Ex post evaluation – Mozambique

›››

Sector: General budget support, CRS 51010
Programme/Project: Participation in joint programme for macroeconomic support, Phase (1) 2009 66 606, AM 2009 70 012; 2010 66 810, AM 2010 70 341; 2011 65 687, AM 2011 70 067;
Phase (2) 2012 65 248; AM 2012 70 370; 2013 66 632 *
Implementing agency: Ministry for Economy and Finance, Mozambique

Ex post evaluation report: 2016

		Phase 1 (Planned)	Phase 1 (Actual)	Phase 2 (Planned)	Phase 2 (Actual)
Investment costs (total)	EUR million	No info	roughly 1,147.0	No info	No info
Bi/multilateral co-fin.	USD million	No info	1,429.0	No info	No info
Financing/AM	EUR million	37.0/10.0	37.0/10.0	16.0/8.0	16.0/8.0
of which BMZ budget funds	EUR million	47.0	47.0	24.0	24.0

*) 2009 66 606 Random sample 2011, 2010 66 810 Random sample 2014; 2011 65 687 and 2013 66 632 Random sample 2016. BMZ No. 2012 65 248 was added.

Summary: As part of FC, Germany supported the joint donor programme to provide macroeconomic support in Mozambique. This support was principally given directly through the Mozambican state budget (general budget support) and also in the form of accompanying measures (AM).

This ex post evaluation (EPE) is based on the results of the joint multi-donor evaluation of budget support for the period 2005-2012. These results were updated on the basis of KfW project data to include the years not covered by this evaluation, but which are relevant for the investigation period examined here (2013 and 2014). The evaluation relates to budget support for Mozambique as a whole; a specific evaluation of the German bilateral FC contribution cannot be determined here.

Objectives: The aim of the budget support was to support the Mozambican government in implementing its national poverty strategy and therefore helping to reduce poverty. The targeted progress and the corresponding indicators were agreed each year with the government, compiled in a Performance Assessment Framework (PAF) and the achieved progress was jointly evaluated on an annual basis. The PAF comprised the key areas of economic growth and poverty reduction, which were mainly to be promoted through reforms of public financial management and other governance issues as well as via measures in agriculture, education and healthcare.

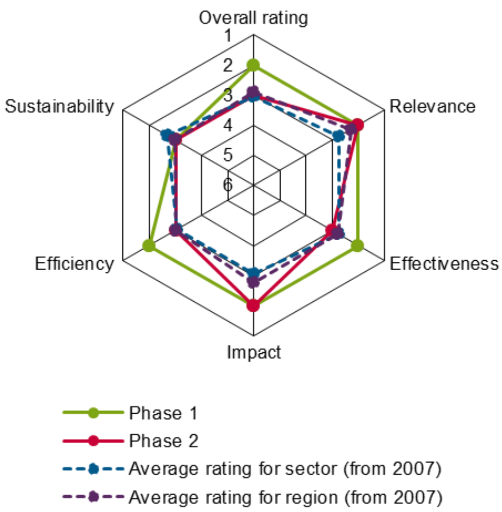
Target group: Population of Mozambique, especially poor parts of the population.

Overall rating: 2 (Phase 1), 3 (Phase 2)

Rationale: What should be highlighted are the contribution to stable growth, the extraordinary improvement in tax collection and the good impacts on the education system. However, the reforms were only reflected to a limited extent in lower income poverty – partly because of the high population growth.

Overall, some impressive successes were achieved by means of the budget support in Mozambique, which could not have been attained using other instruments. The effectiveness of the cooperation waned over time, however, which is reflected in the different ratings of the phases.

Highlights: Factors related to donors (e.g. government changes in donor countries) and Mozambique (including the discovery of commodity resources) resulted in lower commitment from the donors and the government over the years for the dialogue process and the implementation of jointly agreed objectives.



