

FINAL

# EVALUATION OF SECTOR APPROACHES IN THE WATER SECTOR

## COUNTRY REPORT

### MOZAMBIQUE

7 December 2007

**CDP Utrecht**

**UNESCO-IHE**  
Institute for Water Education



**Bert van Woersem**  
**Piet Jan Zijlstra**  
**Dinis Juizo**

## LIST OF ABBREVIATIONS

	<i>Portuguese</i>	<i>English</i>
AdM	Aguas de Moçambique	
AfDB	Banco Africano de Desenvolvimento	African Development Bank
ARA		Regional Water Authorities
ASAS	Apoio Sectoral ao Sector de Aguas	Sectoral Support to the Water Sector
CIDA		Canadian International Development Agency
CRA	Conselho Regulatório de Águas	Water Regulatory Board
DAS	Direcção de Agua e Saneamento	Provincial Directorate of Water and Sanitation
DNA	Direcção Nacional de Águas	National Directorate of Water
DPOPH	Direcção Provincial Obras Públicas e Habitação	Provincial Directorate of Public Works and Housing
DPPF	Direcção Provincial de Plano e Finanças	Provincial Directorate Planning and Finance
EPAR	Estaleiros Provinciais de Água Rural	Provincial state companies for rural water supply
FCGD	Forum Coordenador da Gestão Delegada	Delegated Management Framework
FIPAG	Fundo de Investimento e Patrimônio do Abastecimento de Agua	Investment and Assets Fund for Water Supply
FRELIMO	Frente de Libertação de Moçambique	Mozambican Liberation Front
GAS	Grupo de Água e Saneamento	Water and Sanitation Group
GBS		General Budget Support
GOM		Government of Mozambique
GON		Government of The Netherlands
IAF	Inquérito aos Agregados Familiares	National Household Budget Survey
INE	Instituto Nacional de Estatística	National Statistics Institute
IWRM		Integrated Water Resources Management
JMP		Joint Monitoring Programme
LOLE	Lei dos Órgãos Locais do Estado	Law on Local State Organisations
MADER	Ministério de Agricultura e Desenvolvimento Rural	Ministry of Agriculture and Rural Development
MCC		Millennium Challenge Corporation
MIPAR	Manual de Implementação de Projectos de Abastecimento de Água Rural	Implementation Manual Rural Water Supply
MOPH	Ministério de Obras Públicas e Habitação	Ministry of Public Works and Housing
MPF	Ministério de Plano e Finanças	Ministry of Planning and Finance
MPD	Ministério de Plano e Desenvolvimento	Ministry of Planning and Development

MFEF		Medium Term Expenditure Framework
MFEP		Medium Term Expenditure Plan
MOF	Ministério de Finanças	Ministry of Finance
NCA	Conselho Nacional de Águas	National Water Council
NWDP		National Water Development Programme
NWP		National Water Policy
OGE	Orçamento Geral do Estado	Government Budget
PAF		Performance Assessment Framework
PAP		Programme Aid Partners
PARPA	Plano de Acção para a Redução da Pobreza Absoluta	Poverty Reduction Strategy Plan (PRSP)
PDARI	Projecto de Desenvolvimento de Água Rural Inhambane	Rural Water Development Project Inhambane
PES	Plano Económico Social	Socio-Economic Plan
PFM		Public Finance Management
PPFD	Projecto de Planificação e Finanças Descentralizados	Decentralised Planning and Financing Project
PPP		Public Private Partnership
PRIMA		Progressive Realisation of the Incomati-Maputo Agreement
PRSC		Poverty Reduction Support Credit
PSAA	Pequenos Sistemas de Abastecimento de Água	Small Piped Water Systems
RENAMO	Resistência Nacional de Moçambique	Mozambican National Resistance
RNE		Royal Netherlands Embassy
SADC		Southern Africa Development Community
SBS		Sector Budget Support
SDC		Swiss Development Cooperation
SISTAFE	Sistema de Administração Financeira do Estado	State Financial Administration System
SWAp	Abordagem Global Sectorial	Sector-wide Approach
UNICEF		United Nations Children's Fund
WASH		Water, Sanitation & Hygiene
WB	Banco Mundial	World Bank
WSS	Água e Saneamento	Water Supply and Sanitation

MT	Metical	(local currency)
		New Metical since January 2006.
MTN	Metical Novo	MTN = MT 1000
		USD 1 ~ MTN 25 (2006)

## Table of Contents Country Report Mozambique

<b>INTRODUCTION</b>	<b>7</b>
<b>1. CONTEXT</b>	<b>9</b>
1.1 General	9
1.2 Public Sector Reform	10
1.3 Public Finance Management	11
1.4 Decentralization	14
1.5 Poverty Reduction Strategy Paper	16
1.6 Foreign Aid	18
1.7 Assessment contextual conditions SWAp	19
<b>2. THE WATER SECTOR</b>	<b>21</b>
2.1 General	21
2.2 Institutional framework	22
2.3 Sector policy and sector reform	24
2.4 Summary assessment institutional capacity	28
2.5 Water sector budget and external funding	30
2.6 Political will and commitment	33
2.7 Assessment conditions in the water sector for SWAp	34
<b>3. INPUTS DONOR</b>	<b>35</b>
3.1 Netherlands support to the water sector	35
3.2 Netherlands input in the sectoral budget programme (ASAS)	39
3.3 Netherlands input in project aid	44
3.4 Netherlands contribution to harmonization	46
3.5 Netherlands contribution to alignment	47
3.6 Decision making on aid and aid modalities	50
3.7 Assessment of the Netherlands input	51
<b>4. OUTPUT</b>	<b>53</b>
4.1 Improved policy operationalization and implementation	53
4.2 Improved institutional development	54
4.3 Improved implementation capacity and (sub)sector management	55
4.4 Improved Public-Private Partnership	55
4.5 Increased leadership and ownership recipient country	56
4.6 Improved quality of dialogue	56
4.7 Contribution to improvements of other outputs	57
4.8 Summary assessment contribution to improved outputs	58
<b>5. OUTCOME</b>	<b>60</b>
5.1 Sector performance	60
5.2 Sustainability of delivery systems	65
5.3 Poverty focus	66
5.4 Netherlands contribution to improved service delivery, sustainability and poverty focus (2002-2010)	67
5.5 Perspectives for the coming years and role SWAp	69
5.6 Will MDGs be met and what is GON contribution	70
<b>6. CONCLUSIONS</b>	<b>71</b>
6.1 Aid policy	71
6.2 Conditions for applying the SWAp	71
6.3 Implementation of the SWAp	71

6.4	Results of sector support	72
6.5	Factors influencing progress in sector support	73
6.6	Harmonization and alignment	73
6.7	Lessons learned	73
6.8	Changing policies in the Netherlands support to the water sector	74
6.9	Recent improvements of conditions for SWAp	75
6.10	Possible options	76

## **ANNEXES**

1.	TOR study	
2.	Itinerary	
3.	Organogram Water Sector	
4.	External Support to the Water Sector according to the ODAMOZ May 2007	
5.	Additional Study Macro-Micro Relations, Inhambane Province	
6.	List of documents consulted	

## INTRODUCTION

The Sector-Wide Approach (SWAp) in Dutch bilateral aid was introduced in 1999. In recent years it has been attempted to gradually transform bilateral cooperation in the “partner countries” in accordance with these principles. In 2004 the Netherlands cooperated with seven partner countries in their water sector: Bangladesh, Benin, Egypt, Indonesia, Yemen, Mozambique and Vietnam. Within the context of the evaluation field visits will be paid to at least three countries, amongst which Mozambique.

The most common definition of a sector programme is “all significant funding for the sector supports a single sector policy and expenditure programme, under government leadership, adopting common approaches across a sector, and progressing towards relying on government procedures to disburse and account for all funds”.

The specific motivation for the evaluation is the need to obtain greater insight into the potential for applying the SWAp and the Paris Declaration in the water sector. The objectives of the evaluation are: i) *Policy development*: to contribute to policy development intended to promote the application of the SWAp in the water sector and; ii) *Accountability*: to obtain insight into the results of the efforts made by the Environment and Water Department (DMW) and the missions to implement the sector policy (for terms of reference see annex 1).

The principle questions to be addressed by the evaluation are: a) What progress has been made to date in implementing the SWAp in the water sector, and what factors account for this and; b) What lesson can be learned from experiences to date and how can these be used in the implementation of the SWAp?

For the evaluation of progress the following definition will be used:

- Contributions to the fulfillment of the conditions for SWAp in terms of policy formulation and operationalization towards the meso and micro levels, improved public-private partnership, institutional strengthening and streamlining of the project portfolio towards sector support.
- Intensification of coordination with other donors towards harmonization and alignment.
- Changes in aid modalities in terms of decrease of project aid and a shift to basket funding, pooled funding and sectoral budget support.

A preparatory desk review for the evaluation of the Netherlands sector support to the water sector Mozambique was drafted as an input for the field visit by the evaluation team to Mozambique from 25 April to 7 May 2007.

The mission was conducted by Bert van Woersem (team leader), Piet Jan Zijlstra and Dinis Juizo (local consultant) between April 25 and May 8, 2007. Discussions were held with representatives of relevant government departments, multi-lateral and bilateral agencies as well as with representatives of NGOs in the water sector. Moreover, a brief field visit was paid to the province of Gaza for discussions and site visits on urban water supply projects with FIPAG and for discussions with the provincial government (for itinerary see annex 2).

To get a better insight into the macro-meso-micro relations (Central-Province-District-local), an additional field study was conducted in the Inhambane Province by the country consultant and the local consultant. The results of the additional study are attached as annex 5.

A summary note with the main findings and focused on the preliminary conclusions regarding DNA has been presented to relevant parties on May 7 and 8, 2007 for discussion. The draft country report has been sent for comments to all relevant parties. Comments made, have been incorporated in the final report, wherever relevant.

The Netherlands input in the water sector in Mozambique covers a period of almost 30 years. The attention shifted to a sector-wide approach in 2000, which was formally introduced in

2002. This IOB report includes an assessment of the major activities since 2002 with special reference to the sectoral budget support to the National Directorate of Water (DNA-ASAS).

Moreover, expectations regarding the implementation and anticipated results of the recently started activities in the field of rural and urban drinking water supply like the Netherlands Partnership Programme for Water, Sanitation and Hygiene sector in Mozambique implemented through UNICEF, are also included in the chapters on inputs, output and outcome. The text of the report clearly differentiates between the assessment of ongoing activities and expectations regarding the recently started activities, wherever relevant. The expectations expressed in this report are based upon early findings and on discussions held at various levels during the field visit to Mozambique. The inclusion of expectations puts the Netherlands water sector programme in Mozambique in a proper broader perspective.



## **1. CONTEXT**

### **1.1 General**

#### ***History***

Mozambique was a Portuguese colony until 1975; at the end of the colonial period the economy was predominantly agrarian with some industrial activities around a few modern cities. Hardly any infra-structural development had taken place, while the educational levels were very low with most of the population illiterate. Portuguese settlers (around 300,000) controlled the modern sectors of the economy and occupied most of the skilled jobs in both the private sector and the public administration.

After a 10 years liberation war, FRELIMO took over power in 1975 and adopted a one-party government system. The independence resulted into a mass exodus of 95% of the settlers, leaving the economy in a crisis. In an attempt to overcome the crisis, FRELIMO nationalised most private companies, banks and commercial farms and attempted to manage the economy through a system of centralized planning. In the 70's and early 80's the country received support from the then USSR and Eastern Bloc countries.

Within the international context of the cold war, the existence of a socialist country supported by the USSR, prompted a response from first Rhodesia and later South Africa which culminated in the support to the RENAMO and resulted in a civil war that lasted for 16 years, forcing more than a quarter of the population to flee abroad.

In 1990 a liberal constitution was enacted, establishing a multi-party system and talks between FRELIMO and RENAMO resulted in a peace agreement in 1992. Liberation of the economy already started in the mid eighties. Together these developments made it possible to start rebuilding the country.

The agreement between FRELIMO and RENAMO proved to be sustainable and till today Mozambique is a reasonably stable multi party democracy, although FRELIMO has remained the ruling party since 1975.

#### ***Economy***

In the mid-80's the government initiated reforms to dismantle the centralised system of economic management and reo-orient foreign relations towards the West. In 1984 Mozambique joined the IMF and the WB and shortly afterwards the government launched an adjustment programme. The resulting increase in international assistance helped to stimulate the recovery. But, only after the civil war, this resulted in a steady growth of the economy with GDP growth levels averaging 8.7% between 1996 and 2004.

Substantial improvements have been achieved in the health and education sectors: infant mortality decreased from 149 (1995) to 101 (2003); completion rate of lower primary education increased from 20% (1990) to 36% (2002), while literacy rate rose from 40% (1996/7) to 45% (2003).

Despite these improvements, the national economy still remains fragile due to structural weaknesses of an essential agrarian peasant economy, low levels of human capital, weak institutions and vulnerability to natural disasters: droughts and floods.

The low level of economy implies that the tax base is very small; the internal revenue only provides about half of government resources, the rest coming from the donors. Mozambique is one of the most aid dependent economies in the world; the aid/GDP ratio is around 15% almost twice as much as that of the rest of Sub-Saharan Africa.

#### ***Poverty***

Mozambique is still one of the poorest countries in the world with a GDP/capita of USD 210. The Human Development Index (year) for Mozambique ranks 171 out of 177 countries.

But, since 1992 there has been a steady improvement: the household survey of 1996/7 indicated that 69.4% was in absolute poverty, while this level decreased to 54.1% in 2003 (51.5% urban and 55.3% rural).

### **State Administration**

In Mozambique the state administration consists of four levels below the central state: provinces (10 + the capital), districts (128), administrative posts (343), and localities (1048). The state administration is strictly centralized, whereby the President of the Republic nominates provincial governors, sectoral ministries nominate provincial directors of respective services, and the Ministry of State Administration (MAE) nominates district administrators (DAs). Concerning the last two the Governor is consulted, while he is responsible for nominating chiefs of the administrative post and of locality.

## **1.2 Public Sector Reform (PSR)**

In the past two decades the GoM has been implementing a comprehensive agenda of public sector reforms with the financial and technical support of its international development partners. These reforms aimed at improving the quality and effectiveness of government policy interventions, with the general objective of eradicating poverty through sustained and pro-poor economic growth and improving service delivery in social sectors. In this context, four core areas of public sector reforms have been instrumental in improving the effectiveness and (territorial) reach of government policies:

- (i) the modernisation of public financial management systems
- (ii) improvements in policy, planning and budget formulation;
- (iii) public administration decentralisation and de-concentration and
- (iv) reform of the civil service.

These efforts have taken place both at a central level as well as in line-ministries in priority sectors.

The overall progress in PSR was considered slow during the last few years. The progress made in the Public Sector Reform process can be summarized as follows: i) there is a wide range of ongoing reforms in public sector aimed at addressing capacity weaknesses related to the implementation and monitoring of PRSP; ii) the decentralization processes progressed and gained momentum; iii) the political decisions and fiscal framework are still centralized; iv) there is still a lack of enforcement accountability rules due to weak institutions. Accountability mechanisms like civil society, parliament and press are still weak but growing and; v) the principle of transparency has been adopted, but there is still much to be done; the development of a legal framework is positive, but the corruption still remains a major issue.

Civil Service Reform is a crucial component of PSR. In the past GOM efforts regarding Civil Service Reform have largely been focused on raising the educational standards of the Mozambique civil service. Capacity building took place at various levels through a number of donor funded projects. Positive steps have been taken. The Joint 2006 Review exercise concluded that slow progress has been recorded in the functional analysis and restructuring processes in many ministries, the development of the salary policy, general human resources planning and management and in the search for adequate solutions for cross cutting issues such as gender and HIV/AIDS in the public sector. Improving the overall quality and performance of GOM's civil service is critical both for the increase of the effectiveness of aid as well as to improve the government performance at all levels. Problems are more severe at provincial and district level.

Public Finance Management and Decentralization are two of the most relevant PSR processes for the water sector. These processes will be elaborated in the following paragraphs.

### **1.3 Public Finance Management (PFM)**

The modernization of the Mozambican PFM system was one of the main areas of PSR in Mozambique in the last few years. In this context GOM passed the SISTAFE legislation, which established the principles and regulations that define the new integrated public financial administration system. SISTAFE (including integrated IT financial application; e-SISTAFE) consists of five core subcomponents: i) state budget organization and preparation; ii) public accounts; iii) treasury operations; iv) state procurement systems and; v) internal control mechanisms.

The introduction of e-SISTAFE improves the budget execution rates. The benefits for the water sector still remain limited as the Directorate dealing with water (DNA) is no Budgetary Execution Unit itself, but still depends on MOPH for receiving its funds.

In the 2003 Country Policy and Institutional Assessment (CPIA) ratings for Mozambique received low scores in four out of the five clusters<sup>1</sup>. Only in the cluster Governance Rating Mozambique outperforms a number of other countries.

The overall impression is that Public Finance Management (PFM) is still weak, but with a positive trend. Progress in improving the comprehensiveness of the budget is slow (e.g. many off-budget activities still not included). Execution of the externally financed investment expenditures remained low (reflecting both weak reporting and execution). The flow of funds from the perspective of sectors and provinces remains irregular and unpredictable (Mozambique; Second Poverty Reduction Support Operation, IDA, August 2005).

#### ***Planning and budget formulation***

Since 2005 planning and budget formulation functions are under the responsibility of two separate ministries: MPD defines national strategic policy guidelines every 5 years and coordinates the preparation of PARPA and MTEF which serve to operationalize GOM's Five year plan also drawing from sectoral strategic programmes. It compiles the annual government action plan (PES) based upon sector level and provincial plans. MOF is in charge of preparing the annual budget based on the overall resource envelop defined by MTEF as well as on information on availability of external funding. Moreover, MOF manages public finances.

The following major weaknesses in planning and budget system still reduce coherence and effectiveness of policy interventions : i) lack of effective institutional mechanisms that ensure inter-ministerial coordination and planning and budgetary process; ii) MTEF is still not used as an instrument for strategic planning and budget formulation; iii) a large portion of development aid remains off-budget; iv) the government planning and budget formulation remains sectorally driven; v) the decentralization process implies local planning and decision making and; vi) the relations between local level planning processes and the water (sub) sectoral planning processes remain vague at present.

#### ***GOM contribution to the water sector***

The regular government budget contribution to the water sector remained relatively stable, but has the tendency to decrease. Both for opportunistic reasons or genuine liquidity shortage the MOF tends to reduce the regular government contribution to the water sector. One of the principles of the Netherlands sector programme (ASAS), and included in the MoU, is that this regular government contribution remains stable and in line with overall government expenditures. The water sector budget increased since 2006 (see section 2.5)

#### ***Budget performance***

---

<sup>1</sup> CPIA clusters: 1. Economic Management; 2. Structural policies; 3. Policies for Social Inclusion and Equity; 4. Public Sector Management and Institutions; 5. IDA Governance ratings

The overall budget execution rate in 2005 was 79% according to the Budget Execution Report MF 2005. (see table 1.1). Whereas execution rate for the recurrent budget was 90%, the values for the investment budget remained at 75% for internal and 62% for external funds. The water sector scored particularly low with 60% execution rate for the total sector and a 32% execution rate for the recurrent budget. The execution rate for the investment budget in the water sector was 146%<sup>2</sup> for the internal funds, but only 55% for the external funds.

**Table 1.1 : Budget Execution Rates in 2005 in Priority Sectors (millions MTN<sup>3</sup>)**

	Recurrent		Investment Expenditure				Total	
	Budget	Ex. Rate	Internal		External		Budget	Ex. Rate
	Budget	Ex. Rate	Budget	Ex. Rate	Budget	Ex. Rate	Budget	Ex. Rate
Education	5,592	110%	548	72%	1,499	86%	548	86%
Health	2,551	75%	280	102%	2,547	89%	5,378	82%
Agriculture	399	100%	340	55%	1,051	87%	1,791	84%
Public Works	302	95%	2,397	83%	5,337	59%	8,036	67%
Water	14	32%	71	146%*	1,243	55%	1,328	60%
TOTAL 2005	22,604	90%	5,762	75%	13,238	62%	41,605	79%

Source: 2005 Budget Execution Report MF 2005

\* Excluding the figures for DNA (including the DNA figures will substantially reduce the execution rate)

The overall budget execution rate in the water sector improved from 60% in 2005 to 89% in 2006. This positive trend materialized in all sub-sectors. Continuously calling attention to this problem from donors as well as the introduction of e-SISTAFE improved the budget execution rates. Still there is a lack of transparency regarding the utilization of the internal component of investment.

### **Flow of funds**

The flow of funds in the water sector is complex and can be arranged through a large variety of modalities.

The official flow of funds of the internal budget (and the fully aligned donor funds) is from Treasury (Ministry of Finance) to the water institutions, which have a budget-line in the national budget. These institutions are: MOPH, FIPAG, ARA-Sul and ARA-Centro. DNA receives the funds from MOPH, while the ARA's Zambezia, Centro-Norte and Norte receive funds from DNA.

The flow of funds to the provincial level can be through two channels (Fig 1.1)

- From the Ministry of Finance to MOPH to DNA to DAR to the DAS
- From the Ministry of Finance directly to the DPPF to the DPOPH to the DAS

The latter channel is used in case provincial governments have approved water activities in the provincial PES.

Districts receive a fixed budget directly from the Treasury through the Ministry of State Administration; the same accounts for the Municipalities.

The large majority of the DNA government funds is directly managed by the DNA itself. DNA may work through the DPOPHs, where the DPOPHs are responsible for the tender procedures and contractors are paid directly by the DNA. In case of larger projects, the DNA may by-pass the province and deal directly with a project management unit for procurement and financing.

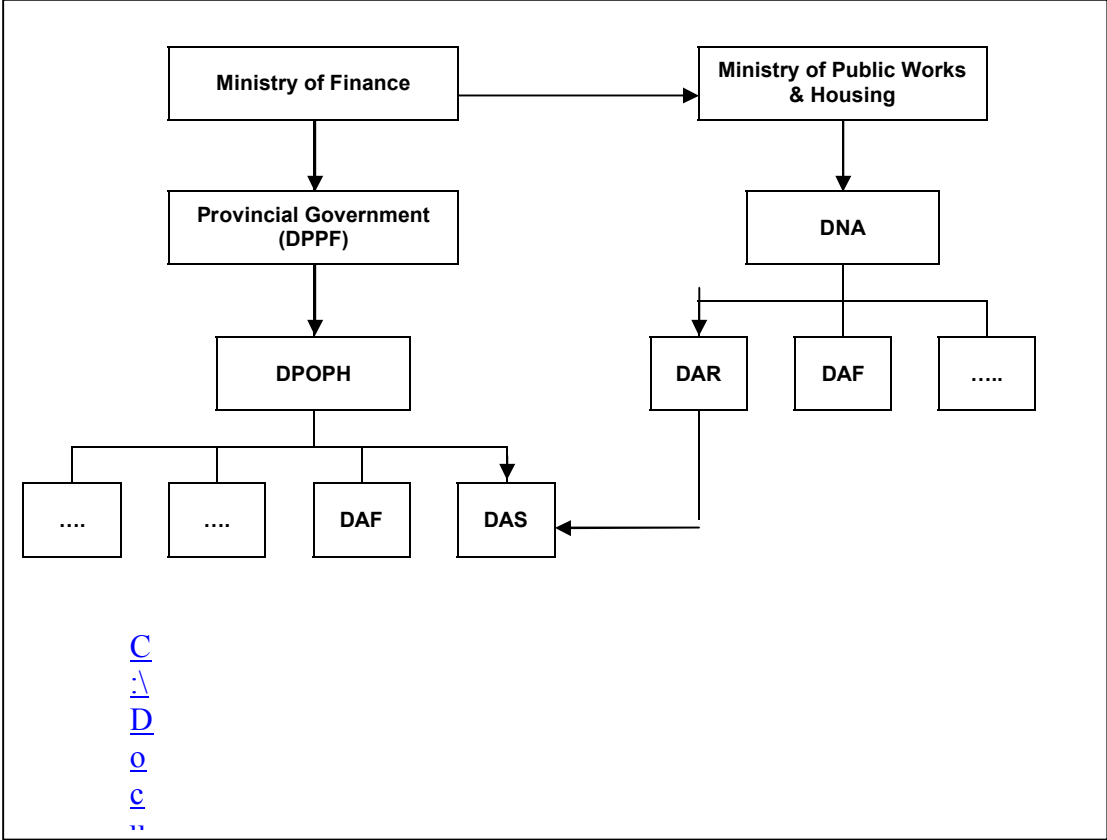
The flow of funds from central to provincial and to district level (macro-meso) remains unclear. There is no consistency in the budget and spending figures in the water sector at

<sup>2</sup> Excluding the figures for DNA. Including the DNA will substantially reduce the budget execution rate.

