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Performance-based financing and capacity building to strengthen WASH systems in Mozambique: early findings

Paper for the WASH systems symposium

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The transforming rural WASH programme in Mozambique combines disbursement linked indicators with capacity building to support and incentivise systemic shifts to deliver sustainable and equitable WASH services to the poor in Mozambique. Funds are directed through the National Programme for Rural Water and Sanitation to deconcentrated government departments that plan, implement and monitor WASH services at provincial and district level. The performance-based approach is being tested in 20 districts in two provinces of Mozambique (Nampula and Zambezia). Early successes point towards the effectiveness of linking collaborative, flexible and adaptive capacity building with performance-based funding in order to unlock specific bottlenecks in the WASH systems. Alignment with government priorities and effective transfer of responsibility and accountability for implementation by sub-national government are key elements of success. Procurement processes have become more effective but contract management still needs to be improved to ensure the quality and sustainability of services provided. Main challenges remain shifting knowledge and behaviours around gender and equity, and ensuring that domestic financing for capital and operational costs increases.

Introduction and context

After the signing of the Peace Agreement (1992), the Government of Mozambique embarked on a series of macro-economic reforms to strengthen its economy and administration and consolidate its public financial management. Decentralisation laws and government capacity increased, albeit slowly, and sector policies were developed. Poverty is still widespread, 69% of the population is classified as poor and living under the USD 1.90 per day poverty line (World Bank, 2016). Mozambique ranks at 181 out of 188 countries on the UNDP's Human Development Index. In 2015, Mozambique suffered a crisis which resulted in public spending cuts, severely affecting the delivery of basic services. In effect, only public sector salaries were maintained and capital investment in basic service infrastructure was reduced to only 3% of total funds to the rural WASH sector in 2016 and 2017 (UNICEF, 2017).

Water, sanitation and hygiene services in Mozambique

The period from 2010 to 2015 saw a 25 percentage point increase in national drinking water coverage, which mostly benefitted urban areas (88% current access rate), whereas rural areas lagged behind with only 56.8% access (WHO, 2017). Sanitation remains a major challenge, with only 13.2% of rural Mozambicans having access to improved sanitation in 2015 (WHO, 2017). Access is also unequal amongst provinces. Two of the most populous and poorest provinces of the central and northern zones, Zambezia and Nampula, represent 41.4% (4.8 million people) of the national rural population without access to sanitation, and 51.1% (3.8 million people) without access to drinking water¹.

The Government of Mozambique established a National Rural Water Supply and Sanitation Programme (PRONASAR) in 2010. It is managed by the Water Supply and Sanitation Directorate (DNAAS for its Portuguese acronym) and is implemented through the Provincial and District Infrastructure Departments. It has been successful at increasing rural drinking water coverage, expanding sanitation and associated hygiene behaviour changes². Reviews by PRONASAR highlighted persisting systems constraints to ensuring scalability, sustainability and accountability of rural WASH services. Willingness across government and development partners to address those challenges led DFID and DNAAS to sign a new Memorandum of Understanding in 2016 for performance-based funding of up to GBP 30 million for providing much needed WASH services to the rural population.

The financial support aims to test performance-based financing in the rural WASH sector in Mozambique combined with a strong capacity building component for strengthening decentralised systems. Despite only being at mid-term of implementation, this paper aims to share emerging lessons from the successes and challenges of the approach in its effectiveness in incentivising systemic change. The paper: (i) relates the design of approach; (ii) analyses intermediate progress of the programme against the results framework; and (iii) analyses what direct and indirect changes could be related to the approach and what lessons about the model can be learnt from it.

Problem analysis: Applying a systems perspective

An independent formative review (Cavill, 2013) and a mid-term evaluation of the PRONASAR (Salomon, 2013) assessed progress and identified systems constraints to the delivery of services at scale. The studies also

highlighted the need for high quality technical assistance (Salomon, 2013). The findings of the studies are presented in Table 1 below, which links the recommendations with key changes in the system and performance indicators designed to incentivise that change. For the purposes of this paper, this has been presented using the building blocks for WASH systems (Huston & Moriarty, 2018).