Rating according to DAC criteria

Overall rating: 2 (Phase 1) and 3 (Phase 2)

Overall context

In the mid-1990s, after 30 years of civil war, Mozambique was a devastated and extremely poor country; the majority of the population survived on subsistence agriculture and there was only a rudimentary supply of public services. In the following 20 years the country made notable progress, building up a state system including education and health care with significant support from international donors. Per capita income rose from less than USD 400 in the first half of the 1990s to more than USD 1,000 in 2013 (figures in USD purchasing power parity).[1] Nonetheless, the challenges remain great: 52 % of the population live below the national poverty line, the literacy rate is only 47.8 %, with Mozambique ranked 40th out of 52 African countries[2] in this regard and, with a prevalence rate of over 10 %, HIV/AIDS is endemic in the working population (15-49 years)[3].

The business climate is considered by many entrepreneurs to inhibit development. Inadequate access to financing, corruption and little or poorly developed infrastructures are considered the most serious obstacles to private sector development.

The objective of the budget support programme was to support the Mozambican government in implementing its national poverty strategy, i.e. to initially support the country's poverty reduction strategies (PARPA) 1 and 2 and from 2011 to support the Poverty Reduction Action Plan (PARP). In terms of the dialogue on attainable and achieved progress, the objectives of the national poverty reduction strategy were set out in the Performance Assessment Framework (PAF) using concrete annual indicators, which were agreed with the government and jointly evaluated on an annual basis.

This evaluation refers to the FC tranches outlined below, which were prepared and implemented over the period 2009-2014. This report is substantially based on the results of the joint donor evaluation for the period 2005-2012. These results were updated on the basis of programme documents to include the years not covered by this evaluation, but which are relevant for the investigation period examined here (2013 and 2014). Updating the results in line with the multi-donor evaluation methodology was not possible for the years 2013 and 2014 within the framework of this EPE, as the results of the joint donor evaluation are based in part on complex model calculations.

The evaluation shown refers to the budget support for Mozambique as a whole. In light of the different time periods for evaluation, the FC tranches were divided into two phases as follows.

Breakdown of total costs

		FC tranche (Actual)	FC tranche (Planned)
Phase 1		Inv./AM	Inv./AM
2009 66 606 / 2009 70 012	EUR in millions	15.0/ 3.0	15.0/ 3.0
2010 66 810 / 2010 70 341	EUR in millions	13.0/ 2.5	13.0/ 2.5
2011 65 687 / 2011 70 067	EUR in millions	9.0/ 4.5	9.0/ 4.5
Phase 2			
2012 65 248 / 2012 70 370	EUR in millions	5.0/ 8.0	5.0/ 8.0
2013 66 632	EUR in millions	11.0	11.0

Estimate of total donor contributions: see cover sheet

[1] http://de.theglobaleconomy.com/Mozambique/GDP_per_capita_PPP/

[2] http://theafricaneconomist.com/ranking-of-african-countries-by-literacy-rate-zimbabwe-no-1/#.VrxxJHmFOHU

[3] http://www.afro.who.int/en/mozambique/country-programmes/disease-prevention-and-control/hivaids.htmlhttp://www.afro.who.int/en/mozambique/country-programmes/disease-prevention-and-control/hivaids.html

Relevance

Particularly at the beginning of the 2009/2010 study period, budget support in Mozambique can be assessed as highly relevant, as it (a) was fully in line with the priorities of the government, as expressed in the national budget and in the various poverty reduction strategies, (b) implemented the initially still high priority of budget support in German development cooperation (DC) and (c) corresponded to the prevailing international opinion at the time that budget support best corresponded to many of the criteria set out in the Paris Declaration on Aid Effectiveness.

