well trained secondary school graduates is central to GoM's efforts to improve the quality and efficiency of secondary education. UP plays a key role in this regard as the institution responsible for the training of secondary school teachers and the training of trainers for primary school teachers. The HEP will support UP with the implementation of its plan to improve the quality of its programs and broaden their scope by supporting: (i) new facilities: new and improved teaching facilities and student accommodation; (ii) curriculum development: the development of revised curricula; (iii) academic and administrative staff development; (iv) program development: development and start-up of new courses; and (v) financial, management and efficiency improvements.

**(c) Higher Institute for International Relations.** As part of the strategy of stratification of the institution and programs, ISRI is broadening its course offerings beyond its traditional international relations programs. As a first step a program in public administration is to start in 2001. To enable ISRI to offer a broader range of quality programs to a larger number of students the project will provide ISRI with support towards the following sub-components: (i) new facilities: the necessary teaching, library and student facilities improvement; (ii) academic and administrative staff development; (iii) program development and implementation supervision; and (iv) IT development and improvement in financial and

information management.

**(d) Mozambique Distance Learning Network.** The project will support the development of a new "Mozambique Distance Learning Network" (MDLN). Distance-education programs will be designed by the academic staff of higher education institutions, developed in collaboration with the technical support staff of the MDLN's central unit and delivered through a network of distance-learning centers located throughout the country. Student guidance, tutorial support and evaluation would be provided by the higher education institutions originating specific programs. The regional distance-learning centers would be operated by existing private and public institutions throughout the country. The first programs would be in-service secondary teacher upgrading to address the problem of the large number of unqualified teachers currently employed in secondary schools. In addition, a distance-learning alternative for pre-service teacher education in French, English, math and science will address the expected sharp increase in secondary teacher education numbers required by the proposed expansion of the secondary school system. These programs will be developed in collaboration with UP. Other programs may include upgrading programs for business, economics and law, which would be developed in collaboration with UEM.

This sub-component will support the cost of the following activities: (i) HR Capacity building: training and institutional capacity building in design, development, delivery, management and evaluation of distance-learning; (ii) Network infrastructure: Minor civil works, equipment, consultant services staff and operating costs for establishing the central unit and the regional learning centers and the communication (probably Vsat) network; and (iii) Program and pilots with institutions: Materials development and program implementation costs.

**(e) Quality Enhancement and Innovation Facility (QIF).** The Quality Enhancement and Innovation Facility (QIF) will provide financial support for *quality improvements, capacity building* and *innovations* in academic and research programs, and in institutional management and administration in higher education. The Facility will operate three programs, offering different types of financial support for investments in innovations and capacity building to improve relevance, efficiency and quality of academic programs, institutional management and research: (i) the Institutional Program will provide grants or repayable loans to public and private higher education institutions (HEIs) that are not already participating in the institutional development component, to finance investments to support upgrading and capacity building of staff (through Staff Fellowships for postgraduate education and other training for teaching and management staff), and innovations to improve quality and efficiency of existing programs (through curriculum development, provision of equipment and learning materials etc.) and to develop and introduce new academic programs to improve equity of access and meet changing skill requirements; (ii) the Academic Staff Program will provide small grants to individual academic staff or groups of staff to enable them to invest in development of new skills, teaching methods or learning materials, and the design and introduction of innovations and improvements in curriculum and delivery of courses and academic support of students; and (iii) the Research Program will provide small grants to support basic or applied research which develops linkages or other forms of collaboration with Mozambican industry and the productive sector or with other national or international research and higher education institutions.

*3. Provincial Scholarships*

This component will, on a pilot basis before expanding nationally, initiate the introduction and operation of a publicly run and publicly financed scholarship scheme that will provide financial assistance, student outreach and academic advisory services on a grant basis to benefit students who graduate from secondary schools in the provinces of Cabo Delgado, Gaza and Tete. The program will cover the tuition, travel, subsistence and lodging costs of candidates from disadvantaged (social and gender) groups. Those selected for academic and financial support can make use of it in any public or private higher education institution. Provincial government, educational administration, local employers and NGOs will be involved in program governance.

| Component | Sector | Indicative Costs (US$M) | % of Total | Bank-financing (US$M) | % of Bank-financing |
|---|---|---|---|---|---|
| 1. System-wide Reform and Development | | 7.17 | 10.1 | 6.09 | 10.2 |
| 2. Institutional Development and Investments | | 62.10 | 87.3 | 52.06 | 86.8 |
| 3. Provincial Scholarships | | 1.85 | 2.6 | 1.85 | 3.1 |
| **Total Project Costs** | | 71.12 | 100.0 | 60.00 | 100.0 |
| **Total Financing Required** | | 71.12 | 100.0 | 60.00 | 100.0 |

**2. Key policy and institutional reforms supported by the project:**

The direction and scope of the policies and reforms to which the project will contribute are described in the PEES. Specifically, the following initiatives will be supported by the project:

(a) *Establishment of a nation-wide regulatory, institutional and organizational framework for the higher education sub-sector and introduction of an accreditation system and quality assurance mechanisms.* This will include full definition of: the roles of the Council on Higher Education Science and Technology (COESCT) and the MESCT as a supervisory, coordinating and policy development agency; a nation-wide mechanism for quality control and accreditation of programs and institutions; and the functions of professional, employer and management associations (Council of Rectors) with regard to policy formulation and its implementation. The project will support the design of the accreditation system and quality control mechanisms.

(b) *Reinforcement of the Fiscal framework for the sector.* This will include: the design of criteria and introduction of formula-based, demand-driven financing for individual institutions and fee policy; an annual agency contract between all public institutions and the Government (already in place for UEM); an increasing share of public funds allocated to the sector through the demand-driven scholarships.

(c) *Stimulation of Curriculum reform.* This will include the design, and introduction of 3 year long Bachelor, 2 year long Master, 2-3 years long PhD, reduction in the duration of current licenciatura degrees and 2 year long associate degree programs serving as relevant and more flexible alternatives for the current highly specialized five-year long "licenciatura" programs. Curriculum reform will also include the development and introduction of new academic programs in the areas of high labor market demand, in particular, public administration, business administration, accounting, tourism, and hotel management.

(d) *Evaluation system of staff performance and remuneration.* The project will support the design and introduction of faculty evaluations in all public institutions in the context of the on-going salary and civil service reform.

(e) *Introduction of cost-saving and operational efficiency measures in existing institutions.* These measures will include the contracting out/commercialization of the non-core services of educational institutions, internal financial decentralization, consolidated institutional budget management, and the rationalization of teaching schedules in order to improve facilities' utilization.

(f) *Expansion of revenue generating activities in public higher education institutions.* Public institutions of higher education under the project will develop a set of measures to expand revenue-generation activities (faculty starting on-campus consulting services, the introduction of short term fee-based training programs in the areas of high market demand, partnerships between public HEIs and private businesses).

(g) *Introduction of institutions of new type/distance education.* The project will support gradual diversification of the types of program and institutions providing higher education (college-type institutions and distance education offering programs in one or several educational fields, according to the needs of the local economy, are favored models).

**3. Benefits and target population:**

***Target population.*** Upper secondary and higher education students, academic and administrative staff in public, private and nonprofit HEIs and the MESCT.

***Beneficiaries.*** The project will generate external and internal benefits with multiplier effects:

(a) *External benefits*

(i) The number of highly skilled professionals will be increased, thereby strengthening public service efficiency while also improving the preconditions for expansion of the private sector and businesses, encouraging new investments, and increasing productivity and economic growth, all of which will lead to the long term reduction of poverty.

(ii) The population at large will benefit from the improved access and service delivery, as a result of the increased numbers of high level professionals, including doctors, nurses, accountants, and especially teachers for the expanding school system.

(b) *Direct benefits*

(i) Existing and future students in the secondary and higher education system, and employees in both the public and private sector, will directly benefit from an increased range, duration, quality and mobility of course offerings.

(ii) The number of students currently enrolled (11,619) will increase to about 15,000 by the year 2006.

(iii) About 9,000 upper secondary school graduates will benefit from increased pre-university training

(iv) 500 students will receive financial support.

(v) In the long run, secondary school graduates and other qualified students from under-represented regions and groups (i.e. students from the North and Central Regions, female students, and students from lower socioeconomic background) will be

among the main beneficiaries.

(vi) Almost 1,400 academic staff in public (1,022 teaching staff) and private (335 teaching staff) institutions will benefit from increased training opportunities to upgrade professional skills, an improved teaching environment, and expanded research opportunities.

(vii) 10 institutions of higher education will benefit from the project to become more competitive, efficient and responsive through the contribution of the component activities.

**4. Institutional and implementation arrangements:**

See section E. 4 and the PIM under **www.mesct.gov.mz** on Institutional and Organizational Arrangements for more elaborate details.

***Ministry of Higher Education, Science and Technology.*** MESCT will have overall responsibility for the execution of the national program and project through existing management structures of beneficiary higher education institutions (HEIs). Project oversight and project coordination will be under the new Ministry within an established Project Coordination Unit (PCU) temporarily established for the duration of the project. A number of technical assistance consultants, including component coordinators, procurement and financial management specialists will be hired. Specific activities will be implemented through existing structures in MESCT and HEIs.

***Higher Education, Science and Technology Advisory Council.*** The overall project *strategic coordination* will be in the hands of the Higher Education, Science and Technology Advisory Council (COESCT) advising the Minister on the development and implementation of higher education, science and technology policies.

***Project period and implementing agencies.*** The project will support the Government's 10 year program, covering phase 1 and 2 (2001-2004, 2005-2007) and will be implemented over a 5 year period, from June 1, 2002 until May 31, 2007 through the MESCT and the HEIs.

***Implementation at institutional level and administrative arrangements.*** MESCT and HEIs will be involved in the implementation of the project (see the PIM under **www.mesct.gov.mz**. Specifically:

| **Project Components** | **Authority/ Coordination** | **Implementation** |
|---|---|---|
| 1. System-wide Reform and Development | MESCT | MESCT/Institutions |
| 2. Institutional Development and Investments | | |
| 2 (a) UEM | UEM | UEM |
| 2 (b) UP | UP | UP |
| 2 (c) ISRI | ISRI | ISRI |
| 2 (d) MDLN | MESCT/MDLN | MDLN/institutions |
| 2 (e) QIF | MESCT | Institutions/staff |
| 3. Provincial Scholarships | MESCT | Provincial Governments |

Overall responsibility for the project implementation will be with the Rectors of these institutions and implementation will use existing institutional structures. Each institution will appoint two-three key focal points for project implementation. A pool of procurement and financial management consultants will be hired to support each HEIs. HEI staff will be trained. To ease project overview it was agreed to establish an electronic distribution list and a joint web-page (www.mesct.gov.mz) to keep all parties involved and informed of on-going activities and the processing and sharing of bidding documents and operational manuals. Finally, the focal points identified in each institution received training in Bank procurement, disbursement and financial management before and after appraisal and will receive further training through continuing courses (see also section D, 4.2).

***Implementation support.*** Because of its inherent complexity this project requires particular care in planning and support for project implementation, including the timely allocation of funds and detailed attention to procurement, reporting and monitoring procedures (as described in Annex 2)

***Procurement capacity and Bank operational experience.*** The criteria for eligibility of the institution-based projects is based on the extent of existing administrative capacity and experience with Bank operations. UEM has more than seven years of experience in managing the Capacity Building Project and, as mentioned above, intensified Bank operational training has already begun. See Annex 6 for elaborate details.

***Financial management, disbursement and audits*** (see Annex 5 for full details). The individual HEIs will be accountable and responsible for the implementation of the institution-based projects and overall responsibility will be with the MESCT. Reporting to the Minister a Project Coordination Unit [PCU (formerly the FMU)] will be responsible for the day-to-day management of the credit under the MESCT. The PCU will be responsible for administering and supervising activities financed under the respective sub-components. In particular, the PCU will be responsible for preparing consolidated activity plans and progress reports and for ensuring that the project's financial management arrangements will be acceptable to the Government, the World Bank and other Cooperating Partners.

The principal objective of the project's financial management system (FMS) will be to support management in their deployment of limited resources, with the purpose of ensuring economy, efficiency and effectiveness in the delivery of outputs required to achieve desired outcomes, that will serve the needs of the people of Mozambique. Specifically, the FMS must be capable of producing timely, understandable, relevant and reliable financial information that will enable management to plan, implement, monitor and appraise the Project's overall progress towards the achievement of its objectives. For the Project to fully deliver on the aforementioned objectives, it's FMS will be developed in accordance with the Financial Management Action Plan presented in Annex 5.

Salient features of the Action Plan include: the retention of a Financial Management Consultant to advise on the selection and installation of the Project's computerized FMS (using a spreadsheet and/or an integrated accounts package), to prepare the Project's Financial Procedures Manual (including records management) and to train staff in the operation of the system; the establishment of a representative Financial Management Board; the recruitment of an national qualified Financial Manager/Financial Management Consultant; the appointment of Project Accountants for each of the participating institutions and the availability of support staff; capacity building; the establishment of a Fixed Assets Register and a Contracts Register; monthly bank reconciliations and quarterly reporting of financial information; cash flow management including variance analysis; and an annual external audit that will be undertaken on terms of reference acceptable to the Bank.

By credit effectiveness, the MESCT will not yet have in place a FMS that can provide, with reasonable assurance, accurate and timely information as required by the Bank for PMR-based disbursements i.e. the Project Management Report (PMR). Thus, in the short-term, existing disbursement procedures, as outlined in the Bank's Disbursement Handbook, will be followed, i.e. Direct Payment, Reimbursement and Special Commitments. However, the successful implementation of the Project's FMS under the supervision of the Project Accountant should facilitate the conversion to PMR-based disbursements within 18 months of credit effectiveness. In that regard, a financial management review of the Project will be undertaken by a World Bank Financial Management Specialist within 12 months of credit effectiveness to assess progress.

***Monitoring and evaluation.*** The MESCT has established an "Observatory" for monitoring and evaluation. It will be used for monitoring the project and overall program and system performance. The project will support the development and introduction of a sector performance monitoring system to be established within the "Observatory". Project implementation will be monitored on the basis of overall project performance and component indicators. It will be done on the basis of quarterly and annual project reports and indicators of higher education sector performance to be developed within the project. They will reflect both progress toward achieving development objectives of the national program as well as internal project performance. Additionally, the MESCT and the individual HEIs will monitor other key performance indicators for the monitoring of the national program. An annual study on specific project aspects in addition to the regular progress reports will be prepared. The TORs for the annual study will be decided every year.

## D. Project Rationale

### 1. Project alternatives considered and reasons for rejection:

(See also section B3, Sector Issues and Strategic Choices)

***Public intervention and Bank support versus market regulation.*** The Education Sector Cost and Financing Study (2000) estimates the unit cost at a public university to be about 6 times the average per capita income of US$210. While, the emergence of private HEIs over the past few years demonstrates that there is a financial basis for private providers, recent IFC interaction with these institutions has identified financial solidity problems, along with under-funding in relation to the cost of providing quality courses and programs. Clearly, in Mozambique, the cost of higher education, lack of credit facilities and financial means among students signifies a weak market and argues strongly for government and donor support to both public, private and nonprofit HEIs, particularly in view of the limited number of providers. In this context student loan-schemes were also rejected for immediate inclusion.

***Competitive Fund versus detailed institution based projects/Innovation Facility.*** The issue of establishing a general fund to which the HEIs could apply was rejected. This was considered premature both from an operational point of view (a culture of competition does not exist and there is limited experience and capacity for managing such a facility and dealing with the complexity involved in deciding on criteria and processes for the approval and flow of resources), and taking into account the small number of players and teaching staff (often the same individual can be found teaching at both public and private HEIs). Instead it was concluded that the project could lay the foundation for changing the pattern of resource allocation to the sector in the future by establishing a provincial scholarship scheme with free school choice and by establishing a 'competitive' innovation facility, which would reward new ideas from wherever their source in any HEIs rather than exclude any institutions.

***Lending instrument: SIM versus APL.*** An APL (Adaptable Program Lending) instrument was considered, but a more traditional lending instrument (Sector Investment and Maintenance Loan) was considered a more appropriate vehicle for Bank assistance for the following reasons: (i) variation in the state of readiness of different activities and institutions within the project; and (ii) the fiscal framework will constitute a principle for enacting sustainable changes in the sector while aligning resources to policies and performance. Thus, while it was agreed with the Government that the Bank implicit commitment is for 10 years or more, support would be given through a series of discrete credits.

**2. Major related projects financed by the Bank and/or other development agencies (completed, ongoing and planned).**

| Sector Issue | Project | Latest Supervision (PSR) Ratings (Bank-financed projects only) | |
|---|---|---|---|
| | | Implementation Progress (IP) | Development Objective (DO) |
| **Bank-financed** | | | |
| Quality, access and management. Secondary and higher education. | Capacity Building Project, Cr. 2436 (1994-2001) | S | S |
| Quality, access and management. Primary and secondary education | Education Sector Strategic Program, Cr. 3172 (1999-) | U | S |
| Quality, access and management. Primary and secondary education. | Second Education Project, Cr. 2200 (1991-1998) | S | S |
| **Other development agencies** | | | |
| AuS-AID/Oxfam AuS, Kellogg Foundation, US-AID | Scholarships/Fellowships/HIV-AIDS | | |
| FNUAP, Ford Foundation, | Institutional Support/Capacity Building | | |
| Consortium of Foundations, EU, Government of France, Government of Italy, Government of the Netherlands, Portugal, NUFFIC, NUFFU, Rockefeller Foundation, Gulbenkian Foundation, SIDA (Sweden). | Research/Studies/Scholarships Capacity building, program development, training. | | |

IP/DO Ratings: HS (Highly Satisfactory), S (Satisfactory), U (Unsatisfactory), HU (Highly Unsatisfactory)

**3. Lessons learned and reflected in the project design:**

(a) The most pertinent lessons for this project are those learned from the Capacity Building Project with UEM which was the forerunner to this project. The design has taken account of these lessons in the following manner: (i) giving initial systemic and priority attention to capacity building and management training at all levels including, procurement and financial management; (ii) integrating project implementation measures into the HEI structure; (iii) building flexibility into the design to permit the possibility of adaptation to changing need; (iv) ensuring the early preparation of implementation and procurement plans; (v) drafting clear contracts and operating procedures for twinning arrangements; and (vi) adopting more realistic longer term time tables for scholarships and study abroad activities.

Other higher education projects in the region, most notably Ghana and Kenya, offer useful lessons, for both design and implementation stages, while outside the region the project in Vietnam is particularly instructive.

(b) While, quality enhancement is a primary objective, care is being taken to ensure that quality, relevance and equity purposes are not eroded by enrollment expansion driven by political considerations. The Ghana experience, as well as the cost differentials between HEIs, have persuaded this project to adopt reduction in the cost per graduate (proxied as a reduction in the enrollment/admission ratio) as the main performance indicator for monitoring the balance between expansion and quality as well as improvements in efficiency.

(c) Mozambique, like Kenya, is moving from a situation of a dominant national university to an integrated system of multiple differentiated institutions. The Kenya experience underscores the importance of a project design in Mozambique that provides for an appropriate balance between decentralization of responsibilities to universities and central coordination while preserving the institutional autonomy which is an important part of the Mozambican tradition.

(d) The higher education project in Vietnam supports a regular survey of all HEIs to collect data on universities' financial operations, student-teacher ratios, drop out, repetition and graduation rates and other performance indicators, which are used to monitor institutional performance and can also be used to monitor project implementation at the HEI level. It also supports a regular graduate tracer study and development of career advisory services in HEIs to improve linkages with the labor market. HEIs that apply for investment funds from the project have to demonstrate that they are using data collected through the annual institutional and graduate tracer surveys in their own internal strategic planning, including curriculum reform and the introduction of new courses to respond to labor market needs. This project will pay particular attention to developing similar data collection practices and associated incentives for HEIs in Mozambique.

(e) As noted above the current implementation progress of the ESSP is rated unsatisfactory, mainly due to lack of Government procurement capacity and a change in project approach to school construction which, combined with a large inflow of donor funding (18 donors and US$300 million), has resulted in a disbursement lag. However, this is expected to be resolved shortly. Nevertheless, the proposed project has therefore early on focused on procurement arrangements and training and agreed that the locus and capacity at UEM will be retained. While IDA is only one of the partners in the sub-sector, no other donors are considering major contributions.

**4. Indications of borrower commitment and ownership:**

Government's commitment and ownership has been very strong, as demonstrated by: (i) the establishment of a new Ministry and the President's appointment of someone from the sector itself as its first Minister; (ii) the fast development of the national strategy (PEES), which included extensive stakeholder discussions throughout the country, and within the higher education community, that culminated in a national seminar in July 2000 under the concept "Expansion with equity, guarantee of quality"; and (iii) the endorsement of PEES by the Council of Ministers in August 2000, the approval of the Plan of Operationalization of the Strategy on July 3, 2001, the program underpinning the PEES, and the approval by the Council of the revised Higher Education Law 1/93 of June 2001, on October 2, 2001.

**5. Value added of Bank support in this project:**

The Government perceives several key dimensions of value that Bank involvement will add. They include: (i) knowledge within the Bank team of the experience of higher education system reforms in Africa and elsewhere; (ii) technical expertise and practical experience in the successful design and implementation of major higher education projects; (iii) responsiveness and flexibility in being able to provide support from

the on going CBP project and to speedily apply PHRD and Norwegian Trust funds to project planning and preparation; (iv) prior involvement in the CBP permits the application of lessons learned and more important it has enabled the Bank team to establish relationships of trust and the experience of continuity that can now be extended to a new project; (v) encouragement to other donors--Sweden, the Netherlands, US-based Foundations, Portugal, and USAID are becoming involved; and (vi) familiarity with structures of administrative, financial and procurement management for the Ministry.

## E. Summary Project Analysis (Detailed assessments are in the project file, see Annex 8)

**1. Economic (see Annex 4):**

○ Cost benefit NPV=US$ million; ERR = % (see Annex 4)

○ Cost effectiveness

● Other (specify)

A detailed economic analysis was conducted for the project as described in Annex 4. The key issues and findings derived for the project from the economic analysis are as follow:

Over the past decade, there has been substantial growth in the number of HEIs and this has resulted in a subsequent increase in student enrollment. This trend indicates the *high social demand* for post-secondary education that exists in the country. On the other hand, there is a *great disparity in access* to higher education among those who come from different geographical locations, gender and socioeconomic backgrounds. Only 40% of the students in HEIs are from the Northern and Central provinces which represent 75% of the total population. Thirty percent of the total enrollment in higher education are female students. Due to data limitation, it is not possible to estimate the direct relationship between students' economic status and access to higher education, but available data suggests that 70% of fathers and 50% of mothers of students who enrolled in public HEIs have secondary education or higher, while less than 3% of men and 1% of women have similar levels of education in the country as a whole. Thus, it is necessary to narrow targeting criteria to ensure that public subsidies are used to decrease these inequities. The Project was designed to address these issues by introducing scholarships, grants and a distance learning network and support to innovation in the type of delivery of education.

Internal efficiency of the higher education system was estimated by the following two methods: (i) admissions as a proportion of enrollment (if the system were fully efficient, the proportion of new admissions to total enrollment would be 20% since Licenciatura requires 5 years of study time); and (ii) percentage of graduates who complete all degree requirements within the official prescription time. Using the first method, the admission to total enrollment rate declined from nearly 20% in 1992 to 14% in 1998 although it rose slightly again to 16% in 1999. Based on the estimation of the second method, the graduation rates are about 7% at UEM and 10% at ISRI (Institutional records). One of the factors that contributes to the inefficiency of the education system is the high level of student repetition (drop out might be one of the main issues but there is no data to confirm it), which increases wastage of public resources. Some possible reasons for the high repetition are: (i) insufficient curriculum and length of program (5 years program which are not structured as credit units); (ii) inadequate pedagogical methods; and (iii) inadequate school management and resource allocation. The project will also address these issues by focusing on each higher education institution (institutional development and investments at UEM, UP and ISRI) as well as by means of the quality enhancement and innovation facility.

**2. Financial (see Annex 4 and Annex 5):**

NPV=US$ million; FRR = % (see Annex 4)

The Government is making a larger financial contribution than is immediately evident from the PAD, notably through in-kind contributions, land and an US$22 million increase in the budget for the higher

education sector over the period. No other donor is currently planning to formally co-finance the project; however, some donors (e.g., the Netherlands, SIDA, the Ford and Rockefeller Foundations) will finance other parts of the proposed government plan. With the anticipated increase in self-generated revenue and operational efficiency improvements in the HEIs the overall financial sustainability will improve.

Fiscal Impact:

*Fiscal affordability* was examined by whether total consolidated recurrent expenditure (which includes the additional recurrent expenditure that is generated from the proposed investment under HEP – US$5.4 million over five year) will fit within the MPF's Medium Term Fiscal Framework (MTFF) recurrent ceiling. The MTFF recurrent budget for the six year period will grow from US$15.2 million in 2001 to US$20.9 million by 2006 or an estimated US$91 million for the period, resulting in a total increase of US$14 million to the sector above the 2001 budget level. The total MTFF higher education ceiling for the period is US$ 22 million above the 2001 budget. This is equivalent to an 8% growth rate per annum. After the approval of the Plan of Operationalization, the GoM has further agreed to increase the share of total public expenditures to higher education by 0.2 percent-points (within the increase in total education expenditure of US$32 million). In this context, the total consolidated recurrent expenditure (including additional recurrent costs from HEP estimated at US$5.4 million) will be well within the adjusted MTFF ceiling.

Moreover, if the internal efficiency of higher education system were to be increased (i.e. an annual increase of 5% in graduation rates) by implementing the Project, efficiency gains from this measure would be around US$11 million by the end of 2006.

While most school supplies are exempt from Value Added Tax (VAT), further efforts are currently being made in order to enact more fiscal policies aimed at supporting the emerging private higher education sector. The GoM has approved fiscal provisions that exempt all teaching materials and laboratory equipment, didactic and scientific and audio-visual materials are also exempt from paying import taxes. In addition the GoM guarantees the payment of all and any import taxes of goods aimed at education through the Tri-annual Public Investment Plan (PTIP). The government has also approved mechanisms offsetting VAT fiscal obligations for goods aimed at educational purposes, by mainly issuing titles without resorting to having to release funds.