In order to identify the actions and levers to unlock systemic constraints in planning, implementation, procurement, financial management, monitoring and evaluation at the national and sub-national level, a capacity building needs assessment was carried out by the Netherlands Development Organization (SNV) in 2016.

Table 1. Problem analysis, changes expected and performance indicators

Building blocks	Key constraints	Key change	Performance indicator
Institutional arrangements and coordination	Over-centralised systems, leading the DNAAS to implement rather than focus on its key mandate of policy-setting, oversight and support for an enabling environment for improvement in WASH services.	Decentralise implementation by sub-national capacity to deliver services. Strengthen subnational governance and accountability.	Percentage of contracts (works and services) that are procured at district level.
Service delivery infrastructure	Insufficient priority to sanitation and hygiene and to the sustainability of existing water supplies (over-emphasis on building new infra-structure). Limited geographical coverage of the programme.	Strengthen and support the policy framework for sanitation and hygiene to promote sustainability. Strengthen implementation in sanitation and hygiene and sustainability. Expand coverage.	Number of ODF villages that maintain their ODF status. Number of people in rural areas with access to new improved sanitation infrastructure. Number of people in rural areas with access to new improved drinking water infrastructure.
Monitoring	Insufficient capacity and systems at national and sub-national levels to monitor WASH service delivery and financial expenditure, including inadequate management information system (MIS).	Support decentralised capacity to collect, monitor and analyse WASH data. Link national and sub-national processes.	The National WASH management information system provides realistic information which is used in planning, monitoring and evaluation processes.
Planning	Inadequate capacity at sub-national level to plan, deliver and ensure sustainability of WASH services to poor communities.	Strengthen district multi-sector planning processes. Strengthen role of community consultative committees in WASH planning.	Percentage of programmatic and financial execution against the Annual Implementation Plan (Sector Plan) at provincial level.
Finance	Limited Government funding to infrastructure and WASH more generally, as well as lack of funds for decentralised districts and provincial government.	Increase percentage of funds spent at the district and provincial levels.	
Regulation and accountability	Inadequate attention to equity and gender concerns, lack of inclusion of community consultative committees in planning for services.	Increased attention to gender equity at the community level and within district, province and national institutions.	Perception of women in water committees on their influence over decision-making on water and sanitation in their communities. Number of schools with new menstrual hygiene management facilities that are correctly used.

The Capacity Building Needs Assessment

Scope and methodology

The aim of the capacity building needs assessment was to identify gaps at the district, provincial and national levels in the two focal provinces (Zambezia and Nampula) and their districts. The analysis focused on the capacity of individuals (within organisations), the organisations (processes, tools and procedures) and institutional set-up (wider institutional rules and principles that govern organisations). Two hundred and fourteen government civil servants and officials at national, provincial and district level were interviewed.

Structured and semi-structured questionnaires were used to conduct interviews with government staff. Information was collected and visualised with smartphones using AKVOflow®. Quantitative analysis was done using Excel spread sheets whilst the qualitative data provided additional information and triangulation of some results. The analysis of results also used process mapping to map the flow of actions through the system. This method tracks an action, the person responsible for the action, how it is formalised (which document or procedure) and for whom

it is destined. It helps point to whether actions are not carried through because of weaknesses related to a gap in a process, inadequate resourcing, a lack of knowledge, or a gap in the policy system.

Main conclusions of the Needs Assessment at district and provincial level

For consistency and ease of analysis, the main conclusions are organised according to the WASH system building blocks, and whether they are individual or organisational challenges.

These findings are translated into a capacity building plan between district, provincial and national government. A number of stakeholders are working together to achieve the desired outcome and systems changes.