Furthermore, in view of its volume, budget support can be considered relevant because in Mozambique it provided a significant contribution to the government budget (see Appendix 6), albeit one which decreased over time: Although the contributions increased in US dollars in nominal terms, their share in the revenue side of the budget fell from almost 33 % in 2007 – at its peak – to 13.2 % in 2012; accordingly, on the expenditure side it fell from almost 20 % to below 10 % (2012) with a continuing downward trend in the subsequent years, at least for general budget support (2.5 % of the budget in the form of general budget support in 2014[4]). At 3.6 % the average German contribution between 2009 and 2012 was in the upper mid-range of budget support contributions: at the upper end of the donors with the lower contributions, but well behind the major budget support donors, the EU and the UK, who contributed an average of over 20 % of budget support, and Sweden with a contribution of more than 10 % of budget support. The group of donors – 17 with financial contributions and the World Bank and African Development Bank with concessionary loans (G-19) – has remained relatively stable over the years. During the financial crisis, only Belgium (2008) and Portugal (2010) had to cease their payments temporarily; Austria did not start budget support until 2010. Only after 2012 did an increased number of bilateral donors withdraw from this form of resource allocation, including Norway in 2013, and the United Kingdom and German DC in 2014. In 2014 there were finally 13 donors.[5]

The absorption capacity of the relevant national stakeholders was largely estimated correctly ex-ante. However, the programme appraisal (2012 70 370) gave some indication of potential problems with the absorption capacity of the partners for the AM.[6] The volume of the AM increased significantly in Phase 2 in relation to the budget support commitment of German DC.

In parallel with the decreasing importance of budget support in terms of volume, both sides – the donor group as well as the Mozambican government – reduced their commitment to the budget support instrument over the years. While budget support was initially the preferred instrument in the wake of the Paris Declaration on the effectiveness of DC for achieving the objectives formulated therein, donors have been more reluctant in their evaluation of budget support as an instrument of development cooperation since around 2010. Particularly following changes of government in some of the bilateral donor countries, the now more conservative governments were generally more sceptical of budget support. Moreover, it became clear in many countries that the initially high expectations for the structural impact of the instrument would not be fulfilled in the short term. Specifically in Mozambique, growing power – and the abuse of power – and ties between the ruling party FRELIMO and state and industry strained relations between the government and donors.

With the country's increasing own revenues and an expected further revenue increase in the future from the increased extraction of coal and gas, the government was also less willing to impose the controls and demands associated with the budget support dialogue. Adding to this, fewer and fewer donors were honouring the commitments that they had agreed on with the Mozambican government on the basis of the Paris Declaration and the Accra Agenda. This was also reflected in the slowly cooling relations between the donors and the Mozambican government.

Due to the particular suitability of budget support as an instrument for alignment between the partner government and donors, the high importance of the proposed and paid contributions for the Mozambican budget and – not least because no other DC instrument would have permitted it – the ongoing expenditures within the budgetary system, which is required to achieve a sustainable improvement of public ser-

[4] http://www.entwicklung.at/aktuelles/oesterreich-als-bestperformer-in-mosambik/.

[5] http://allafrica.com/stories/201406140479.html. The remaining donors are: Austria, African Development Bank (ADB), World Bank (WB), Canada, Spain, Finland, France, Ireland, Italy, Portugal, Sweden, Switzerland and the EU.

[6] Reference to the postponement of Phase 2009 70 012 disbursements in 2013 and 2014.