<sup>3</sup> In MTN (new Meticaís) USD 1 ~ Mtn 25

provincial level (Joint Donor Review 2006, working group on water). Capacities are weak and not in every Directorate systems are in place. Budgeting tends to channel resources into institutional overheads rather than service delivery. Other problems arise from lack of transparency in the procurement process and the characteristics of the local markets (limited suppliers, monopolistic behavior, direct contracting). The case of Inhambane Province may be illustrative in this respect (see box 1.1)

**Figure 1.1 Flow of Funds from national to provincial level in the Water Sector**



**Box 1.1 Inhambane Province Water Activities in the PES**

Every year the DAS prepares a proposal for provincial water development activities for inclusion in the PES. The proposal contains the planned activities as well as the funding agency including OGE for these activities. The proposal is submitted to the DPPF and a copy is sent to DNA-DAR.

In the final provincial PES, the planned OGE-funded water activities have been all omitted since 2002. Apparently the Province has other priorities for the OGE budget. Main reasons probably being: (i) the water sector is already substantially supported by external funding and (ii) the official coverage rate for rural water is with 60% (2007) one of the highest in the country. However, part of the proposed activities has been included in the national PES through DNA-DAR. Consequently the Treasury (at the request of DNA-DAR) transfers funds earmarked for the approved water activities to the DPPF. Once these funds have arrived at the DPPF these are used for other activities considered having higher priority by the Provincial Government. This experience is one of the reasons that DNA does not channel funds directly to the province. Instead DNA-DAR pays directly the bills for the executed works as procured by the DPOPH/DAS.

Donors have a multitude of funding mechanisms from fully non-aligned to fully aligned with the government procedures. Funds may flow from the donor directly to the service providers following donor’s procurement procedures or have the funds co-managed with one of the

water institutions. Funds may flow from the donor agency to institutions at national level or at provincial or district level.

### **Off-budget**

- Still a large part of the foreign aid is off-budget<sup>4</sup>. In 2005, 59.3% was “on-budget” and 41% “on-treasury”. In 2006 this improved to 67% “on-budget” and 44% “on-treasury”.<sup>5</sup> The larger part of the off-budget funds are related to large infra-structural projects, which remain, by choice of GoM, “off- budget”.<sup>6</sup>
- The sector is executing more than 20 projects with more than 10 cooperating partners. In part this can be explained by the fact that several of these project concern large infrastructural works of dams or in urban water supply and, in a context of weak government performance, can more efficiently be executed on a project basis.

## **1.4 Decentralization**

As part of the PSR, decentralization and de-concentration of government execution responsibilities started in the 1990’s (see also box 1.2). The decentralization processes were introduced in the government administration (central, provincial, district) as well as in the line ministries.

### **Box 1.2 Political Decentralization**

First decentralisation attempts started in 1994 with the ‘Law on the Institutional Framework’ (Law 3/94) which envisaged a far reaching autonomy for Districts and Municipalities with elected councils. This law replaced in 1997 by Law 2/97 which limited the decentralisation to 33 municipalities (‘autarquias’). The first elections of the municipality councils were characterised by a low electoral turnout (14%) and by a boycott by the main opposition party. The second elections were held in 2003 and were characterised by again a low turn-out ; in five (of the 33) municipalities the opposition the opposition gained control.

The present official policy on the process of decentralisation is a gradual devolution of functions and powers to the other municipalities and districts which achieve the basic conditionalities as outlined in the Law 2/97. However no timeframe has been set and since 1997 no other municipalities and districts have joined.

The Law also envisages the election of provincial councils (assemblies). The first elections are set to take place in January 2008. The provincial assemblies have limited power. The provincial governor will however be requested to present the annual plan and annual report on the achievements to the provincial assembly.

In 2003 a new law on local state organs on provincial and lower levels (Law no. 8/2003) was passed by the Parliament, and in the same year MAE and the Ministry of Planning and Finance (MPF) published inter-ministerial guidelines for interpretation of the new law (Participação e consulta comunitária na planificação distrital, Junho 2003). The law provides for de-concentration and decrease in administrative bureaucracy, aiming at creating a leaner central structure and bringing key public services nearer to the people. Regulations for Law no. 8/2003 were passed by the Council of Ministers in June 2005 (Decree no. 11/2005). In these statutes new consultative organs, called local councils, were created at district, administrative post, locality and village levels. In addition to councils, the new statutes recognize local fora, community committees and community development funds.

<sup>4</sup> To be fully “on-budget” refers to the funds that are recorded in the original government planning and budgeting (on-budget), executed through the Treasury System (on-treasury), accounted for through the public accounting system (on-accounting) and audited by the Inspector General of Finance (on-audit). Different levels of detachment from the state budget can be found: some funds are completely off-budget and others are partially on-budget. (See also Joint Evaluation of the General Budget Support 1994-2004, Mozambique Country Report, Richard Batley at all., May 2006)

<sup>5</sup> Mozambique PAP - Performance Review 2006, Annex 5.

<sup>6</sup> Mozambique PAP - Performance Review 2006, chapter 4.1

The district government is a local organ of the central Government charged with realizing the government program, social and economic plan (PES) and government budget in the respective district with powers to decide, execute and control the planned activities. It consists of the District Administrator, the district permanent secretary, and directors of sectoral district services (Decree no. 11/2005).

The District Development Plans (PDDs) which are elaborated by district governments in collaboration with civil society organizations and the respective provincial government, are - in conjunction with the economic and social programme (PES) and the state budget for the district - the key planning instruments where sectoral and area-based approaches are integrated in concrete terms.

Government decentralisation efforts have received the support of several donor countries, international development agencies and non-governmental organisations, which run a variety of programmes –e.g. district development, participatory planning, etc.– in different parts of the country. Amongst these, the PPF<sup>7</sup> project has been instrumental in developing and introducing a comprehensive methodology for district level planning and budget formulation. This project operates from the MPD and has received substantial technical and financial support from the UNCDF, the UNDP, The Netherlands, Norway, Ireland and Switzerland. Initially, it started as a pilot project in the province of Nampula, but has gradually been extended to almost all Mozambican provinces (except Gaza and Maputo) through two similar projects run by the World Bank and GTZ/PRODER, and operated under the general denomination of PPF. These three projects –PPF, World Bank and PRODER– have recently been subject to a joint evaluation and it is envisaged that they will all be merged into a joint national programme..

It should be noted that the decentralised planning process as defined by the LOLE is rather a process of de-concentration than decentralisation. The leading persons in the district (Administrador) and province (Governador) are all government officers nominated by the Centre, while the councils at the various levels have an advisory function only.

***Impact on water sector:***

Decentralization has an impact on the planning and execution of budgets for water interventions in the following fields:

- Experience from local planning underlines the need to harmonize sectoral approaches to planning with the established procedures of district planning and budgeting. The Ministry of Planning and Development (MPD) plays a key role in the decentralized process. According to recent government policy it is the district, and not the sector, which should have clear ownership over the planning process. This planning process is based on the participatory planning method and the local consultative organs as established in Decree no. 11/2005. Sectoral funds (e.g. for agriculture, water, roads) should, therefore, complement the annual district budgets as conditioned grants on the basis of district PESs (Audit, 2006, p 16).
- The manual of the rural water supply, issued in 2002 by DNA, mentions the necessity to work on annual and medium term plans at provincial level but only the Provincial Directorate (DPOPH), in Zambezia province is busy in formulating such a plan supported by a DFID/UNICEF project. Other DPOPH's do not work on any provincial water plan as has been stipulated in the rural water manual. The new role of the districts, formulating integrated district plans, makes this water sector plan exercise not useful anymore. The planners are the districts and not DPOPH. The latter has to make an effort in meetings with Districts to be informed and involved in planning and coordination, and not only on water but in all other sectors (roads & bridges, public buildings, housing, education) as well. Next to that, other provincial directorates (health, education, etc.) will have the same problem and all have to communicate with the Districts.

---

<sup>7</sup> PPF, Projecto de Planificação e Finanças Descentralizadas.

## 1.5 Poverty Reduction Strategy Paper (PRSP) and Water Sector

### **General**

Poverty levels in Mozambique are extremely high. In 1992 Mozambique was one of the poorest countries in the world. Since then there has been a steady improvement. A household survey concluded that poverty by 2003 had fallen to 54%, a considerable decrease of 15% compared to 1996/7. The Human Development Index for Mozambique is still very low (171 out of 177 countries). Access to water and sanitation is a prerequisite for an increase in people's productivity and an improvement of their quality of life. Mozambique recognises the critical role of water for the achievement of other millennium development objectives, like poverty reduction, education, health, economic development and gender equality and has identified the sector as one of the priority sectors.

*PRSP* is intended to be a comprehensive, evidence based, country owned and driven framework for reducing poverty, guiding the use of all internal and external resources. *PRSP* provides the entry point for donors to align themselves behind a government's priorities, policies and systems.

### **Water sector in PRSP I (PARPA I 2001-2005):**

The medium-term objectives for the water sector are set in the Five-Year-Plans and the PARPA. In the assessment of the 2000-2004 FYP by the Coordinating Council of the MOPH it was concluded that most of the objectives were achieved. The targets mentioned in the 2001-2005 *PRSP* for rural water supply and sanitation services have just been met (40% coverage). The rather ambitious targets for urban water supply (50% coverage) and for sanitation (equal to water supply coverage) could not be met and have been adjusted accordingly.

### **Water sector in PRSP II (PARPA II 2006-2009):**

The new *PRSP* defines Poverty as "*the impossibility because of inability, or lack of opportunities of individuals, families and communities to have access to a set of minimum conditions that are considered basic living conditions*". In the Five Year Plan 2005 – 2009 and the 2006-2009 PARPA the following medium term objectives are distinguished for the water supply and sanitation and for water resources management:

#### *Specific objectives for water supply and sanitation are:*

- Increase coverage of urban water supply to 60 percent, thereby serving about 4 million residents living in urban areas by 2009, and achieve 70 percent in 2015, serving 5.4 million people;
- Increase coverage of rural water supply to 55 percent of the population, thereby serving about 8 million residents who live in rural areas by 2009, and achieve 70 percent in 2015, serving 11.8 million people;
- Increase coverage of urban sanitation services to 55 percent, thereby serving about 3.8 million people living in urban and peri-urban areas by 2009, and achieve 80 percent in 2015, serving 6.1 million people;
- Increase coverage of rural sanitation services to 40 percent, so as to serve about 6 million people living in rural areas by 2009, and achieve 50 percent in 2015, serving 8.4 million people;



*Specific objectives for Water Resources Management are:*

- Reduction of the country's vulnerability by mitigating and managing the threat of droughts;
- Reduction of the country's vulnerability for floods by strengthening water resources management programs;
- Increase of the water storage capacity of the country and regulation of the Limpopo, Incomati and Pungue rivers.

The objectives for the supply of water and sanitation services are based on the MDG's and formulated in a quantitative manner. The objectives for the management of water resources are indicative only and not well elaborated. They focus mainly on water resources management as a tool for the mitigation of the effects of droughts and floods.

The water sector donor group made the following comments regarding the role and place of the water sector within PARPA II:

- The PARPA has set targets for the water sector but there seems to be a disconnect between what is envisaged and the process of getting there.
- The strategy and implementation plan are required to enable the sector to know its investment requirements and available funding sources in order to assess whether they have sufficient capacity and funds to carry out the investments, and if not, how to fill the gap.
- The sector needs to urgently define its capacity development strategy for both public and private sector.
- The lack of harmonization and mainly off-budget funding are major constraints for the sector.
- Institutional and financial arrangements need to be identified for the implementation of improved WSS services in smaller cities and towns.
- Completing the Water Resources Management Strategy should have high priority.
- The MTFP presented in PARPA II shows more than a doubling in percentage points in the share that the water sector will receive from the national budget. This spectacular growth is probably due to large investments in dams that often have a multi sectoral function. This may lead to a further decrease in the funding of the drinking water and sanitation sub sectors either by reduction in funding or by investment restrictions imposed by the budget ceiling for the sector. There is a need to further analyze the impact of these new figures on MDG targets and poverty.

The Water sector is struggling to gain prominence of PRSPs despite its importance in reducing poverty. According To Williamson (ODI, June 2005) the water sector has the following characteristics that influence its role and place in the PRSPs : i) Progress in reform in the water sector is slower than in other sectors; ii) Institutional fragmentation in implementation remains; iii) Little coordination in the implementation of the sector reform processes; iv) Chosen aid instruments in delivering WSS dominated by multiple donor projects with different aid modalities and implemented through different institutions; v) Due to above, poor targeting of investments; vi) Weak and unpredictable public expenditure management systems means that alternatives aid instruments like budget support appears unattractive for donors and; vii) No proper engagement of the WSS stakeholders in PRSP process. The above characteristics as described by Williamson appear to be very relevant for the Mozambican situation well.

## 1.6 Foreign aid

Mozambique is one of the most aid dependent economies in the world. For 2003, The MPF estimated that, out of the overall public spending, external funding represented 53%. The total ODA to Mozambique has been around USD 1.2 billion annually for the last years. The mix of modalities has substantially changed during the last years:

- The share of GBS has increased from 3% in 2000 to 19% in 2004 and to 34% of the total direct ODA in 2006 (see also table 1.2). This is in line with the progress made in the PSR in Mozambique. The number of donors (PAPs) contributing to the GBS increased from 10 in 2000 to 18 in 2006.
- The total sector support (SWAPs, common, basket, pooled funds) increased more gradually from USD 205 in 2005 to USD 226 in 2006.
- The importance of the total direct Project ODA decreased over the last five years but still remains substantial with 45% of the total direct ODA in 2006.

**Table 1.2 : Total ODA to Mozambique (Direct and Indirect ODA) in 2005-2006 (in \$ mnl)**

	Type of ODA	Disbursement 2005		Disbursement 2006	
		\$ mnl	%	\$ mnl	%
1.	Direct Programme ODA	535	53%	585	55%
	General Budget Support	330		359	
	Sector Budget Support*	--		--	
	SWAPs*	165		181	
	Sector Common & Basket Funds*	21		22	
	Pooled TA*	9		15	
	Provincial Budget Support*	10		8	
2.	Direct Project ODA	475	47%	474	45%
<b>3.</b>	<b>Total direct ODA</b>	<b>1.010</b>	<b>100%</b>	<b>1.059</b>	<b>100%</b>
4.	Indirect ODA	37		18	
5.	Total Non-ODA (private entities, NGOs, UN)	106		114	
<b>6</b>	<b>Total ODA</b>	<b>1.153</b>		<b>1.191</b>	

Source : PAP Performance Review 2006, annex 1

\* Definitions differ from definitions as used by the Netherlands Ministry of Foreign Affairs (for definitions see Performance review)

The share of the programmatic aid substantially differs per sector. Programmatic aid plays an important role in agriculture, health and education. The Netherlands is the only donor that provides programmatic ODA to the water sector (see table 1.3).

**Table 1.3 : Basic data programmatic aid to Mozambique**

	Sector	Programmatic ODA as % of total aid to sector	Number of donors with programmatic ODA
1.	Agriculture	60%	6
2.	Health	53%	11
3.	Education	36%	9
4.	Water*	5%	1
5.	Roads	5%	3
	<b>Total</b>	<b>24%</b>	<b>13</b>

Source: PAP Performance Review 2006

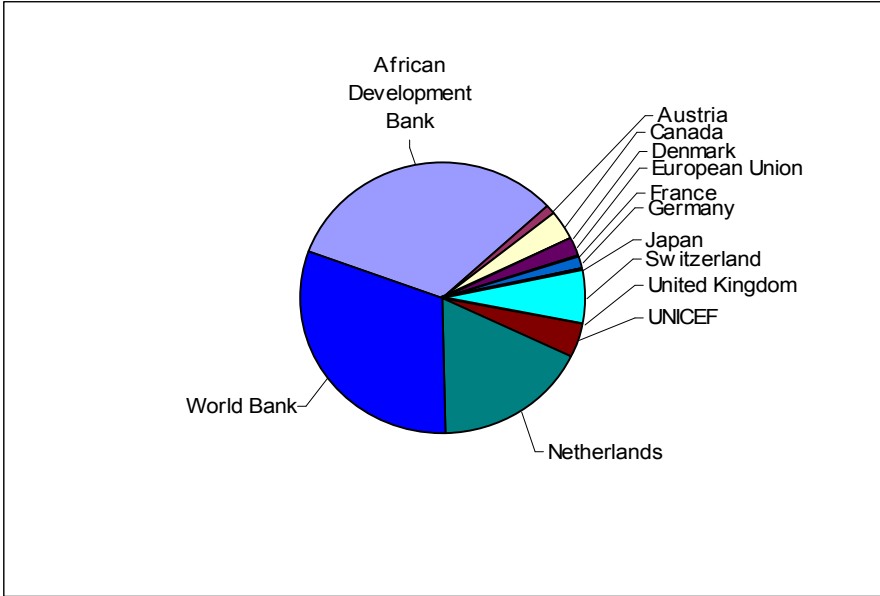
\* The statements in the PAP Performance Review 2006 have been adapted as the original data in this report are not correct (AfDB was included as programmatic donor).

The main bi-lateral donors during the period 2000 – 2004 were USA (9.0%), France (8.1%), Italy (7.6%) and the UK (6.6%). The Netherlands was with 3.3% one of the smaller donors. Of the multi-lateral donors, the WB was with 12.3% the largest, followed by the EC (8%) and the AfDB (4%).

The total ODA funds disbursed to the water sector in 2006 was USD 40,5 million representing 5% of the total funds disbursed in 2006 (excluding GBS). In 2006 the sector is characterized by two major donors, AfDB with 40% and WB with 35% of the total disbursements with the Netherlands as third largest donor with USD 5,3 million representing

13% of the total disbursements in the sector. All others like DFID, the Scandinavian countries and Canada are very small donors in the water sector (see PAPA Performance Review 2006, annex 4). The share in disbursements to the water sector of the different donors in 2006 is illustrated in the graph below

**Graph 1.1 Proportion of disbursement to the water sector by donor in 2006**



Source: ODA-MOZ May 2007 (see annex 4)

**1.7 Assessment contextual conditions SWAp**

The overall perspectives for a SWAp in the water sector improved somewhat over the last years. The Netherlands contribution to an improvement of the contextual factors relevant for the water sector has been limited<sup>8</sup>. The perspectives for the water sector are substantially influenced by the following factors:

- The general governance situation is a reasonably stable with a multi-party democracy.
- Progress in PFM can be positively assessed through the newly introduced SISTAFE. However, the PFM performance in the water sector at various levels remains weak.(see also section 2.5). There is no proper data base within the sector due to a lack of reliable data regarding PFM issues.
- The legislation on decentralization has improved substantially in the last 15 years. The progress in implementation of the decentralization process (decentralization of funds, institutional strengthening at decentralized levels) is however very low.
- Programmatic ODA in the agricultural, health and education sector increased substantially during the last years in terms of donors participating and percentage of the aid involved. This process did not take place in the water sector (for reasons, see the following chapters).
- The donor situation, its fairly unbalanced mix with AfDB and WB contributing 75% of the total donor funds in the water sector in 2006, The Netherlands contributing 12% and all others contributing just a few percent each. The water sector apparently does not have priority for most of the “Like minded donors”, as none of these donors substantially contribute to the water sector.

<sup>8</sup> The Netherlands contribution to the PAP Performance assessment process in Mozambique has been substantial over the last years.

- The PRSP process is part and parcel of the joint development efforts since 2001. The importance of the water sector is indicated in the PRSP, but the operationalization of the policies only partly took place.

## 2. THE WATER SECTOR

### 2.1 General

The main source of water is surface water with more than 104 identified river basins that drain the central African Highland plateau into the Indian Ocean. The majority of the rivers have a highly seasonal torrential flow regime with high waters during 3-4 months and low flows for the remainder of the year. Extremes in the flow regime resulting in water shortages and floods are returning events every 10 years. The devastating floods of 2000 in the country's main rivers were the most severe ever recorded.

The majority of the surface water sources is shared with neighbouring countries, requiring agreements with these countries for the use and control of the water sources. Especially in the (drier) southern part of the country, the upstream water use of the Maputo, Incomati and Limpopo rivers has resulted in serious shortages in that part of Mozambique.

The potential for groundwater is considerable and lies in the alluvial formations of the various rivers. Groundwater is utilised on a large scale in a number of urban centres for drinking water supply. Hand pump-mounted boreholes and shallow wells are used throughout the country as the main source of drinking water in rural areas.

The main consumer of water is agriculture. Although being the biggest water consumer, the potential for irrigation is under utilised. Of the total estimated irrigation potential of 3.0 – 3.3 million ha, only 120,000 ha are equipped with irrigation infrastructure. After independence most of the irrigation areas were abandoned and attempts to continue irrigated agriculture through state enterprises and cooperatives in the 70's and 80's have not been very successful. Since the 90's the actually utilised area increased, mainly through the rehabilitation of the sugar estates with private investments.

By 2003 the actually utilised area was estimated at 40,000 ha of which 23,500 ha sugar estates; 8,500 ha large scale schemes, mainly situated in the Limpopo Valley; 4,700 ha medium scale and 3,300 ha small scale irrigated schemes. The main irrigated crops are sugarcane (67%), vegetables (20%), rice (12%) tobacco (1%) and citrus (<1%). The main dams for water storage for agricultural purposes are located in the Rio Umbeluzi (Pequenos Libombos), the Rio Sabié (Corumane) and the Rio Elefantes (Massingir). There are around 600 small dams spread over the country of which the majority is out of use.

Irrigation development is the responsibility of the Ministry of Agriculture (MINAG), while construction of larger irrigation facilities (dams) is the responsibility of the DNA. The relationship between MINAG and DNA is considered weak.

The relevance of water for the Mozambican economy and people's well-being may be illustrated by the following factors:

- (i) The recurrent natural disasters of floods and droughts make the country vulnerable and require flood control measures and flood preparedness programmes .
- (ii) Food security is to a large extent depending on irrigated agriculture, especially in the south of the country where crop failure exceeds 50%. A complicating factor in the management of water resources is Mozambican's dependence on the neighboring countries in the sharing the water sources requiring joint agreements on the management of river basins.
- (iii) The coverage of drinking water supply is still low with 42% in 2004 (JMP, 2004) and requires major efforts to provide this basic service to the country's population.
- (iv) Flood and drought mitigation as well as the provision of safe drinking water have a direct impact on the poverty situation of the country's population.

The water sector in Mozambique covers four sub-sectors:

1. Integrated resource management: hydrology, international rivers agreements, watershed
2. Rural water supply and sanitation
3. Urban water supply and sanitation
4. Irrigation development

Three of the sub-sectors fall under the responsibility of the Ministry of Public Works & Housing (MOPH) and within the ministry under the responsibility of the National Directorate of Water (DNA). Irrigation development in Mozambique is the responsibility of the Ministry of Agriculture (MINAG). The relationship between irrigation development and the other sub-sectors is weakly developed. This report only deals with the three sub-sectors under MOPH, since these were supported under the Dutch aid programme.

## **2.2 Institutional Framework<sup>9</sup>**

### ***Ministry of Public Works and Housing***

The Ministry of Public Works and Housing (MOPH) has the overall responsibility for the implementation of the Water Law and the National Water Policy.

For the inter-sectoral co-ordination and strategic decision-making there is a National Water Council, consisting of some ten or more ministers. The council has too many members to meet on a regular basis and few if any strategic decisions have been taken.<sup>10</sup>

Within the MOPH the National Directorate of Water (DNA) is the designated directorate for water affairs with the primary function of coordinating and monitoring all water activities in the country. However the newly created decentralised institutions: ARAs, FIPAG, CRA, CEDESA (till 2006) all report directly to the Ministry, limiting the coordination function of the DNA.

The overall mandate of the DNA as formulated in the NWP has been formulated as:  
to promote:

- definition of policies;
- stock taking of water resources and requirements at all levels;
- preparation and control implementation of general schemes;
- the execution of investments in studies and projects;
- preparation of legislation and inspect enforcement

DNA has a total staff of 200 divided over three offices (International Waters, Hydraulic Works, Planning and Control) and six departments (Rural Water, Urban Water, Sanitation, Water Resources, Administration & Finance and Human Resources). The mandates and present functioning of the DNA offices and departments are provided in table 2.3.

### ***Other national level institutions***

The institutional reform process in urban water supply is nearing completion (as will be discussed in section 2.3). The new institutions (FIPAG and CRA) are functioning well and the coverage of the major towns is gradually increasing (presently 10 of the 14 major towns). FIPAG and CRA are relatively autonomous bodies under MOPH. The Strategic Study Centre for the Water Sector (CEDESA) was created as a relatively autonomous organisation that acted as a 'think-tank' for the water sector and would benefit from the cooperation and input of CRA, FIPAG, DNA and MOPH. CEDESA benefited from institutional support from The Netherlands and UNDP at the start-up phase. The main planned output for 2007 was the Strategic Plan for the Water Sector. However the Centre was abolished in 2006 for reasons mentioned before.