**3. Technical:**

*Physical contingencies* are estimated at 10% for civil works, 5% for equipment. *Price increases* are estimated at 2% for the five year project period.

**4. Institutional:**

Lack of capacity at sector and institutional levels is a serious problem in Mozambique higher education. Key sector wide institutional issues were identified in the process of preparation of the Strategic Plan for Higher Education for 2000-2010 and the underlying national program as described in the PIM under **www.mesct.gov.mz.** The detailed institutional and organizational arrangements for UEM and MESCT, staffing and TORs have been completed. In order to initiate the capacity building process a number of activities were completed during the project preparation phase. The project itself will address institutional and capacity issues. (See section C.1 and **www.mesct.gov.mz** for detailed explanation).

4.1 Executing agencies:

The national program and project will be executed by the Ministry for Higher Education, Science and Technology (MESCT) and all the HEIs. See also section C.4 Institutional and Implementation

arrangements and **www.mesct.gov.mz.**

4.2 Project management:

See section C.4 and Annexes 5 and 6 and **www.mesct.gov.mz**.

4.3 Procurement issues:

See also Annex 6. Procurement capacity risk is rated high. The capacity to carry out procurement activities in Mozambique is limited and delays in the procurement process are common. However, under the Capacity Building Project involving the UEM, and the PIU and GIU (Gabinete de Instalacaos de UEM) for civil works, about seven years of experience in procurement processing has been built and the project will try to retain this capacity where it exists and share its experience. Both UEM and MESCT have identified staff and the institutional arrangements for managing the new project. Some of the key procurement problems are: (i) addenda to contracts; (ii) delays in rehabilitation works; (iii) financial and procurement management of twinning arrangements with external institutions; and (iv) overcommitment of fellowships/scholarships beyond project closing date.

As each institution is autonomous, but project oversight will be the responsibility of the MESCT, there will be a high level of complexity in the flow of funds and processing of procurement documents. To mitigate this risk the procurement and financial management staff will be contracted by effectiveness - in UEM as of October 1, 2001, the staff have been identified and contracted. Core civil servants are receiving training in procurement, disbursement, financial management and budget planning

The organizational and staff arrangement has been tested via the implementation of the PHRD (which has been disbursed in half the anticipated time). The organizational set-up will however depend on the ability of the consultants and staff to prepare detailed annual implementation plans, thus, placing great pressure on the timely elaboration of institutional and faculty plans. To build this capacity the project has from its beginning relied on a highly participatory process, owned by the staff, focusing on the development of departmental and faculty plans and budget, in continuing cycles of iteration between priorities, budget, plans and implementation arrangements.

4.4 Financial management issues:

See also section C.4 and Annex 5 of the Financial Management Assessment Report that concludes: "Although the country fiduciary risk is assessed as high according to the CFAA, nevertheless, provided the financial management proposals outlined in the Financial Management Assessment Report are satisfactorily addressed in practice, the Project Financial Management Risk is assessed as being moderate". Financial management capacity is weak in Mozambique. The project will address this issues in two ways. One is through the project itself where the establishment and development of the accountancy profession is one of the key priorities. The second is focused on the financial management arrangement for the project.

**5. Environmental:** Environmental Category: B (Partial Assessment)

5.1 Summarize the steps undertaken for environmental assessment and EMP preparation (including consultation and disclosure) and the significant issues and their treatment emerging from this analysis.

5.2 What are the main features of the EMP and are they adequate?

5.3 For Category A and B projects, timeline and status of EA:

Date of receipt of final draft: Framework 12/31/02/ continuous for each new site.

The civil works defined in the project are confined to existing campuses and public sites and therefore do not entail any environment or resettlement issues. However, during appraisal it was agreed that any new site construction or rehabilitation of student dormitories (sanitary facilities), and if a relocation of ISRI into a new building is required, these changes should be carried out in accordance with Bank requirements for environmental and resettlement documentation. This condition should also cover *future and unknown* site construction which may emerge under the support to the private sector from the Quality Enhancement and Innovation Facility. It was therefore agreed to include such issues early on to provide the Government with the tool to ensure compliance. Therefore, it was agreed to change the classification from C to B. However, as a consequence of this, the project could not disclose appropriate EIA and RAP documentation prior to appraisal. Thus, it is not in strict compliance with Bank policy on disclosure of EIA and RAP documents. The draft RAP/EIA TORs and framework are included as agreed during negotiations and reflected within the Minutes of negotiations. Specifically, EIA and RAP documentation will be completed for any each new site construction as a condition for disbursement, reviewed and disclosed by the Bank and Government. The TORs for the preparation of the general framework will be included in the PIM under **www.mesct.gov.mz**. Standard guidelines will be included under this.

The key social issues addressed by the project are those arising from inequities in access to education, employment and income which derive from disparities in regional development, urban rural cleavages, gender and family wealth. (See comments below)

5.4 How have stakeholders been consulted at the stage of (a) environmental screening and (b) draft EA report on the environmental impacts and proposed environment management plan? Describe mechanisms of consultation that were used and which groups were consulted?

During the appraisal mission and negotiations, a discussion with the Government of Mozambique and other stakeholders was held, with a view to putting in place the adequate mechanisms which will ensure that the development of new institutions in the third or fourth year of the project will take adequate account both of environmental issues and the fate of any Mozambicans occupying any land. The Government will disclose any EIA or RAP issue on its public site **www.mesct.gov.mz**.

5.5 What mechanisms have been established to monitor and evaluate the impact of the project on the environment? Do the indicators reflect the objectives and results of the EMP?

Complete review by the Bank and disclosure is a condition of disbursement for any future new site construction.

**6. Social:**

6.1 Summarize key social issues relevant to the project objectives, and specify the project's social development outcomes.

The key social issues addressed by the project are those arising from inequities in access to education, particularly between the Northern and Central provinces and the South, employment and income opportunities which derive from disparities in regional investment and development, urban rural cleavages, and gender and family wealth. Another issue is the fact that the rapidly growing economy is taking place in a context where there is a limited pool of qualified human resources. This has led to hiring an exceptionally high number of expatriate professionals which has brought some tension in various fora.

6.2 Participatory Approach: How are key stakeholders participating in the project?

Key stakeholders are identified in this project as HEI rectors, managers, faculty, staff, students, parents, employers, and MESCT officials. As outlined in the World Bank's Strategy for Higher Education, the consultative process used in Mozambique is an example to follow: Extensive consultations have taken place throughout the country to introduce stakeholders to the new national higher education system and its

mission as portrayed in the PEES (see section D.4 Borrower Commitment).

6.3 How does the project involve consultations or collaboration with NGOs or other civil society organizations?

As mentioned in section 6.2 above and D.4 the PEES was extensively discussed with civil society and the public and through extensive media coverage (TV, print and audiovisual). The PEES was discussed in each province and during a number of roundtables and workshops. Through project preparation, close collaboration was achieved with an American NGO, the Gulbenkian Foundation and two US-based foundations that work extensively on higher education issues in Mozambique. Also, the team has had access to information from the Forum for African Women Educationalists (FAWE) and from the Association for the Development of Education in Africa (ADEA) which has just completed a major study on the prevalence and consequences of HIV/AIDS in African universities and is expected to produce another study on innovations within higher education across the continent. As a result a draft agreement for the involvement of the Rockefeller, Ford or Gulbenkian Foundations has been prepared. The proposed provincial scholarship scheme will bring closer involvement of local authorities and parents.

6.4 What institutional arrangements have been provided to ensure the project achieves its social development outcomes?

Immediately available measures include: (i) introducing a provincial scholarship grant scheme: (ii) creating new institutions/distance education; and (iii) introducing an innovation facility. Longer term intentions include: (i) introducing a uniform national more equitable selection form that evaluates academic preparation and assesses candidates potential; (ii) designing special preparatory courses to enable entering students, who are not as well prepared as more advantaged students, to overcome academic preparation gaps; and (iii) using public and private funds to provide student accommodation adjacent to HEIs, with a particular emphasis on disadvantaged groups.

6.5 How will the project monitor performance in terms of social development outcomes?

Key project performance indicators covering the above have already been included. This will be complemented by the annual progress reports.

**7. Safeguard Policies:**

7.1 Do any of the following safeguard policies apply to the project?

| Policy | Applicability |
|---|---|
| **Environmental Assessment (OP 4.01, BP 4.01, GP 4.01)** | ● Yes ○ No |
| **Natural Habitats (OP 4.04, BP 4.04, GP 4.04)** | ○ Yes ● No |
| **Forestry (OP 4.36, GP 4.36)** | ○ Yes ● No |
| **Pest Management (OP 4.09)** | ○ Yes ● No |
| **Cultural Property (OPN 11.03)** | ○ Yes ● No |
| **Indigenous Peoples (OD 4.20)** | ○ Yes ● No |
| **Involuntary Resettlement (OP/BP 4.12)** | ● Yes ○ No |
| **Safety of Dams (OP 4.37, BP 4.37)** | ○ Yes ● No |
| **Projects in International Waters (OP 7.50, BP 7.50, GP 7.50)** | ○ Yes ● No |
| **Projects in Disputed Areas (OP 7.60, BP 7.60, GP 7.60)*** | ○ Yes ● No |

7.2 Describe provisions made by the project to ensure compliance with applicable safeguard policies.

For any new site construction, the Development Credit Agreement will include a disbursement condition that requires a complete EIA and RAP to be reviewed and accepted by the Bank and disclosed in a timely manner.

## F. Sustainability and Risks

**1. Sustainability:**

The project relies on two critical assumptions: (a) Program and reform sustainability: enactment of regulatory framework, funding formulae, revision of public service categories to allow recognition of the new proposed BA and Associate degrees and fulfillment of covenants and programs to improve efficiency and quality in the HEIs; and (b) institutional stability and establishment of the MESCT and COESCT.

*(a)* ***Program and reform sustainability.*** Maintaining the momentum of a reform program which consists of numerous diverse innovations, located within larger structural, cultural and institutional change, will not be easy. The introduction of shorter courses and programs in the areas of highest demand will improve the labor market relevance of the type of education provided and strengthen linkages between the sector, key employers and the public and private sectors as a whole. These linkages will encourage cost covering contributions, in the form of fellowships, research contracts and direct support from the private sector and donor agencies, as well as stimulating parental inclination to pay fees for particular courses and programs and, hence, contribute to the sustainability of these programs. The Scholarship and Innovation schemes and the backing for reform which is at the heart of this project will provide specific and general incentives to the reform program. Overall, the past and future commitment to the higher education reform lies with the institutions and academic staff rather than a specific individual.

*(b)* ***Institutional sustainability.*** The first years of the project will support the development of MESCT capacity to formulate policy, monitor and coordinate sector performance. However, the implementation of the project and national program will reside within the existing autonomous HEIs. Issues of a general nature will continue to be discussed in the association of institutions and COESCT. The fact that the reform programs are designed and owned by the institutions themselves will evoke commitment, effectiveness and sustainability. Equity-driven commitment to institutional development across provinces, on the part of religious foundations, assistance agencies and the government itself, is a force that will help to sustain institutions and branches outside Maputo.

**2. Critical Risks** (reflecting the failure of critical assumptions found in the fourth column of Annex 1):

| Risk | Risk Rating | Risk Mitigation Measure |
|---|---|---|
| **From Outputs to Objective** | | |
| Macro economic situation deteriorates and fiscal system fails to sustain the costs of expanded system of higher education | M | Current growth prospects are positive. The Bank is assisting the Government through resource transfers under the HIPC and PRSP process and structural and institution building credits. Covenants on cost-saving, revenue generation and efficiency gains will free up resources and reliance on public resources. |
| Economic decline or decline in FDI and investors confidence suppresses demand for skilled labor (more graduates) | M | Expansion of the higher education will be supported in the areas where the supply gap is the largest, demand elasticity is lower and utilization of acquired skills broader. There is a huge skills gap that will not be filled for years |
| Reforms are not sustained and implemented in public HEIs and therefore | H | Current commitment is high and the proposed external and internal conditions set for |

| | | |
|---|---|---|
| fail to improve efficiency | | sustaining reforms will mitigate the risk of lack of commitment |
| **From Components to Outputs** | | |
| Government loss of commitment to a national reform strategy (1) | N | Strong Government commitment to a national strategy, the pace of project preparation and dedication to it are matters of public record. The project supports the Government in its intention to rapidly put in place the legislative and fiscal framework that will accelerate implementation of the strategic plan for higher education. |
| Varying capacities (management, procurement, financial) of HEIs to initiate and manage chosen reform programs (2). | H | Log frame and management training have already been provided. The project design provides flexibility to allocate funds according to the demonstrated capacity of individual HEIs to utilize them. Bank operation training has been initiate and will become an recurrent event. TA will be put in place. |
| Model program on which provincial scholarship scheme is based difficult to replicate and transfer to other provinces (3). | S | The project requires a draft outline of an action plan and then careful piloting of the new program, in the selected provinces, using experienced staff to train new managers, before an extension of the scholarship scheme. |
| Institutional differences over the choice of approach to distance education (2:d) Political pressures override economic and educational considerations in design and location of new colleges and branches (2:d,e). | M | The MDLN will operate under a consortium with participation of all interested HEIs. Other institution-led initiatives will complement each other and converge over time. Provincial and national consultations have established a framework of possible options and further consultations will be used to decide the rational design for new types of institution. |
| MESCT slow to take on staff & develop its managerial and regulatory capacity (1) | M | The project requires the recruitment & training of key staff to have occurred before negotiations. Continued capacity building in MESCT is an immediate and priority focus of the project |
| **Overall Risk Rating** | M | |

Risk Rating - H (High Risk), S (Substantial Risk), M (Modest Risk), N(Negligible or Low Risk)

**3. Possible Controversial Aspects:**

In a country not long beyond independence and a subsequent civil war, with political differences that have a geographical dimension, the speed and manner in which education is used to meet economic needs and redress historical imbalances and inequities are inevitably matters of debate and controversy. Fortunately, the debate is less over the need for economic development and political integration than over the best way to achieve it.

## G. Main Credit Conditions

**1. Effectiveness Condition**

(a) the external Auditors have been appointed;

(b) the Borrower has adopted the PIM, in form and substance satisfactory to the Association;

(c) the Project Account has been opened;

(d) the Borrower has established a financial management system, in form and substance acceptable to the Association, including the development of a financial procedures manual and the appointment of financial management staff for the Project Coordinating Unit with experience acceptable to the Association;

(e) the Borrower has submitted the final Letter of Sector Policy in a form and substance satisfactory to the Association.

**2. Other** [classify according to covenant types used in the Legal Agreements.]

(a) the Borrower shall cause UEM, UP and ISRI to approve an action plan for generating institutional cost savings and first measures of that plan to be taken twelve months after project effectiveness;

(b) the Borrower shall cause UP and ISRI to make 3 year-long Bachelor degree programs in selected areas, shorten *licenciaturas* to 4 years, all operational three years after project effectiveness;

(c) review with the Association implementation progress on the Letter of Sector Policy and Strategic Plan at Mid-term review;

(d) by December 31, 2004, discuss with the Association implementation of a higher education funding policy;

(e) by December 31, 2004, complete at least 4 departmental external quality reviews in three institutions by mid-term review;

(f) the Borrower shall ensure that the share of UP and ISRI generated revenue increases by 5%-points.

***Dated covenants for UEM***

(a) the Borrower shall cause UEM to make 3 year-long Bachelor degree programs in selected areas, shorten the *licenciatura* degree to four years duration (except for medicine and architecture), introduce graduate degree programs, all operational two years after project effectiveness;

(b) the Borrower shall cause UEM, by December 31, 2002, to have established a student monitoring system (and agreed with the relevant university bodies) to monitor student programs (rate of graduation, admissions and
drop-outs);

(c) the Borrower shall cause UEM by mid-term review of the project, to produce an action plan approved by the relevant university bodies, which includes numerical targets (in terms of percentage improvement in graduation rates, percentage of increase in proportion of students who graduate without repetition or with no more than one year of repetition, percentage of reductions in proportion of students

who repeat or drop out of courses and reduction in average years of study per graduate) in each department/program, and specifies actions taken to improve the indicators in departments/programs showing poor performance; and

(d) the Borrower shall cause UEM to ensure that the share of UEM generated revenue increases from 14% of state budget financing in 2001 to 17% by 2003 and to 20% by 2006.

***Disbursement conditions***

(a) the Borrower shall for disbursement for each new construction site outside the existing campuses of each one the HEIs, under or Part B.1, B.2, B.3 and the Public or Private Beneficiaries under Part B.5 of the Project, respectively, unless Borrower shall have submitted to the Association an EIA/RAP, in form and substance satisfactory to the Association;

(b) the Borrower shall for Part B.5 - Quality Enhancement and Innovation Facility, of the Project (Grants and Sub-loans related with Micro-projects) receive: (i) the first evaluation report, duly approved by MESCT's QIF evaluation committee and reviewed by IDA, listing all eligible activities for project financing; (ii) thereafter, disbursements under this category will be made exclusively for specific, planned activities, which are part of evaluation reports.

(c) the Borrower shall for Part C.2 of the Project (Provincial Scholarships) receive (i) the first list of eligible students, upon approval by provincial Governing Boards and reviewed by IDA; and (ii) thereafter, disbursements will be made for eligible students, who meet the eligibility criteria and have been endorsed by the respective Governing Board.

## H. Readiness for Implementation

☐ 1. a) The engineering design documents for the first year's activities are complete and ready for the start of project implementation.
☒ 1. b) Not applicable.

☒ 2. The procurement documents for the first year's activities are complete and ready for the start of project implementation.
☒ 3. The Project Implementation Plan has been appraised and found to be realistic and of satisfactory quality.
☒ 4. The following items are lacking and are discussed under loan conditions (Section G):

## I. Compliance with Bank Policies

☐ 1. This project complies with all applicable Bank policies.
☒ 2. The following exceptions to Bank policies are recommended for approval. The project complies with all other applicable Bank policies.

The future construction or rehabilitation work under Part B of the Project (Component 2), involving the possible construction of a new student dormitory in the provinces of Nampula (US$0.6 mill.) and Beira (US$0.6 mill.) of the Pedagogical University and the possible re-location of the Higher Institute for International Relations (US$2.0 mill.) which is currently located in a renovated villa, had to be introduced during appraisal (representing 5% of total project). Therefore, through discussions between the

Government of Mozambique and the Bank, it was agreed that, because of the late addition of new construction sites to the project, the environment and social assessment classification should be changed from the Bank's previous assessment of 'C' to a 'B' for the purposes of Operational Procedures Bank Procedures (OP/BP) 4.01. This would provide the government with the tools for ensuring that environmental standards and any possible resettlement issues would be adequately addressed for any new site construction for a Higher Education Institution outside any public land. Consequently, an Environmental Impact Assessment ("EIA") and a Resettlement Plan ("RAP") became a prerequisite prior to negotiations. However, appraisal was already finalized for the proposed Project and most of the subprojects details were not known at the time of appraisal, which prevented the Borrower from preparing an EIA and a RAP in the required timely manner. In applying both OP/BP 4.01 and Operational Directives (OD 4.30), the Project documents have been modified to ensure that the EIA and RAP will be carried out prior to commencement of any construction activities in new sites in public lands, and that these works will be carried out in a manner consistent with the requirements of both OP/BP 4.01 and OD 4.30. However, the project is still viable even if the 'new construction' is not performed or authorized.

The Borrower with support of IDA has prepared the draft terms of reference for the EIA and RAP in a form and substance satisfactory to the Bank. The TORs will require the Borrower to conduct the EIA and RAP for each individual new construction site prior to commencement of the works on these new sites, and to design and implement suitable mitigation measures including another site, if any is needed, based on the findings of the EIA and RAP. During Negotiations the Borrower also agreed to a framework for both EIA and RAP in a form and substance satisfactory to the Bank. The disbursement conditions will be specifically directed towards the disbursement of the proceeds of the Credit for expenditures under the Project component related to each individual new construction site. These arrangements will ensure that subprojects that do not comply with accepted environmental standards are not financed under the Project.

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|---|---|---|
| Soren Nellemann | Dzingai Mutumbuka | Darius Mans |
| **Team Leader** | **Sector Manager/Director** | **Country Manager/Director** |

## Annex 1: Project Design Summary

## MOZAMBIQUE: Higher Education Project

| Hierarchy of Objectives | Key Performance Indicators | Data Collection Strategy | Critical Assumptions |
|---|---|---|---|
| **Sector-related CAS Goal:**<br>To develop human resources at all levels for the attainment of long term sustainable and equitable economic growth at current levels, thereby securing the reduction of poverty, and more immediately to increase the supply and quality of high level skills, experience and innovation in the labor force, for the purpose of achieving these goals. | **Sector Indicators:**<br>• Increased supply and quality of high level skills, experience and innovation to the labor force,<br>• Sustained economic growth<br>• Reduced social and geographical disparities in access to higher education, employment and income.<br>• Reduced poverty | **Sector/ country reports:**<br>• Public and private sector employment surveys with estimates of labor market demand and supply.<br>• Regional and gender analysis of HE enrollment<br>• Household survey, poverty reports | **(from Goal to Bank Mission)**<br>• Adequate supply of well prepared secondary school leavers to ensure a sufficient number of qualified entrants for HE.<br>• Continued growth of GDP and employment opportunities.<br>• Continued commitment to the PEES and national program |
| **Project Development Objective:**<br>To (i) enhance the internal efficiency and expand the output of graduates; (ii) improve equitable access; and (iii) improve the quality of teaching learning and the relevance of the curriculum. | **Outcome / Impact Indicators:**<br>• Absolute number of students graduating increased from 786 in 2000 to 1,500 in 2006 in all HEIs; | **Project reports:**<br>• Regular monitoring and analysis of aggregate enrollment statistics and of progression rates (graduation, repetition, drop out) | **(from Objective to Goal)**<br>• Increase in public budget allocated to HE in line with the LSP, as a result of growth in GDP and allocation of HIPC funds, |
| | • Increased by 5% point the number of students from the North (from 10% to 15%) and Center (from 30% to 35%) by 2006 enrolled into public HEIs; | • Monitoring and analysis of enrollment statistics by gender, regional origin of students, HE institution, type of program etc. | • Sustained capacity of labor market (public and private) to absorb increased supply of graduates., |
| | • Reduce the licenciatura completion time by increasing the admission/enrollment ratio from 16.6% (1,471 admitted/8,804 student enrolled in 1999) to 17.4% (20% is the ideal) in public HEIs by 2006; | • Monitor numbers & types of new courses & enrollments, and qualitative assessment of improvement in teaching-learning through surveys in selected faculties | • Steady private sector growth accompanied by willingness to contribute to HE funding (through research contracts, consultancy income, scholarships etc. |
| | • Curriculum changes in selected faculties that show evidence of increased use of new and updated materials and computers for word processing information gathering and data | • Analysis of unit costs (average cost per student year and per graduate) by type of program and HEI.<br>• Annual higher education statistics and evaluation reports | |

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|---|---|---|---|
| | analysis.<br>• Qualitative reforms in the teaching-learning process, in selected faculties, that provide strong evidence of an increase in the use of student centered, project-oriented approaches, integrated with computer use, and providing a measurable increase in the proportion who pass rather than fail each course (using surveys working from a base line). | | |
| **Output from each Component:** | **Output Indicators:** | **Project reports:** | **(from Outputs to Objective)** |
| **1. System-wide Reform and Development:** Equipped, staffed and functioning MESCT and the launching of a HIV/AIDS program. | • Revision of the legal framework for higher education by June 2002.<br>• M& E systems, including student tracking to monitor internal efficiency established by Dec.02.<br>• Key position filled<br>• Statutes on key legislation: credit system, diploma and BA programs | • Progress reports from MESCT and HEIs<br>• Mid-term review and PMR | • Law amendments and/or revision and decrees passed by authorities<br>• MESCT adequately staffed |
| **2. Institutional Development and Investments:** 2(a) UEM, 2(b) UP, 2(c) ISRI, 2(d) MDLN 2(e) QIF: Enhance resource efficiency, graduation rate and quality and duration of programs and courses with diversified options and mobility: Curriculum reform completed, new pedadogical teaching methods in place, ICT integrated as part of learning, faculty staff development completed, the rehabilitation and construction and equipment of faculties completed | • Baseline survey and tracking system established by Dec. 02<br>• Number of graduates and graduation rate increased in UEM, UP and ISRI | • Progress reports to MESCT<br>• Mid-term review and PMR | • Law amendments and/or revision and decrees passed by authorities<br>• Governing bodies are capable (or willing to) implementing change<br>• Teaching staff can overcome traditional 'culture' of teaching and be upgraded<br>• Capacity is in place to implement programs<br>• |

| | | | |
|---|---|---|---|
| | • MDLN programs delivered<br>• Revenue generation increased<br>• Number of programs evaluated<br>• BA and MS programs introduced<br>• Curriculum reform completed and new teaching-learning methods introduced in selected faculties<br>• First loans to private sector effectuated | | |
| **3. Provincial Scholarships:** Improved equity and access for disadvantaged students: program established and operational in Gaza, Tete and Cabo Delgado. | • Establish scholarship scheme at the provincial level (Gaza, Tete and Cabo Delgado initially)<br>• 5% points increase the number of students from the North (from 15% to 20 %) and Center (from 30% to 35%) enrolled into public HEIs | • Progress reports to MESCT<br>• Mid-term review and PMR | • Competition open and fair and in accordance with transparent procedures, eligibility and selection criteria<br>• Unit costs allocation per student reflect real costs<br>• Social barriers for access are removed |
| **Project Components / Sub-components:** | **Inputs: (budget for each component)** | **Project reports:** | **(from Components to Outputs)** |
| **1. System wide Reform and Development (US$7.1m.):** Develop and strengthen MESCT as well as a regulatory, fiscal and accountability framework for setting the parameters for the externally and internally lead reforms and system development, including HIV/AIDS program | • Technical assistance: $2.2m.<br>• Technical and analytical studies and research: $1.9m.<br>• Staff training and development: $1.5m.<br>• Office equipment, operational costs, study tours : $0.3m.<br>• Equipment, hardware, and software: $0.4m.<br>• Civil works/rehabilitation works: $0.8m. | • Progress reports from MESCT (quarterly)<br>• Disbursement reports (quarterly)<br>• Biannual supervision mission | • Government is committed to support reforms<br>• Capacity is put in place<br>• Institutional rivalry and political uncertainty are overcome by agreement on technical and substantive aspects of the development of the sector |
| **2. Institutional Development and Investments (US$62.1m.):** Support comprehensive institutional development | • Technical assistance: $4.2m.<br>• Technical and analytical studies and research: $0.4m.<br>• Staff training and | • Progress reports to MESCT (quarterly)<br>• Disbursement reports (quarterly)<br>• Biannual supervision mission<br>• Biannual reports from UEM, | • The process takes the input of all stakeholders<br>• The institutions will have the internal capacity and will to implement the reforms |

| | | | |
|---|---|---|---|
| programs designed by UEM, UP, ISRI and MDLN; (ii) Update capacities of faculty, staff and management of various institutes of higher education to organize educational process and deliver curriculum (iii) improve exchange and mobility of HEI staff; (iv) improve the teaching-learning and quality and relevance of programs; (v) enhance innovation and diversification through QIF | development: $8.0m.<br>• Office equipment, operational costs, study tours: $5.0m.<br>• Equipment, hardware, and software: $14.8m.<br>• Books and materials: $2.0m.<br>• Vehicles (buses and cars): $0.5m.<br>• Civil works/rehabilitation works: $22.1m.<br>• Quality Enhancement and Innovation Facility: $5.1m. | UP, ISRI and MDLN<br>• Annual report from MESCT to COESCT | • The QIF and MDLN will take off, despite political controversies and the novelty of the approach. |
| **3. Provincial Scholarships (US$1.85m.):** (i) Increase of the number of students from disadvantaged Northern provinces enrolled in HEIs education, (ii) Strengthen provincial involvement and the human resource base of provinces in question, (iii) Test an operational scheme for allocation of public funding via demand -driven schemes that would strengthen the responsiveness of higher education institutions to the needs of regional economic developments, communities and individuals. | • Technical assistance: $0.06m.<br>• Scholarships: $1.8m.<br>• Equipment, hardware, and software: $0.0m.<br>• Other: $0.03m. | • Progress reports to MESCT (quarterly)<br>• Disbursement reports (quarterly)<br>• Biannual supervision mission | • Enough financially needy students with acceptable academic qualifications |

## Annex 2: Detailed Project Description

## MOZAMBIQUE: Higher Education Project

**Implementation Support**

Because of its inherent complexity, this project requires particular care in planning and support for project implementation, including the timely allocation of funds and detailed attention to procurement, reporting and monitoring procedures. Each component and executing agency will be allocated resources that will ensure: (i) uninterrupted movement of project funds according to implementation needs; (ii) comprehensive reporting and accounting of implementation progress; (iii) regular monitoring and reporting on financial and developmental objectives; and (iv) training and staff development for institutional staff directly involved in project implementation.