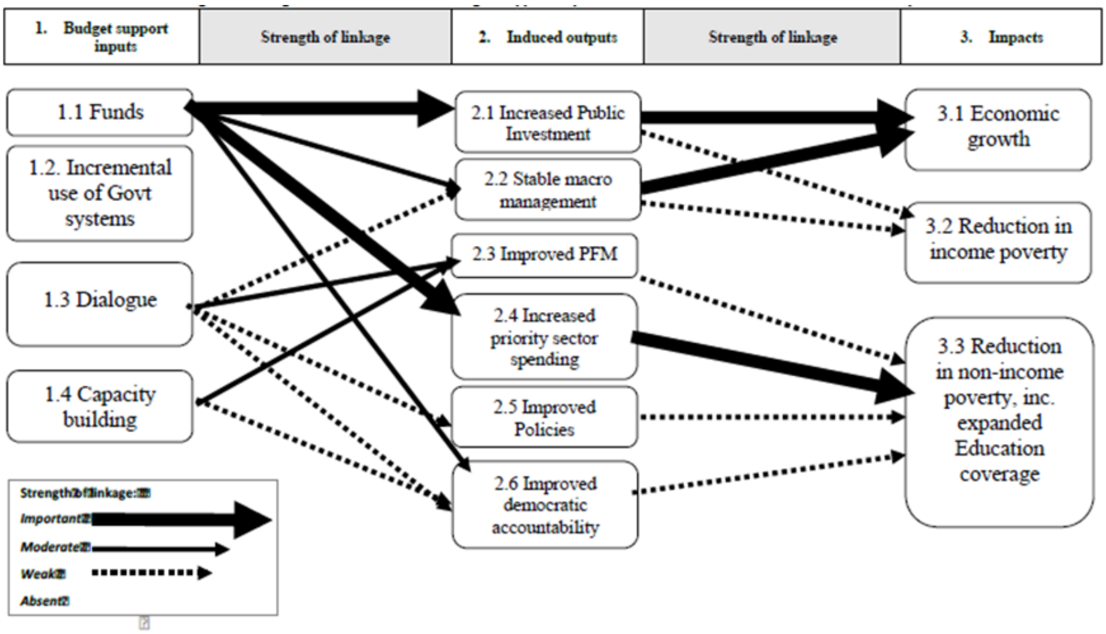
vice provision, the relevance of both phases is assessed as “good” here, despite the decreasing commitment of both parties.

Relevance rating: 2 (Phases 1 and 2)

Effectiveness

The joint donor evaluation in 2014, in line with the jointly developed methodology for evaluating budget support, assigned the four input elements of budget support, (1) financial contributions, (2) increasing use of government systems, (3) political dialogue and (4) capacity building, to the induced outputs and then assigned these in turn to the effects (see graph):

Graph: Interdependencies and impact of budget support in Mozambique



Source: Lawson et al. 2014, p.190

The increases in public investment and the financing of priority sectors were identified by the evaluation as the most significant outputs of budget support in Mozambique. Budget support has allowed public spending in priority sectors to increase considerably while avoiding new borrowing. The main priority sectors were agriculture, health and education. The 2014 evaluation identified that the budget support particularly induced increased expenditure on education and to a lesser extent on the agricultural sector and good governance. No correlation, however, could be proven between budget support and the parallel spending increases for economic and social infrastructure and health: these were rather the result of other external financing.

Mozambique’s ability for self-financing has improved dramatically: the country’s own revenues increased from 13.4 % to 23.4 % of GDP between 2005 and 2012. This development is overwhelmingly propelled by the development of taxes on income and profits (see Appendix 6). In other words, the tax system has gained substance and developed into a modern state financing instrument. This is all the more remarkable against the background that self-financing as well as the tax ratio in Sub-Saharan Africa are generally significantly lower on average, and were more or less stagnant during the investigation period. Although the increasing own revenues meant that budget support suffered a relative loss of significance for the public budget, this development at the same time revealed that the fears that budget support might lead to a reduction of efforts to increase own revenues were unfounded in the case of Mozambique. In addition to the suppression of own revenues, the 2014 evaluation investigated other potentially negative effects of budget support – such as “Dutch Disease” or inflationary effects – and found none.

Overall, public financial management has improved in many respects. The PEFA analyses (Public Expenditure and Financial Accountability; analysis of government spending and accounting) between 2006 and 2012 showed improvements in 44 of the 99 indicators and sub-indicators, while 44 remained unchanged and 9 worsened (see Appendix 9). This is an excellent result for the very short period of public finance reforms. These reforms were supported with TC/FC-AM and were subject of the political dialogue. Most of the PAF indicators were accounted for by PFM (Public Financial Management) in annual and average terms (see Appendix 4).

In addition, external financial control developed positively and visibly improved in the three PEFA analyses from 2006, 2008 and 2011. The test standards were improved, as were the test methods; the number of tests was also expanded considerably. New topics have been defined more recently, including appraisals in the area of resource-depleting industries. It was also possible to improve the rate of prosecution for tax evasion and fraud, with the number of cases being brought to court increasing significantly. The regulatory framework for combating corruption has also been improved.