Table 2. Problem analysis according to building blocks

Building blocks	Individual	Organisational
Institutional arrangements and coordination	Hierarchical leadership affects decision-making capability. Lack of qualifications and training of existing staff at district and provincial level. Incomplete knowledge of roles and responsibilities within wider context.	Lack in number of staff to fulfil level of work. Little formal HR management procedures. Limited inter-sector coordination at all levels (i.e. with health and education sectors).
Procurement of service delivery infrastructure	Lack of knowledge of procurement processes.	Procurement of infrastructure remains at provincial and national levels.
Monitoring	Lack of capacity in computer skills and information management. Reporting templates exist, but are not always followed.	Lack of computers and internet access to manage the WASH information system. Lack of a harmonised reporting template.
Planning	Sector and parallel planning through different tools leads to confusion. Lack of formalisation of information on water and sanitation infrastructure.	Rarely based on existing information about water resources or current coverage of WASH services. Planning information is unreliable information, there is no database. No formal multi-sector planning exercise.
Finance	Lack of interaction between technical and financial personnel.	Lack of training on the public financial management software, lack of computer terminals.
Regulation and Accountability	Lack of prioritisation of consultation processes.	Is not done in consultation with civil society or consultative committees (representatives of the local population).

The intervention stakeholders and the performance-based financing system

Performance-based funding to the PRONASAR

A total of GBP 32.25 million, or about 84% of the total programme funds (including sector coordination and fund administration), is allocated to the implementation of water, sanitation and hygiene services through the PRONASAR programme. Of those funds, approximately 88% are spent at the sub-national level in order to plan, procure, implement and monitor WASH services in rural communities, small towns, and schools. Forty percent of those funds are directly linked to the performance against the eight disbursement-linked indicators in Table 1. In order to allow for predictability of funds, the annual budget has a fixed tranche, whilst the second tranche is decreased or increased according to the level of achievement against annual milestones.

Each indicator milestone has a 'financial value' weighted across the years with more weight given to output indicators in the initial years and with progressive emphasis on outcomes in the last years. The indicators were determined through a collaborative process and approved at the steering committees. In order to provide time for government to ensure its reporting systems are robust enough for independent verification, impact of performance on levels of payments would only come into effect from year 3 of implementation.

Results are independently verified by a third party (IMC Worldwide). First, the robustness of the data reported is assessed through an analysis of the coherence in the reporting chain. Second, a representative sample of communities are visited in order to 'ground truth' the results reported. The final annual verification report defines the level of achievement against the performance indicators, which is then used by DFID to define the amount of the second annual financial tranche. The cost of independent verification is about GBP 750,000 (just under 2% of the total budget).

The capacity building agent

The Dutch non-governmental organisation SNV, has a team of eight advisers working full time to provide day-to-day support to government at national, provincial and district levels. The teams are embedded in the national and provincial government offices, with frequent travel and support to districts. They provide WASH, finance, procurement, contract management and monitoring and evaluation expertise as well as policy support (at national level). Capacity building activities mainly take the

form of on-the-job coaching, training events, joint field visits and peer-to-peer exchange and learning. SNV has also commissioned a number of studies and contracted specialists in order to give impetus to key agendas for change such as gender, contract management, or analysis of sustainability factors in water services. The cost is about GBP 5 million, representing almost 14% of the total budget.

The provincial steering committees

Under the leadership of the Provincial Governors, steering committees were set up in both provinces. They bring together District Administrators and technical sector staff from district health, education and infrastructure services (at district, and provincial level). This combination of technical, political and administrative decision-making ensures that systems changes can be acted upon. This forum approved the performance-based indicators and reviews progress against the national plan and the disbursement-linked indicators twice a year.

Findings: Early successes and challenges

Decentralising responsibility and accountability

Decentralising the accountability for results through the provincial steering committees, together with responsibility for achieving results has been instrumental in enabling systems changes and ownership of results in services delivery. Combining technical and political actors has ensured that leaders with decision-making power on budgets and allocation of human resources are able to prioritise work plans and allocate human resources for the delivery of services.