---

<sup>9</sup> For organogram see annex 3

<sup>10</sup> National Water Resources Management Strategy Institutional Capacity Building and Human Resource Development" Building Bloc II, Phase 1 of the, page 52 (NWRMS, BB2)

### **Regional Water Authorities (ARA)**

Of the five established ARAs, only ARA-Sul is functioning rather satisfactorily. It was the first established ARA (1993) and is primarily organised and structured to operate and maintain hydraulic structures, has an authorized revenue generating mechanism, which to a large extent covers the expenses. ARA-Sul has benefited from institutional support from the Netherlands after it had been established<sup>11</sup>.

ARA Centro became operational in 1997 it has primarily focused on studies and to a lesser extent on projects; it has an authorized revenue generating mechanism, but has been operating in a budget deficit situation since the beginning.

ARA Zambezia started in 2002, while ARA Centro-Norte and ARA Norte have been established recently. All ARAs suffer from a shortage of qualified staff to operate according to their mandate. The ARAs are meant to be autonomous institutions with a Management Council and a Fiscal Council. However these councils have never been established and the ARAs directly report to the MOPH.

### **Provincial Level**

MOPH is represented at provincial level by the Provincial Directorate of Public Works & Housing (DPOPH) with seven departments. The Department of Water & Sanitation (DAS) is the provincial equivalent of the DNA. The DAS consists of four sections: (i) Boreholes & Wells, (ii) Small Piped Water Systems, (iii) Sanitation and (iv) Community Education & Public Awareness. DAS is responsible for all contracting and supervising of the water supply and sanitation projects in the province as well as for the monitoring. The Section of Community Education & public Awareness is responsible for the dissemination of the demand responsive approach as well as for the formation and training of water users committees.

The DPOPH has a dual accountability: being part of the provincial government it is accountable to the Provincial Governor and as water institution to the line agency (DNA).

The capacity at the DAS varies per province and depends to a large extent on the institutional support they received through various (donor) projects.

For the construction of water supply projects in the province, Provincial Water Supply Companies (EPAR) have been established in the past as a state company resorting under the DAS. By now these have been officially turned into autonomous para-statal companies that have to compete with private companies.

### **District and Municipal Level**

District Administrations are responsible for the operation and maintenance of small piped water systems and sanitation in district towns.

With the ongoing decentralisation the District Governments have a responsibility in planning and implementation of rural water supply and sanitation activities. In some of the Districts a water technician has been posted. The responsibilities of the district vis-à-vis the Province are not yet fully spelled out. From interviews<sup>12</sup> it was learnt that the Districts will be involved in the planning, financing of O&M and rehabilitation, while contracting and funding will to a large extent will be the responsibility of the province and the national level. In the draft MTEF it is assumed that the districts will be responsible for around 25% of the funding in rural water supply. Like at provincial level there is a dual accountability of the water technician: (i) to the District Administrator and (ii) to the DPOPH.

There are presently 33 municipalities. Together they are responsible for the operation and maintenance of a total of 25 small piped water systems and sanitation.

---

<sup>11</sup> ARA-SUL Institutional Support Project

<sup>12</sup> Interviews at the Ministry of Planning and with the Director of DAS/Gaza

### **Other actors**

Since the liberalization of the economy, the private sector started to play a role in the national economy. With its relatively short history, the private sector is still weakly developed within the country. The same accounts for the civil society: there are still a few national well functioning NGOs.

The private sector (contractors, consultants, suppliers) plays an important role in the execution of physical works, the delivery of services and materials. With regard to the water sector the following private sector activities are relevant:

- Within the delegated framework, private water companies will provide the water services in urban water supply in the 14 major towns. The only private company presently functioning satisfactorily is Aguas de Maputo. Vitens plays an important role in private sector development in the urban water supply.
- Private companies in the 25 small piped water systems in 33 municipalities<sup>13</sup> are still weakly developed.
- Private drilling companies play an important role in the preparation of new rural as well as urban water supply systems. Their capacity is inferior in relation to the targets set in water supply development (see also 2.4)
- There are numerous private water providers, who sell water where the water supply systems are not yet in place or poorly functioning. For the Maputo-Matolla region it is estimated they represent 20 % of the total water supply.

NGO's (national and international) are playing an important role in the provision of basic water and sanitation services to the population in the rural and urban areas. NGO's also contribute to hygiene awareness. It is estimated that they cover 30 – 50% of the water supply provision in rural areas<sup>14</sup>. The majority of these NGO activities are off-budget.

The communities themselves, as end-users, are more and more getting involved. In urban and peri-urban areas billing has become stricter. In rural areas water committees are being set up, often with women in a leading role to safeguard their specific interest. Water committees take care of the collection of the contributions for the construction and the operation and maintenance of the wells and boreholes. Women are also the most important contacts for the health and hygiene related activities. Farmer unions and agricultural companies (e.g. sugar industry) are discussing with the Regional Water Administrations the allocations of water for irrigation and tariffs for raw water delivery are implemented.

## **2.3 Sector Policy and Sector Reform**

### **Policy Framework**

As part of the public sector reform, the water sector is going through a reform process. These reforms involve the development of sector policies and strategies and the re-organization of the water institutions in line with the decentralization policy and the envisaged division of responsibilities between the public and private sectors. The basis for the sector reform is laid down in the National Water Policy (NWP) of 1995. The main principles of the NWP are:

- decentralized, autonomous, and financially self sustaining provision of water supply and sanitation services;
- a greater role for the private sector;
- integrated water resources management taking environmental impacts into account;

---

<sup>13</sup> There is a pilot project with private companies in 4 municipalities. Other municipal schemes are still managed by the municipality. Till present only 33 municipalities do exist (have elected bodies). Small piped schemes in all other small towns are remain under the responsibility of the district.

<sup>14</sup> Strategic Plan Rural Water Supply & Sanitation., DNA, January 2007



- recognition of water as an economic as well as a social good;
- more beneficiary participation; and
- a greater focus on capacity building.

In short, the National Water Policy aims at a withdrawal of central government and its ministries and institutions from operational service provision, focusing completely at policy-making and priority-setting; co-ordination, guidance and monitoring of the sector; information collection and dissemination; and motivation and regulation of service providers.

These principles have been further elaborated in policies and strategies for the different sub sectors. The existing policy framework and the status of the policies and strategies are summarized in table 2.1. The table shows that the policy documents have been approved, while the elaboration of the policies into water management strategies and plans (NWRMS) is still ongoing. The delays in approval of the NWRMS is hampering the further implementation of the institutional reform as will be discussed below.

**Table 2.1: Policy Framework and status of the policies and strategies**

Policy/Strategy	Status/Year of Approval
- Water Law	1991
- National Water Policy	1995
- Institutional Framework for Delegation of Water Supply Management	1998
- Water Tariff Policy	1998
- National Irrigation Policy	2001
- Rural Water Transition Plan	1997
- Implementation Manual for Rural Water supply	2001
- National Water Resources Management Strategy (NWRMS)	In draft since 2004 <sup>15</sup>
- Strategic Plan (Road Map) Rural Water Supply & Sanitation	Final draft 2007
- Strategic Plan (Road Map) Urban Water Supply & Sanitation	First draft 2006
- Mid Term Expenditure Framework 2008 – 2010	First draft 2007
- Small Piped Systems Manual	Under preparation

It is generally acknowledged that the legislation and policies provide a sound footing for the water sector, are overall coherent and largely consistent with experience and good practice in many middle and high income countries.

### ***Implementation of the Reforms***

The implementation of the water sector reform started in the urban water supply sub-sector with the implementation of the Institutional Framework for Delegation of Water Supply Management, which has as main principles:

- Urban water services should be financially viable through the creation of autonomous institutions and contracting of private operators for construction and maintenance of water supply systems.
- Greater participation by municipalities through their role in the stakeholders forums.
- Pricing of water services based on the economic cost of water through the national decree of the Water Tariff Policy. The water tariff policy acknowledges that water has an economic value that should be reflected in the pricing of it in relation to the affordability for the various user groups.
- Full consumer participation in the key institutions and through programs for participatory decision making on major system extensions.

Two new autonomous public institutions were established: (i) the Investment and Assets Fund for Water Supply (FIPAG) and (ii) the Water Regulatory Council (CRA).

<sup>15</sup> Approved by the Council of Ministers in August 2007

- FIPAG is a public asset holding company and responsible for the investment in water supply systems and for attracting private companies for the management of the urban water systems.
- CRA is responsible for the regulation and monitoring of the water supply operations in all urban areas of Mozambique with a view to balance and conciliate the interests of the water consumers with those of the operators and of FIPAG. It applies national policies and strategies to contractual obligations of all parties, monitoring service levels and tariffs against performance of the service providers. It is in charge of decision-making on proposed tariffs for urban water supply, in the cities and towns of the country

The institutional reform process in urban water supply is nearing completion. The new institutions (FIPAG and CRA) are functioning well and the coverage of the major towns is gradually increasing (presently 14 major towns)

The implementation of the principles of the NWP for the water supply in small towns has only been initiated recently. There are around 300 small towns with small piped water systems of which 25 are managed by Municipalities and the remaining by District Governments. Around 75% of these systems are defunct.

The DNA has developed a Manual for Small Piped Water Systems, which foresees the service provision by a private operator, the supervision in construction and operation by the Provincial Forum and monitoring of the quality of the services including tariffs by a local regulatory committee. The implementation of the Manual is presently being tested in 4 towns.

The envisaged reform in the rural water supply sub-sector<sup>16</sup> has only very partly been implemented. The main planned reforms are: (i) implementation of the demand responsive approach, giving responsibilities to the water users in planning and O&M: contribution of the communities in the construction costs of the rural water supply system and full cost recovery of operation and maintenance costs, (ii) decentralisation of responsibilities to provincial and district levels including the decentralisation of funds (iii) privatization of the provincial State Companies for Rural Water (EPAR):

The reform in rural water supply has been elaborated in the Implementation Manual for the Demand Responsive Approach (DRA) which has been completed in 2002 (and approved in 2004). It spells out the roles and responsibilities in O&M, formation of water user committees, cost sharing and the required training of communities before during and after construction and the responsibilities of all stakeholders at the different levels, from the Centre to the communities (see table 2.2) . Implementation of the Manual is however progressing slowly:

- The Demand Responsive Approach has , in general, been successfully disseminated to provinces, districts and communities;
- Decentralization of responsibilities in planning and implementation from the Centre to provincial and district levels has hardly taken place. There is still no decentralization of funds, limited strengthening of the implementing organizations at these levels; there are still no district and provincial water development plans and still no monitoring system in place.
- EPARs have been transformed into public companies that have to compete with private companies for construction contracts;

A beginning of decentralization of water resources management has been realized though the creation of Regional Water Authorities (ARAs). The ARAs are public entities organized along and based in hydrological basins and responsible for the management of the water resources in their regions. The ARAs are autonomous public bodies which have to become financially self sustaining through the levee of water fees of the water users in the regions.

There are five ARAs: ARA –Sul was established in ARA-Sul 1993, ARA Centro in 1997, ARA Zambezia 2002, while the ARAs Centro Norte and Norte have been established recently.

---

<sup>16</sup> See also Annex 5, chapter 2.4: Decentralisation in the Rural Water & Sanitation Sector

According to the NWP the central government and its ministries would withdraw from operational service provision and focus on policy-making, coordination and monitoring of the sector. With the creation of the decentralized institutions (FIPAG, CRA, ARAs) the service provision functions that were hitherto the responsibility of the DNA would be to a large extent

**Table 2.2 Functions, tasks and responsibilities in rural water development at national, provincial, district and community level according to the MIPAR.**

	Level	National	Provincial	District	Community
	Organisation	MOPH/DNA-DAR	DPOPH-DAS	District Administration	Water User Committee
1.	Policies (NWP)	-Dissemination of NWP to provinces -Further development of policies based on experiences	Dissemination of NWP to Districts	Dissemination of NWP to Water user Committees	Dissemination of NWP to communities
2.	Planning	National Plan based on Provincial Priorities	Provincial Plan based on prioritisation District Plans	District Plan based on prioritisation of community requests	Request to District
3.	Financing	Mobilise funds for transfer to Provinces	Management of funds for: - Construction of water points - Rehabilitation works (until Districts take over this function)	Manage funds for rehabilitation works once the Districts are 'ready'	Communities participate in funding: - 5-10% in construction - Full O&M of pump equipment
4.	Implementation		- Tendering/ Contracting - Supervision, monitoring, quality control of construction works	Supervision, monitoring, quality control of rehabilitation works	Supervision, monitoring, quality control of construction and rehabilitation works
4.	Operation and Maintenance				
5.	Monitoring and Evaluation	-Collect and analyse provincial monitoring data -Training Provinces on monitoring and evaluation	Analysis of district data and compilation of provincial monitoring reports	Regular monitoring of - Functioning water points - Served population, - Functioning water committees - Existence and use of spareparts	
5.	Coordination with other Actors	Inter sectoral Coordination Committee presided by the Minister of MOPH	Inter-sectoral coordination committee presided by Director DPOPH; other actors may be invited	Donors/NGOs may directly support districts; information sharing with Province required.	

Source: IOB Water regional study, 2007

transferred to these institutions. With the only partly implementation of the decentralization process, however, the DNA still fulfills a large number of activities in the field of service provision: (i) urban water supply in large towns is not yet covered by FIPAG (ii) urban water supply and sanitation in small towns where municipalities and districts have not yet taken up the construction and operational responsibilities, (ii) rural water supply and sanitation where the DPOPHs and DAS do not have yet the full capacity and (iii) water resources management where the ARAs are not yet functioning.

For the preparation of policies and strategies, the Strategic Study Centre for the Water Sector (CEDESA) was created. CEDESA has produced the Road Maps for Rural and Urban

Water Supply and Sanitation. The Centre has been abolished in 2006 with the argument that policy formulation should be the mandate of the DNA and be integrated in the DNA structure. However no action has been taken so far to develop policy preparation capacity within the DNA. Apparently, there is a lack of interest from GOM and other parties to give priority to such an activity.

Most of the institutions in the water sector suffer from insufficient capacity in terms of management capabilities, competencies in planning and policy formulation, technical and academic skills and in terms of the means required for proper functioning of the institutions. There have been many, though scattered, capacity building initiatives. Two main capacity building studies/plans have been developed: (i) the 'Master Plan for Human Resources Development in DNA' under NWDP-1 in 2002 and (ii) the Human Resources Management and Development Strategy in 2003. Recently, a consultancy<sup>17</sup> completed an institutional assessment study of DNA emphasizing the need to change from implementer into facilitator, the lack of staffing and competences.

The NWDP-1 had an important institutional component, much related to the development of policies strategies and the decentralization of institutions. Since 2003 DNA receives technical assistance to improve its financial management and since 2004 management training support .

At provincial and district level many international organizations (Save the Children, Unicef, World Vision, Red Cross, CIDA, Austria) have been instrumental in capacity building in rural water supply and sanitation at these levels (See Box 2.1). The Netherlands has for a prolonged period provided technical assistance to the DNA and ARA-Sul which included (on-the-job) training.

**Box 2.1 Capacity Building at provincial and district level**

Of the many (international) organizations active in the water sector at decentralized levels, some have been instrumental in capacity building at these levels.

In Inhambane the WB and CIDA supported Rural Water Development Project trained provincial and district staff in the demand responsive approach. The approach was successfully disseminated to community levels. The project provided additional technical training to DAS staff and provided water technicians in five districts. Irish Aid provides budget support and limited technical assistance to the DAS and a limited operational budget which appeared to be crucial for the functioning of the DAS.

The DFID/UNICEF supported Water, Sanitation and Hygiene Project in Zambezia provided direct support to the DAS. It assisted in the preparation of the Master Plan and institutional support resulted in "substantial increase in implementation capacity in areas such as contract management and supervision, as well as planning and prioritization through 'learning-by-doing'. In addition a basic mapping and monitoring system has been established in the Province and pilot districts. The project also provided the DPOPH and district administrations with essential office equipment"<sup>18</sup>

All these capacity building efforts might have contributed to a better performance in the sector, but have been done in an ad-hoc manner, while the comprehensive Human Resources Master Plan and the Strategy have not been implemented. The capacity is considered still weak, especially at provincial and district level.

## **2.4 Summary assessment institutional capacity**

Table 2.3 provides an assessment of the mandate and actual functioning of the various departments under DNA. This table shows that the majority of the departments is mainly

<sup>17</sup> Assessment da Situação actual de Gestão da DNA e a sua Relação de Coordenação com os Principais Intervenientes do Sector de Águas, Van Baren, Noronha 2006

<sup>18</sup> Water, Sanitation and Hygiene Project, Project Completion Report October 2006

directed at implementation of activities, is poor in planning and monitoring, has a serious shortage of qualified staff. The organisation is further characterised by a lack of delegation of authority and little cooperation/interaction between the departments. The difference between the mandate of the various departments and the actual functioning is most obvious for DAR, DGRH and GPC. According to the draft Mid Term Expenditure Framework 2008 – 2010 (see section 2.4), the implementation activities are planned to continue in the future; some 54% of the funds for the water sector will be channelled through the DNA.

**Table 2.3 Mandate and Functioning of DNA Departments and Offices**

DNA Department/Office	Present mandate	Functioning <sup>19</sup>
1. Department of Rural Water Supply (DAR)	<ul style="list-style-type: none"> <li>Promoting water supply in rural areas in an accessible, safe and sustaining manner;</li> <li>Creation of conditions for participation of all stakeholders</li> <li>Coordination of all activities for rural water supply.</li> </ul>	<ul style="list-style-type: none"> <li>Engaged in many (donor) projects</li> <li>Understaffed</li> <li>No planners, data analysts</li> <li>No M&amp;E framework</li> <li>Little delegation of responsibilities to provinces</li> </ul>
2. Department of Urban Water Supply (DAU)	<ul style="list-style-type: none"> <li>Promoting water supply in urban settlements, guaranteeing provision of services and maintenance of the systems.</li> <li>Creation of conditions for participation of all stakeholders</li> <li>Responsible for water supply systems in large towns not covered by FIPAG.</li> </ul>	<ul style="list-style-type: none"> <li>Has prepared a department plan</li> <li>Prepared projects</li> <li>Carried out institutional studies</li> <li>Requires additional competencies to fulfil its mandate</li> </ul>
3. Department of Sanitation (DES)	<ul style="list-style-type: none"> <li>Promotion of sanitation services; draining and purification of residual waters, disposal of waste waters</li> </ul>	<ul style="list-style-type: none"> <li>Is working on an urban sanitation plan</li> <li>Little done on rural sanitation planning</li> <li>Requires additional competencies to fulfil its mandate</li> </ul>
4. Department of Water Resources (DGRH)	<ul style="list-style-type: none"> <li>Responsible for overall management of water resources</li> <li>Coordination and supervision of activities by all participants in the process</li> <li>Preparation of the National Water Resources Management Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Mainly engaged in implementation activities; NOT in planning, supervision, monitoring, policy preparation.</li> </ul>
5. Office of International Waters (GRI)	<ul style="list-style-type: none"> <li>Promotion, facilitation of cooperation within the water domain between Mozambique and the other states which share international water basins</li> </ul>	<ul style="list-style-type: none"> <li>Functioned well in the past, but its performance deteriorated in the past years.</li> <li>Will receive support through the PRIMA project</li> </ul>
6. Office of Hydraulic Works (GOH)	<ul style="list-style-type: none"> <li>Promotion, coordination and supervision of construction of hydraulic works</li> <li>Mobilising funding</li> </ul>	<ul style="list-style-type: none"> <li>Only recently created</li> </ul>
7. Office for Planning and Control (GPC)	<ul style="list-style-type: none"> <li>Planning, monitoring and controlling sector's development programmes</li> <li>Short &amp; medium term planning of central and provincial investments (internal &amp; external)</li> </ul>	<ul style="list-style-type: none"> <li>Had a low performance in the past;</li> <li>Improved recently; received more qualified staff</li> <li>Is working on National Information System with WSP</li> <li>Planning capacity still weak</li> </ul>
8. Department of Administration & Finance	<ul style="list-style-type: none"> <li>Preparation and Execution financial plans</li> <li>Financial Reporting</li> </ul>	<ul style="list-style-type: none"> <li>Improved substantially since 2003 because of SDC-TA, but still not up-to-standard.</li> </ul>
9. Department of Human Resources	<ul style="list-style-type: none"> <li>Creation, maintenance and development of qualified, motivated staff</li> </ul>	<ul style="list-style-type: none"> <li>Major HRD issues decided by MOPH Department of HR</li> <li>Not been able to attract sufficient qualified staff</li> </ul>

<sup>19</sup> Based on (i) (NWRMS, BB2), (ii) Assessment da Situação actual de Gestão da DNA e a sua Relação de Coordenação com os Principais Intervenientes do Sector de Águas, Van Baren, Noronha 2006 and (iii) Consultant's own assessment

In summary, the present position of the DNA can be characterised as:

- Being too low in the government hierarchy to function as apex organisation with ARAs, FIPAG and CRA all directly reporting to the MOPH;
- Still mainly engaged in implementation of activities due to the partly implementation of the reform process,
- It has not yet been able to transform itself into a policy, supervising and monitoring organisation according to the mandate as outlined in the NWP.
- Has a serious shortage of qualified staff especially for the planning, monitoring and policy preparation competencies. DNA lost qualified staff to the newly created decentralised institutions without replacement and can – as a government institution - offer less favourable staff remunerations as compared to the autonomous organisations of FIPAG, CRA and the ARAs.

In this situation the DNA is not in the position to take the leadership in the coordination of the implementation of the National Water Resources Management Strategy. For this reason most donors (incl. the Netherlands) by-pass the DNA in the planning and implementation of water projects (see also chapter 3).

With the institutional reform still ongoing the present institutional framework and capacity can be characterized as follows:

- Decentralization in rural water supply and sanitation from the centre (DNA) to the provinces (DPOPH-DAS) and districts has hardly taken place. The capacity of the DPOPHs and DAS is varying per province depending on the institutional support they received, but is overall still considered quite weak. The role of districts in rural water supply planning is of very recent date (2006) and its performance can not be assessed as yet; the responsibilities of the districts vis-à-vis the provinces in planning and implementation of rural water supply are not clear and a single technician per district is insufficient to properly execute the planning tasks at district level.
- The institutions in the urban water sub-sector (FIPAG and CRA) have been created and are functioning rather well;
- In the water management sub-sector three of the five ARAs have been established (Sul, Centro and Zambezi), while the ARAs Norte and Centro-Norte have been only recently established;
- CEDESA has been abolished in 2006;
- The private sector is weakly developed in Mozambique and is not yet fully responding to provide the services in water construction and management of water supply schemes.

## **2.5 Water Sector Budget & Expenditure**

### **Data Sources**

With public financial management only improving during the last few years (see chapter 1.3), it is difficult to obtain reliable data on the budgeting and funding within the sector. The available data sources<sup>20</sup> are often incomplete and not consistent with each other.

---

<sup>20</sup> There are three main sources for public expenditure in the water sector:

- The annual Budget Execution Reports (BER) of the Ministry of Finance. The BERs provide aggregated data on internal and external funding and expenditure for the water sector. The data do not specify by sub-sector or by donor. Only since 2005 the data are disaggregated for DNA, FIPAG, CRA, ARA-Sul and ARA Centro.

Moreover, a substantial part of the activities in the sector are funded off-budget (see also 1.3). The proportion of off-budget funding is – by-definition – not known. Hodges and Tibana 2004<sup>21</sup> estimated the unrecorded grants in 2001 at 47% and decreasing to 27% in 2003. With improved PFM this percentage will possibly have lowered since 2003.

On the other hand the sector is supported by a multitude of actors. In rural water supply and sanitation, the Strategic Plan Rural Water Supply & Sanitation estimates the proportion executed by NGOs between 30-50%.

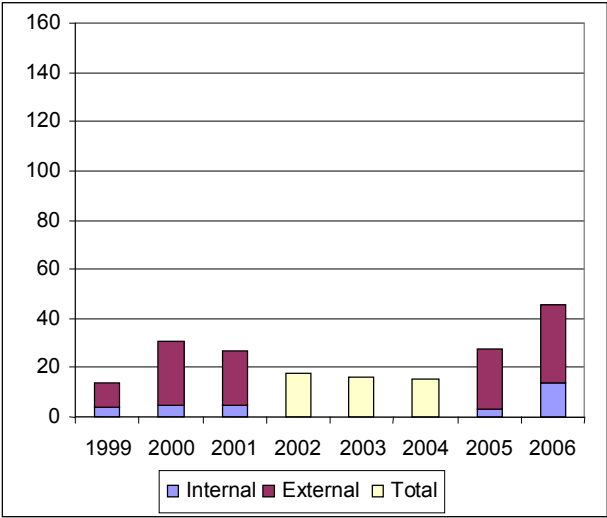
**Expenditure in the Water Sector<sup>22</sup>**

The expenditure in the water sector over the period 1999 – 2006 is shown in graph 2.1.