Supported by political dialogue, general budget support, including the AM, furthermore contributed to improving government accountability. The latter requires explanation given that the ratings in many areas of the Worldwide Governance Indicators[7] have clearly deteriorated since 2008 (see Appendix 9): accountability was an important topic of the political dialogue and has received support both from the budget and from the AM. Good progress was apparent in the topic of transparency: the transparency of the budget developed well, with Mozambique's Open Budget Index rating for issues which were classed as "A" (on a scale of A-E) increasing from 28/95 in 2010 to 47/95 in 2012 (ibid.). In 2011, the year in which its large natural gas reserves were discovered, Mozambique received full status as a member of the Extractive Industries Transparency Initiative (EITI) after only 3 years as a candidate country – the average candidacy period across the 22 EITI countries in Sub-Saharan Africa between 2007 and 2012 was 4.3 years.

Other factors have also promoted the achievement of objectives to some extent: tax administration received targeted support from donors in the form of basket funding; the FC-AM was involved in these efforts between 2010 and 2014. However, the improvement of tax administration was also one of the Mozambican government's highest priority objectives, as was the ability to go beyond the incentive and control framework of the budget support dialogue structure. The good development of the education sector has been supported through the well-coordinated deployment of various instruments in the sector, including projects and basket funding, among others.

While the total number of agreed indicators was reduced over the years (see Appendix 4), the number of issues discussed outside of the context of the PAF as "areas of special attention" increased; these issues included the stagnating fight against corruption, concerns about the legal compliance of the 2009 elections and a scandal in 2011 concerning payroll accounting in the health sector. Solutions were always found in dialogue. On average, around 80 % of indicators were fully achieved or significant progress was made[8]. Around 15 % were not achieved and around 5 % could not be measured due to lack of data. The proportion of indicators not achieved has risen steadily since 2009, though there is no discernible trend towards the concentration of the indicators whose targets were not met in specific areas (see Appendix 4). Most recently (in 2013), 72 % of indicators were fully achieved or significant progress was made, and 22 % were not achieved (previously this was 80, or 15 %).[9]

Despite noticeable improvements, particularly in phase 1, the above-mentioned downward trend of various governance indicators, including those measuring corruption, indicates that not all objectives of general budget support have been achieved. A particularly serious indication of the government's steadily diminishing identification with the budget support agreements was evident in 2013, shortly before the 2014 election when the government decided, unbeknownst to the donors[10], to provide the state fishing compa-

---

[7] See Worldwide Governance Indicators - Country Data Report for Mozambique, 1996-2014; http://info.worldbank.org/governance/wgi/index.aspx#countryReports

[8] Approximately 50 % of the indicators were fully achieved, and a further 30 % were assessed as "not achieved, but significant progress made".

[9] KfW Reporting 2014

[10] http://allafrica.com/stories/201406140479.html

ny EMATUM with USD 850 million in guarantees to back the issue of a bond.[11] This blew the budget for such governmental obligations which had been agreed with the budget support donors and led to considerable discussion as part of the budget support dialogue, to delayed payments and perhaps even to the withdrawal of individual donors from budget support.[12]

The evaluation acknowledges the partly surprisingly good results of the first phase with a rating of “good” and takes into account the deteriorating trend in the second phase with a rating of “satisfactory”.

Effectiveness rating: 2 (Phase 1); 3 (Phase 2)

Efficiency

Factors which allow for the assessment of the (production) efficiency of budget support mainly relate to: (a) the calculability of budget support payments as reliable and predictable payments help to avoid uncertainties in budget management and policy implementation, and (b) the transaction costs resulting from the need for coordination among donors and from coordination with the partner government. The 2014 joint donor evaluation came to the conclusion that, in these respects, the efficiency of budget support provision was far superior to other modalities, although the transaction costs had a tendency to increase during the investigation period.

a) The calculability of budget support was significantly higher than that of other instruments, whether project/programme approaches or even basket funding. Since 2007, the annual budget support payments have consistently been around 100 % of annual commitments, with delays experienced mostly after 2010. In particular in 2013, some donors – including Germany– postponed their payments until 2014, as a result of the EMATUM case. Delays or postponements within a single year were more common: some bilateral donors delayed their payments in 2009 following “difficult” presidential elections, and others delayed payments in 2011, after becoming aware of irregularities in the tender procedures in the health sector as well as in salary management in the education sector. In some cases, however, delays were also caused by factors on the donor side (see below).

