



**MILLENNIUM**  
CHALLENGE CORPORATION  
UNITED STATES OF AMERICA

QUARTERLY STATUS REPORT



# Mozambique Compact

AS OF SEPTEMBER 2012

## COMPACT GOAL

The \$506.9 million Compact seeks to increase productive capacity, income generation, and poverty reduction in Mozambique's northern provinces by improving rural and urban water and sanitation, roads, land administration, and agriculture. It also addresses key policy reforms and capacity building initiatives. The program focuses on the economically lagging northern provinces, home to half of the country's population.



## COMPACT AT A GLANCE

Compact Signed	07-13-2007
Entry Into Force	09-22-2008
Compact End Date	09-22-2013
Compact Total	\$506,900,000
Amount Committed	\$427,152,796
Amount Expended	\$201,986,022
Estimated Program Beneficiaries	3,325,327
Estimated Increase in Household Income	\$542,300,000

% OF TOTAL COMPACT	BUDGET (USD MILLIONS)
41%	<b>Water Supply and Sanitation Project</b> \$207.3
35%	<b>Rehabilitation and Construction of Roads Project</b> \$176.3
8%	<b>Land Tenure Project</b> \$39.0
4%	<b>Farmer Income Support Project</b> \$18.2
2%	<b>Monitoring And Evaluation</b> \$8.2
11%	<b>Program Administration And Control</b> \$54.2

■ Project Preparation ■ Project Implementation

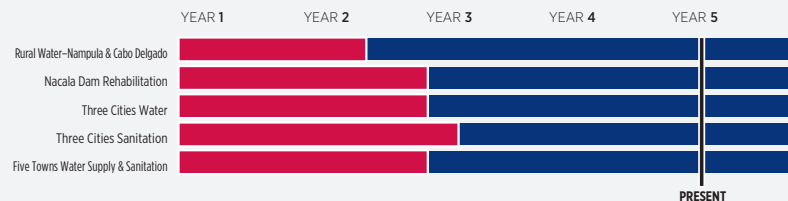
## Water Supply and Sanitation Project

Provide technical assistance and capacity building; rehabilitate/expand the water supply and sanitation systems in urban areas; rehabilitate/expand four municipal water and drainage systems, one dam, and construct rural boreholes (water access points).

### Projected Long-Term Results (Up to 20 years)

ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME
<b>1,862,253</b>	<b>\$432,500,000</b>

PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
<b>\$207,385,393</b>	<b>\$181,400,977</b>	<b>\$78,272,807</b>



### PROJECTED RESULTS BY END OF COMPACT

Household water consumption anticipated to increase from 20 liters to 24 liters per day in urban areas. Water consumption in rural areas is anticipated to increase from 16 liters to 20 liters per day. 50% of the Nampula urban population and 42% of the Nacala urban population and 32% of its rural population in intervention districts will have increased access to improved water sources.

### PROGRESS TO DATE

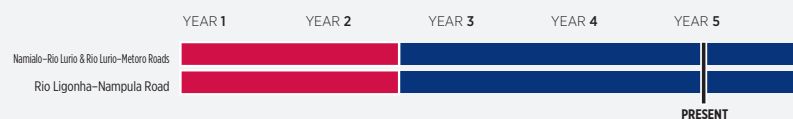
Construction is underway for all large projects. Mocuba Emergency Works contract signed in September 2012. Nacala Dam is now targeted to be completed by June 2013. Other projects are at high risk for non-completion and discussions are underway to identify path forward. Over 400 boreholes have been completed under Rural Water Activity of Compact target of 600.

### PROJECT ACHIEVEMENTS

MCC has formed a strategic partnership with the World Bank (WB) to merge the MCC's funding with the WB's institutional and policy knowledge and its resource mobilization network. Accordingly, the WB has agreed to focus its financial/institutional resources on supporting the newly created entity (AIAS) for the management of water supply and sanitation in secondary cities complementing the MCC-funded infrastructure improvements in those locations.

<b>Rehabilitation and Construction of Roads Project</b>	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
	<b>\$176,307,480</b>	<b>\$149,279,019</b>	<b>\$53,519,614</b>

Increase access to productive resources and markets while reducing associated transport costs through rehabilitation and/or widening of strategic portions of the N1 National Highway and provision of technical assistance.



**Projected Long-Term Results**  
(Up to 20 years)

ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME
<b>1,160,029</b>	<b>\$52,700,000</b>

**PROJECTED RESULTS BY END OF COMPACT**

Namialo-Rio Lúrio Road average annual daily traffic volume is anticipated to increase from 622 to 720 vehicles per day. Rio-Ligonha-Nampula Road average annual traffic is anticipated to increase from 4,598 to 5,477 vehicles per day.