The graph shows that:

- The total water sector public expenditure was some € 14.1 million in 1999; it increased substantially in 2000 and 2001 due to the flood rehabilitation works and fell back in the period 2002 – 2004 to levels between € 15.3 – 17.9 million. After 2005 the expenditure increased to € 27.6 million in 2005 and € 45.5 million in 2006
- There is a high reliance on donor funding, varying between 70% to 80% over the past decade.
- The government expenditures have been in the order of € 3.6 million to € 5.2 million in the period 1999 – 2005, significantly improving to € 13.9 million in 2006<sup>23</sup>, mainly tanks to improved budget execution rates.

**Graph 2.1 : Public Expenditure in the Water Sector 1999 – 2006 (in million €)**



Sources:  
 1999 – 2001: Finney & Kleemeier, PER Mozambique, Background Paper on the Water Sector  
 2002 – 2004: Mozambique Country Economic Memorandum WB, 2005  
 2005 – 2006: BERs, Ministry of Finance

- Since 2003 DNA produces BERs, which provide detailed and comprehensive data for the State Budget and the ASAS funds. The reports are incomplete on the funding of other external funding, being the major part of the funds in the sector.
- Since 2005, Mozambique has a web-based data base (ODAMOZ) where the aid programmes and projects of multi- and bi-lateral donors are registered, specifying commitments, expenditures since 2005 and budgets for the coming years.

<sup>21</sup> Tony Hodges & Roberto Tibana, Political Economy of the Budget in Mozambique, 2004  
<sup>22</sup> All figures have been converted into Euro. See Abbreviations and Glossary for applied exchange rates  
<sup>23</sup> This is based on the figures presented in the BER 2006 of the MOF.

The budget execution rates have been low over the period 1999 – 2004, but varied considerably per year between 10% - 60%. In 2006 the budget execution rate improved considerably to 89%.

The share the water sector receives from the total state budget has been in the order of 2.2% – 2.5% in the period until 2005. Only in 2006 this increased to 3.5%. This relatively small share in the budget for the water sector compares to health 16%, education 18%, roads 13% and agriculture 4%.<sup>24</sup>

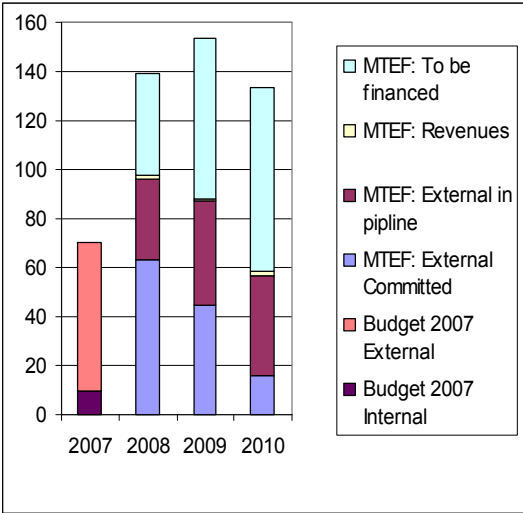
The improvements in budget spending over the past two years can be explained by (i) the improvements in public financial management through the introduction of SISTAFE<sup>25</sup>, (ii) the gradual inclusion of off-budget support into the state budget, (iii) improvement in public financial management within DNA and (iv) probably through the spending of a few large projects, of which the rehabilitation of the Massingir Dam with ADB support being the major one.

**Financial requirements**

The PARPA II announces a substantial increase in the budget for the water sector. The reasons indicated are that the low budget execution rate in the past years needs to be compensated and that furthermore some dams need to be rehabilitated, which were not taken into consideration in the past years. From the previous 2.2 – 2.5% the water sector budget will be increased to 5.3 – 5.9 % of the OE (State Budget). According to the indicative MTEF-figures<sup>26</sup> in the PARPA II, the budget will grow to around USD 80 – 100 million for the period 2006 – 2010

The draft MTEF for the period 2008 – 2010 of January 2007 comes to a sharp increase in the budgets for this period of € 141.2 million for 2008, € 153.2 million for 2009 and € 133.2 million for 2010 (graph 2.2). The MTEF is based on the set targets in the PARPA and the Five Year Plan and on other planned activities in the water sector.

**Graph 2.2 Budgets Water Sector 2007 - 2010(in million €)**



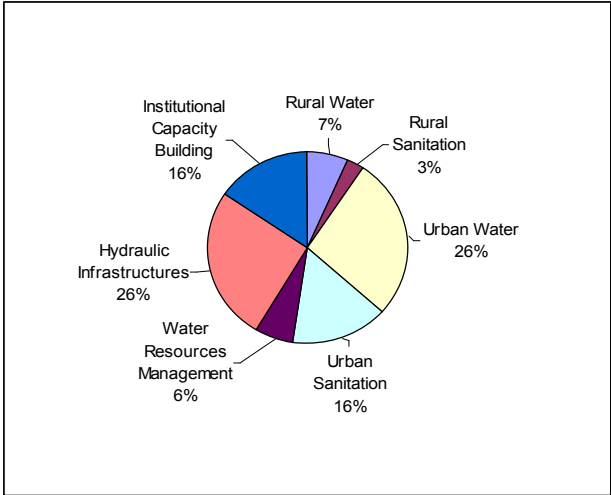
Sources:  
 2007: State Budget 2007  
 2008 – 2010: Mid Term Expenditure Framework, 1<sup>st</sup> draft 2007.

<sup>24</sup> For the period 2002 – 2004, See Mozambique country economic memorandum, 2005  
<sup>25</sup> All interviewees during the field visit refer to SISTAFE as the main reason for improved PFM  
<sup>26</sup> PARPA II, Table 17

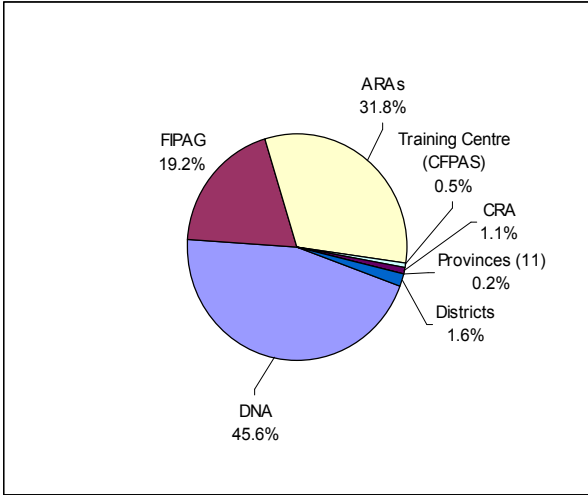


The budgets by sub-sector are shown in graph 2.3. The highest budget is in urban water supply (27%), followed by Hydraulic Infrastructure (26%); while urban sanitation is the third with 16%. Rural Water Supply and Rural Sanitation will only spend 7% and 3% respectively.

**Graph 2.3: Budgets per sub-sector according to MTEF 2008 - 2010**



**Graph 2.4: Proportion of budgets by water institution according to MTEF 2008 - 2010**



The share of the budget by institution is shown in graph 2.4. It appears that almost half of the budgets will be channeled through DNA. The ARAs will be responsible for the major part of the infrastructural works and water resource management activities. The proportion channeled through the districts is estimated at only 1.6%.

The budgets are three to four times higher than the 2006 expenditures. It is doubtful whether the absorption capacity can cope with these increased budgets.

The budgets are not yet covered by available funding sources (see graph 2.2). Of the total MTEF budget of € 427.6 million for the period 2008-2010, a total of € 139.2 million has been committed by donors, while € 116.0 is in the pipeline. With a total estimated € 4.2 million own revenues, the total amount still to be funded is € 168.2 million, which has to come from the government budget as well as from external sources.

**2.6 Political Will and Commitment**

The political will and commitment towards the water sector provides a mixed picture and can be assessed from the following facts:

- The GoM has committed to achieve the water MDGs
- The GoM has committed to embark on the sector reform, which so far has been successful for the urban water sector.
- The government budget allocations have increased in the past two years in absolute and relative terms.<sup>27</sup>
- The budget execution rates have improved over the past two years.

On the other hand, the reform process stagnated since the termination of the NWDP I:

<sup>27</sup> Mainly through investments in large infrastructural works (dams)

- there are serious delays in approval of the NWRMS and no progress has been made in the transformation of the DNA into an apex organization.
- The rural water institutions are still weak and the decentralization process is still unclear regards the role of the province vis-à-vis the district in rural water supply.

## **2.7 Assessment conditions in the water sector for SWAp**

From the foregoing paragraphs, the following conclusions can be drawn regarding the conditions for a SWAp:

### *Positive conditions:*

- The institutional reform in the urban sector has been successful with well performing water institutions (FIPAG, CRA) which provides perspectives for a sub-sector SWAp
- The funding of the water sector will increase substantially in the coming years, especially for the urban water and sanitation sub-sectors. In order the sector to be able absorbing these funds, increased alignment and harmonization will be become more imperative.

### *Improving but not yet favorable conditions*

- The National Water Policy is considered of good quality, but has not yet been elaborated into a sector strategy, which is considered a major condition for a SWAp. However, a sub-sector roadmap for rural water supply has recently been prepared.

### *Unfavorable conditions*

- The general institutional framework is not favorable with DNA not performing as an apex organization and having considerable structural problems. The DNA is still much engaged in implementation and will continue to do so in the future.
- The database on which the monitoring system is based is extremely weak, resulting in a low reliability of the indicators.
- The political commitment in enhancing the rural water supply and sanitation sub-sectors has been assessed weak as compared to the urban sector: rural water institutions are still weak, the majority of the investments is in urban water & sanitation, the decentralization process is still unclear on the role of the district versus the province.
- Although there are many donors in the sector, there are only a few large ones. Apart from the three multilateral donors (ADB, World Bank and European Union) only one bi-lateral donor (Netherlands) supports the sector substantially. This did not stimulate the discussions and harmonization processes amongst donors.

### 3. INPUTS DONOR

The Netherlands delegated bilateral sector programme in Mozambique mainly consists of three sector programmes for health, education and water. The total expenditures under these three programmes during the period 2003-2006 amounted to Euro 63.767.000 of which 63% was at least partly aligned.

#### 3.1 Netherlands support to the water sector

##### ***Netherlands support in the 1990s; a historical perspective***

The Netherlands support to the water sector started in the aftermath of the series of floods affecting large areas of Maputo in 1977. The Netherlands honoured a request by the Director of DNA to assist in the preparation of a Drainage Master Plan to upgrade the city's drainage network. This marked the beginning of the Maputo Drainage and Sanitation Programme which lasted for 15 years. Moreover, a long term institutional and human resources development programme was launched to strengthen the planning and implementation capabilities of the Water Resources Department: DNA's department responsible for water resources assessment and the coordination organization for urban water supply. The Dutch aid in the 1980s was chiefly project aid directed to construction of systems in large cities. In the 1990s aid was strongly oriented towards Technical Assistance in a broad range of projects in urban and rural areas.

The signing of the peace agreement in 1992 represented a turning point in Netherlands support to the water sector. The sector assistance effort refocused on previously inaccessible rural and peri-urban areas of the provincial cities. Following the promulgation of the 1991 Water Law and the announcement of the New Water Policy, the ongoing DNA/DRH training and institutional development effort was brought in line with DNA's newly defined role in a decentralized water sector (Water Resources Assessment and Planning Project). In the absence of a clear policy framework for the urban water and sanitation sector, the UDAAS TA programme was phased out and two new stand alone capacity building projects were identified seeking to strengthen planning and implementation capacities at regional and provincial level. The ARA Sul Institutional Support Project (River Basin Management) addressed capacity problems at the ARA level and the SURN/SAS project sought to enhance institutional capabilities at the provincial level in Nampula, Cabo Delgado and Niassa. During the 1990s The Netherlands spent a total amount of Euro 40 million in the water sector. The sector portfolio in the 1990s was sub-divided in five components: i) urban sanitation; ii) institutional and investment support in the urban and rural water supply sector; iii) two institutional capacity building projects at central (DNA/DRH) and regional (ARA-Sul) level; iv) TU Delft-Mondlane University cooperation programme in Water Resources Engineering and; v) miscellaneous activities.

The history of the DNA/DRH Technical Assistance Programme goes back to 1981, when the Hydrology Project Mozambique was formulated "to guarantee the continuity of the DRH for a limited period of time to facilitate the take-over of the section by Mozambican personnel".

The IOB report "Institutional Development, Netherlands Support to the Water Sector 1988-1998 (March 2000)" states that the effectiveness of project interventions that tried to overcome institutional weaknesses has been mixed and on the whole disappointing. Moreover, the effectiveness of sector support programmes suffered from the absence of a broader water resources development strategy, spelling out priorities, pricing and cost recovery, public investment and the role of the private sector in sector development. Regarding the DNA assistance programme the IOB report stated that it served "to develop capabilities of a large number of national staff who have subsequently left but continue to work elsewhere in the water sector. The effects of this on the sustainability of the organization itself are obviously a matter for concern, for the regular loss of better-qualified and capable personnel has been extremely disruptive. The programme has undoubtedly led

to the wider enhancement of capabilities in the sector, but whether these outweigh the negative effects on the core institution is a matter for debate". It should be emphasized that the process of qualified and capable personnel leaving DNA intensified in the early years of 2000. The reform process, creating FIPAG and CRA, attracted much qualified DNA staff as the conditions with special reference to salaries were substantially better within the FIPAG and CRA institutions. A substantial number of these qualified staff has been trained under Netherlands supported projects.

The fundamental sector reform programme in fact only materialized under the World Bank National Water Development Programme I. This programme was partly based upon the Netherlands funded Provincial Towns Water Sector Study. This study confirmed the poor performance of the sub-sector. The World Bank took the sector leadership in the late 1990s, with GON support.

### ***Policy change; Towards a SWAp in the early years of 2000***

The 2000 Annual Report of RNE Maputo indicates that project support was going to be replaced by sector support or budget support. In case sector or budget support could not be achieved due to weak institutional capacity, support would be channeled through multilateral organizations. The implementation of the process of change towards sector and budget support was slow: i) it takes time to change a project portfolio into programme support and ii) the conditions for SWAp were not favorable. A major change took place in 2002 with the start of the sectoral support to the water sector under ASAS I. The decision to start a sector programme was based upon a baseline document of July 2002 (Institutional and organizational analysis of the water and sanitation sector of Mozambique, A.J.H. Negenman). This comprehensive document provides at the one hand a very positive assessment of DNA (under the heading "Management Performance") and at the other hand clearly indicated the structural weaknesses (under the heading "culture"). In this baseline document the SWAp was considered to be the most effective organizing principle to catalyze the reforms in the sector whereby in the long run the real ownership for sector reform and change is put in the hands of the DNA.

The approach of the Netherlands sector support would have a "triple track character" according to the baseline document: i) assisting and catalyzing the ongoing reform process with particular support to the implementation of the Human Resources Development Strategy for the sector as initiated within the scope of the World Bank financed project PNDA I; ii) addressing the urgent needs by supporting the implementation of the priority water and sanitation sector activities complemented by the strengthening of monitoring and evaluation mechanisms and; iii) harmonizing the role of focal donors and donor interventions.

### ***Macro-meso relations***

In the 2000 Annual Plan RNE Maputo indicated its intentions to continue its focus on Nampula Province. Arguments were the need to maintain macro-micro relations in planning and implementation, the need to strengthen limited implementation capacity at provincial level and the opportunities to involve civil society. However, the focus on the regional level disappeared from the Netherlands supported programme.

### ***Towards a renewed diversification after 2004***

The baseline document for ASAS I as well as the appraisal documents for ASAS I and II clearly indicate the intention to focus on sector support through DNA. However, prior to the start of ASAS III RNE Maputo concluded that the results of ASAS I and II were mixed. In its MYSP 2005-2008 RNE Maputo also indicated that "there will also be room for direct support of government institutions and involvement of civil society organizations e.g. to enhance institutional capacity, to try-out innovative approaches, to improve targeting and/or the quality of services, or to overcome specific bottlenecks". For instance in water supply and sanitation a few new partners were identified to enhance effectiveness, and improve accountability and

service delivery at provincial and district levels. Such additional assistance would be provided within the agreed policy framework and preferably “on plan”. Herewith RNE Maputo re-opened the possibility for off-budget funding. This diversification becomes clear in 2006-2007 with (renewed) attention for urban drinking water supply (FIPAG), rural water supply (CARE) as well as for International River Basin Agreements (PRIMA Imcomaputo).

Moreover, the Netherlands Partnership Programme for Water, Sanitation and Hygiene sector in Mozambique through UNICEF became a new centrally financed Netherlands support programme to the rural water sector. The preparation, implementation and monitoring of this centrally financed programme fall partly under the responsibility of the Netherlands embassy in Maputo.

### ***Netherlands support 2002-2006 under the bilateral delegated programme***

The total Netherlands bilateral delegated funding to the water sector during the period 2003-2006 was Euro 17.267.000 of which 62% (or Euro 10.650.000) was spent through the DNA/ASAS sector programme (see table 3.1). The balance amount (87% of all project funds) was mainly spent on urban water supply projects.

The total Netherlands expenditures in the water sector in Mozambique during the period 2004-2006<sup>28</sup> were Euro 63.5 million of which Euro 13.504.000 or only 21% for project and sector programme support together.

The sector programme support alone accounted for 15% to the total Netherlands expenditures in the water sector during the period 2004-2006.

**Table 3.1 : Expenditures Netherlands funded water programme Mozambique 2003-2006 per source of funding and per aid modality in Euro**

Source of funding	2002*	2003	2004	2005	2006	Total 2002-2006
Total bilateral delegated funds** of which:		3.763.000	3.961.000	4.600.000	4.943.000	17.267.000
<i>Not aligned</i>						
○ Project funding of which		2.563.000	661.000	500.000	2.893.000	6.617.000
○ <i>Urban WSS</i>		2.401.000	661.000	407.000	2.327.000	5.796.000
<i>Partly aligned*****</i>						
● Sector Programme		1.200.000	3.300.000	4.100.000	2.050.000	10.650.000
<i>Completely aligned*****</i>						
○ General Budget Support****			17.939.000	15.872.000	15.957.000	46.105.000
Centrally managed funds***		n.a.	n.a.	n.a.	n.a.	n.a.
Regional funds				128.000	-	128.000
ORET Funds *****		n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total 2004-2006****</b>			<b>21.900.000</b>	<b>20.600.000</b>	<b>20.900.000</b>	<b>63.500.000</b>

\* Figures for 2002 not available.

\*\* For definitions see IOB evaluation no.301, November 2006, “From project Aid towards Sector Support “.

\*\*\* SADC-HYCOS and Waternet II not included

\*\*\*\* IOB data base April 2007

\*\*\*\*\* No Basket funds, virtual funds, social funds, pooled funds and co-financing

\*\*\*\*\* No sector budget support or co-financing PRSC

\*\*\*\*\* Total ORET allocation Euro 18.6 million; no expenditures as of yet.

Source: RNE Maputo

### ***Total Netherlands support to the water sector 2002-2006***

During the period 2002-2006 a total of 14 activities were financed in the water sector of which ten activities under the delegated bilateral programme (for details see table 3.2).

<sup>28</sup> No disaggregated data available from earlier years

**Table 3.2 : Basic data Mozambique Netherlands funded water related activities 2002-2006**

Act.nr.	Name	Period	Total amount	Sub-sector	Executing agency	Remarks/modality
815/MZ000404	World Bank National Water Development Programme II	September 1999 to December 2007	10,413,000	Urban WSS	FIPAG/WB	Delivery of water in five cities (Maputo, Beira, Quelimane, Nampula and Pemba); Co-funding of USD 90 million WB project
832	Sectoral Support Water Sector (ASAS I)	July 2002-December 2004	5,600,000		DNA	
10090	Sectoral Support Water Sector (ASAS II)	2005	4,100,000		DNA	
14803	Sectoral Support Water Sector (ASAS III)	10/2006-12/2008	11,650,000		DNA	
14803	TA under ASAS III	10/2006-12/2008	800,000		DNA	Earmarked contribution for TA facility to assist sector in optimizing performance
12079	PPP Vitens-FIPAG	July 2005-June 2008	1,040,000		FIPAG	PPP financed from centrally managed funds available for PPP in addition to Water Sector budget (SBE0610S15) 250,000 people improved water
13791 (merged with 15321)	Drinking water supply in Chimoio, Manica, Gondola, Tete, Moatize; Emergency Programme and management Improvement	7/2006-6/2009	5,103,844	Urban water supply	FIPAG	Mainly funded from additional means earmarked for achievement output target access to safe water for 50 million people 67,500 people improved water
14523	Environmental hygiene and productive use of water (Cabo Delgado and Nampula Province)	October 2006-December 2010	8,282,750		CARE	Co-funded by SDC 520,000 people improved water. GON contribution will benefit 340,000 people Traditional project with Steering Committee and provincial PMUs Includes improvement weak planning and implementation capacities at provincial and district level
14570	Netherlands Partnership programme for Water, Sanitation and hygiene sector in Mozambique	2006-2011	Total 43,060,000 UNICEF Netherlands 27,040,000		UNICEF	1.2 million people new access and 200,000 rehabilitation. Improved sanitation 1 million people. School programme WSS for 260.000 pupils
12735	Promoting Sustainable Development through IRBM Zambesi River Basin	1/2006-6/2007	368,000		WWF Southern Africa Regional Office	Within budget for regional WRM SBE0611S03 Classified as project Project formulation and preparatory phase for larger programme
MZ006206	Contribution fellowships WRAP/ISAS project phasing out	2001-2005	DGRH/WR AP: And ARA/Sul/IS AS: US\$ 164,661		DNA	ISAS en WRAP finalized in 2001, no continuation, still commitments for studies staff
12213	Value for Money Audit on water sector	9 months	99,000		General Inspectorate of Finance (IGF) Ministry of Finance	PAP partners to carry out VfM for sample of activities Part of performance monitoring process (also CB IGF)
MZ002003	31-3-2002 closed	4/2002-	US\$		DPOPH	

	SAS project	6/2003	208,540		Nampula (former counterpart SAS)	
13012	GIC-CEDESA support to Start-Up phase	1/2006-5/2006	94,000		DNA??	GIC-CEDESA will be Centre for Strategic Studies and Development of Water Sector, autonomous sector institution for policy and strategy development

Note: grey refers to delegated bilateral budget  
Source: RNE Maputo, 2007

### ***Netherlands portfolio from 2007 onwards***

The future Dutch commitments to the water sector are substantial, but mainly project based and focused on urban and rural water supply and to some extent on and sanitation. The water management sector gets relatively limited support. The relative importance of the sector programme in the total Netherlands support to the water sector will be reduced as ORET funding and central funding of major water supply activities will dominate GON sector expenditures in the coming years. From 2007 onwards the following additional activities will be financed by the Netherlands in the water sector (see table 3.3).

**Table 3.3 : Netherlands portfolio in the water sector in Mozambique from 2007 onwards**

Act.nr.	Name	Period	Total amount	Sub-sector	Executing agency	Remarks/modality
14548	Progressive Realisation of the Imcomaputo Agreement (PRIMA)	2/2007-12-2010	7,355,505	Regional Water Resources Project	DNA	Tripartite Permanent Technical Committee (TPTC)
	TA for PRIMA	2/2007-12/2010	100,000		DNA	TA to Tripartite Permanent Technical Committee (TPTC)
15321	Five Western Towns Water Supply Project (Chimoio, Manica, Gondola WSS)	1/2007-12/2010	23,495,887		FIPAG	Co-funding the ORET investment
	Integrating emergency programme in 15321		5,103,844		FIPAG	Earlier approved programme closed and integrated in 15321
	Related to 15321 ORET contribution*		22,495,887		FIPAG	Contribution to output target 50 million people improved WSS ORET facility of FMO

Source: RNE Maputo

\* ORET funding of Euro 18.6 million for Maputo Water Supply Project together with EIB, EU-Water Facility and AFD (French development cooperation). Total investment of Euro 95 million (see also PriceWaterhouseCooper and Ecorys; <mailto:>

\*\* Still mainly excluding regular bilateral delegated budget from 2007 onwards

## **3.2 Netherlands Input in the Sectoral Budget Support Programme (ASAS) in the period 2002-2006**

### ***ASAS I (2002 – 2004)***

In line with the Dutch policy shift in development cooperation, the RNE started the establishment of a sector support mechanism for the water sector in 2002 for an initial period of three years (ASAS 1, 2002 – 2004) and with a total commitment of € 5.6 million.

The main arguments to start ASAS in 2002 were a positive track record, sector policies and DNA capabilities<sup>29</sup>:

*Positive track record*

- Mozambique had a positive track record 2001/2: progress had been made in public sector reform, especially public financial management, and in the development of socio-economic policies: Five Year Plan, MTFP and PARPA I 2001 – 2005;
- The ongoing sector reform was assessed positively: the sector was at the beginning of a transition process with World Bank Support through the Netherlands co-funded NWDP creating autonomous organizations like FIPAG and CRA, while ensuring the leading role for DNA;
- The sector policies are relevant to international and national development targets and are sufficiently focused to allow for monitoring and evaluation.