The mid-term review of the programme (Uandela & Macario, 2018) highlights that most government staff and other programme stakeholders thought the performance-based funding mechanism provided the right incentives for decentralisation. In addition, both indicators related to the provision of infrastructure (measured by access to drinking water and sanitation) have been achieved and in some cases over-achieved (Uandela & Macario, 2018). It is likely that provinces and districts see this as an opportunity to show that they have the capacity to deliver on decentralisation, which is at an important stage of implementation in the country.

The main criticism of the performance-based model is that it penalises the province as a whole and does not reward individual districts that perform well or over-perform. There has also been a discrepancy between the financial resources allocated for operational expenses to district

and provincial teams for oversight, monitoring of activities implemented by service providers and contractors. The assumption that increased donor support to investment in WASH services would be matched with government transfers for operational costs was not upheld.

Nudging systems to improve the sustainability of services and behaviour change is more challenging

The gender indicators have raised the profile of gender equity and of menstrual hygiene management in schools in the sector (Uandela & Macario 2018). However, actual implementation of activities has been slow. Neither process milestones for the gender indicators were achieved in 2017 as measured through the independent verification (IMC Worldwide, 2018). The milestone linked to the sustainability of the elimination of open defecation was also not met.

- Study on menstrual hygiene management conducted, designs for school sanitary facilities discussed and approved.
- Establish baseline, design and test methodology for measurement of women’s perception of their influence over decision-making in WASH committees.
- Open defecation free (ODF) and post-ODF protocol approved and transmitted to sub-national level and 300 communities declared ODF.

These indicators and milestones require more profound shifts in the way services are delivered and the knowledge and behaviours of stakeholders. They rely on a multi-sector approach and the national level to lead the strategic shifts necessary for an impact ultimately to be felt at the community and household levels. The capacity building agent has played a critical role in providing an impulse for these activities by directly funding studies, and supporting a number of policy discussions and advocacy events (Uandela & Macario, 2018). It remains to be seen whether the necessary actions become embedded in the delivery systems by the end of the project.

Supporting local multi-sector planning, procurement and monitoring is showing results

The disbursement linked indicators support the willingness to decentralise procurement processes to districts. Planning, financial reporting and monitoring data for the WASH information system are also decentralised but rely more heavily on all levels functioning together. The capacity building agent has again been instrumental through training and on-the-job support to improve the fluidity of those systems. In two years, four districts have carried out procurement of services which they had not done previously, thus fulfilling the 2017 milestone. Procurement processes are carried out in a more efficient manner and the time taken to procure, as well as the number of errors has reduced significantly. The capacity building agent reports the following data showing the reduction in the number of processes returned from the administrative courts due to errors (SNV, 2018).

These results are in part due to on-the-job support from the capacity building team to district and provincial procurement and WASH technical officers, combined with targeted training from the national procurement agency. Despite improvements, contract management to ensure the quality of the works and services provided by contractors remains weak. This is not explicitly a performance indicator, but is a crucial area to be addressed in order to ensure that the quality of the gender, equity and sustainability of the water and sanitation infrastructure is impactful.

Multi sector planning has also improved as a result of the intervention. Policy and technical support from the capacity building agent for the design of background studies has supported a number of key programme instruments and policies such as a new ODF protocol that was approved by a multi-sector team. Four of the 20 districts have carried out the annual planning exercise as a multi-sector team, prioritising according to health needs and educational

Table 3. Evolution of procurement processes

Province	Zambezia Province		Nampula Province	
	2016	2017	2016	2017
Year				
Number of planned and executed planning processes	37/37	49/49	38/38	41/41
Percentage processes returned by administrative court	30% (11)	10% (5)	53% (20)	24% (10)

facilities in most need of water and sanitation (Uandela & Macario, 2018). The provincial and national multi-sector sanitation teams have approved terms of reference and been made official by the Governors of both provinces. The performance indicators have incentivised the infrastructure and water resources sector to play a leading role in convening the multi-sector groups. The positive engagement of the health and education sectors suggests that there have been some positive influence beyond the scope of the performance indicators.