The Higher Education Project will support the following three components: (1) System-wide Reform and Development; (2) Institutional Development and Investments; and (3) Provincial Scholarships. The second component includes the following five sub-components: (a) Eduardo Mondlane University; (b) Pedagogical University; (c) Higher Institute for International Relations; (d) Mozambique Distance Learning Network; and (e) Quality Enhancement and Innovation Facility (QIF).

As can be seen from the table under section C.1, about 87% of the IDA funding (US$ 52 million) will be channeled towards improving and supporting the autonomous higher education institutions, encouraging the development of new programs and innovations and the improvement in graduation rates. The other 13% of the IDA funding (US$ 8 million) will be used for overall policy and reform development, HIV/AIDS programs, and the launching of a scholarship scheme in support of disadvantaged students.

A procurement plan for the first 12 months of the project for the three component has already been finalized.

**By Component:**

**Project Component 1 - US$7.17 million**

***System-wide Reform and Development***

This component will finance overall *system-wide* capacity building and reform. The purpose is to create a system of higher education which is integrated and diversified, as well as structured in ways that permit it to deliver *flexible* types of learning which contribute directly to economic development and social welfare.

The component will entail strengthening the institutional, technical, administrative and political capacity of the Ministry of Higher Education, Science and Technology (MESCT) to fulfill its government-mandated leadership and coordination role for higher education in Mozambique. The MESCT will be supported in the staffing, training, carrying out basic studies and equipment requirements needed to carry out this role. Such capacity will be used for developing a policy and regulatory framework, monitoring and evaluating system performance, and planning and regulating service delivery. The MESCT will also be required to elaborate a fiscal framework that can maintain public financing for higher education at a level sufficient to cover those areas where private financing would not be *enough* for the needs of the society and the economy.

*Output:* This component will have four outputs: (i) a developed and strengthened MESCT, (ii) *a regulatory, fiscal and accountability framework for setting the parameters for the externally and internally led reforms and system development,* (iii) *statutes/legislation for the credit system and introduction of a diploma, BA and MA degree structure, and* (iv) *a program for HIV/AIDS prevention.*

*Rationale:* The Ministry of Higher Education, Science and Technology is responsible for policy design,

coordination and the monitoring of service delivery and for promoting the higher education development agenda. While actual service delivery functions stay with autonomous HEIs, the MESCT will be responsible for the articulation of nation-wide policies and development plans, the consolidation of stakeholder consensus around the national agenda for higher education development, and the coordination of activities in the area of higher education. Capacities for these nation-wide functions are not in place now and the component will ensure that these are developed. The MESCT will become a center for policy discussion, and the promotion of innovation in teaching, academic development and university management.

*Activities:* This sub-component will finance the following activities: (a) design of legislation on Higher Education, regulatory acts, procedures and guidelines for monitoring system performance and quality; (b) technical and analytical studies on policy and service delivery issues, including inter alia, financing mechanisms, incentives for staff and institutions, accreditation, validation new degree structure, and quality assurance; (d) consideration and exploration of the feasibility of a credit system, ensuring student mobility and comparability of courses in different educational institutions; (e) design, introduction and initial operation of the Management Information System; (f) staff training and development; (g) periodic national consultations on the progress of the National Strategic Plan for Higher Education; (h) participation of HE stakeholders in regional and international study-tours, conferences and consultative meetings on HE development and reform; (i) refurbishment of buildings for the consolidation of the new Ministry; (j) provision of necessary IT, communication and office equipment for MESCT; and (k) HIV/AIDS interventions and support program for students.

*Status of component after appraisal:* The design of a background report for national legislation was completed in July 2001 and the new draft legislation was presented to the Council of Minister on October 2, 2001. Design of the buildings and necessary equipment for the MESCT has been completed and was fully assessed during appraisal in July, 2001. Training in Bank financial management, disbursements and procurement of core staff was completed in May-June 2001 with a follow-up course in November.

*Implementation arrangements:* The component will be implemented by the MESCT with procurement and implementation support from the PCU already established and staffed within the Ministry.

**Project Component 2 - US$62.10 million**
***Institutional Development and Investments***
Sub-components: (a) Eduardo Mondlane University; (b) Pedagogical University; (c) Higher Institute for International Relation; (d) Mozambique Distance Learning Network; (e) Quality Enhancement and Innovation Facility (QIF).

This component will support comprehensive sub-projects at both public and private higher education institutions aimed at improving efficiency, academic quality, research and scope of service delivery by specific institutions in their defined areas of specialization and in specific geographic locations. The component will lead to an increase in graduation rates, higher internal efficiency of service delivery, better quality and relevance of programs and strengthened academic capacities of involved public institutions.

*Outputs:* These sub-components will support comprehensive institutional development programs designed by UEM, UP and ISRI, supported by the MESCT which is based on the approval of the Council of Ministers. The scope and composition of these programs will reflect each institution's comparative advantage and vision of its future place in the national system of higher education. The emphasis on institutional projects is on curriculum and teaching reform, strengthening of academic capacities, and improvement of the learning environment, as well as governance, financing and management reforms. The

content of institutional development programs and specific activities and investments are the outcomes of continuous and participatory processes of planning and design that took place during the project preparation period. Faculty and institutional level workshops were used for defining the strategy of institutional development, and identifying priorities, bottlenecks and necessary investments.

*Activities:* More detailed description of institutional activities undertaken within the project by UEM, UP and ISRI is presented below and the full projects are included in the Project Implementation Manual (see www.mesct.gov.mz). The content and composition of activities and IDA financing was confirmed at appraisal. For all three institutions, the project will support the introduction of the following types of activities: (i) new curriculum design and development, new short-term programs and courses ("base" year, one-two year long and evening programs); (ii) improved teaching and testing methods; the design and testing of new modes of teaching and program delivery including distance education, modular courses, etc.; (iii) academic staff development through postgraduate 'sandwich' study, short-term programs, seminars, workshops etc.; (iv) "twining programs" or other academic links with foreign universities and HEIs in academic development, (v) new budgetary, administrative and management practices, research and teaching of specific programs; (vi) more transparent integrated internal management schemes; (vii) improved internal capacities for revenue generation through applied research, fee-based educational and training services; (viii) improved qualifications and skill mix of academic staff (ix) establishment and operation of a faculty and student performance system; (x) an improved learning environment through the establishment of libraries, resource centers, and IT training facilities, and (xi) facilities rehabilitation and construction where justified by academic development objectives. Activities cover campuses and facilities in Maputo, Beira, Nampula and a new Tourism School in Inhambane.

*Rationale:* Three public institutes of higher education – UEM, UP and ISRI - currently account for 74% of overall enrollment in Mozambique and consumes 97% of public HE funding. They provide most of the engineering, economics, law, business and teacher training students at the higher education level in the country. Faculty of these three institutions represent the core academic capacity of Mozambique. Performance of these institutions is affected by a shortage of qualified and well trained faculty *staff*, rigid and outdated *curricula*, weak internal incentives for innovations and cost savings, a poor learning environment, inadequate facilities and a depleted knowledge base.

In order to meet the growing demand for skill development, each of the participating public institutions has redefined their institutional strategy and priorities, including areas of specialization, modalities of service delivery, types of programs, and *capacity for internal generation of funds*. This exercise led to the identification of investment priorities that would address institutional constraints, the transformation of institutions and the improvement in the academic and resource base essential for effective and efficient service delivery.

The content and composition of specific institutional activities was confirmed during appraisal as follows:

Sub-component 2 (a): Eduardo Mondlane University (UEM): **US$32.9 million.**

*To increase the graduation rate the project will support:*

- completion of the ongoing curriculum reform (and introduction of bachelor degree);
- investigation of a credit system and ways of improving entrance examinations and testing systems;
- feasibility study, design and actual introduction of bridging programs for secondary school leavers;
- study of incentives for teaching staff to increase teaching and student supervision time, tutoring and extra-curricular activities;
- training of faculty staff;

- design and introduction of an Academic Excellence Fund.

*To improve efficiency in the use of resources the project will support:*

- a feasibility study for improving the efficiency of non-academic services (catering, transportation, housing, dormitory management) and finance activities proposed by the study;
- the design of an integrated budgetary system and participatory budgeting process;
- the completion of the reform of the financial management system;
- a study of facilities utilization and the financing of selected recommendations;
- the advanced training of financial management and administrative staff;
- the expansion of the ICT program already started to allow, among others, setting up a comprehensive administrative, academic and financial data base system;
- the expansion of revenue generating activities.

*To support essential expansion the project will:*

- design and partially finance a Hotel/Tourism management school;
- introduce new courses in key areas needed for the economic development of the country;
- open and expand evening courses;
- introduce distance education courses;
- develop capacities in ICT;
- develop capacities to deliver fee-based training programs in areas of high market demand.

*To improve the quality of education the project will support:*

- the design, construction and equipping of a central University library as knowledge base with open access to students and staff from all HEIs in Mozambique;
- the equipping of specialized libraries with learning materials, internet access and IT facilities;
- the introduction of student evaluation of programs, courses and faculty;
- the introduction of an evaluation system of teaching staff, courses and student achievements;
- the strengthening of applied research activities;
- workshops and "twining programs";
- rehabilitation of the Engineering Faculty;
- construction of a new pedagogical complex.

Sub-component 2 (b): Pedagogical University (UP): **US$ 11.6 million.**

*To increase the graduation rate the project will support*:

- curriculum revision, both in terms of content and duration of courses, based on an assessment of the curricula of the secondary school level and of the IMAPs;
- revision of the internal student evaluation system;
- introduction of up-dating courses for secondary school teachers, in view of increasing the number of secondary school graduates and improve their education background.

*To improve the internal and external academic efficiency, and the management efficiency of the institution the project will support:*

- the revision of the present management system of the University;
- training of administrative and support staff;
- a study on ways to improve the external efficiency of the courses offered;
- a study on ways to increase internal revenue generating activities;
- equipping the University with an ICT system, to improve communications between campuses and the creation of an academic, administrative and financial data base;

- a study on the external efficiency of the courses offered.

*To support essential expansion and better equity in admission of students the project will support:*
- the rehabilitation of the three campuses (language laboratory, geology room, 3 student hostels);
- upgrading and equipping of science laboratories;
- the introduction of bachelor level courses;
- the opening of new courses in priority areas (English, physics, chemistry, biology);
- the extension of courses presently offered in Maputo to the other three campuses;
- the introduction of policies to increase participation of female students;
- the introduction of distance education.

*To improve secondary level teachers qualifications the project will support:*
- training of trainers of IMAPs and CFPPs up to bachelor's level;
- upgrading of secondary school level teachers in service, together with MINED and the DPEs;
- creation of Nuclei for basic education.

*To improve the quality of education the project will support:*
- equipping of selected physical facilities;
- provision of teaching and learning materials, including library books;
- the increase in practical activities of students;
- the training and professional development of teaching staff;
- the training and upgrading of key teaching staff.

Sub-component 2 (c): Higher Institute for International Relation (ISRI): **US$ 4.1 million.**

*To improve efficiency in the use of resources the project will support:*
- upgrade the administration and management system of the institution;
- training of administrative and support staff;
- the introduction of an ICT system, allowing the setting up of an adequate academic; administrative and financial data base;
- the stimulation of internal revenue generating activities.

*To support essential expansion, and diversification of courses, the project will support:*
- the introduction of a post-graduate course in public administration;
- the introduction of courses of short duration;
- some expanded enrollments for the courses on foreign affairs and public administration (to satisfy present demand);
- the creation of in-service upgrading courses for staff of diplomatic and consular services.

*To improve quality the project will support:*
- the revision of curricula;
- the training and upgrading of academic staff;
- the training and upgrading of support staff;
- the strengthening of applied research activities, together with related training;
- the promotion of exchange programs of teaching staff at the SADC level;
- the organization of, and participation in workshops and seminars at national and international levels;
- the construction and equipping of new facilities (presently the institute is located in a villa);
- the equipping of the library.

*Status of component after appraisal:* Each of the institutions (UEM, UP and ISRI) has developed prioritized activity lists and the Bank appraised the specific priorities in these plans. Extensive consultations took place in UEM in order to improve understanding of the issues that UEM has to address in the near future as refelcted in the Project.

*Implementation arrangements:* Each of the institutional sub-components will be implemented by the individual institution. UEM has already acquired significant experience in Bank project implementation, while UP and ISRI will have to develop these capacities. By September 15, 2001, UEM, has elaborated a detailed plan for the implementation structure and management of the project, including, detailed TORs of key staff. The proposed structure is integrated into the existing UEM structure building on the lessons learned from the CBP. The UEM-PCU will be under the directorate for finance.

The MESCT-PCU will provide necessary guidance and assistance to these institutions on matters of procurement and financial management.

Sub-component 2 (d): Mozambique Distance Learning Network (MDLN): **US$ 8.5 million.**

To complement the traditional higher education programs the project will support the development of a "Mozambique Distance Learning Network" (MDLN). Distance-education programs will be designed by the academic staff of higher education institutions, developed in collaboration with the technical support staff of the MDLN's central unit and delivered through a network of distance-learning centers located throughout the country. Student guidance, tutorial support and evaluation would be provided by the higher education institutions originating specific programs. The regional distance-learning centers would be operated by existing private and public institutions throughout the country. The institutions would be expected to make available space for learning laboratories, meeting room facilities and local management and technical support.

The first programs would be in-service secondary teacher upgrading to address the problem of the large number of unqualified teachers currently employed in secondary schools. In addition, a distance-learning alternative for pre-service teacher education in French, English math and science will address the expected sharp increase in secondary teacher education numbers required by the proposed expansion of the secondary school system. These programs will be developed in collaboration with UP. Other programs may include upgrading programs for business, economics and law, which would be developed in collaboration with UEM. Yet other programs that are planned for later phases are secondary education remedial programs intended to help secondary school graduates to prepare for university entrance exams and new programs which will developed based on expressed demand and market surveys.

*Activities:* The project would support the purchase of equipment and minor civil works needed to install the learning facilities, as well as the operational costs of the communication systems required to link the regional centers to the central MDLN unit, to the academic staff in the participating higher education institutions and to each other. Course and student fees would recover the cost of tutors, material reproduction and internet connection time. Also, the central unit of the MDLN and the participating local institutions would be allowed to use the facilities for their own programs or sell services to external clients. The project would support the cost of the following activities: (i) HR Capacity building: Human resources development and institutional capacity building in design, development, delivery, management and evaluation of distance-learning; (ii) Network infrastructure: Minor civil works, equipment, consultant services staff and operating costs for establishing the central development and delivery services unit, the regional learning centers and the communication (probably Vsat) network; (iii) Program and pilots with

institutions: Materials development and program implementation costs (including supervision, student support and monitoring of program delivery) of both the MDLN central services unit and the collaborating institutions. Specific activities will include: (a) policy, organizational and feasibility studies for the provision of services in specific areas and disciplines; (b) Staff development and training through short programs, seminars, workshops etc. for curriculum development and capacity building for new institutions; (c) essential civil works and rehabilitation activities; (d) "twining programs" with institutions of relevant profile and specialization; (e) Equipment (including computers, ICT equipment, publishing or broadcasting capacity etc.).

*Rationale:* The full diversity of training and educational needs of the Mozambican economy and society cannot be met by the existing types of institution alone. National participatory consultations were highly supportive of the idea of introducing institutions that would provide one to two year - long programs. These institutions are seen to be potentially effective for the provision of an associate degree or a diploma in applied education and training in management and economics, agriculture, geology, civil engineering, hotel management and nursing. Current component will assist the government to finalize the strategy for the development of institutions of a new type and provide financing for setting up the prototypes.

*Implementation arrangements:* A working commission with broad representation of both private and public universities have been established and a detailed action plan with project costs have been completed.

Sub-component 2 (e): Quality Enhancement and Innovation Facility (QIF): **US$ 5.0 million.**

The Quality Enhancement and Innovation Facility (QIF) will provide financial support for quality improvements, building capacity and innovations in academic and research programs, and in institutional management and administration in higher education. The Facility will operate three programs, offering different types of financial support for investments in innovations and capacity building to improve relevance, efficiency and quality of academic programs, institutional management and research: (i) the **Institutional Program** will provide grants or repayable loans to public and private higher education institutions (HEIs) that are not already participating in the institutional development component, to finance investments to support upgrading and capacity building of staff (through Staff Fellowships for postgraduate education and other training for teaching and management staff), and innovations to improve quality and efficiency of existing programs (through curriculum development, provision of equipment and learning materials etc.) and to develop and introduce new academic programs to improve equity of access and meet changing skill requirements; (ii) the **Academic Staff Program** will provide small grants to individual academic staff or groups of staff to enable them to invest in development of new skills, teaching methods or learning materials, and the design and introduction of innovations and improvements in curriculum and delivery of courses and academic support of students; (iii) the **Research Program** will provide small grants to support basic or applied research which develops linkages or other forms of collaboration with Mozambican industry and the productive sector or with other national or international research and higher education institutions.

The Facility will be managed by MESCT and will provide grants or loans to HEIs, and small grants to individuals or groups of academic or research staff, on the basis of proposals submitted to MESCT and evaluated in terms of agreed criteria (relevance, impact, feasibility and balance of the proposed investment). Evaluation of proposals will be carried out by an Ad Hoc Academic Panel or Task Force, consisting of part-time consultants drawn from the academic community, assisted as necessary by representatives from industry, international higher education or research institutions, and possibly one or more Foundations. Final decisions on the award of institutional grants or loans will be the responsibility of the Council on Higher Education, Science and Technology (COESCT). QIF awards to public HEIs will be in the form of

a grant, while private HEIs will receive support in the form of a repayable loan. Repayment by private HEIs will take the form of annual allocations to a Scholarship Fund of a sum equivalent to 10% of the loan over a ten year period. These allocations could take the form of contributions to the Provincial Scholarships program (Component 3, see below) or to institutional scholarship funds set up to finance fee reductions or exemptions or grants towards living expenses of financially needy students.

*Output:* This component will have three outputs: (i) specific new courses and programs plus academic and management innovations within these institutions, (ii) improved learning environment and operational efficiency of these institutions, and (iii) encouragement to diversity and a strengthened foundation and incentive for innovation.

*Rationale:* Higher education is currently provided in Mozambique by a variety of public and private HEIs. In order to improve the efficiency of service delivery and the academic quality of programs several HEIs are involved in various innovations in program design, the management of academic and student affairs, and cooperative agreements with other institutions. While there are a variety of initiatives on the ground in these areas.

*Activities:* This component will include specific training, studies, requests for equipment, and minor rehabilitation works. Selection of proposals for support from the Facility could be the responsibility of a specially appointed Proposal Evaluation Team, appointed by the Minister and accountable to the Council for Higher Education, Science and Technology (COESCT) and the World Bank. Selection of investment projects would be based on clear criteria as described in the draft operational manual. HEIs receiving support from the Facility would be required to meet accountability and auditing specifications, including submission of regular progress and financial reports.

*Status of the component after appraisal:* TOR for design of the component are prepared and currently under consideration by the Ministry. The Bank has shared with the Government the text of the operation manual for Vietnam HE Fund as a possible example for replication or adaptation. A draft guideline with operating principles is included in Annex 11.

*Implementation arrangements:* The Facility will be proposal/incentive driven. The draft guidelines can be found in Annex 11 and will be included as part of the PIM under **www.mesct.gov.mz**

**Project Component 3 - US$ 1.85 million**

***Provincial Scholarships***

This component will, on a pilot basis, initiate the introduction and operation of a publicly run and publicly financed scholarship scheme that will provide financial assistance, student outreach and academic advisory services to students from several Northern provinces. The program will cover tuition, travel, subsistence and lodging costs of candidates from disadvantaged (social and gender) groups. Those selected for academic and financial support can utilize *the scholarship* in any public or private HEI. An academic advisory service and summer internships for the program participants will also be organized. *This centrally financed program will be managed at provincial level in order to ensure effective student outreach, establish appropriate linkages with the demand for adequately trained provincial human resources, as well as increase a sense of ownership in higher education development among local stakeholders.* Provincial government, educational administration, local employers and NGOs will be involved in program governance.

*Output:* This components will have four outputs: (i) an increased number of students from disadvantaged Northern provinces and female students enrolled in HEIs, (ii) strengthened provincial involvement in

educational provision, (iii) an expanded human resource base in the provinces involved, and (iv) a tested operational scheme for *allocating public* funding via demand -driven schemes that strengthen the responsiveness of higher education institutions to the needs of regional economic development, communities and individuals.

*Rationale:* There is a two part rationale for a provincial education grant program. The first, is the acuteness of regional, social and gender inequity in Mozambique higher education: the number of students from the Northern provinces and from disadvantaged socioeconomic groups is disproportionately low compared with other parts of the country. This is caused both by low ability to pay for higher education and by exclusion based on location and the educational and cultural background of candidates. *Second, public institutions demonstrate limited responsiveness to student and employer needs, because the prevailing institution-based mechanism of public funding does not envision any linkages with specific needs of the economy or the community. Potential employers or students have no way of influencing the allocation of public funding towards alternative more relevant institutions or programs.*

The introduction of a targeted carefully designed provincial scholarship grant program will address both of these issues.

*Activities:* Specific activities included in this component include: (a) design and start up of the program in Tete, Cabo Delgado and Gaza provinces; (b) staff development and training for staff who will run the program; (c) sensitization and selection of candidates for participation in the program; (d) provision of financing for scholarships, subsistence and other related student expenses; (e) organization of follow up activities with HEIs; and (f) organization of summer internship programs with the local administration and employers.

About 95 percent of the fund will finance an estimated 500 scholarships. The remaining funds will cover the above activities.

*Status of component after appraisal:* The appraisal mission has assessed the general design and organizational features of the NISOME scholarship program that is operating in Nampula province and is financed by the Dutch *Government* (description of the program is presented in attached mission aide-memoire). The main principles of the scholarship NISOME fund are found acceptable for the fund to be supported by the Bank project. TOR for the design of the components has been prepared, agreed with the Ministry. A draft operational guideline has been prepared.

*Implementation arrangements:* The component will initially be implemented in the provinces of Gaza, Tete and Cabo Delgado under the supervision of provincial supervisory boards, that will include representatives of provincial government, educational administration, employers, secondary schools, local NGOs. Some administrative staff will be hired in each province to implement the component. A national coordinator on the staff of the PCU in the Ministry of Higher Education, will have an overall monitoring function.