*Sector policies*

- Water and sanitation services are defined as areas of fundamental action in the PARPA, while the water sector is underfunded resulting in poor achievement of sector and PARPA objectives.
- Policies and strategies for the sub-sectors (rural and urban WSS and WRM) have been developed and implementation of the strategies are underway.
- Water is a priority sector for GON. Through SWAp the donor can focus on overall policies and strategies instead of direct implementation.

*DNA capabilities*

- DNA is considered a capable organization for planning, leading, organizing and controlling the sector implementation programme.
- DNA has proven in the GON financed 2000 Floods Reconstruction Programme in Southern Mozambique to have the capacity to implement with success and with satisfactory administrative procedures and guidelines 45 projects with a total value of USD 20 million
- DNA embarked on decentralization processes delegating the responsibility and public investment funds to Provincial Directorates. The on-budget facility will enhance and catalyze this decentralization process.
- DNA appreciates the advantages of the SWAp. This will enable DNA to allocate additional funds to priority activities in WSS service delivery. Increased budget funding makes existing capacities more effective and triggers the sector to strengthen these capacities.

The expected impact of the ASAS contribution was judged as follows:

- An increase of the allocation of resources to priority activities in the sector;
- Better results would be achieved in the sector reform process;
- Better results would be achieved in the provision of water and sanitation services.

The obtained results would contribute directly to a higher achievement of the PARPA and the international water security objectives.

DNA appreciated the advantages of the sector approach and direct budget support, but was reluctant to embark on this front in a multi-donor initiative. Therefore DNA asked specifically The Netherlands, as long-term cooperating partner, to start in close cooperation with DNA the sector approach process through direct budget support via MPF, showing its impact to government and donors alike, and enlarge the process in the coming years, integrating more donors. The MoU for ASAS was signed in 2002 between the GoM (MOPH and MoF) and the Netherlands Embassy as only signatories. It was expected that other donors would sign the MoU in the near future. The World Bank had expressed its intention to join after the termination of the NWDP I and II.

---

<sup>29</sup> See Activity Appraisal Document ASAS, October 2002



### **ASAS II (2005)**

The initial plan to continue and intensify the ASAS programme for another three years (with a total budget of € 20 million) was temporarily withheld related to the following concerns<sup>30</sup> regarding: i) Effectiveness in practice of the new water policy; ii) Effective and sufficient flow of funds to decentralized levels; iii) Adequate financial control, reporting and auditing at central and certainly at decentralized level and; iv) Harmonization at the operational level with other donor projects and investments in the sector.

Nevertheless, the appraisal document stated that 'there is sufficiently positive experience with ASAS I for not to break-off for 2005' and the programme was continued with the same arguments as for ASAS I for another year with a commitment of € 4.1 million. For continuation after 2005 a more thorough appraisal (of above mentioned concerns) would be done. No other donors joined in ASAS II. The World Bank signed the MoU for general budget support and was not considering providing sector budget support. Only SDC planned to sign the ASAS MoU.

### **ASAS III (2006 – 2008)**

Although the thorough appraisal of the mentioned concerns did not materialize<sup>31</sup>, the Embassy made the strategic choice in its Multi Year Strategic Plan (2005-2008) to continue the support to ASAS, in spite of the sector's weak performance and the existing limitations. ASAS was still considered to be the most efficient funding channel for the strengthening of the sector and DNA. Moreover the reasons for the previous contributions to ASAS were still valid: large financing gap, strong policy framework, insufficient alignment of multiple externally funded projects with the national policy and capacities.<sup>32</sup>

The appraisal document for ASAS III gave a more critical assessment of the sector. "In spite of the adequacy of the new policy and institutional framework, its introduction over a relatively short period has proven challenging to both government and funding agencies and has not yet led to the increased rates of service delivery that will be necessary for the achievement of the water and sanitation MDG's.

Major constraints that have hampered an efficient and effective implementation of the policy framework are: i) a lack of an overall strategic sector plan and financing strategy; ii) limited implementation capacity of public sector institutions; iii) weak planning and budgeting capacity at all levels, which is enhanced by the lack of a reliable performance monitoring system; iv) large number of off-budget projects; v) human resources constraints like inadequate skill mix, low civil service salaries, understaffed agencies at local level, limited incentives to retain experienced staff; vi) budget execution rates of, on average, less than 50%, over the last 5 years, a.o. due to erratic and low disbursements of government and donors."<sup>33</sup> and; vii) The number and periodicity of the reporting obligations in the MoU was ambitious; particularly the timely preparation of the three audit reports (financial, flow of funds, and value for money) has been a major bottleneck.

Continuation of the sector support through ASAS III was approved with a total commitment of € 11.65 million. Although this commitment is considerably higher than the ASAS I budget, the initially planned intensification in ASAS II did not materialize.

Apart from the provision of sector support, the Embassy expected that ASAS would promote:

- the preparation of a sector-wide strategic plan as a basis for improved service delivery and enhanced donor harmonization.
- the improvement of the planning and information management systems, and the financial and administrative systems in the sector, both at the central and decentralized levels.

---

<sup>30</sup> See Activity Appraisal Document ASAS II, July 2004

<sup>31</sup> Only the Value for Money Audit 2006, provided additional information, but limited insight in the sector performance

<sup>32</sup> See, Activity Appraisal Document ASAS III.

<sup>33</sup> See Activity Appraisal Document ASAS III, page 5

Additionally, a separate earmarked contribution of € 800.000 was made available for a technical assistance facility that should enable the DNA to contract expertise to assist in optimizing DNA's performance.

### **Single Donor Sector Support**

Since its start in 2002 the Netherlands has remained the only donor in the water sector programme. Initially the World Bank and SDC expressed their intention to sign the MoU, while at present DFID shows interest to join with a modest annual contribution of £ 250,000. The question is why other donors did not get on board. There are several reasons for this situation:

- In 2002 the largest donors were the World Bank and the African Development Bank. The AfDB was involved in large infrastructural projects, while the WB supported the sector through the NWDP I&II. Of the bi-lateral donors, the Netherlands was the largest followed by SDC; DFID only supported the Zambeze Water & Sanitation project. In fact there were only a few core donors that could have participated.
- Other donors made a different assessment of the sector, especially with regard to the DNA as capable apex organisation.
- ASAS was considered by other donors as a bi-lateral activity between the Dutch and the Director DNA. In the preparation of the ASAS programme, other donors felt that a real discussion was lacking.
- The lack of a clear strategy including benchmarks in the ASAS programme was for some donors a reason not to join.

The situation has remained unchanged. Apart from DFID, no other donors intend to join. The fact that no other parties joined, raises questions regarding the intended effects of such type of sector budget support (support should lead to increased alignment and harmonization and lowering of transaction costs). The transaction costs will certainly not decrease, because the ASAS reporting obligation is just one of the many donor reporting requirements

### **Utilization of ASAS funds**

The total financial assistance to the DNA through ASAS in the period 2003-2006 amounted to € 10.7 million. With the ASAS input, the DNA State (OGE) budget (Euro 9.13 million) was more than doubled over this period. The ASAS MoU did not contain conditions for the utilisation of the funds. The distribution of the ASAS and OGE inputs over the sub-sectors in the period 2003 – 2006 is shown in the table below<sup>34</sup>.

The large majority of the ASAS funds was used for 'support activities' (€ 5.08 million or 48%), which includes expenditures for the reform process (ARAs, FIPAG, CEDESA), but to a large extent for the payment of debts. Some € 2.5 million were paid to the debts emerging from the 2000 flood rehabilitation works, while other debts existed of VAT payments and GOM obligations in donor projects. The ASAS contribution to support activities was twice as much as the OGE contribution.

From the total Netherlands funds 28% was utilised for rural water supply (DAR), 5% for urban water and 5% for sanitation. Water Resources Management (DGRH) received 7% of the funds and the other activities (8%) consist of expenditure for ongoing projects (NWDP, ASNANI) and CEDESA.

With 48% of the ASAS funds going to support activities it may be concluded that the intended result of increased allocation to priority activities has only been partly achieved.

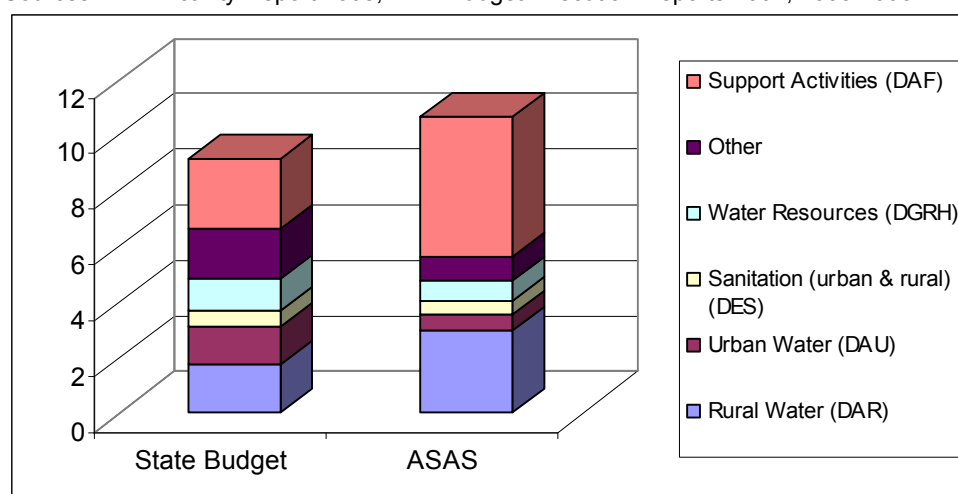
---

<sup>34</sup> Based on DNA Annual Financial Reports 2002 – 2006.

**Table 3.5 Utilisation of State Budget (OGE) and ASAS Funds over the period 2003 – 2006 in € million**

Sub-Sector	State Budget		ASAS		Total	
	(mln €)	(%)	(mln €)	(%)	(mln €)	(%)
Rural Water (DAR)	1.73	19%	3.00	28%	4.73	24%
Urban Water (DAU)	1.38	15%	0.53	5%	1.91	10%
Sanitation (urban & rural) (DES)	0.62	7%	0.50	5%	1.12	6%
Water Resources (DGRH)	1.09	12%	0.74	7%	1.83	9%
Other	1.84	20%	0.85	8%	2.69	14%
Support Activities (DAF)	2.46	27%	5.08	48%	7.55	38%
<b>TOTAL</b>	<b>9.13</b>	<b>100%</b>	<b>10.70</b>	<b>100%</b>	<b>19.83</b>	<b>100%</b>
	46%		54%		100%	

Sources: DNA Activity Report 2003; DNA Budget Execution Reports 2004, 2005 2006.



Much effort was made during the country visit to get insight in the effectiveness of the utilisation of the funds. However the relation between the DNA national level and the provincial and district level with regard to the utilisation of the funds as well as the effectiveness of these funds at meso and micro level remain unclear.<sup>35</sup>

<sup>35</sup> DNA could not provide data on realised outputs: water points, water connections, training provided, completed studies, etc.. According to the Budget Execution Report 2006 (MoF), ASAS funds in that year were used for the following projects:

- ABA/1987/0004: Rehabilitation of Small Piped Water Supply Systems (DAR)
- ABA/1988/0001: Rehabilitation Water Systems, Tete
- ABA/1988/0006: Rehabilitation of Deep Wells for Rural Water Supply (DAR)
- ABA/1989/0007: National Management Programme for Rural Water Supply (DAR)
- ABA/1992/0002: Peri-Urban Water Supply Programme (DAU)
- ABA/1993/0001: Support to Water Resources Management (DGRH)
- ABA/1993/0002: Rehabilitation Urban Water Supply Systems (DAU)
- ABA/1996/0002: Regional Programme North (DAU)
- ABA/1997/0004: Urban Sanitation (DES)
- ABA/1998/0003: Institutional Capacity Building (CEDESA)
- ABA/1999/0003: International River Management (DGRH)
- ABA/2001/0001: Institutional Support ARA Zambeze (DGRH)
- ABA/2004/0004: Establishment ARA Zambeze (DGRH)

The additional study on macro-micro relations in Inhambane Province<sup>36</sup> showed that budget support did result in better water and sanitation services: 139 boreholes with a value of around € 365,000 were rehabilitated from the state budget (including ASAS) in the period 2002 – 2006 serving around 32,000 people. The investment corresponds with around 7.7% of the total budget for Rural Water Supply. However these investments constitute only 10% of the total investments in the water sector in the province. Taking into consideration that Inhambane is the province with second highest government (including ASAS) investments in the rural water sector<sup>37</sup>, the effect of the ASAS contribution is considered rather limited.

With the unpredictable disbursements (in terms of quantity and timeliness) of the state budget, the ASAS funds guaranteed the minimum functioning of the Directorate, especially at the beginning of each year, when government funds were not yet available.

From interviews it appeared that the availability and flexibility of the use of ASAS funds had positive effects on: i) the execution of the institutional reform process. FIPAG, CEDESA, ARA's and CRA all benefited from the ASAS funds to consolidate their operations, ii) on the functioning of the Office of International Rivers, which has been mentioned as one of the key areas that benefited from the ASAS funds for their operation in international negotiations and (iii) on the continuation of other donor investments.

In other words: ASAS funds have functioned as 'grease' to let the DNA machinery work.

### **3.3 Netherlands input in project aid**

#### ***Urban water supply***

The Netherlands support to urban water supply with a total Netherlands financial commitment of Euro 62.5 million materialized through the following four related programmes:

##### *The World Bank National Water Development Programme II (1999-2007)*

The objective of the programme was to improve the health and living conditions of people in five cities (Maputo, Beira, Quelimane, Nampula and Pemba) through improved water supply by promoting greater private sector participation in the provision of the water services. More explicitly NWDP II seeks to; i) commence institutional and regulatory reform with the introduction of commercial principles in O&M of water services; ii) accelerate capacity building and human resources development through training and; iii) provide an institutional framework that improves the quality and sustainability of user services and acts as an operational model for water services. Major policy and institutional reforms were required and implemented with special reference to the creation of FIPAG and CRA, use of the private sector, pricing based on economic costs of water through a new water tariff policy.

In addition to the IDA credit of USD 90 million the Netherlands provided a grant of USD 10.5 million to be used for non earmarked activities. NWDP II played a crucial role in accelerating the reform process in the urban water sector.

##### *PPP Vitens-FIPAG (2005-2008)*

The objective of this project is to create autonomous water companies that provide safe water services in four secondary cities (Chokwé, Xai-Xai, Maxixe and Inhambane). Companies that are able to sustain these services based on efficient use of water and affordable tariffs, related to the level of service. Tariffs should at least cover all O&M costs. The investments in physical infrastructure are made by the AfDB, while the Netherlands contribution is mainly meant for a temporary O&M fund that provides "seed money" during the transition period of the water companies towards viable and autonomous utilities. The Vitens input worth Euro 1.4 million is mainly meant for human resources. FIPAG contributes

---

<sup>36</sup>See Annex 5, chapter 4.3

<sup>37</sup> See Annex 5, table 1.1

goods and services as well as training and courses. The Netherlands PPP contribution has been funded from centrally managed funds available for PPP activities.

*Drinking Water Supply in five towns under an emergency programme and management improvement (2006-2009)*

The objectives of this programme were: i) to attend to the most urgent needs in five towns (Chimoio, Manica, Gondola, Tete and Moatize); ii) to define more structural solutions through the formulation of a medium term strategic investment plan for these five towns and; iii) to create autonomous water companies under the Delegated Management Framework. This programme was funded from additional means earmarked for the achievement of the Netherlands output target to provide safe drinking water for 50 million people. Vitens plays a role in the implementation of the programme. In 2007 this programme was merged with the Five Western Towns Water Supply Project see table 3.2 act.nr.15321).

*Five Western Towns Water Supply Project (2007-2010)*

This project resulted from the above emergency programme (act.nr. 13791). The funding of 50% of the total investment programme materialize through the ORET facility based on interest expressed by FMO. As FIPAG was not able to secure the funding of the remaining 50%, the Netherlands Minister for Development Cooperation was willing to provide the remaining 50% of the costs after a visit of a high level Mozambican delegation to The Hague. The emergency programme will be fully integrated in the investment programme. The total Netherlands investment amounts to Euro 46 million (see also table 3.3).

***Rural water supply and sanitation***

The Netherlands support to rural water supply and sanitation with a total Netherlands financial commitment of Euro 35.3 million materialized through the following two related programmes:

*The Environmental Hygiene and Productive Use of Water in Cabo Delgado and Nampula province (2006-2010)*

The overall objective of the project is to increase the water and sanitation coverage by conventionally accepted means and to develop options that will provide poor people with the means for sustainable, replicable and affordable improvements. The project objectives are to: i) increase the water supply and sanitation coverage in five districts; ii) validate at least three financially viable, replicable and innovative approaches for sustainable access to water points and; iii) strengthen local and provincial government and service providers to fulfill their roles and responsibilities as specified in the Implementation Manual for Rural Water programmes (MIPAR) and the Law on Local State Organizations (LOLE). The project will provide 520.000 people with improved and sustainable drinking water.

The project is co-funded by the Swiss Development Cooperation (SDC). This project will be partly funded from additional means earmarked for the achievement of the Netherlands output target to provide safe drinking water for 50 million people.

*UNICEF-Government of the Netherlands Partnership: Water, Sanitation and Hygiene in Mozambique (2006-2011)*

The goal of the project is to achieve improved child survival and development through the provision of sustainable safe water and sanitation facilities and good hygiene practices in three provinces (Manica, Sofala and Tete). Within this context the project supports two main components: i) access to water and sanitation for poor and vulnerable populations living in rural areas and ii) capacity building and development through strengthening the capacity of government institutions at district and provincial levels to enable them to fulfill their roles and responsibilities more effectively. The integrated Water, Sanitation and Hygiene (WASH) project will be implemented within the context of the GOM-UNICEF country programme. More than 1 million people will get access to improved water supply and sanitation. The total project budget amounts to USD 42 million. The Netherlands contribution of Euro 27 million

will be funded from additional means earmarked for the achievement of the Netherlands output target to provide safe drinking water for 50 million people. The consultation process regarding this project will be further elaborated in chapter 3.7.

### ***Water Resources Management (WRM)***

The Netherlands support to WRM through DNA started in the 80s (see also chapter 3.1). With the start of ASAS I specific attention to WRM was phased out. Under the ASAS programme limited attention was paid to WRM (see also chapter 3.2). At present the Netherlands support to water resources management with a total Netherlands financial commitment of Euro 7.7 million materialized through the following two programmes:

#### ***Promoting Sustainable Development through Integrated River Basin Management in the Zambesi River Basin (2006-2007)***

The long term objective is to improve the quality and functioning of the Zambesi River system for the benefit of nature and people. The goal of the project preparatory phase is to formulate and develop an IRBM proposal underpinned by broad based participatory stakeholders consultations and up-to-date socio-economic and thematic spatial data. The activity is placed within the SADC policy framework for the water sector. The project will be implemented by WWF Southern Africa Regional Programme Office. RNE Maputo will closely collaborate with RNE Lusaka.

#### ***Progressive Realization of the IncoMaputo Agreement – PRIMA (2007-2010)***

During the World Summit on Sustainable Development in Johannesburg in 2002 Mozambique, South Africa and Swaziland signed the Interim IncoMaputo Agreement (IIMA) for the cooperation on the protection and sustainable utilization of the Incomati and Maputo rivers. The goal of the PRIMA activity is to realize the objectives and purpose of the IIMA by supporting the Tripartite Permanent Technical Committee (TPTC) to promote this cooperation among the parties and ensure the protection and sustainable utilization of the water resources of the two rivers. The overarching policy framework for this activity is the Revised Protocol on Shared Watercourses in the SADC Community. The Netherlands financial contribution amounts to Euro 7.3 million to DNA representing the TPTC.

## **3.4 Netherlands contribution to harmonization**

### ***General observations regarding harmonization trends in Mozambique***

The donor community in Mozambique is moving to more harmonization and alignment. There is preparedness among most donors to live up to the promises made in Rome on increasing effectiveness of aid. Harmonisation, alignment and going on-budget have had positive effects on effectiveness of aid and have helped strengthen government ownership of budgets and priorities. The sector wide approach remains the organising principle for government and donors. General budget support in Mozambique has proven to be a good modality to match aid money with a focused policy dialogue at high level<sup>38</sup>. There is a need now to further strengthen predictability and alignment of the sectoral and general budget support. The link between different aid modalities is still too weak.

However, the transaction costs are still high. The growing harmonization and alignment is positive in itself, but some negative side-effects have to be countered over the next few years<sup>39</sup>. One is the over-representation of donors at the dialogue table at ministerial level in

<sup>38</sup> Joint evaluation of General Budget Support 1994-2004, draft synthesis report, IDD and Associates, University of Birmingham, January 2006

<sup>39</sup> The final report of DFID-Mozambique from Elisio Macamo, June 2006 called "Political Governance in Mozambique" indicates that programme aid has potential to live up to expectation of efficiency, harmonization and coherence in development assistance (major departure over project aid) but at present creates parallel heavy apparatus alongside GOM, lacks clear hierarchy of goals and based upon evidence Programme Aid may not necessarily promote ownership or accountability of GOM before its own Society.

Maputo and the high burden this puts on a relative small group of key people in government. The effectiveness of over twenty donors doing almost the same job can be questioned. Better division of labour, within the overall framework of government priorities is called for. This includes a stronger focus on the provincial and district level, better planning at those levels, improved fund flows and more engagement with institutional reform and capacity building.

### ***Coordination mechanisms in the water sector***

Coordination mainly takes place through the Donor Core Group that exists of WB, AfDB, SDC, Unicef, EU and the Netherlands. Recently it was agreed with DNA that the coordination platform should include all bilateral and multilateral agencies operating in the sector. Since September 2006 SDC took over the position of focal donor from The Netherlands. Besides sub-sectoral Working Groups exist, of which the Rural Water supply Group (GAS) is very active and includes besides donors and DNA also several NGO's. The Institutional development and Human resources Group (GCI) was recently reactivated and includes only DNA and donors. The Water Resources Management Group (GRH) is not active. The National Water Council coordinates cross-sectoral issues in the water sector. DNA-DAR participates in the monitoring and evaluation of activities through involvement in project Partnership Management Group (PMG), which provides a forum for consultation and agreement between involved governmental institutions, NGOs and the private sector. Some donor coordination takes place at provincial level: in Cabo Delgado Province coordination meetings are led by DPOPH (MCC, Agha Khan and Helvitas participate). In Nampola Province ASNANI, AfDB is the coordinating forum. The above coordination mechanisms provide discussion platforms, but no commitments have been made and no real decisions are taken.

Harmonization amongst donors within the water sector takes place to a very limited extent. The sector is project focused with separate activities for the various sub-sectors. Harmonization at policy level takes place to some extent, while harmonization at management and implementation level does not take place at all. The Netherlands supports harmonization efforts with special reference to donor coordination on support of trans-boundary water management at SADC level. The joint GON/SDC funding of the rural WSS project implemented through CARE contributes to a certain extent to harmonization amongst donors. However, harmonization within the water sector still scores negative on all Paris indicators. Recently progress towards harmonization is being made with a draft Code of Conduct to be signed by all parties. This Code is meant to provide the basis for multilateral and bilateral development cooperation in Mozambique's water sector with special reference to the rural WSS.

## **3.5 Netherlands contribution to alignment**

### ***Policy alignment:***

All (GON) programmes and projects are consistent with the vision and strategies in the water sector. All programmes support the GOMs' efforts to attain its water and sanitation related goals, as articulated in the National Water Policy, PARPA II and the MDGs. Policy alignment in the water sector is relatively easy for the following two reasons:

- PARPA II just contains general statements and MDG targets are indicated without any strategic choices and priorities in the water sector.
- There is no Integrated Water Resources Management Strategy and/or Water Sector Plan ready and agreed upon<sup>40</sup>. The process of strategy development within DNA is ongoing for the last four years. The lack of progress proves that there is a lack of leadership, a lack of political commitment and decision making powers to agree, approve and implement the

---

<sup>40</sup> The Water Management Resources Strategy was approved in August 2007 by the Council of Ministers.

strategy. The strategy development process does not seem to be actively supported and owned by GOM nor does it seem to be strongly supported by donors.

### **Management alignment**

The management alignment of the urban WS is average. The management alignment of the rural WSS and water management is weak (see also schedule 3.1).