Nevertheless, budget support in all years was significantly more predictable than project and basket funding (see Appendix 7). Budget support payments between 2005 and 2012 were at an average of 116 %, while those for basket funding were at 79 % and those for projects were at 56 %.

b) Measured in terms of individual indicators for assessing progress in “alignment” as per the Paris Declaration, such as the increasing use of programme-based approaches or the decrease in the number of Project Management Units (PMUs), the transaction costs of DC in Mozambique did not decrease between 2006 and 2012, but actually increased. In the case of other indicators, such as the increasing number of joint missions or the increasing use of partner systems for tendering, reporting and verification, although some progress has been seen, the intended targets have not been met.

In the 2014 joint evaluation, the transaction costs per monetary unit spent on budget support were estimated to be significantly lower than for other development cooperation instruments. The transaction costs for comprehensive sectoral programmes – under which different donors finance different individual projects, such as in the health sector for example – were classed as being particularly high, followed by basket funding. In the latter case, transaction costs are reported to have remained unchanged, while the costs of budget support were perceived to be increasing from around 2010 onwards. Although the number of PAF indicators fell, the use of other evaluation criteria increased, as in the “areas for special attention”, which introduced additional evaluations outside of the formal framework.

With regard to the allocation efficiency, it should be emphasised that particularly the effects observed in terms of strengthening government structures could not have been achieved by means of other instruments of development cooperation. In addition, the use of financing amounting to USD 450 million per year in project mode would have required approximately 100 additional projects or contributions to basket funding, each in the amount of USD 4-5 million per year. The high transaction costs associated with this

[11] http://www.economist.com/news/middle-east-and-africa/21660729-flagship-investment-mozambique-starting-stink-tuna-scandal-strikes

[12] http://www.open.ac.uk/technology/mozambique/sites/www.open.ac.uk.technology.mozambique/files/files/Mozambique_262-13June2014_budget_support_falls.pdf

would have placed a severe strain on Mozambique's absorption capacity. In other words, in comparison to alternative DC instruments, budget support in Mozambique displays good efficiency, albeit with a deteriorating trend. Against this background, the development of splitting Germany's commitments between budget support and AM should be assessed rather critically: while the projects 2008 66 606 and 2010 66 810 were still accompanied by AMs of about 20 % of the budget support contribution, the proportion of AMs kept increasing. In phase 2, the proportion of budget support to the volume of the accompanying measure was at a ratio of 2:1. This reflects a kind of "projectisation" of budget support. The AMs have promoted basket funding to support tax administration and the Court of Audit, and have also supported the political monitoring of the budget process since 2012.

In summary, the efficiency is assessed as "good" in the first phase, but "satisfactory" in the second phase. This is due to the efficiency losses caused by the greater weighting of the AMs. This is not to diminish the beneficial effects of basket funding on tax administration, the Court of Audit, media and civil society, all of which were qualified by the joint evaluation as good contributions to the issue of transparency.

Efficiency rating: 2 (Phase 1); 3 (Phase 2)

Impact

The overarching objective of FC budget support, which was used to support the Mozambican poverty reduction strategy, was to support the alleviation of income poverty and other forms of poverty, including the reduction of barriers to education for poorer population groups, while maintaining economic growth.