## Annex 3: Estimated Project Costs

### MOZAMBIQUE: Higher Education Project

| Project Cost By Component | Local US $million | Foreign US $million | Total US $million |
|---|---|---|---|
| System-wide Reform and Development | 3.80 | 3.00 | 6.80 |
| Institutional Development and Investments | | | 0.00 |
| UEM | 13.90 | 15.20 | 29.10 |
| UP | 4.90 | 5.70 | 10.60 |
| ISRI | 2.00 | 1.70 | 3.70 |
| Mozambique Distance Learning Network (MDLN) | 3.00 | 5.00 | 8.00 |
| Quality Enhancement and Innovation Facility (QIF) | 2.50 | 2.40 | 4.90 |
| Provincial Scholarships | 1.80 | 0.10 | 1.90 |
| **Total Baseline Cost** | 31.90 | 33.10 | 65.00 |
| **Physical Contingencies** | 1.20 | 1.60 | 2.80 |
| **Price Contingencies** | 1.40 | 1.90 | 3.30 |
| **Total Project Costs**[1] | 34.50 | 36.60 | 71.10 |
| **Total Financing Required** | 34.50 | 36.60 | 71.10 |

| Project Cost By Category | Local US $million | Foreign US $million | Total US $million |
|---|---|---|---|
| **Works** | 10.30 | 10.30 | 20.60 |
| **Equipment, Vehicles and Furniture** | 3.90 | 10.10 | 14.00 |
| **Technical Assistance** | 3.10 | 2.80 | 5.90 |
| **Studies and Training** | 5.80 | 5.30 | 11.10 |
| **Books and Educational Materials** | 0.80 | 0.70 | 1.50 |
| **Quality Enhancement and Innovation Facility** | 2.50 | 2.40 | 4.90 |
| **Provincial Scholarships** | 1.80 | 0.10 | 1.90 |
| **Operating Cost** | 3.70 | 1.40 | 5.10 |
| **Physical Contingencies** | 1.20 | 1.60 | 2.80 |
| **Price Contingencies** | 1.40 | 1.90 | 3.30 |
| **Total Project Costs**[1] | 34.50 | 36.60 | 71.10 |
| **Total Financing Required** | 34.50 | 36.60 | 71.10 |

[1] Identifiable taxes and duties are 7.49 (US$m) and the total project cost, net of taxes, is 63.63 (US$m). Therefore, the project cost sharing ratio is 94.3% of total project cost net of taxes.

## Annex 4: Cost Benefit Analysis Summary

## MOZAMBIQUE: Higher Education Project

**Introduction**

An economic analysis for the project was conducted to guide the Government and IDA on the critical areas of intervention. This included the following aspects: a) Rationale for Bank involvement on the proposed project; b) Enrollment trends in higher education; c) Internal efficiency of the education system; d) Equity incidence; e) External efficiency of the education link with labor market; f) Financial Mechanism/Fiscal impact; g) Scope for efficiency gain; and g) Cost analysis.

**Rational for Bank involvement**

The CAS for Mozambique, approved on May 2000, was designed around the Government of Mozambique's (GoM) Five Year Program and its Poverty Reduction Strategy Paper (PRSP) and its focus on human development as described under section B.1, B.2 and D.1. Since the needs of pre-university education are already being addressed under the Education Sector Strategic Program (ESSP) as described under Section B.2, the GOM has moved forward with the development of a comprehensive strategy for tertiary education. The national strategy *"Plano Estrategico do Ensino Superior em Mozambique para o periodo 2001-2010" (PEES)* aims to improve the efficiency and quality of higher education institutions (HEIs) in Mozambique. The PEES was approved by the Council of Ministers in August 2000 and subsequently spelled out in the Plan of Operationalization approved by the Council in July 2001. The PEES outlines the economic, social, and political needs of the country and the ways in which higher education can contribute to achieving those needs. Unlike most Government's national strategies on higher education, Mozambique's PEES takes a broader view of the sub-sector by addressing issues pertinent to both public and private HEIs to ensure growth can be achieved more rapidly and in a fiscally sustainable manner. Although the needs of the sub-sector are extensive, GoM is working with the Bank in delineating this investment project that focuses on improving academic conditions for students, providing opportunities for faculty and staff to upgrade their skills, and improving the cost-effectiveness and equity of higher education institutions through various incentive programs - all key aspects highlighted in the following analysis.

**Enrollment trends in higher education**

Over the past decade the number of HEIs has increased from three to ten, and this has resulted in a subsequent increase in total student enrollment from 3,750 in 1990 to 11,619 in 1999. Meanwhile, the growth in the number of private HEIs (all established after 1995) has not affected enrollment growth in public institutions; on the contrary, enrollment in public HEIs has doubled. This trend indicates that a high social demand for post-secondary education exists in the country. Although public HEIs still account for the bulk of student enrollment (76%), private HEIs are gaining ground and GoM has supported policies aimed at increasing private sector investment in higher education, whether by encouraging public-private partnerships or by providing a conducive environment for new private HEIs to flourish, especially in disadvantaged regions of the country.

Despite the increase in enrollments over the last decade, the Gross Enrollment Rate (GER) in tertiary education in Mozambique is still low at about 1%. This is comparable to the tertiary GER for the majority of countries with similar levels of GNP not only in Sub-Saharan Africa, but also in other parts of the world. Countries such as Burkina Faso, Cambodia, Chad, Eritrea, Ethiopia and Mali have tertiary GERs of 1% and GNPs ranging from US$100 to US$260 (Mozambique's GNP is US$210). However, as described under Section B.2 Mozambique has been experiencing a high growth rate in the formal modern sector where an increasing share of university graduates find employment. Another difference between these countries and Mozambique is the percentage of total public budget allocated to higher education: Mozambique allocates a relatively high share (22% compared to other countries' shares ranging from 9 to 24%) while enrolling the same proportion of students, thus, pointing toward the existence of significant possibilities for improving the efficiency of the

system as will be shown later. There are some countries with similar GNP yet higher tertiary GERs, namely Nepal (5%), Laos (3%), and Madagascar (2%). The relatively inefficient use of resources, the recent expansion of the system, but a very low graduation rate combined with an acute shortage of professionals following the recent economic boom, constitutes a feature of an emerging crisis of which the project will focus on addressing.

**Internal efficiency of the higher education system**

As described above the cost of the higher education system in Mozambique appears very high while the demand of the market in certain fields surpasses the output of graduates, thus, pointing towards significant inefficiencies as discussed in the following.

The internal efficiency of the higher education system was estimated by the following two methods: 1) Admissions as proportion of enrollment (if the system were fully efficient, the proportion of new admissions to total enrollment would be 20% since Licenciatura requires 5 years of study time); and 2) Percentage of graduates who complete all degree requirements within the official prescription time. Using the first method, the admission to total enrollment rate declined from nearly 20% in 1992 to 14% in 1998 though it rose slightly again to 16% in 1999, thus indicating a decline in the efficiency of the system or student taking more and more years to complete their studies. One of the key factors that explains the system's inefficiency is the high level of student repetition. In the case of Mozambique this is partly explained by the fact that degree programs are not structured around credit units, but rather around a set of five successive year-long segments with single entrance and exit points, student repetition increases both costs and congestion very rapidly. Currently, students who fail to pass one or more subjects twice are required to repeat the year-long segment rather than the single subject(s). Therefore, any increase in access to higher education must be matched with internal efficiency improvements, otherwise the system could potentially lose not only its fiscal sustainability but also academic quality.

Based on the estimation of the second method, the graduation rates are about 7% at UEM (see Table 1) and 10% at ISRI (there is no data available for UP). When assessing the overall graduation rate at UEM, it is important to note that graduation rates vary significantly by faculty and degree program. Students in the architecture and geography faculties have higher graduation rates (about 40%) compared to students in the engineering, economics and informatics faculties. Students in bachelor's degree programs have about 50% of graduation rate. Information on the proportion of students who leave the higher education system upon completion of all degree requirements except for their thesis is not available at UEM, UP and ISRI. However, it is possible that a significant proportion of students may fall into this category as employers report regularly an acute shortage of highly skilled labor in the country (e.g., in Maputo, more than half of the graduates from UP, who were trained a secondary school teachers, are employed in the emerging private banks and industry. Employers report shortages in applied fields including: Law, Economics, Engineering, Biology, Marketing and Management, Computer Science, Banking and Accounting, Architecture, Geology, and Agriculture). This situation suggests that there is a need to re-evaluate and perhaps restructure the current degree requirements to increase the proportion of students who complete all degree requirements in time. This could boost graduation rates, increase the internal efficiency of the system and reduce unit costs.

The project will address internal efficiency issues in several ways. First, it will introduce education management information systems (in campus Registrar offices) to ensure data are collected, analyzed and disseminated in a more comprehensive and rigorous manner, thus, ensuring that the statistics reveals the actual situation. More and better information is expected to improve planning, monitoring and evaluation functions. Second, the project will support the opening of continuing education evening classes for students who seek to complete their degree requirements without having to drop-out of the labor force and enroll on a full time basis, the revision of the curriculum, change in pedagogical teaching methods and the introduction of a credit system.

Each HEI is going to introduce more bachelor's degree programs, which will definitely increase the internal efficiency by improving graduation rates. The project will also address issues related to internal efficiency by focusing on each HEI (institutional development and investments at UEM, UP and ISRI) as well as quality enhancement and innovation facility (see Annex 2 for more details).

**Table 1: Graduation rates in UEM - Cohort Flow Analysis**

| | Duration of program (years) | 1997/98 | | | 1998/99 | | | 1999/00 | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Admission | Graduates | Gradu. Rates | Admission | Graduates | Gradu. Rates | Admission | Graduates | Gradu. Rates |
| Agriculture | 5 | 91 | 1 | **1.1%** | 95 | 6 | **6.3%** | 53 | 7 | **13.2%** |
| Architecture | 6 | 20 | 4 | **20.0%** | 22 | 2 | **9.1%** | 19 | 8 | **42.1%** |
| Sciences | | | | | | | | | | |
| Biology | 5 | 21 | 5 | **23.8%** | 17 | 1 | **5.9%** | 23 | 1 | **4.3%** |
| Physics | 5 | 21 | 2 | **9.5%** | 19 | 1 | **5.3%** | 16 | 2 | **12.5%** |
| Geology | 5 | 25 | 0 | **0.0%** | 19 | 0 | **0.0%** | 24 | 0 | **0.0%** |
| Informatics | 5 | 31 | 4 | **12.9%** | 27 | 0 | **0.0%** | 28 | 4 | **14.3%** |
| Chemistry | 5 | 11 | 0 | **0.0%** | 10 | 0 | **0.0%** | 6 | 0 | **0.0%** |
| Law | 5 | 84 | 1 | **1.2%** | 70 | 0 | **0.0%** | 101 | 2 | **2.0%** |
| Economics | 5 | 68 | 1 | **1.5%** | 90 | 4 | **4.4%** | 71 | 2 | **2.8%** |
| Engineering | | | | | | | | | | |
| Civil Eng. | 5 | 49 | 1 | **2.0%** | 35 | 0 | **0.0%** | 33 | 0 | **0.0%** |
| Electrics Eng. | 5 | 49 | 1 | **2.0%** | 48 | 0 | **0.0%** | 46 | 0 | **0.0%** |
| Mechanical Eng. | 5 | 48 | 0 | **0.0%** | 44 | 1 | **2.3%** | 42 | 0 | **0.0%** |
| Chemical Eng. | 5 | 22 | 0 | **0.0%** | 16 | 0 | **0.0%** | 27 | 0 | **0.0%** |
| Humanities | | | | | | | | | | |
| Geography | 5 | 23 | 0 | **0.0%** | 12 | 2 | **16.7%** | 5 | 2 | **40.0%** |
| History | 5 | 25 | 1 | **4.0%** | 27 | 0 | **0.0%** | 27 | 3 | **11.1%** |
| Linguistics | 5 | 27 | 6 | **22.2%** | 27 | 3 | **11.1%** | 27 | 2 | **7.4%** |
| Medicine | 7 | | 3 | | 70 | 6 | **8.6%** | 80 | 8 | **10.0%** |
| Veterinary | 5 | 26 | 0 | **0.0%** | 23 | 1 | **4.3%** | 25 | 2 | **8.0%** |
| Social Sci. (Bachelor) | 3 | 0 | 1 | | 72 | 34 | **47.2%** | 90 | 48 | **53.3%** |
| Social Sci. (Licenciatura) | 5 | 0 | 0 | | 0 | 0 | | 72 | 14 | **19.4%** |
| TOTAL (with Soc. Sci.) | | 641 | 31 | **4.8%** | 743 | 61 | **8.2%** | 815 | 105 | **12.9%** |
| TOTAL (without Soc Sci.) | | 641 | 30 | **4.7%** | 671 | 27 | **4.0%** | 653 | 43 | **6.6%** |

Source: UEM

Notes: Year of admission is 5 years (6 years for Architecture; 7 years for medicine) earlier from the year of graduation.

**Equity aspects of the Higher Education System**

There is a great disparity in access to higher education among those who come from different geographical locations, gender and socioeconomic backgrounds. This is of great concern of the Government.

***Geographical location:*** According to PEES, only 40% of the students in HEIs are from the Northern and Central provinces which represent 75% of the total population. Nearly 60% of all students (in both public and private institutions) are from urban areas while 14% are from semi-rural areas. Students from rural areas make up only 24% of the higher education student population despite the fact that 80% of the total population lives in rural areas. The high concentration of students from the far South and Maputo City (also considered as urban areas) can be explained by the prolonged civil war in the country which ended in 1994. The geographical concentration of HEIs in one region coupled with a limited availability of scholarships and boarding facilities for students from distant provinces only deepened geographical inequities in access to higher education. It can also be explained by the greater proportion of secondary schools in these regions, about 54% of Grade 12 students come from the South or Maputo City. In fact, Maputo City accounts for 37% of the total student

population in Grade 12. Moreover, all senior secondary schools, even the ones located in the Central and North regions, are located in the provincial capital, thus, limiting even further access to students from rural areas (there are only 20 public senior secondary schools in Mozambique).

***Gender:*** The proportion of female students enrolled in public HEIs has remained constant at 25-26% since 1993. In absolute numbers, new female admissions increased in both public and private HEIs; however, the increase has been more pronounced in private institutions. Clearly, private HEIs are helping to boost female enrollment (43% compared to 23% in public HEIs). However, such private institutions cater to more affluent students, many of whom would have enrolled in higher education regardless. Thus, there is a need to provide incentives and programs to ensure that a greater proportion of females enroll in public institutions, especially females from distant provinces. In this context, there is a need to focus on the pipeline and on lower levels of the educational system to address persistent inequities in access to and completion of upper primary and secondary schools for girls in provinces outside Maputo. In 1999, nearly 4,000 students completed upper secondary level of education; yet females made up 35% of graduates. Of the total number of female students enrolled in Grade 12, about 48% attended secondary school in Maputo City compared to only 7% of female 12th graders who attended secondary schools in Cabo Delgado, Manica and Niassa provinces combined.

***Social-economic background*:** Due to data limitation, it is not possible to investigate the direct relationship between students' economic status and access to higher education; however, Mario, Fry, Levey and Chilundo (2001) assert that parents' education level and students' linguistic background are important determinants of students' access. For instance, 70% of fathers and 50% of mothers of students who enrolled in public HEIs have secondary education or higher, while only less than 3% of men and 1% of women have similar levels of education in the country as a whole. The trend is similar in private HEIs. Given the close relationship between secondary and post-secondary school completion and household income in Mozambique, it is likely that students from higher socio-economic status are over-represented among the higher education student population. Moreover, nearly 40% of Mozambicans are able to speak Portuguese. However, Mario et al, (2001) concur that among the sample of 1,174 university students, 65% claim Portuguese as their mother tongue while less than 10% of the total population utilize the Portuguese language in the home environment (1997 census). The portion of students with Portuguese as their mother tongue is much higher in private higher education institutions such as ISCTEM (80%) and ISPU (83%), while UP has more students (60%) whose mother tongue is not Portuguese—not surprising since the UP has satellite campuses outside Maputo City. It is difficult to disentangle the effect of mother tongue language, socio-economic status and access to higher education as these variables are highly inter-correlated.

The HEP will address regional inequities through the establishment of need-based scholarships earmarked for students from traditionally disadvantaged provinces, groups or backgrounds. In addition, the HEP will support distance education programs to develop and/or upgrade secondary school teachers, especially in the Central and Northern regions where shortages of trained secondary school teachers are most acute. The GoM has already been increasing the number of secondary schools and rehabilitating the existing schools that are in a state of disrepair through the Education Sector Strategic Program (ESSP). This will help to increase the proportion of eligible secondary school graduates from disadvantaged provinces.

**Higher education and the labor market in Mozambique**

Given the shortage of highly skilled labor in the country, university graduates are quickly absorbed in the labor market, whether they have the right skills or not. At present the external efficiency of the higher education system could be considered as adequate since everyone gets a job; however, in the long-run as the supply of graduates catches up with the demand for highly skilled labor, the skill mix will play a more important role in filling labor market vacancies. One of the most important issues facing the higher education sub-sector in Mozambique is that of aligning program curricula and degree programs with the needs of the labor market.

Already degree programs in such fields as management, accounting and engineering are being expanded, especially in private institutions. Moreover, recent labor market trends indicate that almost 52,000 new jobs were created between 1995 and 2000 with a significant proportion of jobs requiring management, accounting or related degrees (i.e. telecommunication and transport, tourism, finance and banking industries require a sizable proportion of highly skilled staff). Investments have reached US$4.6 billion from 1995 to 2000, and if macroeconomic indicators continue their upward trend pattern, investments and job creation will continue unabated. Informal labor market surveys show that there are very few Mozambicans employed in middle and higher level management positions in the largest foreign companies. Industries such as agro-industry and manufacture industry are currently facing the need to replace an aging stock of educated professionals who were trained in the period preceding the civil war and who are now nearing retirement. To date, the country has relied on imported labor to meet labor market demands for professional or highly trained staff. However, that strategy has been counterproductive to current Government's efforts to increase highly skilled capacity in the country. Recently, legislation was introduced to limit the number of foreign workers who can be employed in private companies. Unless investments are made, the shortage of highly skilled labor coupled with the new legislation restricting the supply of foreign labor force could jeopardize future foreign direct investments.

**Financial mechanism/ Fiscal impact analysis**

***Evolution of public spending on education:*** Since 1990, Gross Domestic Product (GDP) and Total Public Expenditure in Education (TEE) have increased simultaneously (see table 2). However, as a share of Total Public Expenditure (TPE), expenditure on education declined slightly from 5% in 1990 to 4% in 1999. Within the education sector, public expenditure on higher education increased from 0.5% of GDP in 1992 to 0.9% in 1999. Total Public expenditure in higher education as a percentage of TEE increased substantially from almost 8% in 1992 to 22% in 1999. This level of expenditure in higher education is relatively high given that only 1% of the age-appropriate population are enrolled in higher education. Moreover, external financing (mostly for capital investment) in Mozambique represents a large share of total spending on education. In the higher education sub-sector, both domestic and external expenditure have increased from 48% in 1997 to 55% in 1999. In 1999, external contributions from about 20 countries and organizations, including SIDA, NUFFIC, USIA, ASDI and the World Bank, were used for scholarship grants for students, study grants for teaching staff as well as capacity building.

***Fiscal impact analysis*** - Fiscal affordability is examined by comparing the Government's Medium-Term Fiscal Framework (MTFF) ceiling for higher education with different levels of investment. The MTFF harmonizes total public expenditure with projected macro-economic growth, therefore, for the purposes of this analysis, it is used as a benchmark of affordability. For the year 2000, expenditure in the MTFF is based on actual budget allocations while expenditure for the years 2001-2005 is based on projections obtained from the Ministry of Planning and Finance (MPF). For the year 2006, the MTFF expenditure is projected by the World Bank based on the past increases. During the period between 2000 and 2006, the average annual GDP growth rate is estimated as 6.9% and average annual inflation rate is adjusted at 6.3%. In this context, the following three scenarios were developed:

*Scenario 1 (Base Scenario)* - The base scenario examines the extent to which the consolidated budgets of MESCT and the three public HEIs (UEM, UP, ISRI) fit within the fiscal ceiling provided by the MTFF. The consolidated or 'state' budget is the sum of the 2001 approved budgets for each institution. This state budget does *not* take into account new investment plans in higher education (this Project) nor does it factor potential efficiency savings. In other words, the base scenario represents the status quo, maintaining current programs and enrollment patterns. As seen in Table 3, not surprisingly, the projected consolidated budget (excluding institutional-based generated revenue and external donor contributions) fits within the projected MTFF ceiling (excluding external contributions). The consolidated state budgets are US$1.1 million below the MTFF ceiling—despite a shortfall of 13% (US$1.9 million) in 2001. The situation changes when a comparison is

made between the consolidated budget that includes institution-based generated revenue and external contributions and the MTFF ceiling that includes external contributions. However, as the MTFF ceilings for higher education do not reflect accurately the current level of external resources that are flowing into the higher education sub-sector the comparison is not useful (according to the CFAA, 90% of external expenditures for all sectors are off-budget).

**Table 2: Public Spending on Education, 1990-1999 (billion Mt.)**

| | 1990 | 1992 | 1994 | 1996 | 1997 | 1998 | 1999 |
|---|---|---|---|---|---|---|---|
| GDP (nominal) | 2,334 | 4,757 | 13,145 | 32,093 | 36,693 | 46,134 | 52,913 |
| Total Public Expenditure (TPE) | 690 | 1,483 | 4,097 | 6 773 | 9,498 | 10,207 | 13,460 |
| TPE as % of GDP | 29 6% | 31 2% | 31 2% | 21 1% | 25 9% | 22 1% | 25 4% |
| Total Public Expenditure on Education (TEE) | 109 | 285 | 711 | 1,406 | 1,559 | 1,868 | 2,121 |
| **Ministry of Education (MINED)** | **109** | **263** | **653** | **1,297** | **1,322** | **1,468** | **1,645** |
| Domestic Expenditure | 50 | 125 | 203 | 483 | 648 | 875 | 1,005 |
| External Expenditure | 59 | 138 | 450 | 814 | 674 | 593 | 640 |
| *% External Expenditure* | *54.1%* | *52.5%* | *68.9%* | *62.8%* | *51 0%* | *40 4%* | *38 9%* |
| **Higher Education Institutions (HEIs)** | **n/a** | **22** | **58** | **109** | **237** | **400** | **476** |
| Domestic Expenditure | n/a | 22 | 58 | 109 | 123 | 163 | 214 |
| External Expenditure | | n/a | n/a | n/a | 114 | 237 | 262 |
| ***% External Expenditure*** | | | | | ***48.10%*** | ***59.30%*** | ***55.00%*** |
| ***Shares*** | | | | | | | |
| Total Education | | | | | | | |
| Total Expenditure on Education as % of GDP | 4 7% | 6 0% | 5 4% | 4 4% | 4 2% | 4 0% | 4 0% |
| Total Expenditure on Education as % of TPE | 15.8% | 19.2% | 17.4% | 20.8% | 16.4% | 18.3% | 15.8% |
| **MINED** | | | | | | | |
| Total Expenditure on MINED as % of GDP | 4.7% | 5 5% | 5 0% | 4 0% | 3 6% | 3.2% | 3.1% |
| Total Expenditure on MINED as % of TPE | 15.8% | 17.7% | 15.9% | 19.1% | 13.9% | 14.4% | 12.2% |
| Total Expenditure on MINED as % of TEE | 100.0% | 92.3% | 91.8% | 92.2% | 84.8% | 78.6% | 77.6% |
| **Higher Education** | | | | | | | |
| Total Expenditure on HE as % of GDP | n/a | 0.5% | 0.4% | 0.3% | 0.6% | 0.9% | 0.9% |
| Total Expenditure on HE as % of TPE | n/a | 1 5% | 1 4% | 1 6% | 2 5% | 3 9% | 3 5% |
| Total Expenditure on HE as % of TEE | n/a | 7.7% | 8.2% | 7.8% | 15.2% | 21.4% | 22.4% |

Sources MINED, UEM, UP, ISRI, and World Bank.

*Scenario 2 (Projected cost for PEES and MTFF ceilings for higher education)* - The second scenario was used during project preparation and pre-appraisal to guide the government in the affordability and size of program. It estimates whether the cost of implementing the original strategic plan (PEES) is within the MTFF expenditure ceilings for higher education. The projected expenditures for PEES were estimated based on the cost of achieving each of the activities included in the program for 2001-2004 while projections for years 2005 and 2006 are based on extrapolations from the previous years. As presented in Table 4, the projected expenditure on the PEES (including only recurrent and investment expenditures) is on average 64% (or US$12 million per year) above the MTFF's expenditure ceiling. In other words, in order to fully implement the PEES as it was originally envisioned, there would be a need for US$70 million above the MTFF ceiling over the period 2001-2006. Adding external contributions that have been agreed and pledged for and that, although consistent with the PEES, were not included in the costings, would increase the cost of PEES from US$183 million to US$213 million. This would call for an increase beyond the MTFF ceiling from US$70 to US$92 million. Clearly, the cost of the PEES was significantly beyond the ceilings established by the MTFF. As a consequence of this, and after the pre-appraisal, the Government prepared a revised and down-sized program totaling US$65 million and increased its focus on operational efficiency issues. The reduced program (Plan of Operationalization) was approved by the Council of Ministers on July 3, 2001. The fiscal affordability of the

reduced program is analyzed below.