**Schedule 3.1 : Alignment schedule of four groups of GON funded water activities**

Issue	Sector Programme (ASAS)	Urban WS (FIPAG)	Rural WSS (UNICEF, CARE)	Water Management (PRIMA)
<b>Policy alignment</b>	<b>Strong</b>	<b>strong</b>	<b>substantial</b>	<b>substantial</b>
Within PARPA priorities	Yes	yes	yes	yes
Follow NWP, tariff and other policies	Yes	yes	partly	not relevant
On GOM budget	Yes	yes	no	no
High predictability	Yes	yes	yes	yes
<b>Management alignment</b>	<b>substantial</b>	<b>average</b>	<b>weak</b>	<b>weak</b>
Follow GOM tendering procedures	Yes	yes	partly	no
Follow GOM procurement procedures	Yes	yes	partly	Yes
Work through GOM institutions at national level	Yes	yes	no	Yes
Work through GOM institutions at provincial and district level	Yes	yes	partly	Not clear
Do use Parallel PIU	No	no	partly	no
Make fully use of existing GOM staff at all levels	Yes	yes	partly	partly
Use GOM national financial reporting procedures	Partly	no	no	no
Use GOM Audit	Partly	no	no	No
Use GOM financial channels	Yes	partly	partly	No
Use GOM reporting and monitoring systems	Partly	no	no	no

Source: Appraisal documents and discussions held.

The sector alignment study of Carlos Nuno Castel-Branco (August 2007) summarizes a number of relevant issues related to harmonization and alignment in the water sector in Mozambique. Castel-Branco argues that donors are not adhering to SBS and MOU related to the following specifics of the water sector:

- Individual civil engineering works of relatively large scale and technical complexity may be more adequately managed as projects;
- Donors already provide GBS;
- Donors claim they do not trust the sector. UN agencies and others favor harmonization of policies, but not of financial mechanisms and procedures because each of them has its own rules;
- MCC (Implementing agency of millennium challenge account) started a very large project in the North (larger than the sum of all other projects) without even contacting existing donors (to learn from earlier experiences).

The Netherlands contribution to the start of the alignment process in the sector is positive as it supports the development of strategies for different sub-sectors, which is meant to become the basis for alignment and resource allocation in the donor group. However, the flow of



funds in the water sector from GON to GOM and others at least takes place in the following seven different ways (with decreasing alignment from first to last one):

- From Netherlands Embassy to the National Directorate of Water (DNA) for the sector programme (ASAS) through the Ministry of Finance to MOPH.
- From the Netherlands Embassy to the National Directorate of Water (DNA) for a specific project (Progressive Realisation of Imcomaputo Agreement-PRIMA).
- From the Netherlands Embassy directly to the Investment and Asset Fund for Water Supply (FIPAG) for urban water supply.
- From the Netherlands Embassy directly to an International NGO (CARE).
- From the Netherlands Ministry of Foreign Affairs in The Hague directly to UNICEF headquarters (centrally managed funds)
- From the Netherlands Ministry of Foreign Affairs (centrally managed funds) for PPP activities directly to FIPAG/Vitens
- From ORET funds directly to FIPAG

### ***Renewed initiatives for a SWAp; the Code of Conduct***

Since 2006 discussions regarding the opportunities for a (sub)sector SWAp amongst donors and GOM/DNA have been intensified. In this context a draft Code of Conduct (February 2007) has been prepared by DNA in consultation with twelve of its principal development partners. This Code defines the guiding principles and institutional arrangements for the establishment and management of a comprehensive Sector Wide Approach to Programming (SWAp) in the water sector, the Water SWAp. The Codes notes that significant progress is made by GOM to institutionalize conditions favorable for a SWAp with special reference to PSR, SISTAFE, institutionalization of PARPA II as GOM's primary strategy and results matrix for poverty reduction. The progress as described in the Code of Conduct provides a very positive picture of progress made in the sector.

The Code notes that all parties share the goal to develop policy frameworks and management instruments necessary for an effective Water SWAp. It makes clear that all partners should support MOPH/DNA in producing a comprehensive Water Sector Strategic Plan based upon a Rural WSS Strategic Plan, an Urban WSS Strategic Plan and a WRM Strategic Plan. These plans should set out sectoral and sub-sectoral targets in line with priorities specified by PARPA II and supported by resource provision in the MTEF. These plans will provide the basis for sectoral and sub-sectoral Annual Implementation Plans, which will be the dynamic frameworks for the Water SWAp. Joint reviews will track progress in the development of the sector and assess the performance of all partners. The Water SWAp is meant to: i) establish a common vision for water sector reform and development; ii) set priorities and improve resource allocation; iii) improve efficiency and accountability of resource utilization in the sector and; iv) rationalize and improve the coordination of the water sector by clarifying the roles and responsibilities of the key national and international partners. To this end GOM commits itself to maintain and steadily augment contributions to the water sector, in order to expand water services to the poorest. This commitment will be reflected in the MTEF.

It is proposed that the progressive adoption of the Code of Conduct will begin with a sub-sectoral SWAp in the RWSS. In this respect the Code indicates that two critical pre-conditions for piloting a SWAp already exist: a sector budget facility (ASAS) and a strategic plan for RWSS.

All partners agree that the success of their partnership in the development of the sector will depend on their mutual and collective commitment to a water SWAp. In this respect they will seek to respect and apply the commitments made in the Paris declaration. Mechanisms for implementing the partnership will consist of national policy, planning and budgetary instruments, sector coordination mechanisms, performance review mechanisms and the management of TA.

### **3.6 Decision making on aid and aid modalities**

At present the funding of the Netherlands programme in the water sector takes place through the following channels: Delegated bilateral budget, multilateral channels, centrally managed funds “reaching 50 million people with water supply”, centrally managed funds for PPP, regional funds and ORET funds. It is clear that the decision making regarding a substantial part of the present Netherlands programme activities in the water sector in Mozambique did not take place at the RNE Maputo, but at headquarters in The Hague (for details see chapter 3.2). It concerns the major urban and rural water supply project activities. A substantial number of the present activities was not included in the MYSP, but had to be included in the subsequent annual plans.

#### *The example of the centrally managed UNICEF programme:*

The Netherlands government recently promoted the implementation of an accelerated WSS WASH programme through UNICEF (see also chapter 3.3). Implementation takes place through UNICEF, government structures and decision making processes are partly taken into consideration. Financial management is the responsibility of UNICEF. This means that the Netherlands government (at headquarters level) is of the opinion that the SWAp in the water sector offers no real opportunities at this moment for an accelerated implementation programme. The following disadvantages of the project approach are also present under the UNICEF programme:

- The project has its own procedures, reporting schedules, etc. (limited management alignment).
- Institutional development and technical assistance are not based upon comprehensive assessment of capacities and requirements although IRC produced a feasibility report on the state of affairs at the request of UNICEF.
- Commitment to cover salary costs of national staff is not in line with harmonization and alignment policies: staff should be paid from GOM budget. The chances that staff will be integrated in GOM civil service structure remains limited (never happened since 1975, see also DFID, Mike Muller).
- No clearly defined roles for DNA in planning, monitoring and evaluation (just as a member of the steering committee)
- Management structure is only partly in line with emerging management structures: Administered by UNICEF with support to the provincial/district authorities. This is partly in line with the reform in the public administrative system (aimed at strengthening local government through decentralization programme with more autonomy and legitimacy to provinces and districts).

However, the UNICEF programme also offers opportunities within the context of a sub-sector SWAp for RWSS. Opportunities to strengthen the SWAp process do exist at de-centralized level. Channeling funds through the decentralized government systems should be possible within a few years time. Such opportunities could not be incorporated in the UNICEF programme as of yet. It is not clear whether these opportunities have been seriously analyzed and considered during the programme preparation process. The final draft of the appraisal document substantially differs from the first draft. In this respect comments made by the Netherlands government have been taken into consideration.

#### ***Consequences of the complex decision making on aid and aid modalities***

- The MYSP indicates the need to diversify the programme in the water sector. All RNE Maputo as well as centrally managed activities fit into this diversification process.
- The urban project activities are based upon the achievements in policy and institutional reform under the Netherlands co-financed World Bank NWDP. The urban activities are innovative and substantially contribute to the institutional development of the sub-sector.

The Netherlands focus in financial terms on the urban sector can be questioned as the rural sector is under-funded as compared to the urban sector (for details see table 5.1).

- The rural project activities are not based upon achievements in policy and institutional reform as reform did not take place in this sub-sector as of yet. The need for the establishment of a common fund as a start of a SWAp for RWSS has been recognized by all parties (see also Code of Conduct, chapter 3.4). However, neither the CARE nor the UNICEF projects contain any indication regarding the future possibilities to become part and parcel of a RWSS SWAp or common fund. The Netherlands government (RNE for CARE project as well as the central level for the UNICEF project) did not take the initiative to utilize the funding of these new activities as a starting point or catalyst to start with a common fund for RWSS. Progress made in the preparation of a sub-sector road map, a major condition for pooled funding, was considered as insufficient.
- The relative importance of water resources management in the water sector programme is limited. However, initiatives taken by RNE Maputo to fund the PRIMA will serve a major long term water objective regarding sharing international rivers, which is essential for Mozambique.
- There is no evidence that the new project activities will contribute to better harmonization and alignment in the sector.

### **3.7 Assessment of the Netherlands input**

The Netherlands is a long lasting partner and the largest bilateral donor in the water sector. WB and AfDB are by far the main players in the sector. GON is in the process of broadening at scope to cover all sub-sectors. The Netherlands investments in the sector are increasing substantially mainly through the financial input from centrally managed funds. There is apparently no specific Netherlands policy behind this process of broadening and intensifying support to the sector. The Netherlands decision to step into the ASAS sector programme did not lead to a joint SWAp as none of the other donors joined the programme. In this sense the RNE Maputo did not properly judge the willingness and capability of other donors to join the ASAS SWAp. The water sector is still project dominated which does not facilitate and necessitate harmonization. The differences between the Netherlands and other donors are getting smaller, partly due to the fact that GON diversified its activities and recognized shortcomings in DNA.

The ASAS programme provides sector budget support and no conditionalities have been put on the allocation of the funds. It was expected that the support would lead to (i) an increase of the allocation of resources to priority activities; (ii) better results in the provision of water and sanitation services and (iii) better results in the sector reform process; However there was no strategy or a plan including indicators on how these intended results would be achieved. The lack of such a strategy made the monitoring and dialoging extremely complicated for both parties (Embassy and DNA).

The recent approach towards a SWAp in the water sector substantially differs from the Netherlands approach to start a SWAp in 2002. Possibly lessons from this earlier ASAS experience have been learned by various parties. The Code of Conduct as being prepared is based upon the following principles: i) Start developing a common vision amongst donors at sub-sector level (build up confidence); ii) First focus on joint planning and not budget support as a start; iii) Try to get as many donors on-board from the very beginning; iv) Focus on sub-sector level with special reference to rural WSS and; v) Start with a common fund as a first step.

The draft Code of Conduct as prepared by DNA together with a large number of donors is being discussed with all relevant parties. This could be an additional step towards a RWSS SWAp. The willingness amongst donors to move towards a SWAp increased during the last

years as confidence amongst donors increased and more donors joined the sector. RNE played an important role in the confidence building amongst parties. However, the draft Code of Conduct does not at all refer to major problems within DNA itself. It just assumes DNA will take the lead. This is worrisome in view of the earlier experiences with DNA with special reference to the ASAS programme.

The RNE Maputo in 2002 positively assessed the opportunities for a SWAp through the ASAS programme. The anticipated advantages did not materialize as DNA did not use the additional funding (and TA opportunities) to solve its major problems and to increase the service delivery. Moreover, other donors did not join GON in the SWAp. The appraisal document was too optimistic.

The opportunities to continue an ASAS type of SWAp are not favorable in view of the limited results reached till present and the lack of confidence of other donors in the process of change towards a more effective coordinating body in the water sector.

In the past harmonization and alignment hardly took place. Recently, efforts to enhance harmonization and alignment were intensified with Netherlands support with special reference to the active Netherlands role in donor coordination resulting in efforts to start a sub-sector common fund ultimately leading to a Swap. The donor community makes progress towards a sub-sector rural SWAp starting with a common policy framework and a common fund.

The recently started rural projects missed the opportunity to strengthen DNA in its future role of planner, facilitator and monitor and missed the opportunity to stimulate the take-off of a rural common fund. The Netherlands RWSS projects focused attention on the acceleration of the achievement of the MDGs.

## 4. OUTPUTS

In this chapter outputs in the fields of policy operationalization, expansion and improvement of institutional development, implementation capacity and sector management, the creation and advancement of public-private partnership, the increase in leadership and ownership as well as the quality of the dialogue will be assessed. Special reference will be made to the GON contribution through its mix of aid modalities in the water sector.

The outputs will be assessed for the four major components of the Netherlands water sector programme : i) the DNA/ASAS sector programme; ii) urban water supply (through four urban project activities); iii) rural water supply and sanitation (through two rural project activities) and; iv) water resources management (for details see chapter 3.2 and 3.3).

### 4.1 Policy operationalisation and implementation

#### **ASAS**

As has been mentioned in section 3.2, ASAS has, because of its contribution to DNA's operational budget, played a facilitating role in the reform process. The newly created institutions FIPAG, CEDESA, ARA's and CRA all benefited from the ASAS funds to consolidate their operations. Furthermore the ASAS contribution to CEDESA resulted in the production of the Rural Water Supply Strategy in collaboration with WSP. ASAS did not contribute to the approval of the National Water Resources Strategy.

The additional study on macro-micro relations in Inhambane Province shows that ASAS funds have not led to better results in the reform process in Inhambane. Not much progress has been made in the decentralisation process in the period 2002 – 2006: decentralisation of funds, preparation of district and provincial plans, establishment of a district based monitoring system and coordination mechanisms have all not taken place or even started. Strengthening of the provincial and district capacities has received little or no attention.

#### ***Urban water supply projects***

The 1995 National Water Policy (NWP) laid the foundation for sector reforms. The World Bank NWDP II project played a major role in the operationalization of policies and institutional reform with regards to the urban water sector. Substantial progress has been made with the urban water sector reform (see also chapter 4.2).

Policies regarding the role of the private sector in urban water supply were worked out in detail and are being tested through Vitens activities in two urban projects. The Netherlands contribution to a temporary Operation & Maintenance fund facilitated the operationalization and implementation of policies leading towards privatization through water companies.

The Netherlands contribution to policy operationalization and implementation has been substantial specially through the NWDP II and the PPP Vitens-Fipag project.

#### ***Rural water supply and sanitation projects***

A Road Map for Rural Water Supply and the Implementation Manual for Rural Water Supply have been prepared and is a major building block for the rural water supply sector. Both Netherlands supported rural WSS projects intend to follow the Implementation Manual for Rural Water Supply. None of these projects played a role in the policy operationalization.

#### ***Water Resources Management (WRM)***

A National Water Resources Strategy is in the process of being prepared but has not been approved<sup>41</sup>. There is no Comprehensive Water Sector Strategic Plan as yet. The Netherlands

---

<sup>41</sup> The Water Management Resources Strategy was approved in August 2007 by the Council of Ministers

does not play a role in the above strategy development. The Netherlands does play an important role in the operationalization and implementation of the SADC policy regarding the cooperation and sustainable utilization of two major river basins.

## **4.2 Institutional development**

### **ASAS**

There are no indications that ASAS funds have been utilised to improve the DNA's own institutional capacity. Only towards the end of ASAS II, there was willingness from DNA to address its institutional constraints. An organisational assessment has been made and an additional fund earmarked for TA to tackle the organisational obstacles was provided by the Netherlands in ASAS III. Furthermore, the support of the organisational consultant (EUROSYS) was called upon to assist in the development of the integrated water sector plan.

At provincial and district level no capacity development has taken place as a result of ASAS support<sup>42</sup>. The good quality of the water and sanitation works Inhambane, financed by the government (including ASAS) is mainly thanks to the capacity development efforts in the province by WB, CIDA and Irish Aid.

### ***Urban water supply projects***

The Netherlands supported World Bank NWDP II played a role in system development through the formulation and final GOM approval of new tariff regulations. The strengthening of FIPAG as an Asset and Investment Fund directly responsible for the functioning of the water companies also is an output of NWDP II as well as to a certain extent from other Netherlands supported urban water projects. Stakeholder participation through the establishment of the independent Regulator (CRA) for urban water services also took place mainly thanks to the NWDP II. Capacity building and human resources development under NWDP II was successful in relation to the newly established institutions, but less successful in relation to the strengthening of the role and responsibilities of DNA (see also chapter 3.2). The Netherlands role in institutional development was positive with special reference to organizational strengthening of the newly created institutions.

### ***Rural water supply and Sanitation projects***

The Netherlands supported projects are implementation projects and did not play a role in system development. Organizational strengthening of government staff at provincial and district level is part and parcel of both projects. Although it is too early to judge the projects contribution to the output in institutional development it became clear that these projects are poorly aligned in management terms (see chapter 3.5). This will inhibit their role in organizational strengthening and human resources development. The establishment of users organizations around rural water points through both projects will contribute to the output in the field of institutional development of grass root level organizations. However, these projects are just starting. Therefore, the remarks made are not evidence based.

### ***Water Resources Management***

Under the PRIMA WRM project a Secretariat for the preparation of an International River Agreement has been established and started to function with TA funded by GON.

### ***Research centre***

An autonomous Mozambican strategic planning and research centre (CEDESA) on water resources was to be established by 2006 to become fully operational in 2008 (MYSP). This idea for such a centre has been abolished by the DNA management within one year.

---

<sup>42</sup> See Annex 5, chapter 4.

### **4.3 Improved implementation capacity and sector management**

#### **General**

*Improved implementation capacity:* The staff situation and composition at provincial level improved in the last five years. Herewith the implementation capacity improved at provincial level. However, the output (number of projects per staff member) varies very much from one year to the other year. The Water Sector Audit (2006) shows that there is no relation between the staff numbers and the workload in rural water supply per province. Consequently, the improved staffing situation does not automatically have a positive effect on the development of the sector. The Netherlands plays a limited role in the improvement of the staffing situation at provincial level through its RWSS projects (CARE and UNICEF). Joint training needs assessments did not take place. Support to relevant training institutes was marginal.

*Sector management and MYSP:* The MYSP clearly states as strategic results that a meaningful sector monitoring system for water supply should be operational in 2006, while such a system for sanitation and WRM should be in place in 2007. Such systems are not in place as yet<sup>43</sup>. The Netherlands through its project and sector programme did not play a positive role in putting such systems in place.

#### **Urban water supply projects**

The urban water supply projects do contribute to an improved implementation capacity and/or sector management through the improvement of the management of urban water supply delivery systems. One of the main components of the two FIPAG/Vitens projects is to establish private water companies that are capable to provide the required services in urban water supply and as such will substantially contribute to higher implementation capacity in urban water supply.

#### **Rural water supply and Sanitation projects**

Constraints for improvement of service delivery in rural and small towns are the deficient flow of investment funds to the provinces and weak planning and implementation capacities. The two Netherlands financed rural WSS projects do not contribute to an improvement of this situation. However, as individual projects, the off-budget funding solves the constraints regarding deficient flow of investment funds. The need for the search for these "alternative funding channels" in collaboration with other donors already has been indicated in the MYSP. The aim is to boost the effectiveness of rural water and sanitation services. However, a structural boost to the effectiveness of the RWSS sector requires more coordinated and sector wide actions and not an increased off-budget funding of individual projects (see also chapter 6). Increased off-budget funding does not contribute to an increased effectiveness of the aid at medium and long term.

#### **Water Resources Management**

The new PRIMA project substantially contributes to the improvement of the implementation capacity in the field of international river agreements with substantial funding for TA.

### **4.4 Improved Public-Private Partnership (PPP)**

#### **General**

During the PRSP process as well as during the preparatory process to formulate a national WRN strategy all type of stakeholders have been consulted. There is no evidence that the private sector has actively been involved.

#### **Urban water supply projects**

---

<sup>43</sup> See also Annex 5, chapter 4.2

The Netherlands supported projects contribute very substantially to an improved public-private partnership. The NWDP II paved the way, while the PPP Vitens-FIPAG project is based on the principles of PPP. This PPP project as well as the new projects will focus on the issue of privatization. It should be emphasized that interesting ideas have been developed and are being implemented within the projects and the sub-sector, but that it will take a number of years before success can be measured.

#### ***Rural water supply and Sanitation projects***

Both rural WSS projects (CARE and UNICEF) indicate in their project documents their intention to support the participation of the private sector in the implementation of activities. Problems regarding the availability of sufficient drilling capacity as well as the quality of the drilling have clearly been identified by a WSP study. A solution requires predictability, transparency, realistic planning, timely funding and improved quality of drilling. These solutions require a joint effort and no isolated project approach (see also chapter 6). The intention to support PPP has not been translated into operational terms in both projects.

### **4.5 Increased leadership and ownership recipient country**

#### ***General***

With the large majority of the water sector being financed by donors through different water organisations and primarily through project aid, the ownership by the recipient country is limited. Furthermore, the water sector in itself is structurally still weakly developed with a number of institutions with varying autonomy and varying capacities and without an institution in a clear leadership role. The issue of ownership has to be judged within this context.

#### ***ASAS***

With regard to DNA it may be concluded that DNA has no ownership over the individual projects, nor has it ownership over the overall development process in the sector. However DNA has full ownership over the utilisation of the ASAS funds, no conditionalities (apart from auditing requirements) were imposed by the Netherlands.

#### ***Urban water supply projects***

Increased funding of the urban sub-sector reflects confidence in FIPAG. It plays a major management role in the preparation and implementation of projects. The ownership of the recipient country/FIPAG will further increase as soon as the sub-sector strategy and plans have been developed and approved.

#### ***Rural water supply and Sanitation projects***

The rural water projects do not contribute to improved leadership of DNA and/or the regional level organizations. The projects are still managed by donors with a marginal role for DNA in planning, monitoring and evaluation. DNA, nor the regional level organizations have ownership over the sub-sector although a sub-sector roadmap has been prepared.

#### ***Water Resources Management***

The PRIMA project will substantially contribute to increased Mozambican (and South African and Swaziland) leadership and ownership over the protection and sustainable utilization of international rivers as the recipient countries are provided with major opportunities for TA as well as for the funding of concrete programmes.

### **4.6 Improved policy dialogue**

In the existing MoU of ASAS the review and dialogue moments indicated are specific for the water sector. With the start of the G-18 Joint Review monitoring and evaluation cycle in



2004, it was agreed between the sector and donors to integrate the ASAS review moments in the annual Joint Review schedule, which foresees an annual PES/PAF Joint review in March/April and a Mid-Term review in August/September. The MOU has not been amended accordingly (ASAS III).

Regarding policy dialogue in the water sector the following is relevant:

- There is no evidence that key problems of DNA (too low in GOM hierarchy, no strategy, no change from implementer into facilitator, no autonomy) have not been addressed during policy dialogues. Moreover, these problems as well as PFM issues, require discussions at ministerial level with MOPH, Planning and Finance. Such discussions have never taken place.
- The ASAS sector programme did not refer to a strategy to be followed and did not include benchmarks and indicators. Without clear benchmarks and monitoring mechanisms a real dialogue cannot take place.
- The Annual Joint Reviews also included the water sector. Worries expressed regarding the water sector during the last few reviews have partly been taken up by GOM. However, a number of major issues related to the sector has not been brought up during the joint reviews (e.g. structural weakness of DNA and what to do about it, lack of strategies and plans, why does it take so long to agree?).

The ASAS sector programme did not lead to an improved policy dialogue.

#### **4.7 Contribution to the improvement of other outputs**

##### ***Transaction costs***

Harmonization and alignment in the water sector is still limited. A sector programme like ASAS should contribute to lower transaction costs. However, this did not take place for the following reasons:

- The Netherlands remained the only donor in the sector programme. No other donors joined.
- The Netherlands requirements regarding reporting were very substantial and not in line with and therefore additional to the GOM reporting requirements. As the Netherlands remained the only donor the transaction costs only increased from GOM.

##### ***Improved macro-meso relations***

Within the water sector macro-meso-micro relations are complex for various reasons:

- DNA is just a Directorate within the Ministry of Public Works. All formal links with the provincial (meso) level are channeled through the Ministry itself and its Provincial directorates of Public Works (see also schedule in annex 3). Apart from these formal linkages all kind of informal linkages do exist between DNA and the provincial and district level, often directly related to individual project activities in which DNA participates.
- FIPAG is an organization responsible for water supply in a number of specific towns. The issue of macro-meso-micro relations is less relevant for the urban water sector.
- At present the responsibilities at meso and micro level for the planning, implementation and monitoring of the water sector are not clearly spelled out. This does not facilitate effective linkages.

As the additional study in Inhambane shows, the decentralization process has – 5 years after the Implementation Manual - progressed very slowly. There is still no decentralization of funds; staff capacity at provincial and district levels is still far from sufficient;

Support to a central government organization like DNA does not facilitate such a relation. Often macro-meso-micro relations get lost due to such a focus of funding the central government through budget support. The Netherlands financed water sector projects focus

mainly on the meso and micro level and also relate to the national level. These projects contribute to improved macro-meso-micro relations provided exchange of information on monitoring and discussions take place with other stakeholders (e.g. DNA).