**PROGRESS TO DATE**

During the last quarter work continued on both roads but fell short of what was needed to make substantial progress prior to the rainy season. Both projects are delayed and at risk of non-completion if current rate of production is maintained. Discussions are underway with MCA to determine a path forward.

**PROJECT ACHIEVEMENTS**

The Government of Mozambique has prepared a maintenance program for the national paved roads network including: a) a rolling 8-year plan; b) provisions for annual updates plans based on additions to the paved road network; c) detailed listing of all paved roads subject to periodic maintenance by year; and d) a funding plan that includes 100% of routine/periodic maintenance funded by user fees as of 10 years after the initial maintenance program.

<b>Land Tenure Project</b>	PROJECT COST	TOTAL CONTRACT COMMITMENTS	TOTAL PROJECT EXPENDITURES <sup>1</sup>
	<b>\$39,061,959</b>	<b>\$35,375,144</b>	<b>\$23,590,719</b>

Establish efficient and secure land access for households, communities, and investors by supporting National Policy Monitoring, Land Administration Capacity Building, and Site Specific Facilitation of Land Access.



**Projected Long-Term Results**  
(Up to 20 years)

ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME
<b>316,541</b>	<b>\$34,400,000</b>

**PROJECTED RESULTS BY END OF COMPACT**

The Compact will set in place an overall land strategy and a modern land administration system that emphasizes client service, utilizes technology, and improves financial and human resource capacity.

**PROGRESS TO DATE**

105,331 urban cadastral parcels created and 5,511 rural cadastral parcels created as part of the land tenure regularization activities.

**PROJECT ACHIEVEMENTS**

39,000 urban DUATs (land use titles) and 2,700 rural DUATs have been delivered to land parcel holders. The GoM adopted an interim measure for simplification of transfers of rural DUATs which is part of fulfilling the land project condition precedent related to transfers of rural DUATs.

Farmer Income Support Project	PROJECT COST	TOTAL CONTRACT COMMITMENTS					TOTAL PROJECT EXPENDITURES <sup>†</sup>			
	<b>\$18,276,217</b>	<b>\$18,149,066</b>					<b>\$13,503,375</b>			
<p>Control spread of Coconut Lethal Yellowing Disease (CLYD) and restore income through the introduction of disease-resistant coconut variety while expanding farmers' productive capacity. Activities include the rehabilitation of endemic areas affected by CLYD; control of CLYD in epidemic areas; and introduction of cash crops and market access support.</p> <hr/> <p><b>Projected Long-Term Results</b> (Up to 20 years)</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">ESTIMATED BENEFICIARIES</td> <td style="width: 50%; text-align: center;">ESTIMATED INCREASE IN HOUSEHOLD INCOME</td> </tr> <tr> <td style="text-align: center;"><b>1,163,646</b></td> <td style="text-align: center;"><b>\$38,400,000</b></td> </tr> </table>	ESTIMATED BENEFICIARIES	ESTIMATED INCREASE IN HOUSEHOLD INCOME	<b>1,163,646</b>	<b>\$38,400,000</b>						
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	<b>PROJECTED RESULTS BY END OF COMPACT</b>		<b>PROGRESS TO DATE</b>		<b>PROJECT ACHIEVEMENTS</b>					
	<p>Smallholders will be able to control CLYD on their land, recover income lost as a result of the disease, and diversify their income streams through alternative cash crop production and improved farming practices.</p>		<p>In Zambezia and Nampula provinces 548,482 diseased trees covering 6,910 hectares have been destroyed (endemic zone), while more than 625,709 disease resistant seedlings have been planted. 15,043 farmers have been trained in coconut planting and post-planting care and 10,571 have been trained in coconut pest and disease surveillance and control. 7,106 farmers have been trained in alternative crop production.</p>		<p>The project has worked with farmers to put 5,694 hectares under alternative crop production and achieved a 62% survival rate on seedlings planted last year.</p>					

The Mozambique Compact infrastructure projects were re-scoped due to cost increases. Instead of investing in four road segments, the compact will now invest in two roads representing a total of 252 km instead of 491 km. In addition, the Water Supply and Sanitation Project was re-scoped due to financing constraints, resulting in investment in three, instead of six, water supply and two, instead of six, sanitation activities.

<sup>†</sup>Expenditures are the sum of cash outlays and quarterly accruals for work completed but not yet paid or invoiced.