**Table 3: MTFF Ceiling for Higher Education and Projected Public Expenditure (million USD)**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|---|---|---|---|---|---|---|---|
| ***Mid-term Fiscal Framework*** | | | | | | | |
| Total Ceiling on Higher Education (with external) - A | 16.7 | 19.1 | 20.0 | 21.4 | 21.7 | 22.0 | 120.8 |
| Total Ceiling on Higher Education (without external) - B | 15.2 | 17.7 | 18.7 | 20.2 | 20.5 | 20.9 | 113.2 |
| Recurrent | 12.8 | 14.2 | 14.9 | 15.8 | 16.3 | 16.8 | 91.0 |
| Investment | 2.3 | 3.5 | 3.8 | 4.3 | 4.2 | 4.0 | 22.2 |
| External (Donor contribution) * - C | 1.5 | 1.3 | 1.3 | 1.2 | 1.1 | 1.1 | 7.6 |
| Total Consolidated budgets for MESCT, UEM. UP and ISRI (with revenue and external) - D | 25.2 | 22.5 | 23.4 | 24.9 | 26.5 | 28.3 | 150.9 |
| Total Consolidated budgets for MESCT, UEM. UP and ISRI (without external) | 18.6 | 17.9 | 18.9 | 20.3 | 21.9 | 23.5 | 121.2 |
| Total Consolidated budgets for MESCT, UEM. UP and ISRI (without revenue and external) - E | 17.1 | 16.5 | 17.5 | 18.8 | 20.3 | 21.9 | 112.1 |
| Total Consolidated budgets for MESCT, UEM. UP and ISRI (only external) - F | 6.6 | 4.5 | 4.5 | 4.6 | 4.7 | 4.7 | 29.7 |
| **MESCT (Total Budget)** | **0.4** | **0.4** | **0.4** | **0.4** | **0.5** | **0.5** | **2.6** |
| Budget (state) | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 2.5 |
| External (Donor contribution) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| % of external contribution as a credit ** | - | - | - | - | - | - | - |
| **UEM (Total Budget)** | **20.7** | **18.1** | **18.8** | **20.0** | **21.2** | **22.5** | **121.2** |
| Budget (state) | 12.7 | 12.3 | 13.0 | 14.0 | 15.1 | 16.3 | 83.4 |
| Revenue | 1.4 | 1.3 | 1.3 | 1.4 | 1.5 | 1.5 | 8.5 |
| External (Donor contribution) | 6.6 | 4.5 | 4.5 | 4.5 | 4.6 | 4.7 | 29.4 |
| % of external contribution as a credit ** | 11.6% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 11.6% |
| **UP (Total Budget)** | **3.4** | **3.3** | **3.5** | **3.7** | **4.0** | **4.3** | **22.2** |
| Budget (state) | 3.3 | 3.2 | 3.3 | 3.6 | 3.9 | 4.2 | 21.5 |
| Revenue | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.6 |
| External (Donor contribution) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| % of external contribution as a credit ** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **ISRI (Total Budget)** | **0.7** | **0.7** | **0.8** | **0.8** | **0.9** | **0.9** | **4.8** |
| Budget | 0.7 | 0.7 | 0.7 | 0.8 | 0.9 | 0.9 | 4.8 |
| Revenue | - | - | - | - | - | - | - |
| External (Donor contribution) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| % of external contribution as a credit ** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Difference between B and E** | (1.9) | 1.2 | 1.3 | 1.3 | 0.2 | (1.0) | 1.1 |
| **Percentage below or above the MTFF ceiling** | -12.8% | 7.0% | 6.7% | 6.6% | 1.0% | -4.9% | 0.6% |
| **Difference between A and D** | (8.5) | (3.4) | (3.4) | (3.6) | (4.9) | (6.3) | (30.1) |
| **Percentage below or above the MTFF ceiling** | -51.1% | -17.7% | -17.2% | -16.7% | -22.5% | -28.6% | -25.7% |
| **Difference between C and F** | (5.1) | (3.2) | (3.3) | (3.4) | (3.5) | (3.6) | (22.1) |
| **Percentage below or above the MTFF ceiling** | -329.3% | -239.8% | -256.8% | -287.7% | -307.1% | -327.6% | -291.4% |

Notes: Projections of the Bank team on the basis of MESCT data, base line 2001; inflation = 6.3%; MTFF in 2006 is World Bank projection.

* External donor contribution includes all donor financiary to higher education sub-sector including World Bank's Capacity Building Project.

** This does not include World Bank's Higher Education Project I.

*** Others internal revenue includes books, hospital, university press, catering, fund raising etc..

Exchange rate: US$1 = 20,606 Mt. in 2001; 23,852 Mt. in 2002; 25,158 Mt. in 2003; 26,038 Mt. in 2004; 26,950 Mt. in 2005; 27,893 Mt. in 2006 (source: World Bank - the rates until 2005 were cleared by IMF)

**Table 4: Projected MTFF Ceiling for HE and Higher Education Strategic Program (PEES) (million USD)**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|---|---|---|---|---|---|---|---|
| **Mid-term Fiscal Framework** | | | | | | | |
| Total Ceiling on Higher Education (with external) - A | 16.7 | 19.1 | 20.0 | 21.4 | 21.7 | 22.0 | 120.8 |
| Total Ceiling on Higher Education (without external) - B | 15.2 | 17.7 | 18.7 | 20.2 | 20.5 | 20.9 | 113.2 |
| Recurrent | 12.8 | 14.2 | 14.9 | 15.8 | 16.3 | 16.8 | 91.0 |
| Investment | 2.3 | 3.5 | 3.8 | 4.3 | 4.2 | 4.0 | 22.2 |
| External (Donor contribution) | 1.5 | 1.3 | 1.3 | 1.2 | 1.1 | 1.1 | 7.6 |
| **PEES Plan on HEIs** | | | | | | | |
| Total estimated costs of PEES (with external) - C | 36.4 | 35.5 | 34.5 | 33.3 | 35.4 | 37.7 | 212.9 |
| Total estimated costs of PEES (without external) - D | 29.7 | 31.0 | 30.0 | 28.7 | 30.8 | 33.0 | 183.2 |
| Recurrent | 17.2 | 16.5 | 17.4 | 18.6 | 19.9 | 21.3 | 110.9 |
| Investment | 12.5 | 14.5 | 12.6 | 10.2 | 10.9 | 11.7 | 72.3 |
| External (Donor contribution) * | 6.6 | 4.5 | 4.5 | 4.6 | 4.7 | 4.7 | 29.7 |
| **Difference between MTFF and PEES** | | | | | | | |
| With external contribution - (A-C) | (19.6) | (16.4) | (14.5) | (11.9) | (13.8) | (15.8) | (92.1) |
| Without external contribution - (B-D) | (14.6) | (13.2) | (11.3) | (8.5) | (10.3) | (12.1) | (70.0) |
| **Percentage below or above the MTFF ceiling** | | | | | | | |
| With external contribution | -117.6% | -86.1% | -72.7% | -56.0% | -63.7% | -71.7% | -78.0% |
| Without external contribution | -96.0% | -74.5% | -60.3% | -42.4% | -50.1% | -58.2% | -63.6% |

Note: Projections of the Bank team on the basis of MESCT data, base line 2001; Inflation = 6.3%; MTFF in 2006 is World Bank projection.

* External donor contribution here does not include any allocation on Higher Education Project.

Exchange rate: US$1 = 20,606 Mt. in 2001; 23,852 Mt. in 2002; 25,158 Mt. in 2003; 26,038 Mt. in 2004; 26,950 Mt. in 2005; 27,893 Mt. in 2006 (source: World Bank - the rates until 2005 were cleared by IMF)

*Scenario 3 (Selected HEP investments)* – The third scenario estimates whether the additional recurrent expenditures that would be generated from investing in a reduced slice of the PEES are within the MTFF ceiling for higher education. The slice of the PEES which will be financed through the Higher Education Project (HEP) is estimated at US$60 million, out of the total cost of the PEES which was estimated at US$213 million and the reduced Plan Of Operationalization estimated at about US$65 million. The analysis here focuses on whether additional recurrent expenditure that will be generated by financing US$60 million under the HEP fits within the MTFF recurrent ceiling. Given that all recurrent expenditure must be paid out of the consolidated state budgets, it is important to know whether total consolidated recurrent expenditure is in line with the MTFF recurrent ceiling.

As seen from Table 5, the consolidated recurrent budget of US$104 million includes the additional recurrent expenditure that will be generated from the proposed investment under HEP (US$5.4 million over five years). The MTFF recurrent budget for the six year period will grow from US$15.2 million in 2001 to US$20.9 million by 2006 or an estimated US$91 million for the period, resulting in a total increase of US$14 million to the sector above the 2001 budget level. The total MTFF higher education ceiling for the period is US$ 22 million above the 2001 budget. This is equivalent to an 8% growth rate per annum. After the approval of the Plan of Operationalization on July 3, 2001 by the Council of Ministers, the GoM has further agreed to increase the share of total public expenditures to higher education by 0.2 percent-points (within the increase in total education expenditure of US$32 million). In this context, the total consolidated recurrent expenditure (including additional recurrent costs from HEP estimated at US$5.4 million) will be well within the adjusted MTFF ceiling making the proprosed credit a fiscal viable investment.

The increase in budget resources over and above the incremental recurrent costs will also be used to improve pay for teaching staff and preparing the public institutions for increased financial and managerial autonomy. The improvements in the efficiency of the higher education sub-sector will further generate internal resources within the HEIs, thus, improving the overall resourcing.

**Table 5: Projected MTFF Recurrent Ceiling and Projected Recurrent Expenditure with Additional Recurrent Cost from HEP (million USD)**

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | Total |
|---|---|---|---|---|---|---|---|
| **Mid-term Fiscal Framework** | | | | | | | |
| Total Ceiling on Higher Education (with external) | 16.7 | 19.1 | 20.0 | 21.4 | 21.7 | 22.0 | 120.8 |
| Total Ceiling on Higher Education (without external) | 15.2 | 17.7 | 18.7 | 20.2 | 20.5 | 20.9 | 113.2 |
| Recurrent - A | 12.8 | 14.2 | 14.9 | 15.8 | 16.3 | 16.8 | 91.0 |
| Investment | 2.3 | 3.5 | 3.8 | 4.3 | 4.2 | 4.0 | 22.2 |
| External (Donor contribution) | 1.5 | 1.3 | 1.3 | 1.2 | 1.1 | 1.1 | 7.6 |
| Projected Recurrent Expenditure (with additional recurrent expenditure from HEP) - B | 15.0 | 15.4 | 16.3 | 17.6 | 18.9 | 20.5 | 103.7 |
| Projected Recurrent Expenditure (without additional recurrent expenditure from HEP) - C | 15.0 | 14.5 | 15.3 | 16.5 | 17.8 | 19.2 | 98.3 |
| **MESCT (with additional recurrent cost from HEP)** | **0.4** | **0.4** | **0.4** | **0.5** | **0.5** | **0.5** | **2.7** |
| Budget (state) | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 2.5 |
| Recurrent | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.5 | 2.4 |
| Investment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.1 |
| ***Additional Recurrent Cost from HEP*** | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.3 |
| **UEM (with additional recurrent cost from HEP)** | **12.7** | **12.4** | **13.2** | **14.2** | **15.3** | **16.6** | **84.5** |
| Budget (state) | 12.7 | 12.3 | 13.0 | 14.0 | 15.1 | 16.3 | 83.4 |
| Recurrent | 11.1 | 10.7 | 11.3 | 12.2 | 13.2 | 14.2 | 72.9 |
| Investment | 1.6 | 1.5 | 1.6 | 1.8 | 1.9 | 2.1 | 10.5 |
| ***Additional Recurrent Cost from HEP*** | 0.0 | 0.2 | 0.3 | 0.3 | 0.3 | 0.4 | 1.5 |
| **UP (with additional recurrent cost from HEP)** | **3.3** | **3.2** | **3.4** | **3.7** | **4.0** | **4.3** | **22.0** |
| Budget (state) | 3.3 | 3.2 | 3.3 | 3.6 | 3.9 | 4.2 | 21.5 |
| Recurrent | 2.8 | 2.7 | 2.8 | 3.1 | 3.3 | 3.6 | 18.3 |
| Investment | 0.5 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 3.2 |
| ***Additional Recurrent Cost from HEP*** | 0.0 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.7 |
| **ISRI (with additional recurrent cost from HEP)** | **0.7** | **0.7** | **0.8** | **0.8** | **0.9** | **1.0** | **4.9** |
| Budget | 0.7 | 0.7 | 0.7 | 0.8 | 0.9 | 0.9 | 4.8 |
| Recurrent | 0.7 | 0.7 | 0.7 | 0.8 | 0.9 | 0.9 | 4.8 |
| Investment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ***Additional Recurrent Cost from HEP*** | 0.0 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 | 0.2 |
| **Other Additional Recurrent cost from HEP ***** | **0.0** | **0.5** | **0.5** | **0.5** | **0.5** | **0.7** | **2.7** |
| **Difference between A and B** | (2.2) | (1.2) | (1.4) | (1.7) | (2.6) | (3.7) | (12.7) |
| **Percentage below or above the MTFF ceiling** | -16.8% | -8.1% | -9.3% | -11.0% | -16.0% | -21.9% | -13.8% |
| | | | | | | | |
| **Difference between A and C** | (2.2) | (0.3) | (0.4) | (0.7) | (1.5) | (2.4) | (7.3) |
| **Percentage above or below of the MTFF ceiling** | -16.8% | -3.8% | -5.3% | -7.0% | -11.9% | -17.0% | -10.3% |

Notes: Projections of the Bank team on the basis of MESCT data, base line 2001; Inflation = 6.3%; MTFF in 2006 is World Bank projection.

* It does not include internal donor contribution

** Notes: Services include Catering, library open to public, computer services, internet, hospital, university press, and consultancy

*** Other recurrent costs include components for Quality Enhancement and Innovation Fund, Scholarship Fund, and Distance Education

Exchange rate: US$1 = 20,606 Mt. in 2001; 23,852 Mt. in 2002; 25,158 Mt. in 2003; 26,038 Mt. in 2004; 26,950 Mt. in 2005; 27,893 Mt. in 2006 (source: World Bank - the rates until 2005 were cleared by IMF)

## Scope for efficiency gains

As mentioned above, the financial difference could be fulfilled with external funding but it is important to analyze how to increase internal revenue in order to contribute to the projected sector budget. Two possible scenarios are provided as follow:

*Efficiency Scenario 1* - During the appraisal mission, the strategy of increasing revenue generation was discussed with each public HEI and each institution is currently planning to make improvement on revenue generation. For instance, UEM is planning to increase revenue from the services that they provide, which includes catering, the opening of the library to the public, computer and internet services, hospital services and consultancies on research and development with various organizations. If the revenue from internal services increases by 10% annually, a total of approximately US$0.6 million will be generated by the end of 2006. This amount could be used for the improvement of the university.

*Efficiency Scenario 2* - An alternative way to generate revenue might be to increase the internal efficiency of the system (reduce repetition), increase tuition costs, and raise student contributions for boarding facilities. If tuition were to increase by 100% and students were to contribute 50% of boarding costs, the institutions would generate an additional US$2 million between 2001 and 2006. The additional revenue is not as high as the savings that would be realized from increasing the internal efficiency of the system. That is because tuition in public HEIs is very low and thus tuition and cost-recovery for boarding would have to be increased substantially in order to have a large effect on revenue - at which point cost-recovery would also have a perverse effect on less affluent students by crowding them out of HEIs. Moreover, if the internal efficiency of higher education system were to be increased (i.e. an annual increase of 5% in graduation rates), it is likely that efficiency gains would be around US$11 million between 2001 and 2006. This illustrates the importance of focusing on improving internal efficiency. As the next section describes, the unit recurrent cost per graduate per year at UEM is about US$31,000 in 1999. Each graduate who completes their degree within the prescribed time a year decreases the unit cost significantly.

**Unit cost analysis**

***Unit costs***: The annual expenditure per student varies considerably among higher education institutions. In 1999, the recurrent unit cost per student ranged from US$909 in UP to US$5,092 in ISRI. Unit recurrent costs in private universities, such as Catholic University of Mozambique (UCM) and Higher Polytechnic and University Institute (ISPU), range from US$1,210 to US$1,563, respectively. Moreover, in public institutions, the unit costs per graduate are considerably higher given the relatively low internal efficiency of the system. While the official length of studies for a *Licenciatura* degree at UEM is five years, in practice, students spend on average 8 years before completing their *Licenciatura* requirements. In 1999, the total number of graduates from UEM was only 394, compared with the total student population of 6,800. If the total recurrent expenditure of UEM is divided by the number of graduates rather than the number of students, the unit cost per graduate is staggering (US $31,000). This would be misleading as a measure of unit costs, but it can be an indication of the very high costs of repetition and dropout.

***Per Student Unit Cost in International Perspective***: Although unit student costs (per-student spending as a percentage of GNP per capita) at the primary and secondary levels in Mozambique are similar to that of neighboring countries, per student expenditure in higher education is higher than neighboring countries except for Malawi. The cost of a student in higher education (blending UEM and the Pedagogical University) is about 111 times that of a primary education student, compared to an average of 63 times in Anglophone African countries, 37 times in the Francophone countries, and 11 times in low income Asian countries.

## Annex 5: Financial Summary

## MOZAMBIQUE: Higher Education Project

**Years Ending**
**2007**

| | IMPLEMENTATION PERIOD | | | | | | |
|---|---|---|---|---|---|---|---|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 |
| **Total Financing Required** | | | | | | | |
| **Project Costs** | | | | | | | |
| **Investment Costs** | 9.7 | 21.6 | 17.1 | 10.5 | 6.9 | | 0.0 |
| **Recurrent Costs** | 0.9 | 1.0 | 1.1 | 1.1 | 1.3 | 1.3 | 0.0 |
| **Total Project Costs** | 10.6 | 22.6 | 18.2 | 11.6 | 8.2 | 1.3 | 0.0 |
| **Total Financing** | 10.6 | 22.6 | 18.2 | 11.6 | 8.2 | 1.3 | 0.0 |
| **Financing** | | | | | | | |
| **IBRD/IDA** | 8.5 | 19.2 | 15.5 | 9.9 | 6.9 | 0.0 | 0.0 |
| **Government** | 2.1 | 3.4 | 2.7 | 1.7 | 1.3 | 1.3 | 0.0 |
| **Central** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Provincial** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Co-financiers** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **User Fees/Beneficiaries** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Others** | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total Project Financing** | 10.6 | 22.6 | 18.2 | 11.6 | 8.2 | 1.3 | 0.0 |

**Main assumptions:**

* Year 6 reflects the recurrent cost to be absorbed by the Government.

**Financial management action plan**

*(a) General*

The Ministry of Higher Education Science and Technology (MESCT) will have overall responsibility for the execution of the national program through existing management structures of beneficiary higher education institutions (HEIs). At the commencement of the Project, the HEIs will comprise: Eduardo Mondlane University (UEM), the Pedagogical University (UP) and the Higher Institute for International Relations (ISRI). The individual HEIs will be accountable and responsible for the implementation of the institution-based projects.

Reporting to the Minister and PS, a temporarily Project Coordination Unit (PCU; formerly referred to as the Financial Management Unit (FMU)) will be responsible for the day-to-day management of the credit under the MESCT. The PCU will be responsible for administering and supervising activities financed under the respective sub-components. In particular, the PCU will be responsible for preparing consolidated activity plans and progress reports and for ensuring that the Project's financial management arrangements will be acceptable to the Government and the World Bank.

*(b) Financial management arrangements and action plan*

*Financial Management Forum (FMF)*

Reporting to the Minister, a FMF, comprising representatives from each of the participating institutions

(e.g. the Project Coordinator, the Project Accountant and the Procurement Specialist as well as a representative from the MPF and a Chairperson) will be appointed to review the *Project Management Report* (PMR) every quarter. The PMR will comprise:

*Financial Statements,* as discussed below. Members of the FMF will review and approve Quarterly and Annual Financial Statements; they will also examine material variances between budget/actual figures, seeking remedial action as appropriate within an agreed timeframe.

*Project Progress, i.e. Output Monitoring Report (OMR).* The format and details of the OMR will need to be developed. An important aspect of the OMR will be the accompanying narrative interpreting the Project's progress with agreed financial performance indicators and how costs to date relate to those planned at appraisal, and the likely effect on the Project by completion.

*Procurement Management Report* (including Goods, Works and Services).

***Staffing***
Staff at the MESCT-PCU will include: A project coordinator, a project accountant/financial management specialist, a procurement specialist as well as relevantly qualified/experienced support staff. Staff at each of the participating HEIs will include: A Project Coordinator, a Project Accountant, a Procurement officer as well as support staff.. Varying levels of staff training will be required in financial, management and government accounting; information systems and computer applications; and procedures relating to the utilization of funds (e.g. Special Accounts, SOEs, Special Commitments, Procurement etc.). On-the-job coaching will also be provided.

***Accounting system/Financial procedures manual***
A Financial Management Consultant will be retained to advise on the selection and installation of the Project's computerized FMS, to prepare the Project's Financial Procedures Manual (including records management) and to train staff in the operation of the system The intention is that a uniform FMS will be developed for the MESCT (PCU) and each of the participating HEIs. Provision has been made in the budget for hardware and software requirements. Project activities will be periodically reviewed by the Audit Unit (IGF) at the MPF.

***Planning and budgeting***
Counterpart Funding will be approved for each participating institution in line with the Government's budget process. The Financial Manager/Project Accountants at the PCU, in consultation with each participating institution (i.e. the Project Coordinator, the Project Accountant and the Procurement Officer) and the FMF, will be responsible for preparing the Project's Quarterly/Annual Cash Flow Forecast in line with generally accepted accounting practice.

***Government accounting - Cash versus Accruals bases***
The PCU and each participating institution will meet the MPF's (Treasury) requirement for cash accounting. This requirement is not expected to change in the short to medium-term. Thus, for the foreseeable future, Project funds will be accounted for on a cash basis. In due course, for management reporting purposes, the FMF will decide whether to convert to an accruals basis of accounting (whilst maintaining a cash basis for Government reporting purposes).

***Procurement of goods, works and services***
World Bank and Government procurement regulations will be observed. The financial management staff will be conversant with those procedures, as internal control issues and the incurring of liabilities on behalf

of the Project will be matters of concern to the financial management function. A Procurement Management Report, showing procurement status and contract commitments, will be prepared quarterly for consideration by the FMF (see above). Procurement procedures will be documented in the Project Implementation Manual.

***Banking activities — flow of funds***

The PCU will maintain 3 bank accounts as follows:

(a) Special Account with Bank X in US Dollars/Meticais, that will show:

- Dollar/Meticais cost of transfers to Part 1 Account with Bank X;
- Dollar/Meticais cost of payments to suppliers;
- Dollar advances (Meticais equivalent cost) from the IDA Ledger Loan Account;
- Opening and Closing Balances.

(b) Current Account in Meticais with Bank X (Part 1 Account) to which draw-downs from the Special Account will be credited once per month (towards the end of the month) in respect of incurred eligible expenses. Following the immediate payment of those liabilities, the balance on this account should be zero at the end of each month.

(c) Current Project Account in Meticais with Bank X (Part 2 Account) to which Counterpart Funding will be deposited. Initially, a three months float will be provided and, thereafter, it will be replenished quarterly.

In addition, an IDA Ledger Loan Account (Washington) in US Dollars/Meticais/SDR will be maintained to show:

- Cost of transfers to Bank X;
- Cost of direct payments to suppliers;
- Opening and Closing Balances.

UEM will maintain a separate US Dollars Advance Account. Payments relating to UP and ISRI will be handled by the PCU until such time as financial management capacity has been strengthened at those institutions.

Bank accounts will be reconciled monthly and reconciliations will be approved by the Financial Manager/Project Accountant on a timely basis. Identified differences will be expeditiously investigated. Control procedures over all bank transactions (e.g. check signatories, transfers, advances etc.) will be documented in the Financial Procedures Manual.

***Withdrawals/disbursements***

By credit effectiveness, the Project will not be ready for PMR-based disbursements. Thus, in the short term, existing disbursement procedures as outlined in the World Bank's Disbursement Handbook will be followed, i.e. Direct Payment, Reimbursements and Special Commitments. However, the appointment of the Financial Manager/Project Accountant and Procurement Specialist, coupled with the establishment and development of the Project's financial management system, should facilitate the introduction of PMR-based disbursements within 18 months of credit effectiveness.

In due course, the adoption of PMR-based disbursements (which integrates project accounting, procurement, contract management, disbursement and audit with physical progress through the Project Management Report, as summarized above) should enable the Project to move away from

voucher-by-voucher disbursement methods to quarterly disbursements to the Special Account based on the PMR. In that regard, a financial management review of the Project will be undertaken by a World Bank Financial Management Specialist within 12 months of credit effectiveness to assess progress.

***Fixed assets/civil works/consultants***
Control procedures will be documented in the Financial Procedures Manual. A Fixed Assets Register will be prepared, regularly updated and checked. Regarding Construction/Capital Work in Progress, controls will be established to ensure that payments are made only for certified work (including physical verification). A Contracts Register will be maintained for all contracts. A Procurement Management Report, showing procurement status and contract commitments, will be prepared quarterly for consideration by the FMF.

***Financial reporting (monthly and quarterly/annually)***
*Monthly Cash Reporting*
In compliance with Government reporting requirements, the PCU will be responsible for preparing a Monthly Return (Statement of Expenses - "Prestações de Contas") to the MPF for consolidation into the National Accounts of Mozambique.

*Quarterly/Annually*
The Project financial statements will include:

- **A consolidated statement of sources and uses of funds** (showing IDA and Counterpart Funds as well as the amounts attributable to each participating HEI);
- **Project balance sheet,** analyzed by participating institution, as at the reporting date;
- **Notes** on significant accounting policies and accounting standards adopted by management when preparing the accounts; and on any supplementary information or explanations that may be deemed appropriate by management to enhance the presentation of a "true and fair view";
- **A statement** reconciling the balances on the various Bank Accounts (including the IDA Special Account) to the bank balances on the Statement of Sources and Uses of Funds;
- **SOE withdrawal schedule,** listing individual withdrawal applications relating to disbursements by the SOE Method, by reference number, date and amount;
- **A cash forecast** for the next two quarters.

Indicative formats for Financial Statements are outlined in a number of World Bank publications - Financial Accounting Reporting and Auditing Handbook (FARAH, January 1995), The Loan Administration Change Initiative Handbook (LACI, September 1998) and the Draft Project Financial Management Manual (February 1999). The formats adopted by the FMF will be documented in the Financial Procedures Manual.

***External audit***
Relevantly qualified, experienced and independent auditors will be appointed on approved terms of reference. **Audited financial statements (consolidated)** will be submitted to the Bank within six months after the financial year end. Besides expressing a primary opinion on the financial statements in compliance with International Auditing Standards (IFAC pronouncements), the auditor will be required to include a separate paragraph commenting on the accuracy and propriety of expenditures withdrawn under **SOE procedures** and the extent to which these can be relied upon as a basis for loan disbursements. Regarding the **special account (and any special account's sub/advance-account),** the auditor will also be expected to form an opinion as to the degree of compliance with World Bank procedures and the balance at the year-end. Additionally, the auditor will be required to prepare a separate **Management Letter** giving observations and comments, and

providing recommendations for improvements of accounting records, systems, controls and compliance with financial covenants.