#### 4.8 Summary assessment contribution to improved outputs

The main question to be answered is : How did progress in the implementation of the Netherlands co-funded activities, specially the SWAp activities affect/change the achievements of the outputs aimed at? To answer this question a summary assessment regarding the contribution to improved outputs is made for the four Netherlands water sector components (sector programme itself, urban projects, rural projects and WRM projects).

**Table 4.1 : Overall assessment Netherlands contribution to improved outputs**

Contribution to improved outputs:	Sector programme	Urban projects	Rural projects	WRM projects
Improvement of contextual factors				
Improved policy operationalization and implementation	ASAS funds facilitated the sector reform to a limited extent <b>2</b>	Major improvement and major GON contribution <b>8</b>	Some improvement very limited role GON <b>2</b>	Improvement in SDAC policy and major role GON in one major basin <b>8</b>
Improved institutional development	Only at the end of ASAS II, attention to institutional issues <b>2</b>	Major improvement and positive role GON <b>8</b>	Improvement mainly in road map, some GON role through strengthening users organizations <b>4</b>	No evidence of improvement <b>1</b>
Improved implementation capacity and (sub)sector management	Very Low <b>1</b>	Limited improvements and small GON role <b>3</b>	Very limited improvements and hardly GON role <b>2</b>	Substantial improvement of the implementation capacity and major role GON <b>7</b>
Improved PPP	Very Low <b>1</b>	Major (potential) improvements and key role GON <b>9</b>	Limited improvements and limited role GON <b>2</b>	No evidence of improvement <b>1</b>
Increased leadership and ownership recipient country	DNA had full ownership over utilization ASAS funds <b>8</b>	Increased leadership but still lack of ownership, positive role GON <b>5</b>	No leadership or ownership and no role GON <b>1</b>	Substantial increase of leadership and ownership and major role GON <b>7</b>
Improved quality of dialogue	No improved dialogue and no GON role <b>2</b>			
Improved other outputs	No lower transaction costs <b>1</b>	No lower transaction costs <b>1</b>	No lower transaction costs <b>1</b>	No lower transaction costs <b>1</b>
<b>Total</b>	<b>17</b>	<b>33</b>	<b>12</b>	<b>25</b>

Source: IOB evaluation mission 2007

Scale 1 to 10 from none (1) to 100% (10) contribution to improved outputs

Based upon the data as provided in table 4.1 the following conclusions can be drawn:

- The Netherlands contribution to improved outputs has been most pronounced in the urban water sector.
- The Netherlands contribution to improved outputs in the rural WSS sector has been very limited (score below average on all aspects).
- The Netherlands contribution to improved outputs has been substantial in the WRM projects for a few aspects.
- The Netherlands programme scores highest on policy operationalization and implementation and lowest on the improvement of the implementation capacity and sector management.

- The ASAS sector programme ensured DNA with full ownership over the utilization of the ASAS funds. There is no evidence that this ownership did translate into higher effectiveness of the aid through the sector programme.

It is unlikely that the restructuring of the water sector will largely be completed in 2008 as the MYSP states as a strategic goal. Progress made during the last four years with special reference to the role and place of DNA has been disappointing and there are no indications that the major constraints will be tackled in the coming years.

## 5. OUTCOME

### 5.1 Sector Performance

#### *Water supply and sanitation*

##### **Coverage according to WHO/UNICEF**

The WHO/UNICEF Joint Monitoring Programme for Water Supply and Sanitation monitors the coverage for water and sanitation, based on national census and household budget surveys by the National Institute of Statistics (INE). The coverage data for water supply and sanitation are provided in the table below.

**Table 5.1: Population and water supply and sanitation coverage data according to WHO/UNICEF**

YEAR	Total Population (million)	% urban population	% rural population with access to		% urban population with access to		% total population with access to	
			Water Supply	Sanitation	Water Supply	Sanitation	Water Supply	Sanitation
1995	15.9	26.2%	24%	12%	83%	49%	39%	22%
2000	17.9	32.1%					41%	27%
2004	19.2	36.8%	25%	16%	77%	51%	42%	31%
2015 (MDG)	22.5	48.2%					66%	56%

Source: WHO/UNICEF, Joint Monitoring Programme for Water Supply and Sanitation, coverage estimates, June 2006, wssinfo.org

The coverage in water supply increased slightly from 39% in 1995 to 42% in 2004, with a small increase in rural water supply from 24% to 25%, but a decrease in urban water supply from 83% to 77% due to the rapid urbanization.

##### **Coverage according to GOM**

Mozambique uses another set of data based on the number of functioning water points and connections and the assumed numbers of consumers. This results in the data set as shown in the table below.

**Table 5.2: Water supply and sanitation coverage data according to GOM**

YEAR	% rural population with access to		% urban population with access to		% total population with access to	
	Water Supply	Sanitation	Water Supply	Sanitation	Water Supply	Sanitation
2000	34%	35%				
2004	41%	33%	36%	33%	40%	33%
2006	43%	35%	38%	39%	42%	37%
2015 (MDG)	70%	50%	70%	80%	70%	65%

Sources:

DNA Annual Report 2006,

DNA, Strategic Plan Rural Water and Sanitation January 2007

Although the average coverage data are more or less in line with the WHO/UNICEF data, there are substantial differences between rural and urban access. The WHO/UNICEF data show much lower rates for rural water & sanitation access, while the urban MDG targets have already almost been met. The GOM data show more or less equal figures for rural and urban.

These differences can be explained from the following: the UNICEF/WHO figures, based on household surveys, relate to the outcome: i.e. the number of households having access to an improved water source and sanitation facility, while the GOM data relate to outputs: the number of available water sources. The assumed number of consumers per water source as used by GOM is subject to debate, known as the 'liberal' against the 'conservative' views.

The liberal view is based on the 500m/500 people norm, meaning that each water point serves 500 people within a distance of 500m. The coverage is calculated on this norm taking into account a factor of 5% water points being annually written off. There is however ample evidence from the field that the existing norm 500m/500 people/water point is far from reality. Several surveys indicate that due to variance and low levels of density in existing local communities, a norm of 200 – 250 people per water point is more realistic (the conservative view). Taking the conservative view of coverage (each point serving 250 persons), the coverage of rural water drinking water would be reduced by 50%: for 2006 this would mean from 43% to 21.5%, which is more in line with the UNICEF/WHO figures. The differences between the two data sets have consequences for planning and priority setting: while the UNICEF/WHO data suggest that high priority should be given to the rural areas, the GOM data allows for an equal approach or a slight priority to urban areas.

GOM also considers different MDG targets (70% for water supply and 65% for sanitation). Although the UNICEF/WHO data seem to be more realistic and suggest that rural areas should receive a higher priority, the GOM data are used in planning, inclusive the MDG targets and are included in the PARPA and the PAF/Strategic matrix.

The reliability of the monitoring system is questioned in several reports<sup>44</sup> and has been subject for review in the additional study in Inhambane (see box 5.1).

#### Box 5.1 Monitoring of coverage rates in Inhambane

The MIPAR envisages an information system based on a regular information flow from Districts to the Province to the central level. The information would contain the state of affairs of the water points, population figures and coverage rates. This information would feed into the provincial data base and subsequently into the national database. Till present no such information system has been established. The DAS received software for the provincial database. In 2003 a provincial inventory has been conducted and the data have entered into the computerized database. However the database is not complete, data are not yet GIS based and the database has not been maintained since 2003.

As a result the coverage rates since 2003 have been estimated based on applied formulas of 500 people/500 m with a correction factor of 5% for breakdowns. According to the DAS database the coverage rate would be as high as 61% in 2006.

However the assumptions used in the applied formula have already been challenged by the Mid Term Review of the Inhambane Water Development Project. The average number of users per water point was found to be 230 people; while the breakdown in the systems was found to be 37% in 2 years (much higher than the assumed annual 5%).

This finding is not specific for Inhambane Province; several reports mention the shortcomings in the monitoring system; also the visit to the DPOPH-DAS in Gaza during the country visit showed the same type of problems in the monitoring system.

The water coverage rate is one of the PAF indicators in the PARPA-II progress monitoring<sup>45</sup>. Based on the experiences in Inhambane and in other provinces, the conclusion can be drawn that the presented coverage rates by DNA is not a very reliable indicator.

#### **Performance Rural Water Supply**

Annually some 800 water points are constructed or rehabilitated. Around 15% is financed by the government and the remaining by a large variety of organizations. The Rural Water Road Map estimates that 30 – 50% is funded by NGOs, while the balance is funded by other donors.

The guiding document for implementation of rural water is the Implementation Manual for Rural Water (MIPAR). The main components are (i) implementation of the demand responsive approach (DRA), (ii) decentralization of planning and implementation, including

<sup>44</sup> See for example: Institutional Review And Interim Report 1, Rural Water Points Installation, Millennium Challenge Corporation (MCC), June 2006.

<sup>45</sup> Since 2007, in PAF only the number of new water points is the only indicator.

the preparation of district level and provincial water plans (iii) involvement of the private sector in service delivery (iv) establishment of coordination mechanisms and (iv) establishment of a district based monitoring system.

The demand responsive approach is in general followed by the DAS and disseminated to the districts and communities<sup>46</sup>. The Pilot Project on the Demand Responsive Approach supported by the WB and CIDA has shown that the DRA can be successfully implemented.<sup>47</sup>

Communities responded well to the programme messages:

- groups have been formed for O&M and health & hygiene;
- communities delivered the appropriate share of capital financing and contribution to O&M;
- communities (O&M groups and trained mechanics) solved most of the repairs;
- there were however no significant changes in community health and hygiene practices.

The expectation is that the approach will lead to an improved O&M in water supply. The first data on the ratio functioning/non-functioning water points do suggest such an improvement (see table 5.3). The main problem in O&M is the availability of spare parts for reasonable prices and at reasonable distances. The expected involvement of the private sector in delivering spare parts has not or not sufficiently taken place.

Decentralisation of the implementation has not taken place yet. DPOPHs and District Administrations are under-staffed and the financial management is still concentrated at the DNA-DAR.

The institutional capacity in Inhambane Province in terms of staff capacity was assessed to be insufficient to effectively implement the decentralisation process. There were however no indications of an insufficient or inadequate financial management capacity; (See Box 5.2)

#### Box 5.2. Institutional Capacity in Inhambane Province

The DAS consist of 9 staff members: the head of the department, 4 technical staff and 4 social staff for community training. Based on interviews, work performance and opinion of the development partners, the performance of the DAS is judged positive.

However the capacity is far from sufficient to cope with the existing water problems in the province. According to the DRA Pilot Impact Evaluation and according to the Head of the DAS, the present capacity is sufficient to handle around 70 construction and rehabilitation works per year; furthermore the DAS is expected to provide technical assistance to the District Administrations, to establish the monitoring system and to prepare a provincial water development plan.

The financial management capacity of the DPOPH seems to be adequate. Interviews with the Head of the financial department (DAF) and the Head of DAS revealed that the DPOPH has had approved audits over the last years. Since 2006, the DPOPH is linked with e-SISTAFE. The utilisation of SISTAFE was reported to have substantially improved the effectiveness and efficiency of the financial management. The problem of low predictability has been solved to a large extent with the introduction of SISTAFE.

At District level, at least one technician for infra-structure (including water) should be present. At this stage only 3 zonal technicians are available for the 12 districts. Furthermore the PDARI provided technicians in five districts, who would be absorbed by the district administrations after project termination. However the future of the five technicians paid by the PDARI is not clear.

The institutional capacity at provincial and district level is in sharp contrast with the capacity at national level with around 200 DNA employees.

Experiences with the involvement of the private sector have been mixed. The evaluation of the Demand Responsive Pilot Project in Inhambane reported:

- The private sector was not well prepared to deliver the community training on DRA
- The costs for drilling of boreholes were high, and quality not uniform

<sup>46</sup> Performance Audit, March 2006

<sup>47</sup> PDARI Mid Term Review, May 2006 and Impact Study PNDA-1, June 2005

- The private sector has not been able to provide a regular flow of spare-parts (one of the main constraints for successful implementation of the DRA)

One of the implementation problems relates to the dispersed character of the construction activities over the various districts, affecting efficiency and cost effectiveness. The Implementation Manual calls for a provincial rural water implementation plan, in order to increase the efficiency in construction, but only one province (Zambezia) has made such a plan. Furthermore an implementation plan contradicts with the principle that districts decide on the planning in water supply.

The provincial implementation capacity is limited. The drilling capacity in the private sector will become a constraining factor with the planned up-scaling of implementation in achieving the MDGs. Furthermore the DAS have a limiting capacity in supervising (quality control) the construction activities. The rural water state companies (EPARs) used to implement all construction activities, but are by now in various stages of privatization and have to compete with private companies.

Coordination mechanisms have in general not yet been established neither at provincial level nor at district level. At best there is information sharing between the DAS and the different organizations involved in rural water supply.

Monitoring in the provinces is based on weak data bases (see also box 5.1). DAS' have no insight in the actual situation in their areas. DAS' have received software for computerized databases, but these have only been implemented with technical assistance in two provinces (Gaza<sup>48</sup> and Zambeze).

### **Performance Urban Water Supply**

Responsibilities for urban water supply are divided between FIPAG for the 18 cities and DNA for the 300 small towns.

The performance of the urban water supply can be summarized as follows:

- The percentage of the urban population with access to improved water supply in fact decreased from 83% in 1995 to 77% in 2004 (see table 5.1). Coverage rates in the cities have remained unchanged on average in the period 2002 – 2005<sup>49</sup>. It appears that despite efforts, improvements in urban water supply can just cope with the population growth.
- The percentage of the urban population with access to improved sanitation increased from 49% in 1995 to 51% in 2004 (see table 5.1).
- A number of construction projects for increase of production and transport capacity are now ongoing in all five cities and will be finished in the course of the year 2007. This will then give rise to a sudden increase of coverage because more people will be connected and supplied with water from existing networks. In the mean time, network expansion projects will kick off in the year 2006 for further coverage of un-served areas (Audit, 2006, p 23).
- After six years of a private operator managing water supply in five cities, these cities have not improved on coverage of water supply services over its inhabitants, even worse, in the best performing city, coverage has decreased. However, the average hours of service increased.
- It means that despite efforts, improvements can just keep pace with population growth but not reach above it. An explanation as given by FIPAG is that the flash floods of 2002 have damaged part of the infrastructure (Maputo, Pemba), while ongoing investment

---

<sup>48</sup> But even in Gaza, the database was not maintained (updated) for the last year (visit to DAS Gaza during country study)

<sup>49</sup> Only in Chokwé (EU support) and in Tete (Danida support) the coverage rates increased substantially, while in Xai Xai the coverage decreased dramatically due to the 2000 floods

projects or studies for their preparation had to be stalled, and attention (and money) had first to be given to rehabilitation of the damaged infrastructure.

- Data show that the operational efficiency in the systems is low due to poor management as a result of insufficient incentives and accountability in the system and the skill shortages (PER, 2003).

The problems in urban water supply are manifold: (i) obsolete water systems often in disrepair, (ii) low efficiency of water companies, (iii) poor management of the systems resulting in low hours of supply, and high unaccounted-for water percentages.

Mozambique has a large number of small towns with a total of 300 piped schemes, only about 25% of which are fully operational. DNA estimated that in 2004 these schemes served about 800,000 rural residents. DNA is rehabilitating/extending some 10 systems per year. The operationalization of the NWP for small towns has started only recently with the drafting of the Manual for Small Piped Water Systems by DNA and by testing it in four towns.

At the moment, 65 % of the people live in rural areas, which in Mozambique includes the small towns. The ongoing urbanization process will inevitably lead, also in Mozambique, to a higher percentage and number of urban population, putting pressure on the urban infrastructure. Small towns have a special position in the reception of rural migrants and therefore deserve much attention for the construction of proper infrastructure amongst which water supply systems. So the topic of small piped systems will gain importance over the years.

The main problems of the small piped schemes can be summarized as follows: i) too low tariffs; ii) poor cost recovery; iii) bad management; iv) high investment costs and; v) lack of interest in finding alternative solutions.

### ***Performance Sanitation***

The sanitation coverage both improved according to the WHO/UNICEF as well as the GOM data base. Mozambique's policy in rural and peri-urban sanitation is the promotion of 'improved traditional latrines' having the minimum hygienic conditions through demonstration programmes. Hygiene training is an integral part of the Rural Water Supply Implementation Manual. Like in rural water supply, the data base on coverage rates is extremely weak.

In urban sanitation, only Maputo and Beira have piped sewerage systems; sanitation in other urban areas is through septic tanks and latrines in peripheral areas. Rehabilitation of the sewerage systems in the main cities (Maputo, Beira) is envisaged in the near future.

### ***Link between water supply and sanitation***

The relationship between water supply and sanitation is weak: the new urban water institution (FIPAG) does not cover sanitation; responsibility for sanitation remains with the municipalities. Planning in improved urban water supply is not accompanied with planning in improved sanitation. The degree of integration between water and sanitation in rural areas is not clear. The Implementation Manual calls for such an integration and the Manual includes hygiene training, but it is not known to which extent this is also being implemented. There is evidence that water and sanitation have been well integrated in some donor funded projects.<sup>50</sup>

### ***Performance Water Resources Management (WRM)***

Due to the importance of the water basins for the economy and for the living conditions of the population, the water resources management has a high priority for the government (Audit, 2006, p 52). Since 2001 DNA is in the process of formulating an International WRM Strategy. GOM gives high priority to signing agreements for a number of shared rivers with neighbors. The impression exists that the government has paid much attention to this sub-sector and has been successful in strategy and policy formulation. Based on their initiatives and these

---

<sup>50</sup> Inhambane WSS project (CIDA), Nampula/Cabo Delgado (CARE), Zambeze (DFID, UNICEF, WaterAid)



policies, the GOM succeeded in the mobilization of substantial sums of donor money for the institutional infrastructure provisions of this water sector, both in the establishment of ARA's as well as the investment in the network of data stations and some dam constructions.

The ARA institutions seem to function reasonably with regard to information management and accountability. They cannot easily become 100% self reliant in their operation and maintenance activities as long as the National Government does not increase the tariffs and does not agree the necessary contracts with large commercial water users as the HCB and the Farmer's Cooperation. ARA's will remain dependent on some large water users for their income and sustainability as it is difficult to register all small consumers, bill them and collect their fees in the end. Private Sector Participation in the finance of the water resources has not come forward.

The achievements regarding the WRM sub-sector during the last five years can be summarized as follows:

- Increasing the country's water storage through the construction and rehabilitation of dams (large as well as small dams), considerable investments have been made and are planned in the coming years in major infrastructure
- Restoration of the country's hydro-climatological measuring network. This activity has gained high attention since the 2000/1 floods
- Undertaking of joint river basin studies
- Establishment of regional water treaties (Interim Inco-Maputo Agreement (IIMA) and River Basin Organizations (LIMCOM and ZAMCOM).

## **5.2 Sustainability of delivery systems**

The concepts of institutional and financial sustainability have been important elements in developing the sector policies and strategies. These concepts were integrated in the sub-sector policies and strategies. The entire reform process in the sector with principles such as decentralization and de-concentration, is geared to achieve sustainability criteria for the water supply and water management infrastructure in the country.

Operational water resources management has been delegated to the Regional Water Administrations (ARA's), which generate income on the basis of issuing licenses for raw water. Tariff laws have been established for raw irrigation water and piped water supplies in the cities. The Netherlands contributed to institutional strengthening of ARA-Sul, which is the only ARA functioning satisfactorily, although financial sustainability is still not assured.

The urban water supply schemes of the five major cities are operating with a Private Operator in a delegated management framework. The role of the state, of the asset-holding public institution FIPAG and of the independent regulatory regime (CRA) is articulated in this framework. Interests that are involved are balanced in such a way that interest of users is safeguarded. The achievement of financial sustainability for the individual water companies is one of the main objectives of the ongoing investment and capacity building projects. Forecasts are that FIPAG will achieve financial sustainability by 2007. This forecast appears to be too optimistic based upon data as available early 2007. The Netherlands co-funded projects play a role in achieving sustainability of urban systems.

The National Water Policy introduced the concept of the demand responsive approach for rural water supply where the government requires an initial contribution from the population before construction of water points is started, and the full responsibility for O&M once the system is handed over. The implementation strategies further define that the target group, of which the women are prime beneficiaries, must participate in all the phases of a project for water supply as a way to guarantee the sustainability of the infrastructure. Government will withdraw from direct implementation of the services. Experiences are positive in the sense that the rural communities are eager to contribute to an improved water supply system.

However, operation and maintenance issues remain problematic and breakdowns of water points are still excessive. The Netherlands projects (CARE and UNICEF) aim at playing an important role from 2006 onwards.

### Less non-functioning water points

There is an improvement in the ratio of non-functioning water points in the last five years. The table below shows the number and percentage of existing and non-functioning rural point sources by province. Over a third of these supplies were not functioning as of 2001. It is interesting to observe that there is an improvement in the ratio of non-functioning water points in the last five years from 35% to 30%. This is possibly the result of the demand driven approach.

**Table 5.3 : Number and Percentage of existing and non-functioning Rural Point Sources by Province, 2001 and 2005**

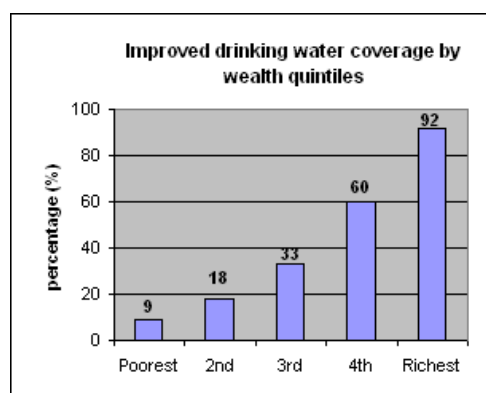
Province	2001			2005		
	Number Existing	Number Not Working	Percent Not Working	Number Existing	Number Not working	Percent not working
	(a)	(b)	(c)=(b)/(a)	(d)	(e)	(f)=(e)/(d)
Niassa	745	219	29%			
Cabo Delgado	1,225	409	33%			
Nampula	1,533	811	53%	2128	1246	58%
Zambezia	1,574	499	32%	2129	569	26%
Tete	1,444	470	33%	1604	435	27%
Manica	1,152	357	31%			
Sofala	1,226	253	21%	1157	143	12%
Inhambane	1,533	770	50%	1854	354	19%
Gaza	1,492	468	31%	1703	459	27%
Maputo	566	136	24%			
Total	12,490	4,392	35%	10575	3206	30%

Source for 2001: Public expenditure Review 2002 data, Finney and Kleemeyer  
Source for 2005: Annual reports DPOPH's

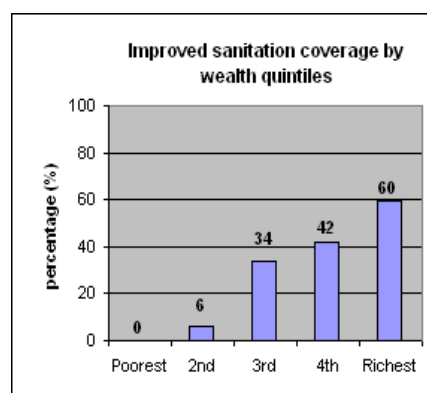
## 5.3 Poverty focus

There are striking disparities between the rich and the poor: the richest having 10 times more likely access to drinking water than the poorest and while the richest have 60% access to sanitation, the poorest 20% have no access.

**Graph 5.1**



**Graph 5.2**



According to the 2002/2003 household survey the poverty incidence in rural areas is still slightly higher (55.2%) than in urban (51.6%). There are however large geographical disparities with Inhambane (81.1%), Maputo (71.0%) Cabo Delgado (62.8%) and Tete (58.7%) having the highest rates of poverty incidence.

The use of sustainable and affordable safe water and sanitation will reduce the direct and indirect health costs of households and health services. Economic gains will primarily benefit women and girls traditionally responsible for collecting domestic water and for health care. Easing the burden of water collection gives them more time to care for children and to attend school. Gender sensitive sanitation facilities in schools will further contribute to girls attendance and retention rates.

#### 5.4 Netherlands contribution to improved service delivery, sustainability of systems and poverty focus 2002-2010

The Netherlands contribution to improved service delivery, sustainability of systems and the poverty focus has been very limited under ASAS I, II and III.<sup>51</sup>

However, this contribution will substantially increase under the recently started rural water supply and sanitation projects and the urban water supply projects.

##### *Improved service delivery*

The Netherlands co-funded drinking water and sanitation projects aim at providing safe water supply to approximately an additional 2.000.000 persons during the nine year period 2002-2010. This means that an additional 222.000 persons per year will receive safe water supply. This means that the Netherlands supported projects will contribute 25% of the additional annual requirements to meet the MDGs over the period 2002-2010. As the Netherlands investments in water supply increases during the period 2002-2010 this means that the percentage for the period 2006-2010 will even be substantially higher.