The collection and use of monitoring data has improved, as evidenced by achieving the 2017 milestone ‘the sector adopts a web-based digital WASH information management system’. Although data collection is not yet complete, a partial analysis of the 4,205 water points currently collected in the two provinces of Zambezia and Nampula shows that 78% of handpumps are functional. Only 59% of the water points have functional water committees, but of those, 64% have funds for operation and maintenance (SINAS, 2018). This data aligns with previous reviews which indicate a pump functionality rate of approximately 80% (WSP 2011). The lack of government funds to districts to collect monitoring data has slowed down data collection, although arguably contributes to sustainability and ownership because existing resources are used. There is a risk however that delays inhibit the transformational change which accurate and up-to-date WASH information can provide for planning, monitoring and evaluation as well as evidence-based policy-making. It is too early to say whether this will be achieved and will translate into an incentive for the sustainability of the WASH information system.

Indicators and processes that require coordination across different levels of government are more difficult to influence

The independent verification has highlighted the challenge of reliable and robust reporting across the different levels of government as evidenced by discrepancies in data when consolidated at the next reporting level. The first two years of testing the performance-based system served to ensure that the reporting processes and systems are in place to collect reliable information. There have been improvements in the coherence between the reporting levels, but it is not yet sufficient. Two government reporting channels co-exist, one through decentralised national planning mechanisms and the other through sector planning mechanisms. This constitutes a major bottleneck for the consistency and accountability of reported data. This has been a much debated challenge, but in the current context and immediate future seems difficult to overcome.

As such, systems strengthening activities continue to focus on improving the quality of the data received from service providers (through reports to government) and the quality of local government record keeping, and establishing clear rules for reporting such as clear cut-off dates for linking implementation and financial cycles.

Conclusion and forward look

Although it is too early to draw final conclusions, this paper aims to share initial experience and lessons in adopting a performance-based funding approach coupled with intensive decentralised capacity building support to building sustainable systems for the delivery of WASH services. Recognising that working on complex systems takes time, political will, and working on systems outside of the sector, the indicators were designed to nudge critical aspects of the sector. Some of the key learning points on the performance indicators are as follows.

The performance-based indicators framework is rigid, mainly because it must link with national monitoring and reporting systems and be objectively measurable. Whilst this has benefits in terms of clarity on expected results, it also has the disadvantage of not adapting to emerging strategic issues or learning from the programme. The programme will review indicators in 2019 and adapt where necessary and possible.

The responsibility for achieving targets has been decentralised to the provincial and district level, without effective financial decision-making power. Although this is partly a public financial management issue related to how budgets are allocated, better funding allocation through the current sector mechanisms (through line ministries) can be done in order to provide districts and provinces with earlier and clearer financial information to support real decentralised decision-making. The performance-indicators did not take this specifically into account, and do not extend outside of the sector, which might be necessary in future in order to address the financing building block more sustainably.

The financial crisis has reduced the ability of government to provide additional running costs to support the increase in services delivery, as was assumed at the outset. In future, the milestones and targets should possibly be linked to support budgets for monitoring and running costs at the outset. A whole system approach is likely to have the greatest impact on the responsibility and accountability of districts for the delivery of WASH services.

A number of successes and changes are not fully captured in the results framework, but are captured in the reporting and monitoring of the capacity building agent, and in the wider results framework. The disbursement-linked indicators on their own would probably not be sufficient to reach the desired outcomes, targeted and nimble capacity building has been critical for embedding innovative agendas and consolidating some of the WASH systems building blocks. Ultimately policy alignment, trust amongst stakeholders and a credible independent verification mechanism also contribute to the effectiveness of the performance-based indicators.

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Notes

1. Based on household survey data from 2015 (IOF 2015), of the 14 million rural dwellers, 7.4 million are without access to drinking water and 11.8 million without improved sanitation. Zambezia and Nampula together make up 3.8 million of those without access.
2. Between 2010 and 2015, in addition to donor funds, domestic resources allocated to the Common Fund increased from USD 1 million in 2010 to USD 12 million in 2015, but was reduced to less than USD 1 million in 2016.

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