***Financial management supervision***
Supervision activities will include: review of annual audit reports and management letter as well as timely follow up of issues arising; annual SOE review; and participating in project supervision missions as appropriate.

***Project financial management risk assessment***
Although the country fiduciary risk is assessed as high according to the Draft Country Financial Accountability Report (CFAA), nevertheless, provided the financial management arrangements outlined in the Financial Management Assessment Report (please refer to the separately prepared Project Financial Management Assessment Report (July 27, 2001)) are satisfactorily addressed in practice, the Project financial management risk is assessed as being moderate. The Country Office has a key role to play in monitoring the timely implementation of the proposed financial management arrangements.

***Credit effectiveness - required actions and next steps***
By credit effectiveness the following actions will have been completed as outlined under section G

- FMS installed; Financial procedures manual developed.
- Financial manager/Project accountant appointed;.
- Relevantly qualified external auditor appointed on approved terms of reference.

***Conclusion***
Subject to the required actions and next steps presented above being addressed by the MESCT prior to credit effectiveness, the Bank's financial management requirements will be satisfied.

## Annex 6: Procurement and Disbursement Arrangements
## MOZAMBIQUE: Higher Education Project

### Procurement

**General**
Procurement of works and goods will be carried out in accordance with Guidelines: Procurement under IBRD Loans and IDA Credits (January 1995 edition revised January and August 1996, September 1997, and January 1999). Bank's Standard Bidding Documents for works and goods under International Competitive Bidding (ICB) will use Standard Bidding Documents. Also, National Competitive Bidding (NCB) Standard evaluation forms will be used in each evaluation report. Selection of consultants will be carried out in accordance with Guidelines: Selection and Employment of Consultants by the World Bank Borrowers (January 1997 edition revised September 1997 and January 1999). Bank's Standard Request for Proposals and evaluation forms will be used for most of the consulting assignments for firms.

**Implementation Arrangements**
The implementing agents for the project include MESCT and HEIs. MESCT will be responsible for the procurement at the central level and overall coordination of the project. UEM, and in smaller measure, ISRI and UP will be responsible for their own procurement based on their capacity. MESCT will monitor all procurement related information for project implementation. Technical assistance will be given to the HEIs through the MESCT or through direct deployment of TA staff in the individual HEIs. A more detailed description of responsibilities is shown under "procurement responsibilities", below.

**Procurement Capacity Assessment**
The implementing agency capacity was assessed during project appraisal and will be monitored throughout the program both by MESCT and the Bank. Below is attached the procurement capacity assessment of the MESCT and HEIs completed in March 2001 and reviewed in September, 2001.

**Procurement Capacity Assessment (LACI) (September, 2001)**

| ITEM ASSESSED | RISK ASSESSMENT | | | COMMENTS |
|---|---|---|---|---|
| | Poor | Fair | Satis-factory | |
| (a) LEGAL ASPECTS | | | | Comments which follow apply to present Mozambican legislation and practices which may have impact on National Competitive Bidding (NCB) |
| (i) Laws & Regulations | | X | | Laws and regulations are based on the "old" Portuguese laws. New practices however are also used which contributes to lack of transparency in the process. |

| | | | | |
|---|---|---|---|---|
| (ii) NCB Procedures | | X | | NCB procedures are generally acceptable, but have several deficiencies such as the use of "listing" of firms and lack of precise instructions on factors such as delivery/ completion time; cost of spare parts and currencies. |
| (iii) Internal codes and manuals | | X | | Internal manuals are normally lacking. When available are very imprecise and of little use. A specific implementation manual will be prepared for this project |
| **(b) PROCUREMENT CYCLE MANAGEMENT** | | | | Following comments apply to contract handling in Mozambique, and in particular to the capacity Building project for which the University of Mondale was the principal implementing agency. |
| (i) General handling | | X | | It is generally below standard, particularly when handling for the first time Bank procurement guidelines. UEM has better experience than other agencies. |
| (ii) Procurement planning | X | | | Planning is almost unheard off. Very little planning is used. Bank will insist on scheduling under supervision by the MESCT |
| (iii) Preparation of documents | | X | | Use of standard documents for ICB and NCB will make this task easier to accomplish. However, data sheet and particular conditions are usually neglected in NCB documents and will have to be improved. - |
| (iv) Management of process | | X | | Management of process is uneven. Delegation to HEIs will have to be closely monitored by MESCT. |
| (v) Bid evaluation | | X | | Generally adequate. Tendency is however to "guide" evaluation towards particular firms. This will have to be monitored by MESCT. |
| (vi) Contract award | | X | | Tends to take more time than needed mostly due to request of changes to the contract from the two parties. |
| (vii) Preparation and signing of contracts | | X | | As above |
| (viii) Contract management | X | (X)<br>UEM | | Mostly inadequate. Lack of precise written instructions to contractors / suppliers and clear references to the contract clauses. Records of claims mostly inadequate. |
| **(c) ORGANIZATION AND FUNCTIONS** | | | | The MESCT is a new Ministry with no previous implementation experience. |
| (i) Organization of unit and functions | | X<br>UEM | | MESCT (which will count on an experienced Procurement specialist) within the new Ministry will procure most of ICB and NCB for the project and facilitate the procurement work carried out by the individual colleges (both public and private) |

| | | | | |
|---|---|---|---|---|
| (ii) Internal manuals and instructions | X | X<br>UEM | | A manual of procedures will be prepared before the start of the project. This is indispensable due to lack of previous experience of most agencies, with the exception of Mondlane University. |
| **(d) SUPPORT AND CONTROL SYSTEMS** | | | | Only the support and control system for the UEM is known |
| (i) Auditing | | X | | Barely satisfactory since Auditing firms may use staff with inadequate qualifications for their assignments. |
| (ii) Legal assistance | | X | | Available, but not often used in project implementation. |
| (iii) Technical and administrative controls | | X | | Not always adequate for lack of a sufficient number of technically qualified staff. |
| (iv) Code of ethics | X | | | No precise instructions or follow up on this area which is left to individual behavior and decision |
| (v) Anti-corruption initiatives | X | | | There has been little action in this area, which will require more attention by the new Ministry. |
| **(e) RECORD KEEPING** | | | | Most of the following notes apply to the UEM which has previous experience in Bank financed projects. |
| (i) Public notices | | | X | Information on tenders is regularly published on national papers of wide circulation. |
| (ii) Bidding documents | X<br>NCB | X<br>ICB | | Generally satisfactory for ICB. Mostly inadequate evaluation criteria for NCB. |
| (iii) Bid opening information | | X | | Sufficient for general information, but usually not very detailed. |
| (iv) Bid evaluation reports | | X | | Bank standard evaluation report generally not used. Information on reasons for rejection of bidders often inadequate. |
| (v) Formal appeals and outcomes | X | | | National contractors have little chances to be heard and therefore only exceptionally submit formal appeals. records are not always kept. |
| (vi) Signed contract documents | | X | | Usually kept in file. |
| (vii) Claims and dispute resolution records | X | | | Very little correspondence on contractual issues. Records of claims are usually incomplete. |
| (viii) Comprehensive disbursement data | | X | | Usually kept in file, though close monitoring by the Bank will be needed. |

| | | | | |
|---|---|---|---|---|
| **(f) STAFFING** | | X<br>UEM | X<br>MESCT | Adequate at the center since a senior procurement specialist has been recruited. Of the implementing agencies, UEM has some capacity due to previous experience in Bank financed project. |
| **(g) GENERAL PROCUREMENT ENVIRONMENT** | X | | | Procurement environment is still inadequate with several capacity and transparency problems. |
| (i) Promoting a culture of accountability | | X | | New Minister has shown great interest and willingness to improve culture of accountability in her new project |
| (ii) Reputation of procurement corps | | X | | Barely sufficient, but should improve under new project. |
| (iii) Salary structure | X | X<br>UEM | X<br>MESCT | Low salary structure is an incentive to deviate from transparency rules. |
| (iv) Freedom from political interference | | X | | There is always some type of political interference in Mozambique. New project under a new Minister might have some opportunities to follow a different course. |
| (v) Existence of experienced and capable staff | | X | X | This is the Minister intention for the new project |
| (vi) Clear written standards and delegation of authority | | X | | This is the intention for the new project. Most of procurement will follow clear implementation manuals and directives. |
| (vii) Sound budget/financial systems | | X | | See FM report. |
| **(h) PRIVATE SECTOR ASSESSMENT** | | | | |
| (i) General efficiency and predictability | | X | | Private sector activities is mainly concentrated in Maputo. Most firms have adequate capability |
| (ii) Transparency | X | | | Transparency is difficult in Mozambique due to political and social pressure |
| (iii) Quality of contract mgmt. | X | X | | Adequate only for large firms. Small contractors are not always familiar with contract clauses and FIDIC |
| (iv) General reputation | | X | | The reputation is probably more negative than reality. Most contractors are perfectly willing to work transparently in a sound competitive environment |

| PRIOR REVIEW THRESHOLDS PROPOSED | OVERALL RISK ASSESSMENT |
|---|---|
| Goods US$100,000 (equivalent) | HIGH<br><br>(due to previous results in Bank financed projects in Mozambique and inadequate initial capacity of the implementing agencies. |
| Works US$200,000(equivalent) | |
| Consulting US$100,000(equivalent) for Firms / US$50,000 for individuals | |
| Post Review Ratio: One in 4 contracts | - |
| Frequency of procurement supervision missions proposed: One every 6 months (includes special procurement supervision for post-review/audits) | Form prepared by: Francesco Sarno<br>(Lead Procurement Specialist-AFTQK) |
| Comments: As most projects in Mozambique, the main difficulty lies in the lack of transparency and management / procurement capability. Since experienced consultants will be used, results may be satisfactory this time. Relationship between the coordination unit at MESCT and MOE will be the key for the success of the project. | Signature:<br>_____<br><br>Date: March 21, 2001<br>(reviewed on September, 2001) |

**Scope of Procurement**

About US$ 23 million of the Bank funds under the project is estimated to finance construction (US$17m.: student hostels, pedagogical complex, central library) and rehabilitation (US$6m.) of newly acquired buildings and others like the Engineering Faculty, the MESCT, common spaces and minor rehabilitation work.

*Procurement of works* will be carried out under International Competitive Bidding (ICB) procurement method for all construction activities above the threshold of US$500,000 equivalent. Even so, offers are expected only from national contractors and foreign firms already established in Mozambique. Civil works below that threshold and all rehabilitation works will be tendered under National Competitive Bidding (NCB). Small rehabilitation works under US$100,000 may be awarded through the use of quotations from thee or more contractors, as specified in the DCA. Sole source will be used only in emergency cases subject to bank prior review. Prior review is expected for all ICB contracts and for NCB contacts estimated to cost more than US$200,000.

*Procurement of goods* is estimated to be financed to about US$ 18 million for MESCT and HEIs (with the inclusion of the unallocated project proceeds). These will include university and office equipment, furniture and vehicles. All contracts estimated to cost more than US$200,000 equivalent will be tendered through ICB. IAPSO (e.g. procurement from the procurement office of the U.N.) may be used in alternative to ICB for contracts below US$200,000 subject to Bank review and approval. Limited International Bidding may be used, subject to Bank prior review, for contracts below US$100,000 for foreign equipment available only from a limited number of suppliers. NCB will be used for contracts of locally available goods below the threshold of US$100,000. Shopping both at international (IS) or national (NS) level may be used for all purchases below the threshold of US$50,000 up to an aggregate amount not to exceed US$300,000 equivalent. Guidelines (January 1995, revised January, 1999) and will be described in the manual of Implementation for the project. Prior review is expected for all contracts under ICB and LIB and for the first three NCB contracts.

*Employment of consultants* for Technical Assistance for policy studies, scholarships and training and study abroad programs are expected to cost about US$ 25 million of the Bank commitment in the program. These are expected to take place at the MESCT and in the HEIs and procurement will be done in accordance with the Guidelines: Selection and Employment of Consultants by Borrowers (January 1997 edition revised September 1997 and January 1999). In general, Quality and Cost Based Selection (QCBS) will be used for most consulting firms contracts, above the threshold of US$200,000 equivalent. Least-Cost selection may be used for contracts below US$200,000 as an alternative to QCBS. Fixed budget selection methods may be used for simple contracts for which the cost can be well defined, and for contracts below US$100,000. Small, short assignments below US$100,00 equivalent may also be awarded based on Consultants' Qualification (CQ) selection method. Short lists for consultancy services estimated to cost less than US$100,000 may comprise entirely national consultants. All contracts for *individual consultants* will be awarded through the CQ selection method. Prior review is expected for consulting firms contracts above US$100,000; for individual contracts above the threshold of US$50,000 and for all TORS.

**Quality Enhancement and Innovation Facility (QIF)**
Funds envisaged under this component (US$5m.) will be disbursed following various procurement mechanisms which will be proposed by the Borrower and reviewed by the Bank. Since conventional procurement practices will not be feasible under this component *commercial and other established private sector practices* consistent with the economy and efficiency objectives, and acceptable to the Bank, will be followed. The proposals will be subject to prior review by the Bank and, if this is done with anticipation, will be included in the manual of procurement implementation.

**Procurement Notices and schedules**
The Government will prepare a General Procurement Notice (GNP), in particular describing procurement of works (if any to be awarded under ICB) goods and services to be published in the United Nations Development Business (UNDB). The GNP will be updated every 9 months after IDA review and will describe all outstanding services and procurement contracts under ICB. A procurement plan including all major contracts for the first year was prepared by the Government by negotiations. The procurement plan will be updated by MESCT at regular (2-3 months) intervals.

**Procurement responsibilities**
***Works:*** All procurement of works at ICB level will be managed by MESCT in coordination with the relevant implementing agencies. MESCT should assist each of the implementing agencies in the preparation of bid documents, design and unit costs, and advertising of contracts. UEM is expected to take full responsibility for all procurement of works under NCB ( e.g. below US$300,000 equivalent. Small rehabilitation works under US$100,000 may be awarded on the basis of quotations by any of the implementing agency under close monitoring and advice by the MESCT. MESCT will make sure that adequate supervision of the construction works be assured by each implementing agency (mostly through TA) and will assist handling of contractual issues.

***Goods:*** MESCT will assist other implementing agencies, with the exception of UEM, in carrying out ICB and NCB tenders through preparation of bid documents, assistance to specifications, participation in evaluation committees and contract award. Each of the implementing agencies is expected to prepare a list of equipment, furniture and vehicles to be purchased under the project. The list will be reviewed by MESCT which , in coordination with the relevant agencies, will arrange packages of similar items to be procured under ICB. Items, which for timing or other reasons, cannot be procured under a common package, will be purchased separately by the agencies, under guidance and supervision by MESCT. Purchases under (IS and NS ) shopping will be carried out by the agencies which should arrange an internal

mechanism for the recording of documentation to be post-reviewed (audited) by the Bank during its supervision missions.

***Consultants' Services:*** MESCT should meet with each of the implementing agencies to determine the needs for TA beyond those identified at appraisal and establish a critical path schedule for recruitment. The agencies must follow Bank recruitment methods listed in the Manual of Implementation in order to avoid possible mis-procurement and delays in implementation. MESCT may assist with the publication of major consulting services in Development Business; furnishing of names and location of suitable consultants, preparation of TORs and participation to the evaluation committees. In addition, MESCT will keep the Bank informed of the need and status of TA during the whole cycle of implementation through regular updating of the procurement plan. Since the listing of needs and recruitment of consultants are on the critical path of the project, MESCT will have to furnish this information to the Bank as early as possible, preferably before the date of project effectiveness.

**Financial Management and Disbursement**
Financial management arrangements and disbursement arrangements are described in Annex 5 and 6.

**Accounting and Auditing**
MESCT, UEM, ISRI and UP will maintain accounts for the World Bank funds separately and provide monthly reconciliations, quarterly reports and annual financial statements in accordance with the International Accounting Standards (IAS) as per IFMS currently being implemented by the government.

**Procurement methods (Table A)**

**Table A: Project Costs by Procurement Arrangements**
(US$ million equivalent)

| Expenditure Category | Procurement Method[1] | | | | Total Cost |
|---|---|---|---|---|---|
| | ICB | NCB | Other[2] | N.B.F. | |
| **1. Works** | 10.10<br>(7.40) | 12.40<br>(9.10) | <br>() | 0.70<br>(0.00) | 23.20<br>(16.50) |
| **2. Goods** | 7.20<br>(6.10) | 5.40<br>(4.50) | 5.40<br>(4.60) | 0.40<br>(0.40) | 18.40<br>(15.60) |
| **3. Services**<br>**Technical Assistance, Studies and Training** | 0.00<br>(0.00) | 0.00<br>(0.00) | 25.10<br>(25.00) | 0.00<br>(0.00) | 25.10<br>(25.00) |
| **4. Miscellaneous** | 0.00<br>(0.00) | 0.00<br>(0.00) | 4.40<br>(2.90) | 0.00<br>(0.00) | 4.40<br>(2.90) |
| **Total** | 17.30<br>(13.50) | 17.80<br>(13.60) | 34.90<br>(32.50) | 1.10<br>(0.40) | 71.10<br>(60.00) |

[1/] Figures in parenthesis are the amounts to be financed by the IDA Credit. All costs include contingencies.

[2/] Includes civil works and goods to be procured through national shopping, consulting services, services of contracted staff of the PCU, training, technical assistance services, and incremental operating costs related to (i) managing the project, and (ii) re-lending project funds to local government units.

**Table A1: Consultant Selection Arrangements (optional)**
(US$ million equivalent)

| Consultant Services Expenditure Category | Selection Method | | | | | | | Total Cost[1] |
|---|---|---|---|---|---|---|---|---|
| | QCBS | QBS | SFB | LCS | CQ | Other | N.B.F. | |
| **A. Firms** | 11.00<br>(0.00) | 0.00<br>(0.00) | 0.50<br>(0.00) | 1.50<br>(0.00) | 4.50<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 17.50<br>(0.00) |
| **B. Individuals** | 0.00<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 4.50<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 4.50<br>(0.00) |
| **Total** | 11.00<br>(0.00) | 0.00<br>(0.00) | 0.50<br>(0.00) | 1.50<br>(0.00) | 9.00<br>(0.00) | 0.00<br>(0.00) | 0.00<br>(0.00) | 22.00<br>(0.00) |

1\ Including contingencies

Note: QCBS = Quality- and Cost-Based Selection
QBS = Quality-based Selection
SFB = Selection under a Fixed Budget
LCS = Least-Cost Selection
CQ = Selection Based on Consultants' Qualifications
Other = Selection of individual consultants (per Section V of Consultants Guidelines), Commercial Practices, etc.
N.B.F. = Not Bank-financed
Figures in parenthesis are the amounts to be financed by the Bank Credit.

**Prior review thresholds (Table B)**

**Table B: Thresholds for Procurement Methods and Prior Review** [1]

| Expenditure Category | Contract Value Threshold (US$ thousands) | Procurement Method | Contracts Subject to Prior Review (US$ millions) |
|---|---|---|---|
| **1. Works** | >$500,000<br><$500,000 | ICB<br>NCB | >$200,000 |
| **2. Goods** | >$100,000<br><$100,000<br><$100,000 | ICB<br>NCB<br>LIB | >$100,000 |
| **3. Services** | | | |
| **Firms** | >$100,000<br><$100,000 | QCBS<br>CQ | >$100,000 (firms) |
| **Individuals** | >$50,000<br><$50,000<br><$25,000 | QCBS<br>CQ<br>Fixed budget | >$50,000 (individuals) |

**Total value of contracts subject to prior review:** About US$ 40 million

**Overall Procurement Risk Assessment**

**High**

**Frequency of procurement supervision missions proposed:** One every 6 months (includes special procurement supervision for post-review/audits)

[1] Thresholds generally differ by country and project. Consult OD 11.04 "Review of Procurement Documentation" and contact the Regional Procurement Adviser for guidance.

## Disbursement

### Allocation of credit proceeds (Table C)

Table C below indicates the disbursement schedule, the amounts (in US$) for each expenditure category, percent of and the disbursement percentages, IDA's and counterpart contribution, applicable to each.

**Table C: Allocation of Credit Proceeds**

| Expenditure Category | Amount in US$million | Financing Percentage |
|---|---|---|
| (1) Goods, Equipment and Vehicles:<br>Part A of the Project (MESCT)<br>Part B1, B2, B3, B4 of the Project (UEM, UP, ISRI, MDLN)<br>Part C1 of the Project (Scholarships) | 9.10 | 100% of foreign, 85% of local expenditures |
| (2) Works:<br>Part A of the Project (MESCT)<br>Part B1, B2, B3, B4 of the Project (UEM, UP, ISRI, MDLN) | 16.50 | 100% of foreign, 85% of local expenditures |
| (3) Consultants' Services, incl. Audits:<br>Part A of the Project (MESCT)<br>Part B1, B2, B3, B4 of the Project (UEM, UP, ISRI, MDLN)<br>Part C1 of the Project (Scholarships) | 8.60 | 100% of foreign, 95% of local expenditures |
| (4) (a) Training<br>Part A of the Project (MESCT)<br>Part B1, B2, B3, B4 of the Project (UEM, UP, ISRI, MDLN) | 8.30 | 100% |
| (4) (b) Workshops<br>Part A of the Project (MESCT)<br>Part B1, B2, B3, B4 of the Project (UEM, UP, ISRI, MDLN) | 1.30 | 100% of foreign, 95% of local expenditures |
| (5) Sub-loans related with Part B5 of the Project | 3.00 | 100% of amounts disbursed |
| (6) Grants related with Part B5 of the Project | 2.10 | 100% of amounts disbursed |
| (7) Provincial Scholarships<br>Part C2 of the Project | 1.80 | 100% |
| (8) Operating Costs of the Project | 2.80 | 50% |
| (9) PFF refinancing | 0.50 | |
| (10) Unallocated | 6.00 | |
| **Total Project Costs** | 60.00 | |
| **Total** | 60.00 | |

The disbursement percentages have been calculated on a tax-inclusive basis such that, when applied to adequate supporting documentation in local currency, the percentage not financed by IDA be sufficient to

cover government's counterpart contribution, and eliminating any IDA financing of local taxes and duties. Disbursements will be made in accordance with guidelines set out in the Disbursement Handbook and the Disbursement letter.

Three disbursement conditions have been agreed as outlined under the credit conditions, section G.

**Counterpart Funds and Project Account**

In order to ensure the timely provision of counterpart funds for efficient project implementation, the Government will open and maintain a Project Account, in local currency, exclusively for the purpose of financing eligible project activities. Immediately (promptly thereafter), after credit effectiveness, an amount in local currency equivalent to US$ 150,000 will be deposited to the Project Account; thereafter, on a monthly basis, the Government shall deposit therein its monthly contribution to project costs. The project is expected to be completed over a five year period, by October 30, 2006, and the expected closing date for the Credit is April 30, 2007.

**Use of statements of expenditures (SOEs):**

Disbursement of Credit proceeds would be made against fully documented withdrawal applications, except for expenditures using Statement of Expenditures arrangements, as follows: (i) expenditures for goods and works under contracts not exceeding US$100,000 and US$200,000 equivalent respectively; (ii) consultants' services (firms) under contracts not exceeding US$100,000 and consultants' services (individuals) under contracts not exceeding US$50,000; and (iii) incremental operating costs, training expenses and grants. MESCT will be the entity - the project implementing agency - responsible for preparing withdrawal applications to be submitted to IDA and will retain adequate supporting documentation, when SOEs are used, for review by IDA supervision missions and independent auditors. SOEs will be audited annually by independent auditors acceptable to the IDA.

**Special account:**

To ensure funds will be available as needed, one Special Account in US$ will be established in a commercial bank selected by the borrower under conditions satisfactory to IDA. This Special Account will be used exclusively for the project, and will be opened in the name of MESCT - Higher Education Project. The authorized allocation, sufficient for about three months IDA'S share of eligible expenditures, would be US$ 4,000,000; however, the initial allocation will be limited to US$ 2,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments, shall equal or exceed the equivalent to XDR 5,000,000. The Special Account will be replenished on a regular basis, against withdrawal applications prepared by MESCT's authorized staff, with appropriate supporting documentation and a bank reconciliation. The Special Account will be annually audited by independent auditors acceptable to IDA.

## Annex 7: Project Processing Schedule
## MOZAMBIQUE: Higher Education Project

| Project Schedule | Planned | Actual |
|---|---|---|
| Time taken to prepare the project (months) | 36 | 10 |
| First Bank mission (identification) | 10/01/2000 | 10/01/2000 |
| Appraisal mission departure | 06/30/2001 | 07/01/2001 |
| Negotiations | 09/25/2001 | 11/12/2001 |
| Planned Date of Effectiveness | 06/01/2002 | |

**Prepared by:**

**Ministry of Higher Education, Science and Technology (MESCT) and HEIs listed in Annex 12.**

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**Preparation assistance:**

PHRD grant and Trust Funds (TF021432, TF039098, TF026224)

| | | |
|---|---|---|
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## Annex 8: Documents in the Project File*
## MOZAMBIQUE: Higher Education Project

### A. Project Implementation Plan

*Web-site:* www.mesct.gov.mz

*Capacity Institution for Project.* Eduardo Mondlane University, January 2001.

*Cinco Anos na Gestao da UEM.* December 2000.

*Strategic Plan of Higher Education in Mozambique 2000-2010.* By MESCT, May 2000.

*Strategic Plan for Higher Education.* By MESCT, June, 1999.

*UEM Strategic Plan 1990-2003.* September 1999.

*Plan of Operationalization.* By MESCT, June 2001.

### B. Bank Staff Assessments

*Constructing Knowledge Societies: New Challenges for Tertiary Education.* Higher Education Strategic Paper (Draft).

*Cost and Financing of Education in Mozambique:* Opportunities and obstacles for Expanding and Improving Education, World Bank, 2000.

*Higher Education in Mozambique: Planning the Distance Education Component.* Romiszowski, A., 2001.

*Implementation Completion Report for Mozambique Second Education Project.* World Bank, 2000.