The Netherlands co-funded drinking water and sanitation projects aim at providing improved sanitation to approximately an additional 1.000.000 persons during the nine year period 2002-2010. This means that an additional 111.000 persons per year will receive improved sanitation. This means that the Netherlands supported projects will contribute 15% of the additional annual requirements to meet the MDGs over the period 2002-2010. As the Netherlands investments in sanitation increases during the period 2002-2010 this means that the percentage for the period 2006-2010 will even be substantially higher.

**Table 5.4 : Basic data number of people with improved water supply and sanitation under the Netherlands funded programme 2002-2010<sup>52</sup>**

Act.nr.	Project name	Total funding in €	GON contribution in €	GON contribution in %	Unit cost per capita in €	Total target group	Number of people benefiting from GON contribution
	NWDP II 1999-2007	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

<sup>51</sup> As discussed in section 3.2, DNA could not provide data on the utilization of ASAS funds; no insight could be gained into the effect of ASAS funds on improved service delivery. The additional study in Inhambane revealed that government including ASAS funds have been used for the rehabilitation of 139 boreholes in the period 2002 – 2006, benefiting around 32,000 people, for a total value of € 365,000, representing 7.7% of the total OGE&ASAS budget for this period. This investment constitutes only 10% of the total provincial rural water investments in the period 2002-2006.

<sup>52</sup> The data provided in this table are based upon very optimistic, non proven assumptions regarding the outcome

14803	ASAS DNA sector support 2002-2008 (data only refer to 2006-2008)	144.300.000	12.450.000	8.6%	97	1.485.690	127.770
14523	CARE Rural water supply 2006-2010	11.570.349	8.282.750	72%	22	520.000	372.245
14570	UNICEF rural water supply and sanitation 2006-2011						Water*: 1.200.000 Sanitation: 1.000.000
12079	PPP Vitens-FIPAG four Southern cities**	2.703.032+ 10.650.000 = 13.353.032	1.040.000	7.8%		97.524	7.596
15321	Five Western towns 2007-2010 bilateral+ORET funds	53.810.800	51.095.617	95%	222	225.000	213.750
	Subtotal						
No DGIS actnr.	FIPAG Maputo water supply project 2007-2010	95.000.000	18.600.000	20%	119	800.000	160.000
	Subtotal drinking water						2.081.361
	Subtotal sanitation						1.000.000
	Macro support						
11617	Drinking water		3.150.000		75		42.000
11617	Sanitation		2.100.000		130		16.154
	<b>Grand total drinking water</b>						<b>2.123.361</b>
	<b>Grand total sanitation</b>						<b>1.016.154</b>

Source: RNE Maputo and headquarters data provided to the General Audit mission April 2007

\* excluding 200.000 rehabilitation and school programme for 260.000 pupils

\*\* Investment costs funded through complementary AfDB project

The Netherlands focus on water supply activities through FIPAG during the period 2006-2010 ignores the fact that FIPAG is not responsible for sanitation and sewerage issues. Urban water supply projects create sanitation, sewerage and drainage problems unless this issue is tackled at the same time. DNA and local structures responsible for sanitation, sewerage and drainage issues are not involved in the urban projects.<sup>53</sup>

### **Contribution to sustainability delivery systems**

The assessment of the Netherlands contribution to improved sustainability is summarized in table 5.5. It should be emphasized that this assessment is based on data as provided in the project documents as evaluation data are still not available.

**Table 5.5 : Summary assessment improved sustainability of delivery systems; GON contribution**

Activity	Better functioning O&M in rural areas	Better functioning management in urban areas	Improved cost recovery urban systems	Better functioning WM and support institutions
Sector Programme (ASAS)	Operationalization policy	-	-	-
PPP Vitens-FIPAG	-	The achievement of financial sustainability for the individual water companies is one of the main objectives of the ongoing investment and capacity building projects. Forecasts are that FIPAG will achieve financial sustainability by 2007.	Systematic approach to improved cost recovery mechanisms	Better functioning FIPAG Better functioning private water companies
Implementation urban water supply	-	See also Vitens-Filag	-	-
Implementation rural water supply (CARE)	Demand driven approach facilitates O&M by	-	-	-

<sup>53</sup> RNE as well as ORET included sanitation in the Chimoio Project as a condition.

	users themselves			
IBRM/WRM	-	-	-	Regional Water Administrations (ARA's) provide operational WRM. They generate income by issuing licenses for raw water. Tariff laws for raw irrigation water and piped water supply in cities.

### **Poverty focus**

The CARE and UNICEF project indicate to target poor people living in rural areas. However, the projects have hardly a specific poverty focus. A pro-poor approach is not actively propagated in none of the Netherlands co-funded projects. In operational terms the implementation projects pay some attention to the issue of the poorest (see table 5.6).

**Table 5.6 : Summary assessment GON contribution to poverty dimension**

Activity	Improved poverty analysis	Improved poverty focus in Water sector policy	Improved focus in operational terms at lower levels	Specific pro-poor approach propagated
Sector Programme (ASAS)	none	none	none	none
Implementation urban water supply	none	none	limited	none
Implementation rural water supply	none	none	limited	none
IBRM/WRM	none	none	none	none

Source:

More specifically regarding the poverty issue the following conclusions can be drawn based upon the Netherlands co-funded programme and projects in the water sector:

- Investments are heavily focused on urban areas without explicitly mentioning the need to provide access of the urban poor to WSS. The fact that the poor pay most for water and that the priority given to improved sanitation is highest in urban slums is not mentioned in the documents. The projects do not contribute to ending the fundamental inequality that poor pay most for their water.
- Standards of standpipe operation and maintenance are low because of poor management models and the lack of attention by private operators and urban utility organizations. Since the poor are especially dependent on standpipes, the improvement of stand pipe service would make an important contribution to urban poverty alleviation. This does not appear to get priority only in the case of the Chimoio project.
- The UNICEF RWSS project indicates its major concern for the poor. However, it does not become clear in which manner the disadvantaged will be reached.
- The investment gap to reach the MDGs is in rural water supply. The Netherlands financial focus on urban water supply does not contribute to bridge this gap. Still most of the poor live in rural areas.

## **5.5 Perspectives for the coming years and role SWAp**

The strategic goal of the MYSP that access to water and sanitation services has increased in 2008 will be met with the Netherlands starting to play a more prominent role as compared to the past (see also chapter 5.4). It is not evident that a more equitable use of water resources in the regions will already be achieved in 2008. The fundamental inequality that poor pay most for water and have least access to water and sanitation, surprisingly no Netherlands strategic goal in the MYSP, will not come to an end during the coming years.

## 5.6 Will MDGs be met?

Annually some 205,000 people gained access to safe water. For sanitation the coverage improved in the same period from 22% to 31% with also large disparities between the rural and urban areas.

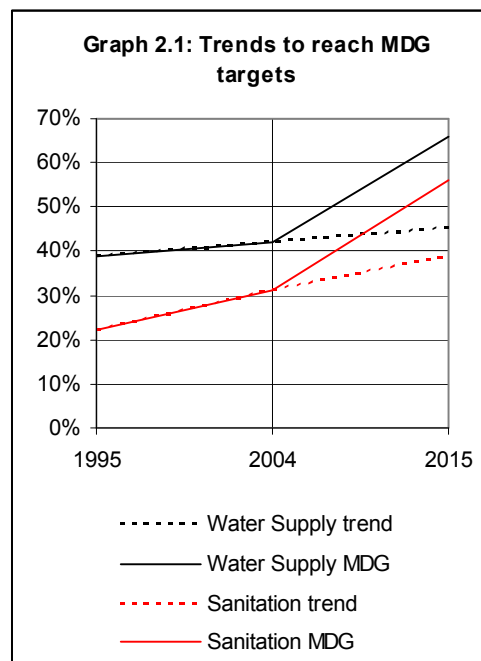
Annually some 280,000 people gained access to sanitation.

Based on 1990 estimates, the MDG targets for water & sanitation have been set by UNICEF/WHO at 66% for water supply and 56% for sanitation.

This means that on average 622,000 people need to gain access annually to drinking water and 600,000 to sanitation, which implies a tripling of the efforts for water supply more than a doubling for sanitation as compared to the present trends (see graph 2.1).

To reach the MDGs in 2015 for water supply (according to data for GOM-DNA and FIPAG) requires that an additional population of 892.000 persons per year should be covered to reach the target of 70% coverage in 2015. This means even a quadrupling as compared to the present trends.

To reach the MDGs in 2015 for sanitation (according to data for GOM-DNA and FIPAG) requires that an additional population of 746.000 persons per year should be covered to reach the target of 60% coverage in 2015 (see also table 5.7). This means a tripling as compared to the present trends.



**Table 5.7 : Coverage targets and investments requirements**

		1990 Access (%)	2005 Access (%)	2015 (MDG) Access (%)	Add Pop to be covered (m/year)	Total Invest New mnl\$	Total invest Rehab mnl\$	Total invest required Mnl\$	Public invest required Mnl\$	Planned public invest Mnl\$	Surplus (funding gap) Mnl\$
Water	Rural	30	41	70	0.566	14	22	36	35	23	(12)
	Urban	33	37	70	0.326	42	12	53	47	44	(3)
	Total	31	40	70	0.892	56	34	89	82	67	(15)
Sanitation	Rural	16	35	50	0.352	1	2	3	0	1	1
	Urban	15	38	80	0.415	15	2	17	2	19	17
	Total	16	36	60	0.746	16	4	20	2	20	18

Source: GOM 2005: DNA and FIPAG 2005, Mozambique MDG outlook WSP 2005

According to the data from DNA/FIPAG/WSP in table 5.7 the funding gap to meet the water related MDGs for rural water supply is highest as compared to urban water supply and sanitation. In view of the data as presented in this paragraph it is unlikely that Mozambique will achieve the water related MDGs in 2015. The Netherlands contribution in trying to achieve the MDGs is very substantial.

## **6. CONCLUSIONS**

### **6.1 Aid policy.**

Dutch aid to the water sector in Mozambique covers a period of almost 30 years. The nature of the support differed considerably during the period 1978-2007. In the first decade Dutch aid focused on the improvement of drainage and sanitation infrastructure in two large cities, Maputo and Beira, supplemented with technical assistance to the National Directorate of Water (DNA). Evaluations concluded that physical construction objectives were basically met, but that the institutional development effort was unsuccessful. In the 1990s the emphasis in Dutch aid to the sector shifted from construction of infrastructure to technical assistance (covering 70% of expenditure), for water management, the improvement of urban and rural drinking water supply and low cost sanitation. The remaining 30% was mainly spent on construction of drinking water facilities. According to an evaluation report the effectiveness of the aid effort differed for the various projects: low effectiveness for urban drinking water and part of rural drinking water, rather high for low cost sanitation. In institutional development, projects focused on the improvement of technical capabilities and were confronted with unfavorable policy conditions, such as severe restrictions on remuneration and advancement imposed by civil service regulations. Subsequently, in 2000 attention shifted to the sector-wide approach, which was formally introduced to the water sector in 2002.

To conclude, the introduction of the sector approach was, in principle, a logical follow-up of previous project support. Yet, this did not mean that conditions for such an approach were in place.

### **6.2 Conditions for applying the sector-wide approach.**

The most important criteria for assessing the potential for the sector approach were the confidence in the political will and capacity of the government to implement sector policy. These criteria were assessed as favorable by the RNE. Although the sector was in the middle of an institutional reform process, considerable progress had been made with the delegated management framework, a start had been made with the sector strategy and expectations were that sub-sector strategies would follow soon. In addition, the first PRSP was operational and the water sector objectives were, according to the RNE, properly included in the document. Moreover, DNA, as leading organization, was assessed positively based on the experiences on its performance in the post-2000 flood rehabilitation programme. Finally, it was anticipated that other donors would join. Therefore, RNE appraised that conditions for a SWAp in the water sector were favorable.

It must be concluded that it was far too optimistic an appraisal of the actual situation. As pointed out in an IOB report of 2000, policies were insufficiently worked out and an overall strategic sector plan and financing strategy were lacking. Moreover, the institutional framework for the management of water resources was very complex and most, if not all, public institutions were characterized by serious human resources constraints manifested in weak planning, budgeting and implementation capacity.

### **6.3 Implementation of the sector-wide approach.**

In spite of the institutional weaknesses and the uncertainties related to institutional reform, the RNE started to provide sector budget support, labeled ASAS, in 2002. RNE decided to channel the funds through DNA, which had received technical assistance from the

Netherlands for some 18 years. Although this had resulted in improved technical capabilities, DNA was confronted with a shortage of staff with adequate management and administrative skills. Not surprisingly, already two years later grave concerns about policy implementation, ineffective flow of funds to provincial level and inadequate financial control led to RNE temporary withholding funds. Funding continued, however, also after a critical appraisal preceding the third phase. RNE continued to consider the budget support through DNA the most effective channel for strengthening the water sector.

The conclusion: the decision for starting and continuing the sector support was not based on a proper assessment of the institutional setting. Insufficient insight in the performance of the sector and of DNA constrained an adequate judgment. Aid flows continued in absence of a better alternative for sector support.

#### **6.4 Results of sector support.**

Financial assistance to DNA through ASAS (Euro 10.7 million for 2003-2006) was chiefly used for general management activities, including as a main item the payment of DNA's debts and arrears in taxes. In addition, about a quarter was spent on rural water supplies. It was not possible to compare this pattern of expenditure with a concrete strategy at the start of the sector funding as no such strategy had been formulated.

In the initial appraisal document, however, the following effects of the contribution to ASAS have been mentioned in broad terms:

- An increase in the allocation of resources to priority activities in the sector: Such an increase materialized for ASAS to a limited extent as most of the ASAS funds were used for general purposes and not for priority activities. Recently general funding for the sector increased substantially through additional donor funding.
- A limited improvement in the implementation of the reform process in the sector. The implementation of the DNA mandate as a policy making and coordinating body did not get off the ground as of yet. FIPAG and CRA became autonomous entities directly reporting to the Minister. Although the Demand Responsive Approach is by now well accepted at the provincial, district and community levels, very low progress has been made in the decentralization process. Implementation in rural water supply is still largely managed from the Centre.
- Better results in the provision of water and sanitation services to the rural and urban population. There are no clear data available regarding increased coverage through DNA/ASAS programme. General data regarding coverage remain confusing as well. The additional study in Inhambane showed that ASAS had a rather limited impact on the provision of water services.

It has to be concluded that the anticipated effects of the GON contribution to DNA through ASAS have been achieved to a limited extent only: improvements in DNA management are not visible, whereas there are only vague indications that improvements in drinking water supply materialized.

The results of sector support compare unfavorably with project support. The co-funded project with the World Bank (NWDP II) contributed substantially to policy operationalization towards the meso and micro levels, public-private partnerships in urban water supply. In addition, it strengthened the institutional framework and facilitated the implementation of urban water supply systems. In addition, support to water resources management strengthened decentralized management of river basins.

With the weak capacity at decentralized levels, it may also not be expected that sector budget support will lead to improved service delivery. The donor financed rural water projects at provincial level are all bring in a certain implementation capacity though a technical assistance component. Most of these projects focus the technical assistance on



implementation of rural water projects, some donors however have been instrumental in capacity building at provincial and district level like DFID/UNICEF in Zambezia, Irish Aid, WB and CIDA in Inhambane. The rehabilitation works funded through OGE & ASAS funds in Inhambane have been successful, but this success may to a certain extent be credited to the capacity building efforts of other donor projects.

The conclusion is that sector support has not been successful, but that improvements in policy have increased the potential for a future sub-sector SWAp.

### **6.5 Factors influencing progress in sector support.**

The limited progress made in the implementation of sector support in the water sector has been influenced by the complex institutional framework, the weaknesses in the institutions involved, the lack of clarity about policies and the reluctance of donors to switch from project aid to sector support. The National Directorate of Water (DNA) was unable to co-ordinate the process towards sector support. This may be surprising in view of the long period of technical assistance it received, chiefly from the Netherlands. TA focused, however, on improving technical capabilities rather than on strengthening of the organization as such and there was little attention for improving administrative and management skills. Also many of the trained staff members left the organization for more lucrative employment with private companies. Moreover, political support for DNA was inadequate, the strategy and priority setting in the sector were not worked out and the final outcome of the on-going process of privatization was uncertain. These latter aspects reflect the lack of clarity about policies and policy implementation. Consequently, most donors had insufficient confidence in the public institutions involved in the SWAp and maintained their preference for project aid. The conclusion is that progress was chiefly inhibited by institutional weaknesses, which were not properly appraised in the preparation phase of sector support.

### **6.6 Harmonization and alignment.**

In general, donor coordination intensified in Mozambique after the introduction of SWAp, which is related to the increase of General and Sector Budget Support in 2000 and the signing of a Memorandum of Understanding in 2004 by 16 donors. However, budget support covers only one-third of the total aid volume and harmonization of project aid is severely limited. Donor coordination primarily deals with exchange of information. For the water sector harmonization in the framework of sector support seems as yet a rather irrelevant issue. In spite of the efforts of the RNE no other donors joined the SWAp.

As a substantial proportion of project aid is off-budget, alignment of donor funding with government rules and regulations is very limited. In the absence of an Integrated Water Resources Management strategy, it is difficult to establish in detail to which extent project aid corresponds with the government's policy framework. The position of the Netherlands is exceptional; it provides non-earmarked sector budget support, leaving ample room to DNA to expend the funds according to its own priorities. This position has changed recently, considering the substantial volume of Dutch project support for rural drinking water supply and sanitation outside the delegated bilateral aid programme and direct to UNICEF.

### **6.7 Lessons learned.**

The lessons learned from the Dutch support to ASAS for a future SWAp can be summarized as follows:

- A (sub) sector strategy and implementation plan is a crucial first condition to encourage donors to participate in sector support.
- On the basis of strategy and implementation plan a common vision may be developed among donors to finance the execution of certain components of the plan. Discussions regarding the draft Code of Conduct fit in this approach.
- It is important to get as many donors as possible on-board from the very beginning. This implies that funding modalities are open to individual donors and also project funding may be incorporated as long as they fit into the implementation plan.
- Institutional development is a crucial component of the SWAp. This involves not only improvement of human capabilities, but also the overall strengthening of organizations in administrative and (financial) management skills, and if necessary changes in the overall institutional environment, such as changes in the legal framework and greater autonomy in employment conditions.
- Along with the increase in confidence in the execution of the plan and the improvements in the institutional setting, aid modalities may be adjusted to achieve more alignment with the government's rules and regulations and increased ownership.

## **6.8 Changing Policies in the Netherlands Support to the Water Sector**

During the period 2002-2005 Dutch aid to the water sector through the delegated programme mainly consisted of ASAS sector support (€ 10.7 million of the total € 17.3 million), while the co-financing the World Bank urban water supply project NWDP II amounted to € 5.8 million. In 2006 new project activities started in rural and urban water supply: (i) through the bilateral delegated programme (Euro 8 million for CARE rural water supply and Euro 23.5 million for the Five Towns Water Supply Project), (ii) through the centrally managed funds (USD 27 million for UNICEF rural water supply and sanitation) and (iii) through the ORET programme (Euro 41 million for urban water supply to the Five Towns WSS project and Maputo water supply through FIPAG). The total planned amount for the ASAS sector programme is Euro 20 million over the period 2002-2008, of which approximately 50% has been spent till present. Project support with special reference to support to the rural and urban drinking water sub-sectors will become more dominant in future and the relative importance of the sector support will decrease.

Because of the disappointing results of sector support, the Netherlands diversified its aid to the water sector from 2005-2006 onwards. According to the MYSP 2005-2008, there will again be room for direct support through government agencies and civil society organizations to enhance institutional capacity, test innovative approaches, improve the quality of services and overcome specific bottlenecks. This diversification involves rural drinking water support through CARE from delegated funds, through UNICEF from centrally managed funds and investments in urban water supply through delegated funds and ORET. As a consequence of this return to project aid the role of the national coordinating institution DNA has been reduced.

In this respect, one may challenge the RNE choices for project aid (CARE, UNICEF) in rural water supply. The additional study in Inhambane Province shows that alignment with the DPOPH-DAS and harmonization with other donors is possible. IA and CIDA are supporting the DPOPH-DAS with budget support and limited technical assistance and are in this way creating a provincial (de-centralised) SWAp. Also the DfID supported water & sanitation project in Zambezia was to a great extent aligned with the DAS and contributed to policy development at decentralized level.

One may conclude in the hindsight that the rejection of the RNE proposal by The Hague in 2000 to continue the Nampula regional programme - though through a more sectoral approach - has been a lost opportunity. It would have been much more effective and efficient

to initiate a water sector support programme at decentralized level in Nampula province where the RNE had a long experience and a good reputation.

It may also be concluded that Dutch aid policy to the water sector in Mozambique has not been very consistent. Although the diversification of modalities is in line with Dutch aid policy after 2003, it also hampers harmonization and alignment and reduces ownership of the recipient government, and as such is less consistent with other objectives of Dutch aid and international agreements signed by the Netherlands.

## **6.9 Recent improvement of conditions for SWAp.**

From the previous paragraphs it becomes clear that the ASAS sector programme has not been very successful, but that the conditions for a sub-sectoral SWAp did improve. For the evaluation of progress towards SWAp three components have been identified in the TOR. Progress has been made in two out of the three components:

- Contribution to the fulfillment of the conditions for SWAp in terms of policy formulation and operationalization towards the meso and micro levels, improved public-private partnership, institutional strengthening and streamlining of the project portfolio towards sector support mainly through the urban and international rivers projects and to a lesser extent through the rural projects. More specifically, the following conclusions can be drawn:
  - The Netherlands contribution to improved outputs has been most pronounced in the urban water sector. The Netherlands contribution to improved outputs in the rural WSS sector has been very limited (score below average on all aspects).
  - The Netherlands contribution to improved outputs has been substantial in the WRM projects for a few aspects.
  - The Netherlands programme scores highest on policy operationalization and institutional development and lowest on the improvement of the implementation capacity and sector management.
  - From all Netherlands supported projects the Netherlands co-funded World Bank NWDP II contributed most (as compared to other projects) to the improvement of outputs with special reference to policy operationalization, institutional development and implementation in the urban water supply.
- Intensification of coordination with other donors towards harmonization and alignment is recently slowly getting off the ground. RNE Maputo plays a role in moving the sector towards a better harmonization and alignment although also “conflicting actions” are being implemented by the Netherlands at the same time (e.g. UNICEF and CARE RWSS programme implemented in isolation of DNA)

No improvement was made in the third component: the changes in aid modalities in terms of decrease of project aid and a shift to basket funding, pooled funding and sector budget support. On the contrary, the percentage of Netherlands funding to individual projects will increase over the next five years.

Although the conditions for a general SWAp in the water sector remain unfavorable, the situation has improved recently for a sub-sector SWAp in the field of rural drinking water supply and sanitation. A strategic plan for the sub-sector has been formulated, which has received increased interest from donors. Also, harmonization of aid efforts for the sub-sector has become manifest from a Code of Conduct for donor support, designed by DNA together with the major donors. Moreover, there are indications that several donors are prepared to participate in such a sub-sector SWAp provided pooled funding is the preferred aid modality. Of course, institutional weaknesses continue to be a crucial implementation constraint, both

at the national (DNA) level and at provincial/district level, which has to be addressed in the early phase of implementation.

Conclusion: this approach would mean a de facto continuation of project aid in the context of a clear policy framework, which coupled with institutional strengthening would be a first step towards a full-fledged sector approach.

#### **6.10 Possible options**

- In view of the results of ASAS, sector support as provided under ASAS has no comparative advantage over GBS. If RNE wishes to continue in the same way, it could channel its funds through GBS and terminate with ASAS in 2008. However, GBS will not contribute to the solution of specific problems in the water sector under the present circumstances.
- DNA will continue to be (or will have to perform as) an apex organisation for the water sector. In view of the existing constraints, DNA would be better assisted by a focussed institutional support programme. The present institutional support activities (GON, RDC) are however of a too small scale to overcome the identified problems. An institutional development programme should be comprehensive (attacking all identified constraints) and with a clear timeframe (missing now). There might be resistance against such a programme due to the identified 'status quo' attitude within DNA and the lack of a political willingness.
- There are perspectives for a sub-SWAP rural water sector. The outline for such a sub-SWAP has already been made (DFID, AfDB, SDC). RNE should (continue to) focus on the establishment of the rural water SWAP. TA is indispensable there, especially to strengthen the capacities at decentralised levels. A major condition is that GOM provides/transfers sufficient staff to decentralised levels; again an issue of political willingness. Efforts of the Netherlands Embassy in the late 90s to provide structural SWAp support at regional level in Nampula did not materialize. It would be interesting to consider the option of sub-sector SWAp for Nampula and other provinces.