A sustainable impact was observable in relation to the contribution to growth, as it was possible to create and maintain macroeconomic stability, while at the same time generating a significant increase in resource allocation in priority areas for PARPA and PARP implementation. Despite the financial crisis and the rapidly rising prices of food and oil in the years 2007 and 2008, Mozambique was able to maintain stable growth. GDP growth averaged 7.3 % between 2005 and 2012. In the years 2013 and 2014, growth continued at a similar rate. It was thus consistently higher than the average for sub-Saharan Africa and its neighbouring countries (see Appendix 5). During this time, public spending grew from 23.6 % to 32.6 % of GDP (2005-2012) due to increased investment and ongoing expenditure. Owing to the similarly notable increase in own revenues, the country continues to be able to cover current expenditure using its own revenues.

The significant growth successes could not be translated into a reduction in income poverty, however. At the national level, the poor population has benefited to a lesser extent from economic growth than the non-poor population. Thus the proportion of the population living in poverty changed only marginally between 2005 (54.1 %) and 2009 (54.7 %)[13] – although per capita GDP rose sharply (24 % between 2009 and 2014[14]).

Mozambique is shaped strongly by agriculture, and the agricultural sector is the most important for reducing income poverty. Although growth was also induced in the agricultural sector, this was not enough to reduce poverty to a significant extent. The Human Development Index (HDI) increased from 0.366 in 2008 to 0.393 in 2013, and, on the basis of development, Mozambique thus rose to 30th place out of the 47 African countries for which data is recorded in this period (see Appendix 5). Mozambique nevertheless remained among the ten poorest countries in Africa in 2013 – even if, at number 10, only by a narrow margin. The 2014 joint evaluation did not make this connection; however, it should be taken into consideration here that the population of Mozambique grew by around 20 % between 2005 and 2012, from 21 to 25 million inhabitants. Mozambique comes in at 12th place (out of 224 countries) in a comparison of total fertility rates (TFR).[15] Taking this enormous population growth into consideration, the progress achieved should be given a greater weighting.

In terms of the non-income related poverty factors there is notable development against the backdrop of rapid population growth: the performance capacity of the education system is showing signs of improvement, with rising levels of school attendance and graduates, fewer students repeating years, smaller clas-

---

[13] National poverty line. More recent data on the development of income poverty is not available.

[14] http://data.worldbank.org/country/mozambique

[15] https://www.cia.gov/library/publications/the-world-factbook/rankorder/2127rank.html#mz

ses in primary schools (though not yet in secondary schools), improved skill levels among teachers, increased availability of books and higher numbers of well-built schools.

Furthermore, the coordination of dialogue structures and of the various support instruments (budget support, basket funding, projects) worked well in the education sector. This was more difficult in the healthcare sector, and was particularly critical in the agricultural sector, where the agreed sector objectives were taken less seriously neither by the donors nor by the beneficiaries, and where the dialogue process was not conducted in a coherent way by the donors.[16]

Fortunately, the indicators for malnutrition also developed positively[17], and there have been improvements in access to waste water disposal and electricity supply as well as an increase in simple property assets such as bicycles, motorcycles, cars, televisions, freezers, etc. The regional differences, however, are striking here, although individual regions show conflicting developments, too.

It is also positive to note that broad investment in basic social services, and particularly in education, has a long-term positive impact on poverty reduction in that it raises the level of education and thus contributes to improved employment opportunities for the population. Against this backdrop, we assess the impacts of the project in both phases as good.

Impact rating: 2 (Phases 1 and 2)

Sustainability

In the short term, it is expected that the impacts observed in the evaluation will be maintained. There is no observable change in political objectives, and the financing in the education sector can also be covered by the current expenditure in the budget. Since the discovery of the country's large natural gas reserves in autumn 2011, the medium-term prospects for self-sustaining economic development have, in principle, been good. The natural gas reserves are comparable with those of Qatar and could make Mozambique the third-largest exporter of natural gas in the world within the next decade. Through its EITI membership, Mozambique has shown its willingness to ensure transparency in the sector. The legal framework for investment in gas production was prepared by the end of 2014. Significant revenue increases from gas production are not to be expected until 2023/24 though.