*Mozambique Country Assistance Strategy.* World Bank, 2000.

*Poverty Reduction Strategic Paper.* World Bank, 2000.

*Project Appraisal Document for Education Sector Strategic Program (ESSP).* January, 1999.

*Project Appraisal Document for Capacity Building: Human Resources Development Project.* October, 1992.

*Quality Enhancement Assessment Report.* QER Reviewers, May 2001.

### C. Other

*Annual Report 1996-1997.* UEM, March 1998.

*Annual Report 1995-1996.* UEM, November 1996.

*Annual Report 1994-1995.* UEM, March 1996.

*Challenging the Challenger: Understanding and Expanding the Response of Universities in Africa to HIV/AIDs,* M.J. Kelly. ADEA Working Group on Higher Education, March 2001.

*Financing Higher Education in Africa: Makerere, The Quiet Revolution,* David Court, World Bank, Tertiary Education Thematic Group, 2000.

*Higher Education in Developing Countries: Peril and Promise.* World Bank 2000.

*Higher Education Quality Committee Founding* Document, Council on Higher Education, Pretoria, South Africa, June 2000.

*Higher Education in Developing Countries: Perils and Promise,* The Task Force on Higher Education and Society, World Bank, 2000.

*Investing in Return: Rates of Return of African Ph.D.s Trained in North America,* Mark Pires, Ronald Kassimir and Mesky Brhane, SSRC, 1999.

*Labor Market Prospects for University Graduates in Nigeria* by Andrew Dabalen and Bankole Oni. November 2000.

*Higher Education in Mozambique: A Case Study* by Mouzinho Mario, Peter Fry, Lisbeth Levey, and Arlindo Chilundo Chilundo. May, 2001.

*Promoting Access, Quality and Capacity-Building in African Higher Education, : The Strategic Planning Experience at Eduardo Mondlane University,* Peter Fry and Rogerio Utui, ADEA, Working Group on Higher Education, July 1999.

*Reaping the Benefits Defining the Public and Private Value of Going to College.* The Institute for Higher Education Policy, March 1998.

*Report on Mid-term Fiscal Framework 2001-2005.* MPF, August, 2000.

*Tertiary Distance Learning in sub-Saharan Africa,Overview and Directory to Programs,* Roberts et al ADEA Working Group on Higher Education, 1998.

*Wired for Information: Putting the Internet to good use in Africa,* Lisbeth Levey, August 1998.

*Including electronic files

## Annex 9: Statement of Loans and Credits

### MOZAMBIQUE: Higher Education Project

07-Dec-2001

| | | | Original Amount in US$ Millions | | | | | Difference between expected and actual disbursements* | |
|---|---|---|---|---|---|---|---|---|---|
| Project ID | FY | Purpose | IBRD | IDA | GEF | Cancel. | Undisb. | Orig | Frm Rev'd |
| P073479 | 2002 | Communication Sector Reform | 0.00 | 14.90 | 0.00 | 0.00 | 14.60 | 0.00 | 0.00 |
| P001806 | 2002 | MZ-MUNICIPAL DEVELOPMENT PROJECT | 0.00 | 33.60 | 0.00 | 0.00 | 34.02 | 0.00 | 0.00 |
| P001785 | 2002 | MZ-ROADS & BRIDGES MMP | 0.00 | 162.00 | 0.00 | 0.00 | 162.33 | 0.00 | 0.00 |
| P001808 | 2001 | Mineral Resources Project (NRMCP) | 0.00 | 18.00 | 0.00 | 0.00 | 17.17 | 0.66 | 0.00 |
| P035919 | 2000 | COASTAL MANAGEMENT | 0.00 | 5.60 | 4.11 | 0.00 | 3.62 | 1.70 | 0.00 |
| P042039 | 2000 | RAILWAY & PORT RESTR | 0.00 | 100.00 | 0.00 | 0.00 | 88.51 | 51.94 | 0.00 |
| P049874 | 2000 | ENTERPRISE DEVELOPMENT | 0.00 | 26.00 | 0.00 | 0.00 | 19.08 | 5.91 | 0.00 |
| P070305 | 2000 | Coastal and Marine Biodiversity MGMT | 0.00 | 5.60 | 0.00 | 0.00 | 4.93 | 4.51 | 0.00 |
| P070432 | 2000 | Flood Emergency Recovery Project | 0.00 | 30.00 | 0.00 | 0.00 | 0.32 | 1.46 | 0.00 |
| P001786 | 1999 | Education Sector Strategic Program(ESSP) | 0.00 | 71.00 | 0.00 | 0.00 | 61.89 | 35.69 | 0.00 |
| P052240 | 1999 | NATIONAL WATER II | 0.00 | 75.00 | 0.00 | 0.00 | 65.90 | 14.08 | 0.00 |
| P001799 | 1999 | AGRIC SECTOR PEP | 0.00 | 30.00 | 0.00 | 0.00 | 22.39 | 13.61 | 0.00 |
| P039015 | 1998 | NATIONAL WATER I | 0.00 | 36.00 | 0.00 | 0.00 | 26.06 | 16.24 | 0.00 |
| P001759 | 1997 | TRANSBORDER PARKS | 0.00 | 0.00 | 5.00 | 0.00 | 1.30 | 4.30 | 0.00 |
| P001792 | 1996 | HEALTH SEC RECOVERY | 0.00 | 98.70 | 0.00 | 0.00 | 28.07 | 40.07 | 0.00 |
| P001804 | 1994 | 2ND ROAD AND COSTAL | 0.00 | 188.00 | 0.00 | 1.66 | 25.76 | 28.88 | 9.77 |
| P001780 | 1994 | MZ GAS ENGINEERING (ENGY) | 0.00 | 30.00 | 0.00 | 3.47 | 2.64 | 6.64 | 6.64 |
| | | Total: | 0.00 | 924.40 | 9.11 | 5.12 | 578.61 | 225.68 | 16.41 |

MOZAMBIQUE
STATEMENT OF IFC's
Held and Disbursed Portfolio
MAY-2001
In Millions US Dollars

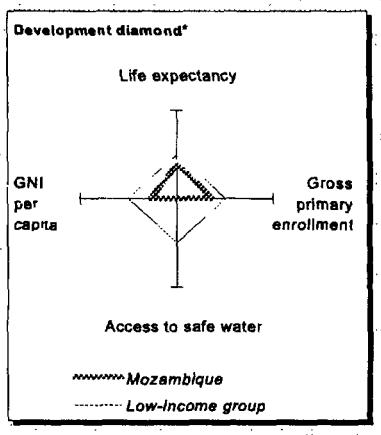
| | | Committed | | | | Disbursed | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | IFC | | | | IFC | | | |
| FY Approval | Company | Loan | Equity | Quasi | Partic | Loan | Equity | Quasi | Partic |
| 1995 | AEF Bonar | 0.26 | 0.00 | 0.00 | 0.00 | 0.26 | 0.00 | 0.00 | 0.00 |
| 1996 | AEF Cahora Bassa | 0.18 | 0.00 | 0.00 | 0.00 | 0.18 | 0.00 | 0.00 | 0.00 |
| 1997 | Agrimo | 1.43 | 0.00 | 0.00 | 0.00 | 1.43 | 0.00 | 0.00 | 0.00 |
| 1996/00 | BIM | 0.00 | 2.50 | 0.00 | 0.00 | 0.00 | 2.50 | 0.00 | 0.00 |
| 1998 | BIM-INV | 0.00 | 0.30 | 0.00 | 0.00 | 0.00 | 0.30 | 0.00 | 0.00 |
| 2000 | BMF | 0.00 | 0.20 | 0.00 | 0.00 | 0.00 | 0.20 | 0.00 | 0.00 |
| 1997/01 | MOZAL | 25.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1999 | Maragra Sugar | 10.30 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1992 | Polana Hotel | 0.88 | 0.00 | 0.00 | 0.00 | 0.88 | 0.00 | 0.00 | 0.00 |
| 2000 | SEF Ausmoz | 0.99 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 1997 | SEF CPZ | 1.00 | 0.00 | 0.00 | 0.00 | 1.00 | 0.00 | 0.00 | 0.00 |
| 1997 | SEF CTOX | 0.73 | 0.00 | 0.00 | 0.00 | 0.73 | 0.00 | 0.00 | 0.00 |
| 2000 | SEF Cabo Caju | 0.58 | 0.00 | 0.00 | 0.00 | 0.51 | 0.00 | 0.00 | 0.00 |
| 1999 | SEF ROBEIRA | 0.17 | 0.00 | 0.00 | 0.00 | 0.17 | 0.00 | 0.00 | 0.00 |
| | Total Portfolio: | 41.52 | 3.00 | 0.00 | 0.00 | 5.16 | 3.00 | 0.00 | 0.00 |

| | | Approvals Pending Commitment | | | |
|---|---|---|---|---|---|
| FY Approval | Company | Loan | Equity | Quasi | Partic |
| 1999 | SEF Extramac | 0.42 | 0.00 | 0.00 | 0.00 |
| 1999 | SEF CTN | 0.67 | 0.00 | 0.00 | 0.00 |
| 2000 | BFE | 10.00 | 0.00 | 0.00 | 0.00 |
| 2000 | BIML | 2.00 | 0.00 | 0.30 | 0.00 |
| 2001 | SEF Grand Prix | 0.44 | 0.00 | 0.00 | 0.00 |
| | Total Pending Commitment: | 13.53 | 0.00 | 0.30 | 0.00 |

# Annex 10: Country at a Glance

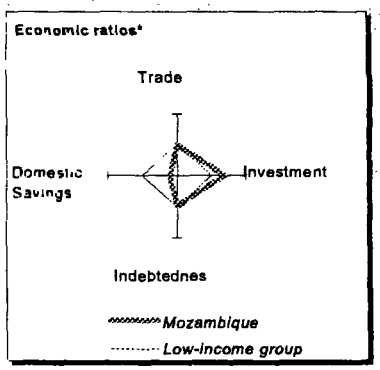
## MOZAMBIQUE: Higher Education Project

| POVERTY and SOCIAL | Mozambique | Sub-Saharan Africa | Low-income |
|---|---|---|---|
| **2000** | | | |
| Population, mid-year *(millions)* | 17.6 | 659 | 2,459 |
| GNI per capita *(Atlas method, US$)* | 220 | 480 | 420 |
| GNI *(Atlas method, US$ billions)* | 3.9 | 313 | 1,030 |
| **Average annual growth, 1994-00** | | | |
| Population *(%)* | 2.2 | 2.6 | 1.9 |
| Labor force *(%)* | 2.4 | 2.6 | 2.4 |
| **Most recent estimate (latest year available, 1994-00)** | | | |
| Poverty *(% of population below national poverty line)* | 69 | .. | .. |
| Urban population *(% of total population)* | 38 | 34 | 32 |
| Life expectancy at birth *(years)* | 47 | 47 | 59 |
| Infant mortality *(per 1,000 live births)* | 134 | 92 | 77 |
| Child malnutrition *(% of children under 5)* | 26 | . | . |
| Access to an improved water source *(% of population)* | . | 55 | 76 |
| Illiteracy *(% of population age 15+)* | 60 | 38 | 38 |
| Gross primary enrollment *(% of school-age population)* | 71 | 78 | 96 |
| Male | 79 | 85 | 102 |
| Female | 60 | 71 | 88 |

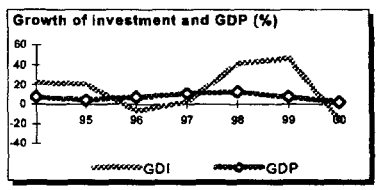



| KEY ECONOMIC RATIOS and LONG-TERM TRENDS | 1980 | 1990 | 1999 | 2000 |
|---|---|---|---|---|
| GDP *(US$ billions)* | 3.5 | 2.5 | 4.1 | 3.8 |
| Gross domestic investment/GDP | 5.9 | 15.6 | 31.8 | 27.5 |
| Exports of goods and services/GDP | 10.9 | 8.2 | 11.4 | 14.9 |
| Gross domestic savings/GDP | -10.6 | -12.3 | 6.5 | 3.8 |
| Gross national savings/GDP 1/ | -8.6 | -4.4 | 11.9 | 12.6 |
| Current account balance/GDP 2/ | -12.0 | -30.5 | -28.1 | -26.3 |
| Interest payments/GDP 3/ | | 0.5 | 1.5 | 1.0 |
| Total debt/GDP | .. | 331.4 | 154.1 | 105.9 |
| Total debt service/exports 3/ | .. | 18.8 | 15.3 | 9.1 |
| Present value of debt/GDP 4/5/ | . | | 67.4 | |
| Present value of debt/exports 4/5/ | | | 202.0 | |

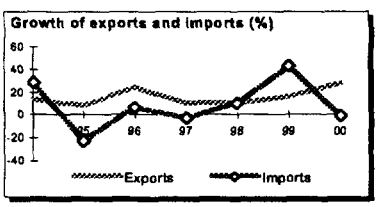
| | 1980-90 | 1990-00 | 1999 | 2000 | 2000-04 |
|---|---|---|---|---|---|
| *(average annual growth)* | | | | | |
| GDP | -0.1 | 6.4 | 7.5 | 2.1 | 7.7 |
| GDP per capita | -1.8 | 4.0 | 5.4 | 0.2 | 5.7 |
| Exports of goods and services | -6.8 | 15.1 | 16.4 | 28.6 | 24.5 |




| STRUCTURE of the ECONOMY | 1980 | 1990 | 1999 | 2000 |
|---|---|---|---|---|
| *(% of GDP)* | | | | |
| Agriculture | 0.0 | 37.1 | 30.9 | 32.1 |
| Industry | 0.0 | 18.4 | 24.5 | 25.9 |
| Manufacturing | .. | 10.2 | 12.5 | 12.3 |
| Services | 100.0 | 44.5 | 44.6 | 42.0 |
| Private consumption | 98.4 | 100.7 | 82.7 | 84.9 |
| General government consumption | 12.2 | 11.6 | 10.8 | 11.3 |
| Imports of goods and services | 27.4 | 36.1 | 36.7 | 38.5 |




| | 1980-90 | 1990-00 | 1999 | 2000 |
|---|---|---|---|---|
| *(average annual growth)* | | | | |
| Agriculture | 6.6 | 5.5 | 6.4 | 1.5 |
| Industry | -4.5 | 14.0 | 15.7 | 3.4 |
| Manufacturing | .. | 17.6 | 14.0 | 14.9 |
| Services | 9.1 | 1.8 | 6.0 | -0.5 |
| Private consumption | -1.4 | 4.0 | 9.2 | 1.0 |
| General government consumption | -2.6 | 1.4 | 9.4 | 7.7 |
| Gross domestic investment | 3.8 | 10.8 | 47.1 | -16.8 |
| Imports of goods and services | -3.8 | 5.1 | 43.3 | -1.0 |




Note: 2000 data are preliminary estimates.

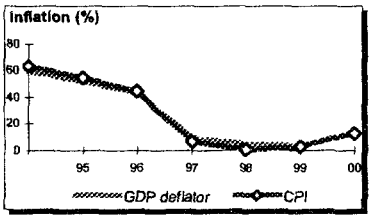
1/ Excluding current and capital transfers.

2/ Before capital grants.

3/ After rescheduling in Naples terms and including private debt.

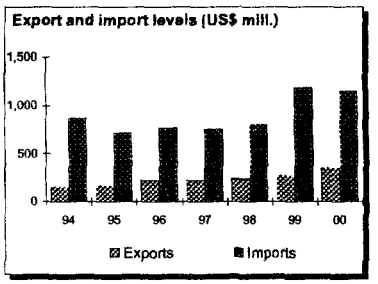
**PRICES and GOVERNMENT FINANCE**

| | 1980 | 1990 | 1999 | 2000 |
|---|---|---|---|---|
| ***Domestic prices*** | | | | |
| *(% change)* | | | | |
| Consumer prices | .. | 43.7 | 2.9 | 12.7 |
| Implicit GDP deflator | .. | 34.1 | 3.3 | 13.1 |
| ***Government finance*** | | | | |
| *(% of GDP, includes current grants)* | | | | |
| Current revenue | 13.8 | 17.0 | 18.2 | 17.5 |
| Current budget balance | 1.4 | 2.4 | 6.1 | 4.6 |
| Overall surplus/deficit | -3.5 | -11.7 | -6.8 | -10.0 |



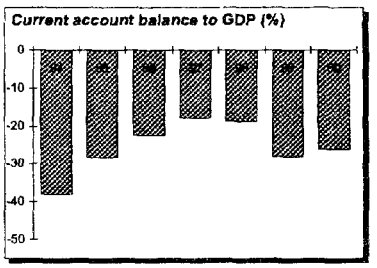

**TRADE**

| | 1980 | 1990 | 1999 | 2000 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Total exports (fob) | 281 | 126 | 284 | 364 |
| Cashew | 67 | 15 | 33 | 29 |
| Prawn | 32 | 43 | 66 | 66 |
| *Manufactures* | .. | 27 | 14 | 14 |
| Total imports (cif) | .. | 780 | 1,200 | 1,157 |
| Food | .. | .. | 47 | 87 |
| Fuel and energy | .. | .. | 124 | 44 |
| Capital goods | .. | .. | 243 | 410 |
| Export price index *(1995=100)* | 83 | 91 | 96 | 97 |
| Import price index *(1995=100)* | 107 | 92 | 86 | 88 |
| Terms of trade *(1995=100)* | 77 | 99 | 112 | 110 |



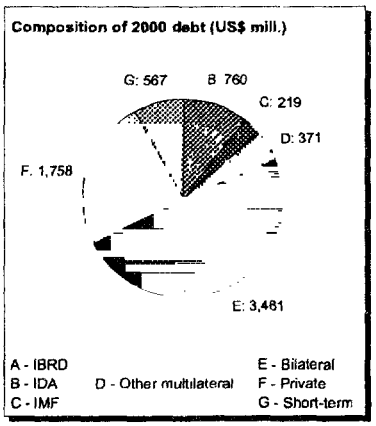

**BALANCE of PAYMENTS**

| | 1980 | 1990 | 1999 | 2000 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Exports of goods and services | 399 | 229 | 601 | 732 |
| Imports of goods and services | 844 | 850 | 1,540 | 1,511 |
| Resource balance | -445 | -621 | -939 | -779 |
| Net income | 22 | -145 | -214 | -228 |
| Net current transfers | 0 | 0 | 0 | 0 |
| Current account balance | -423 | -766 | -1,152 | -1,007 |
| Financing items (net) | 390 | 772 | 1,220 | 1,314 |
| Changes in net reserves | 32 | -6 | -68 | -307 |
| ***Memo:*** | | | | |
| Reserves including gold *(US$ millions)* | 238 | 232 | 669 | 745 |
| Conversion rate *(DEC, local/US$)* | 32.4 | 929.1 | 12,689.5 | 15,689.5 |




**EXTERNAL DEBT and RESOURCE FLOWS**

| | 1980 | 1990 | 1999 | 2000 |
|---|---|---|---|---|
| *(US$ millions)* | | | | |
| Total debt outstanding and disbursed 1/ | .. | 8,326 | 6,322 | 7,136 |
| IBRD | .. | 0 | 0 | 0 |
| IDA | .. | 268 | 702 | 760 |
| Total debt service 1/ | .. | 57 | 156 | 176 |
| IBRD | .. | 0 | 0 | 0 |
| IDA | .. | 7 | 16 | 2 |
| Composition of net resource flows | | | | |
| Official grants | .. | 448 | 428 | 564 |
| Official creditors 2/ | .. | 165 | 191 | 105 |
| *Private creditors* | .. | 20 | 344 | .. |
| Foreign direct investment | .. | 9 | 392 | 84 |
| Portfolio equity | .. | .. | .. | .. |
| World Bank program | | | | |
| Commitments 3/ | .. | 105 | 276 | 62 |
| Disbursements 3/ | .. | 74 | 79 | 97 |
| Principal repayments | .. | 6 | 1 | 4 |
| Net flows | .. | 68 | 78 | 94 |
| Interest payments | .. | 1 | 11 | 5 |
| Net transfers | .. | 67 | 67 | 88 |



**Additional**
**Annex 11**

## Guideline and Eligibility Criteria for the Quality Enhancement and Innovation Facility

**Brief description**
As described in Annex 2 the Quality Enhancement and Innovation Facility (QIF) offers different types of financial support for innovations and capacity building to improve relevance, efficiency and quality in three distinct programs, institutional management and research: (i) the **Institutional Program**; (ii) the **Academic Staff Program**; and (iii) the **Research Program**. The current guiding principles, evaluation criteria, operational procedures, TORs is described in operational manual for the QIF which can be found in the PIM under www.mesct.gov.mz

Support from the Facility will be provided on the basis of proposals submitted to MESCT and evaluated in terms of agreed criteria (relevance, impact, feasibility and balance of the proposed investment). Proposals for support from QIF may be submitted by (i) public and private institutions that are not already participating in Component 2 (i.e. *excluding* UEM, UP and ISRI) and (ii) individual academic or research staff or groups of staff in any HEI (i.e. all public HEIs, *including* UEM, UP and ISRI, and all private HEIs). Financial support from QIF will be in the form of grants (for public institutions and for individuals or groups of staff) or loans (for private institutions, including both non-profit and profit-making HEIs). The QIF will be *competitive*, in the sense that only proposals that meet the agreed criteria will be supported, but it is intended to *stimulate* and provide positive *incentives* for innovation and capacity building by ensuring that in principle all HEIs that submit clear, well-structured proposals, consistent with the objectives of the Strategic Plan for Higher Education (PEES), will receive some support.

**Objectives**
The QIF will support quality enhancement, capacity building and innovations designed to (i) improve the **internal efficiency** of institutions through improvements in management of existing resources, design and delivery of academic programs, increased graduation rates and reductions in drop-out and repetition; (ii) increase the **quality and relevance** of teaching and research through design and development of new types of academic program and curricula (including new degree programs and short courses in priority subjects, preparatory or 'bridging' programs), improved teaching methods and learning materials, and research projects (particularly basic or applied research with a strong development focus); (iii) improve **linkages** between teaching and research in higher education, the labor market and the productive sector, to improve the skills and flexibility of graduates and respond to new and emerging needs; and (iv) increase regional, social and gender **equity** by expanding opportunities for under-represented groups and geographical regions.

**Eligibility**
*Institutional Program:* All HE institutions will be eligible to submit proposals to the Institutional Program **except** those public HEIs that are already participating in Component 2 (UEM, UP and ISRI). In the first years of the project eligible HEIs will include two small and specialized public institutions (ACIPOL and the Nautical School, ENM), two non-profit private universities (UCM and UMB) and three private (for-profit) HEIs (ISCTEM, ISPU and ISUTC). In later stages of the project new types of institution that may be established in the future, such as community colleges, distance education networks or consortia, could become eligible to submit proposals to the Facility. The basic eligibility criteria for institutional applications to QIF in the first years of the project will be that HEIs submitting proposals (i) must be

approved by the relevant higher education licensing/accreditation authority (currently the Council of Ministers, on the basis of recommendations by the National Council for Higher Education (CNES), but in future the MESCT or the proposed Council for Higher Education, Science and Technology (COESCT) which can be designated under the revised law of 1/93, and (ii) are not already participating in Component 2 of the project. All proposals from HEIs must be submitted or approved by the Rector. The reason for excluding UEM, UP and ISRI from participation in the QIF in the early stages of the project is that these three public institutions are already included in Component 2 (a), 2 (b) and 2 (c), which will provide funding for innovations as well as other forms of investment. At a later stage the MESCT may extend eligibility for the Institutional Program of QIF to all public HEIs , in order to introduce an element of incentive-based funding for all public institutions, as part of the reform of system-wide financing mechanisms.

*Academic Program:* I ndividual academic staff or groups of staff from a Department or Faculty of **any** HEI (including both public and private institutions) may submit proposals to the Academic Program for small grants to finance investments in capacity building or innovations to improve efficiency, quality and relevance of teaching programs.

*Research Program:*Individual academic staff or groups of staff from a Department or Faculty of **any** HEI (including both public and private institutions) may submit proposals to the Research Program to finance research projects or the development of links between HEIs, research institutes and the productive sector (including private industry, public or semi-public agencies and NGOs).

**Criteria for evaluation of institutional and academic/research staff proposals**
Proposals for funding under all three Programs (Institutional, Academic and Research) will be evaluated on the basis of four criteria: **(i) Clarity and relevance** of the proposal, and its **consistency** with the objectives of the Strategic Plan for Higher Education (PEES): (increasing the supply of graduates with necessary and appropriate skills in priority subjects, improving quality and flexibility of programs and efficiency of teaching, learning, research and management of resources, and increasing regional, social and gender equity); **(ii)** Expected **impact and results** of the innovation or quality enhancement, on the basis of **measurable indicators** of improvements in efficiency, quality or access to higher education opportunities and programs; **(iii) Feasibility,** in terms of realistic and achievable goals, implementation capacities and availability of necessary staff or facilities; **(iv) Balanced investment** (in terms of an appropriate balance between different types of activity, including staff training, consultant services and other technical assistance, study tours, equipment, books or other learning materials and minor civil works).

**Operating procedures**
The QIF will be located and managed in MESCT, under the guidance of the COESCT (acting as a Steering Committee, responsible for approving selection criteria and overall policy of the Facility, and for final decisions on the award of grants or loans under the Institutional Program), and with the assistance of a part-time Evaluation Committee or Task Force, responsible for evaluation of all proposals to QIF and for selection of proposals to be supported by grants from the Academic Program and the Research Program. The Evaluation Committee could be assisted by one or more Foundations or others.

The **MESCT**, under the guidance of a Steering Committee (the Council for Higher Education, Science and technology (**COESCT**), will be responsible for: (i) Design and approval of criteria and transparent and effective procedures for evaluation and selection of proposals, appointment of the Evaluation Committee (possibly with the assistance of one or more Foundations), and ad hoc technical advisors in the case of specialized proposals; (ii) Design of a common framework for proposals, advertising the three programs of

QIF, issuing invitations to submit proposals and fixing and announcing a timetable for submissions. This will be the responsibility of a QIF program officer within the MESCT.

The **COECST** will be responsible for: Final decisions on the selection of proposals to receive funding under the Institutional Program.

An **evaluation committee or task force**, appointed by the MESCT, will be responsible for: (i) Evaluation and assessment, including review, grading and ranking of proposals on the basis of the agreed criteria. (Rules concerning the evaluation and selection of proposals will be developed by MESCT, and approved by COESCT, to ensure transparency and impartiality and prevent conflict of interest, by ensuring that members of the Evaluation Committee do not evaluate proposals from their own institution); (ii) Preparation of a short report to COECST, summarizing the objectives, strengths and weaknesses of the proposals, and giving recommendations on which proposals should be selected. The **MESCT/PCU** will be responsible for the overall administrative processing, monitoring and evaluation and reporting to the Bank. The **designated staff of HEIs** awarded a grant or loan from the Institutional Program, and individual academic or research staff awarded grants from the Academic or Research Program, will be responsible for: (i) Implementation of the capacity building or innovation project, with advice where necessary on financial management or procurement from the PCU; (ii) Regular reporting to the PCU on implementation of the capacity building or innovation project (including financial reports and progress reports with simple quantitative indicators of performance and results, as specified in the QIF grant/loan agreement /contract ).

**Composition and responsibilities of evaluation committee or task force**
The MESCT will appoint an Evaluation Committee or Task Force to evaluate proposals from HEIs and from individual academic or research staff to the Institutional, Academic and Research Programs of QIF. The Evaluation Committee/Task Force will be chaired by the Project Coordinator and will include *five or six* additional members, drawn from senior academics (below the level of Rector) from public and private HEIs, representatives of other stakeholders in Mozambique (major employers, other government departments or agencies, the productive sector etc.). Members of the Evaluation Committee will be chosen for their knowledge of higher education issues in Mozambique and their expertise in a range of disciplines, and will have part-time consultant contracts. The Evaluation Committee could be managed/assisted by one or more Foundations or could include a representative of a Foundation (to be agreed after consultations between the MESCT and the Foundations).

The Evaluation Committee will be responsible for designing and implementing a marking and grading scheme, on the basis of the agreed criteria (relevance, impact, feasibility and balance of the proposed investment), will hold meetings two or three times a year to review and evaluate all proposals submitted to QIF, award marks or grades to each proposal, distinguishing between proposals that (a) merit an award from the QIF, (b) need further elaboration or revision, (c) should be rejected). The Committee will provide a brief (one page) summary of each proposal to the Institutional Program of QIF, its strengths and weaknesses, and the Committee's recommendation to the COESCT on whether the proposal should be approved, revised or rejected. In the case of proposals to the Academic Program and Research Program from individual staff or small groups, the Evaluation Committee may decide which proposals will be selected for award of grants , and submit a list of the selected proposals (with marks or grades) for approval by the COESCT.

**Operation of evaluation committee**
As soon as possible after the deadline for submission of proposals, the Committee will meet as a group, to agree whether they need the assistance of any specialist experts to advise them on technical aspects of any of the proposals. (If any specialist experts are needed they will be appointed by PCU as short-term consultants to write a brief technical assessment of the selected proposals). Each member of the Committee will then: (i) review all proposals submitted in the current round of applications (including, where necessary the reports of specialist reviewers); (ii) mark all proposals (out of 10 or 100?) on the basis of an agreed marking scheme that reflects the agreed criteria (relevance, impact, feasibility and balance); (iii) assign a preliminary grade (A, B or C) which reflects the categories defined above (A = merits an award, B = needs revision, C = reject).

The Committee will then meet as a group, and will: (i) discuss their assessments (in terms of marks and preliminary grades); (ii) in cases of disagreement, try to reach overall agreement on grades and on the ranking of the proposals; (iii) if agreement cannot be reached, the chairman will have a casting vote; (iv) provide a brief (one page) summary of each proposal to the Institutional Program, summarize its strengths and weaknesses, with an overall grade representing the Committee's agreed recommendation to the COESCT in terms of the three categories defined above (merits an award, needs revision, reject); (v) submit a list of selected proposals to the Academic and Research Programs, (for approval by the COESCT).

If it is not possible for all members of the Committee to attend a meeting those unable to attend should, if possible, send their preliminary assessments of the proposals (with marks and preliminary grades), so that the Committee can take these into account. Wherever possible, meetings of the Committee should have a *minimum* attendance of four (the chair plus three other members). If this is not possible (for example if members of the Committee are on extended leave of absence) the MESCT should appoint an alternate member.

**Framework for submission of proposals**
All proposals should provide brief information (no more than 20-30 pages) covering: (i) Short description of the proposed innovation; (ii) Aims and objectives (with specified measures of success or results); (iii) Implementation plan (including names, qualifications and responsibilities of staff who will design and implement the innovation, and a timetable and action plan for implementation); (iv) Costs and a financing plan (including contribution of at least 10-15% of the total costs of the innovation from the HEI's own resources, as an indicator of commitment and feasibility); (v) Arrangements (with designated staff) for monitoring and reporting on implementation of the innovation.

The MESCT (QIF Program Officer) will inform all eligible HEIs of the criteria and timetable for assessment and selection of proposals, (including the deadline for submission, and a date by which awards will be announced).

**Activities to be supported under the Quality Enhancement and Innovation Facility**
The facility will support: (i) Postgraduate education or and specialized training of academic, research or administrative staff (through Staff Fellowships for Master's and Ph.D. programs in the region or overseas, postgraduate education by distance education), (ii) Short upgrading programs, workshops, training in new teaching methods, (iii) Technical assistance (consultant services, short advisory visits by international experts or academics), (iv) Feasibility studies for design and adoption of new curricula, programs, teaching methods etc., (v) Equipment, computers, laboratories etc., (vi) Design, development and procurement of learning materials (including translation and adaptation of existing textbooks or commissioning new materials), (vii) Study tours (including short visits in the region or further afield, to investigate possible

models for new courses or programs, new teaching methods etc.), (viii) Academic or research links with other HEIs in the region or abroad (including exchange visits, joint research projects etc.) and links with the productive sector (exchange or sharing of staff, facilities, joint research etc.) to improve relevance of programs and responsiveness to labor market needs, (ix) Links with secondary schools (summer schools, bridging courses etc.) and provincial education authorities to improve access for disadvantaged groups and relevance of programs to social needs, and (x) Minor civil works (rehabilitation of buildings etc.).

All proposals for Staff Fellowships (for local, regional or overseas postgraduate education) must be submitted by the HEI, rather than by individual staff.

**Size of awards from the QIF**

*Institutional Program:* During the first years of the project, the *maximum* award (grant or loan) from the QIF Institutional Program will be US$ 250,000 (for any single grant or loan). HEIs will be permitted to submit a second or subsequent proposal (for a new capacity building or innovation project, or for further extension of a pilot project), but evaluation of such proposals will take into account the implementation capacity demonstrated and results achieved during the period of the first award. The *maximum* cumulative amount that can be awarded to any HEI will be US$750,000. These limits will be reviewed during the mid-term review of the Higher Education Project. *Academic Program and Research Programs:* The *maximum* grant to individuals or groups of academic or research staff will be US$25,000.

**Overall size of the fund**

The Project Appraisal Document (PAD) estimates a total of around US$ 5 million for the Capacity Building and Innovation Fund (QIF). This will be distributed as follows:

| | | |
|---|---|---|
| (i) | QIF Institutional Program | US$3 million |
| (ii) | QIF Academic Program | US$0.5 million |
| (iii) | QIF Research Program | US$1 million |
| (iv) | Operating costs | US$ 0.45 million |

**Terms of the awards**

In the case of public HEIs, any award from the QIF Institutional Program will be in the form of a grant. In the case of private HEIs (both for-profit and non-profit) QIF awards will be in the form of a *repayable loan*, but on terms more favorable than commercial bank loans to the higher education sub-sector. The underlying principle is that QIF will provide financial incentives to private institutions to invest in capacity building and innovations to improve the quality and/or efficiency of existing programs and to develop new programs in high priority areas or disciplines. The incentive will take the form of a loan to be repaid, over a ten-year period, in the form of allocations to a scholarship fund. Each year private HEIs receiving support from QIF must allocate a sum equivalent to 10% of the amount of the QIF award, to a scholarship fund. This could be *either* the Provincial Scholarship Grant program (component 3) *or* an institutional scholarship fund, set up by the HEI, to give financial support to needy students in the form of fee reductions or exemptions and student stipends for subsistence and accommodation. In the case of allocations to an institutional scholarship fund rather than the Provincial Scholarship Grant program, the criteria and procedures for selection of scholarship holders, and the amounts and terms of the scholarships, must be approved by MESCT.

**Reporting requirements**

All HEIs receiving awards from the Fund must submit to the PCU regular (annual or six-monthly) progress and financial reports on the implementation of the innovation. The PCU will prepare and submit regular reports to IDA on (i) the evaluation and selection of proposals, (ii) the implementation and results of innovations supported by the Facility.

**Additional**
**Annex 12**

## Description of Higher Education Institutions

### Eduardo Mondlane University (UEM)

***History:*** Located in the capital city Maputo UEM (www.uem.gov.mz) is the main higher education institution in Mozambique. Growing from a Portuguese institution founded in 1962 it was renamed at the time of independence in 1976 after the man regarded as the father of the Mozambican nation. At that time the university, which was the only one in the country, had 1046 students a mere 40 of whom (2%) were Mozambicans.

***Enrollment:*** Today the university is one of ten universities (five public and five private), but remains the pre-eminent institution in terms of size, number of students (2/3) proportion of total staff (54%) cost to the public exchequer, financial autonomy and tradition. It now enrolls 6,800 students, virtually all of whom are Mozambican, and 27% are women, and they account for almost two thirds of total enrollment in institutions of higher education (HEIs). Approximately 60% of these students come from the three southern provinces of Maputo, Gaza and Inhambane which contain 25% of the population.

***Staffing:*** The university has 711 teaching staff and 1,518 technical and administrative staff. The academic staff includes approximately 75 with a Ph.D. qualification, and 191 with an M.Sc and, although this statistic represents impressive progress in staff development, the academic staff include over 100 non Mozambicans who are concentrated in the natural sciences and the economic sciences.

***Programs:*** Currently the UEM has 22 licenciatura courses which is a first degree with no exact equivalent in the English speaking world, but it is generally considered to be somewhere between a bachelors and a masters degree. These 22 courses cover the full range of conventional disciplinary offerings of international universities, albeit in the unique five year licenciatura format. Completion of the licenciatura normally requires 9 semesters of different subjects/disciplines and a one semester long introduction to a research topic with an associated production of a dissertation or thesis. In addition UEM offers a three year bachelor's course in social science and, furthermore, is responsible for the Historical Archive, the Natural History Museum, the Currency Museum and various other dependent bodies. The language of instruction is Portuguese.

***Governance:*** In a pattern similar to other public universities the Rector is the academic and administrative leader of the university and is accountable to the University Council, which is a broadly representative body and the top decision- making organ. A major issue in the management of UEM, as other public HEIs, concerns the degree of centralization and associated bureaucracy.

***Graduation:*** Despite the rapid increase in enrollment at UEM since 1976 the number of graduates produced has increased relatively slowly. The time taken to successfully complete the five year course averages above seven years with significant variance depending on the subject area.

***Cost and Financing:*** About 20-24% of public expenditure on education goes to higher education and of this proportion UEM absorbs 20%. The Government budget is the main domestic source of revenue for UEM, accounting for around 50% of the total, with modest domestic additions from revenue generating activities (3% of total revenue) and token fees of US$50 per student per year (2%). The balance is made

up from external donors and credits from multilateral financial institutions notably the World Bank.

***Research:*** Most research remains the result of individual initiative linked to thesis requirements or consultancy contracts. UEM accounts for the bulk of institutionalized research in its Center for African Studies, Center for Population Studies, Land Tenure Studies Center and in Mozambican languages.

**Pedagogical University (UP)**

***History and current status:*** The Higher Pedagogic Institute, was founded by the government in 1985 to train secondary school teachers and education specialists and replace the Faculty of Education at UEM. In 1995 it became the Pedagogic University while retaining its role essentially as a teacher training college. UP offers pedagogic and subject matter training across a wide range of disciplines with a focus on the sciences, language and the humanities. With the main campus in Maputo it has branch campuses in Beira and Nampula, and the expectation is that each will branch out further to sub campuses in each provinces using distance instance as part of the facility.

***Enrollment:*** Eligibility for admission requires twelve years of secondary education or its equivalent, and students are recruited in about equal numbers directly from secondary school or from teaching positions. Total enrollment at UP is 2,231 students of whom 14,447 are enrolled in Maputo, 515 in Beira and 269 in Nampula. Of the total one fifth are women. Students complete either a Bachelors degree ostensibly of three year's duration or a five year Licenciatura. In reality both take on average two years longer than the nominal time.

***Issues:*** Because the demand for trained personnel has always exceeded the supply of university graduates in independent Mozambique, many of the UP products proceed directly to the private sector rather than to poorly paid low status positions in the teaching profession. Key issues for improving efficiency include curriculum reform to align the UP training more closely with what is occurring in primary and secondary schools, accelerating the graduation rate and incorporating effective distance education into training.

**Higher Institute for International Relations (ISRI):**

ISRI (www.isri.imoz.com) was established by the Ministry of Foreign Affairs in 1986 for the training of diplomats and, although remaining a specialized institute, it is now training graduates in International Relations (with the degree of Licenciatura) who are increasingly being demanded in the labor market, both in the public as well as in the private sector. It now enrolls 327 students and most entrants complete their course and gain employment from an institution, and this performance is perceived to be relatively efficient. For this reason it has attracted some students from outside Mozambique and financial support form the Ford Foundation, SIDA and the Dutch government for staff development, research and the library.

In keeping with its mission its principal course subjects are divided between the areas of International Relations, Economics, Law and the Social Sciences. The institution is diversifying the courses provided and has developed a new course in Public Administration which is likely to expand rapidly in the face of public demand.

**The Catholic University of Mozambique (UCM)**

***History and current status.*** UCM is a private, non profit government approved, mufti-campus university owned by the Catholic Church and dedicated to the public goal of providing high quality education in disadvantaged areas of the country. It began operation on August 10, 1996 with its headquarters in Beira.

It has five faculties, Economics and Medicine in Beira, Law and Education in Nampula and Agriculture in Cuamba, (Niassa Province)

Complementing these Faculties are the following service centers:
(a) A research and documentation center (CIDDI) with programs relating to the environment, community development, poverty, gender, refugees, and promotion of small scale enterprises.
(b) A well established GIS system with the objective of acquiring and cataloguing all existing information concerning population, environment, education, health, natural resources, traded, industry etc., and producing geographic maps for interested users.
(c) A consultancy office (UCM Gea.Consult) through which lecturers offer consultancy services to small local firms in Sofala, Manica and Tete provinces.

***Enrollment:*** A total of 1,495 students were enrolled in 2001 coming from every province and of whom 40% are women. **Faculty:** UCM has 108 lecturers of whom are full time. The break down by Faculty is as follows:

| | Students | | | Lectures | | |
|---|---|---|---|---|---|---|
| | Male | Female | Total | Moz | Expats | Total |
| Economics | 387 | 237 | 624 | 20 | 16 | 36 |
| Medicine | 25 | 37 | 62 | 2 | 10 | 12 |
| Law | 262 | 152 | 414 | 19 | 5 | 24 |
| Education | 166 | 116 | 282 | 11 | 10 | 21 |
| Agriculture | 82 | 31 | 113 | 7 | 8 | 15 |
| TOTAL | 922 | 573 | 1495 | 59 | 49 | 108 |

Source: UCM

***Finance:*** School fees are the main internal source of income for UCM and are critical for the development of UCM and particularly its credit worthiness with private banks. Students pay the equivalent of US$500 for one year of study except for medical students who pay US$1,000. Fees bring in approximately US$550,000 annually and a similar amount is obtained from the Italian church. 65% of UCM students are self or family sponsored. Other sources of student funding include the sponsorship of local employers (e.g. the Ports Authority and the Department of Finance), Catholic charities and the range of agencies that offering scholarship funds including the Dutch funded Nisome scheme.

***Running costs:*** Recurrent costs for running the four Faculties and the rector's office in 1988 were calculated to be the following:

| | US$ |
|---|---|
| Rector's office | 45,077 |
| Economics | 375,446 |
| Law | 132,631 |
| Education | 164,821 |
| Agriculture | 50,000 |
| TOTAL | 767,975 |

**Higher Polytechnic and University Institute (ISPU)**

***History and facts:*** ISPU, the first private (for profit) HEI, was established in 1995 in Maputo with a branch in Quelimane, Zambezia province. It is a joint venture with a majority Mozambican holding shared with a Portuguese cooperative. It offers courses in Management, Law, Accountancy, Psychology, Social

Science, Communication Technology, and Engineering, with sub specializations that are unique to ISPU, such as marketing, journalism, health management and tourist management. Degrees are for either a Bachelors qualification or a Licenciatura. A Masters degree in Law is at the planning stage, while management training benefits from a sandwich program with a Portuguese university.

Enrolled students total 919, of whom 150 are in Quelimane, and the long term aim is to enroll a maximum of 3000 students. Half the current total of students are already employed and divide between those who are sponsored and those who pay fees of US$2,300 in Maputo and US$1,800 in Quelimane. Teaching occurs in three shifts from Monday through Saturday. Staff number 188, 25 of whom are full time, 34 come from other universities and the remainder are contracted from the private sector. In Quelimane students tend to be sponsored under various scholarship schemes ( e.g. Graca Machel, the US Embassy and UNDP) while core staff come from Brazil under a negotiated agreement. ISPU aspires to build a new campus at an estimated cost of US$10 million and has already acquired the necessary land.

**Higher Institute of Sciences and Technology (ISCTEM)**

***History and facts:*** ISCTEM is a private (for profit) HEI owned by a family company, SOPREL. It was set up in 1997 and currently has 817 students of whom 4% have scholarships from the company and a much larger proportion are sponsored by employers. It offers programs in Information Technology, Management, Accountancy, Dentistry and Pharmacy.

Recurrent finances come principally from fees of US$2,500 a year. With regard to capital costs the institute has negotiated commercial loans to finance its buildings, which consist of flexible use prefabricated structures, and equipment, and these are likely to be re-financed by an agreement with the IFC. ISCTEM is an example of a private HEI that is innovative, concerned to maintain high quality and to respond to the labor market. Innovation has occurred in the design of programs which specifically do not duplicate those of UEM, in the application of evaluation schemes where students assess faculty and in compulsory supervised internships in the private sector for all student as part of their course. A number of new programs are planned, including Bachelor's and Master's degrees in Law, Marketing and Human Resource Management. It also aims to develop distance education programs for transmission in rural areas and is interested in developing English medium programs. At present it has spare capacity.

**The Higher Institute for Transport and Communication (ISUTC)**

ISUTC is a small private HEI, established in 1999 in Maputo and owned by the Portuguese company TRANSCOM. At present the institute has 83 students in two degree programs (Engineering for Telecommunications and Management. 30 of the students are sponsored by the Dutch financed scholarship program, NISOME, in Nampula. Fees are currently US$2,500 for degree courses. ISUTC currently shares premises with the public Nautical School and there are opportunities for shared equipment too should the numbers increase. This HEI is innovative in its methods of ensuring quality and encouraging a systematic approach to study.

**Mussa Bin Bique University (in Nampula)**

***History and facts:*** UMB is a small community financed and driven university opened in October 2000 in the Northern Nampula province. It is offering two degrees in licenciatura: one in agricultural science - a day course with 53 students and a management and accountancy degree in the evening (5 years) and day (2 x2years) with 80 student enrolled. 16 students are studying Islamic studies as complementary to their main degree. About 80% of the students gets scholarships and the remaining 20% get funding through own

means or their companies. Tuition per year is about US$1,200 including housing and boarding (currently 15 students are staying in the hostel which has 10 rooms, 1 kitchen, 1 classroom and 2 offices)) and US$600 for tuition only. Management and Accounting training courses run in the evening charges US$400 per year. The student currently enrolled from Machinga, Cabo Delgado, Nangossa, and Quilimane.

The UMB is governed by a university committee with members from the community and church and the UMB is owned by the community which meets every quarter. Overall expenditures is currently US$5,000 per month (a budget of US$60,000 annually). The teaching staff is being rotated from UP and UCM and some local businesses (local Bank director teaching). Currently there are 10 teachers teaching agronomy. UMB have 6 computer and 2 xerox machines. Much of the agronomy study work is associated in assignment in companies and laboratory facilities are provided by a local company.

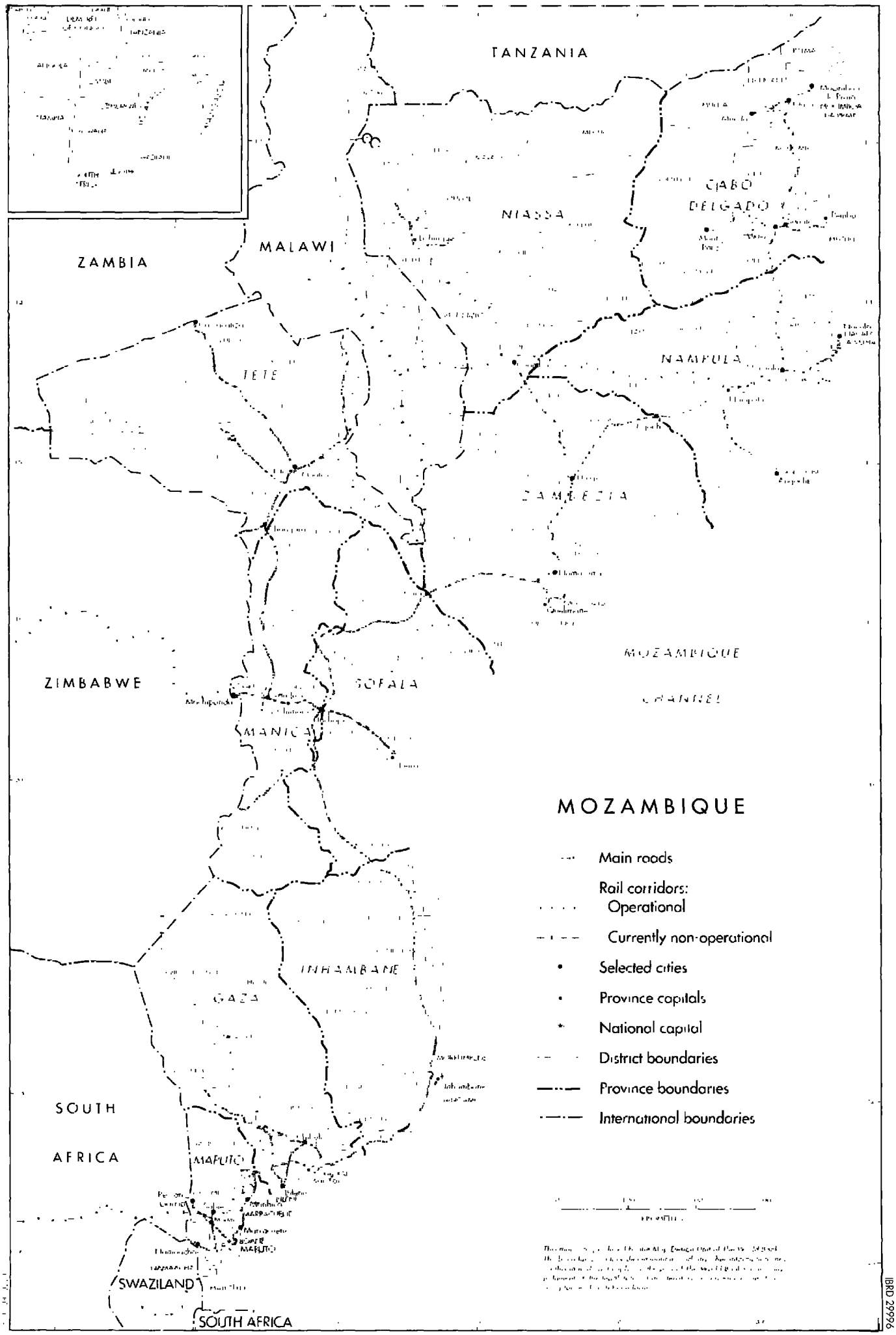
**The Nautical School of Mozambique (ENM)**

The Nautical School offers courses in navigation, radio, communication and nautical operations.

**The Police Academy (ACIPOL)**

***History and facts:*** ACIPOL was established in 1999 and admitted its first cohort of 127 trainees for a preliminary course (year zero) in November 1999. All but one of these students proceeded, in September 2000 to the first year of a 4 year licenciatura program leading to a degree in Police Sciences. Students are regarded as employees of the Police force, and receive a salary while they undergo training (consisting of a preliminary year followed by 3 years of theoretical study and 1 year of practical training). The Academy also plans to introduce short courses for in-service upgrading of lower level police personnel (some of the present 126 trainees were previously serving police, while others entered the Academy from secondary education). The initial planning of ACIPOL was the responsibility of an Installation Committee, and a Rector has not yet been appointed. At present ACIPOL relies entirely on part-time staff (including 2 expatriates financed by the Spanish and Portuguese governments). Funding is at present allocated by the Ministry of the Interior (responsible for the Police) but it is expected that in future ACIPOL will receive funding directly from the Ministry of Finance. Planning for the future development of ACIPOL is still at an early stage, and must take account of the needs and policies of the Ministry of the Interior as well as MESCT. ACIPOL receives some donor support (from the Swiss government as well as from Spain and Portugal).

The emerging priorities of ACIPOL include (i) new buildings, including laboratories, staff housing, student accommodation, a swimming pool and a police station, (ii) equipment, including science equipment, computers and a language laboratory, (iii) staff training.


TANZANIA
ZAMBIA
MALAWI
NIASSA
CABO DELGADO
NAMPULA
TETE
ZAMBEZIA
MOZAMBIQUE CHANNEL
ZIMBABWE
SOFALA
MANICA
INHAMBANE
GAZA
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Main roads
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