In this transitional period, maintaining a prudent, stability-oriented fiscal policy and laying the groundwork for the wide, wealth-generating use of the gas resources will be important for the medium-term sustainability of the achieved effects. The results of the 2014 evaluation suggest that the continued budget support by other donors and its dialogue structure, in cooperation with the Policy Support Instrument (PSI) of the International Monetary Fund (IMF), provides or could provide important support for the development-oriented alignment of commodity sector policy. Of primary importance would be further support for consistent coordination between different policy areas, which currently does not happen to a sufficient extent.

In the long term, the scope for greater poverty reduction depends primarily on the economic outlook; however, the internal and external conditions are currently becoming more and more difficult. In 2015, Mozambique was able to maintain economic growth at a level of 6-7 %. The inflation rate has risen significantly since mid-2015 and was around 11-12 % p.a. at the beginning of 2016; in less than a year, the Mozambican currency, the metical, has depreciated by 40 % against the US dollar and by 35 % against the euro. The low commodity prices and lower inflows of foreign currency are putting pressure on the balance of payments and on the budget. Assistance via budget support was further diminished by the departure of key donors such as Norway and the United Kingdom.

The greatest risk to the sustainability of the effects achieved through general budget support lies in the government's spending behaviour: in expectation of future revenues, public investment and the country's willingness to take on new debt increased significantly in 2013 and 2014. Although national income also reached a record level of 27.3 % of GDP in 2014, including tax revenue of 23.4 % of GDP, this fell again to 25.2 % (tax: 21.5 %) in 2015 due to the difficult situation on the commodity markets. The government stopped expenditure growth in 2015, but the debt level should continue to be monitored. The level of cur-

[16] „…essentially driven by donors on an ad hoc basis …", Lawson et al. 2014, p.72

[17] http://www.fantaproject.org/sites/default/files/resources/Mozambique-Surveillance-System-Jun2014.pdf

rent expenditure – for poverty-relevant social services in particular – is sustainable given the progress made in terms of revenue. Expenditure should, however, be increased in view of the continued high level of population growth in order to sustainably secure what has been achieved and to reduce poverty further. In addition, further risks are looming as indicated by the recurrence of armed conflict between the ruling party FRELIMO and RENAMO.

In light of the above-mentioned risks and the declining willingness of donors to participate in general budget support, the sustainability of both phases is rated as “satisfactory”.

Sustainability rating: 3 (Phases 1 and 2)

Notes on the methods used to evaluate project success (project rating)

Projects (and programmes) are evaluated on a six-point scale, the criteria being **relevance, effectiveness, efficiency** and **overarching developmental impact**. The ratings are also used to arrive at a **final assessment** of a project's overall developmental efficacy. The scale is as follows:

Level 1	Very good result that clearly exceeds expectations
Level 2	Good result, fully in line with expectations and without any significant shortcomings
Level 3	Satisfactory result – project falls short of expectations but the positive results dominate
Level 4	Unsatisfactory result – significantly below expectations, with negative results dominating despite discernible positive results
Level 5	Clearly inadequate result – despite some positive partial results, the negative results clearly dominate
Level 6	The project has no impact or the situation has actually deteriorated

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

Sustainability is evaluated according to the following four-point scale:

Sustainability level 1 (very good sustainability): The developmental efficacy of the project (positive to date) is very likely to continue undiminished or even increase.

Sustainability level 2 (good sustainability): The developmental efficacy of the project (positive to date) is very likely to decline only minimally but remain positive overall. (This is what can normally be expected).

Sustainability level 3 (satisfactory sustainability): The developmental efficacy of the project (positive to date) is very likely to decline significantly but remain positive overall. This rating is also assigned if the sustainability of a project is considered inadequate up to the time of the ex post evaluation but is very likely to evolve positively so that the project will ultimately achieve positive developmental efficacy.

Sustainability level 4 (inadequate sustainability): The developmental efficacy of the project is inadequate up to the time of the ex post evaluation and is very unlikely to improve. This rating is also assigned if the sustainability that has been positively evaluated to date is very likely to deteriorate severely and no longer meet the level 3 criteria.

The **overall rating** on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).