

# Financial absorption in the water, sanitation and hygiene sector<sup>1</sup>

## Mozambique case study



WaterAid/Panos/Adam Patterson

WaterAid commissioned Development Finance International (DFI) to carry out analysis of financial absorption in the water, sanitation and hygiene sector in five countries to identify the prevalence of low financial absorption, and help identify key steps and conditions for achieving higher future levels of absorption and effective spending. These studies help shed light on the paradox of under-resourced water, sanitation and hygiene sectors (and the high levels of water and sanitation poverty they cause) in countries where funds are available but unused. The studies highlight the cases of Ethiopia, Mozambique, Rwanda, South Africa and Uganda – all of which have had varying degrees of success in terms of improvements to financial absorption. These countries are also in various stages of decentralisation, which can help to frame lessons for future improvements in other countries. Addressing financial absorption constraints is an important part of the process to strengthen the water, sanitation and hygiene sector and provide a platform for achieving universal access by 2030. The studies, therefore, try also to identify key recommendations on which WaterAid can draw for future actions to improve financial absorption.

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## Acronyms

ARA	Regional Water Administration
CGE	General State Account
CRA	Water Regulatory Council
DFI	Development Finance International
DFID	Department for International Development
DNA	National Directorate of Water
FIPAG Water	Supply Investment and Asset Fund
DHS	Demographic Health Survey
DPOPH	Provincial Directorate of Public Works and Housing
INE	National Office of Statistics
MCA	Millennium Challenge Account
MDB	Millennium Development Goal
MOPH	Ministry of Public Works and Housing
ODA	Official Development Assistance
PRONASAR	National Programme for Rural Sanitation and Water
SDG	Sustainable Development Goal
WASH	Water, Sanitation and Hygiene

## Executive summary

This study aims to identify the main causes of low financial absorption in the water and sanitation sector in Mozambique, and the steps and conditions necessary to ensure higher levels of absorption and utilisation of expenditure.

Donors often argue that weak financial management is responsible for the failure to ensure the use of funds available for water and sanitation programmes. Previous WaterAid studies show that donor funds are subject to lower absorption rates than domestic resources allocated by the Ministry of Finance.

Reasons for low financial absorption vary considerably, and may relate to human resource capacities, difficulties in the supply chain, high transaction costs incurred as a result of donor procurement and reporting procedures, or weak fiscal decentralisation. Tackling the barriers to the effective absorption of financial resources is an important part in the process of ensuring universal access to water, sanitation and hygiene by 2030.

This study reveals that in Mozambique, financial absorption depends on many factors, including the planning and financial management of the water sector. The study also indicates that the proportion of domestic resources for water is increasing, as donor funding is falling. There is also a significant imbalance between current and capital funds for the water, sanitation and hygiene (WASH) sector, possibly leading to long-term difficulties in maintaining the sector's infrastructure.

The study discusses the need to raise domestic revenues to cover funds currently being lost by the reduction of external financing to the sector: unless this is maintained, the drop in financing could reverse the significant achievements in Mozambique in terms of access to safe water and basic sanitation for the entire population by 2030.

On the other hand, donors should also be encouraged to work within the national financial system, and channel funds through the national treasury, to ensure flow of information and coordination of funding and thus reduce the transaction costs of institutions involved in water and sanitation. This will contribute to an increase in the absorption capacity of external funds.

Finally, obtaining and analysing good-quality data to enable robust tracking of WASH-related spending and absorption was a cause for concern in this study: improving absorption will require improving understanding of precisely what is being spent (or not) at different levels on different sub-sectors in the WASH sector in order to analyse in greater detail where bottlenecks in funding exist.

## 1. Introduction

### 1.1 National context

This study aims to identify the main causes of low financial absorption capacity in the water and sanitation sector in Mozambique, and the steps and conditions necessary to ensure higher levels of absorption and utilisation of expenditure.

The report shows the differences between the financing of water and sanitation sector and the absorption of these funds for the implementation of sector activities for the achievement of national targets and the Millennium Development Goals for WASH.

In 2012, Mozambique had an estimated population of 23.7 million people, with an estimated annual growth rate of 2.8%. Life expectancy is 52.8 years, and infant mortality remains high, albeit with significant and ongoing reductions, at 84.5 per 1,000 live births (compared to an infant mortality rate of 133 per 1,000 live births in 1997).

Mozambique's population is relatively young. The median age decreased from 17.4 years in 1997 to 17.1 years in 2011. The rate of HIV prevalence was estimated at 11.5% in 2011.<sup>2</sup>

Mozambique's economy grew between 6.4% and 7.6% in the period 2009 to 2014. Inflation has been relatively low, with a peak rate of 16.6% in 2010, and an inflation rate of 2.4% in 2014. Government revenues relative to GDP are increasing, standing at 35.2% in 2012. External contributions to the State Budget (OE) fell from 14.7% of GDP to 10.4% in the same period, while domestic revenues increased from 17.8% of GDP to 24.8%. Public debt also fell during this period, from 43.9% to 40.4%, before climbing to 56.8% in 2014, as shown in Table 1.

**Table 1: National data**

Description	2009	2010	2011	2012	2013	2014
GDP Annual growth %	6.4%	6.5%	7.3%	7.2%	7.4%	7.6%
Inflation	4.4%	16.6%	5.5%	2.2%	4.2%	2.4%
Government revenues as a % of GDP	32.5%	34.9%	34.5%	35.2%	..	..
Internal revenues as % of GDP	17.8%	21.6%	22.9%	24.8%	22.9%	23.4%
Other (including grants)	14.7%	13.3%	11.6%	10.4%	..	..
Expenditures/GDP	31.5%	33.3%	35.0%	35.4%	35.0%	41.4%
Public debt as % of GDP	43.9%	43.6%	40.0%	40.4%	..	56.8%
Of which external debt	39.4%	37.8%	33.6%	34.6%	..	..
Exchange rates (Meticais/US\$)	28	32.6	29.1	28.4	29.9	34.0

**Source:** Indicadores Macroeconómicos, 2012, African Economic Outlook, 2015.

## 1.2 Water, sanitation and the Millennium Development Goals

Access to water and sanitation in Mozambique has generally improved since 1990. Nonetheless, Mozambique did not achieve Millennium Development Goal (MDG) Target 7c,<sup>3</sup> to halve the proportion of people without access to safe drinking water and basic sanitation. The Demographic Health Survey (DHS) conducted in 2011 by the National Statistics Institute (INE) noted that, overall, across Mozambique 51% of households drink water from improved water sources. Sanitation fares worse, with only 22% of families served by their own (not shared) sanitation facilities. Of those, 44% are in urban areas and 12% in rural areas.

The latest WHO/UNICEF Joint Monitoring Program update for Water Supply and Sanitation estimated that water supply coverage was 37% of the rural population and sanitation coverage was 10% in 2015.<sup>4</sup> Urban areas are better off with 81% of population served by improved water sources, and 42% by improved sanitation services. The national coverage was 51% for access to improved water and 21% for access to improved sanitation. The equivalent 2015 MDG targets are 67% and 54.5%, and although the country made moderate progress towards achieving the water MDG target, it made very limited progress on sanitation.

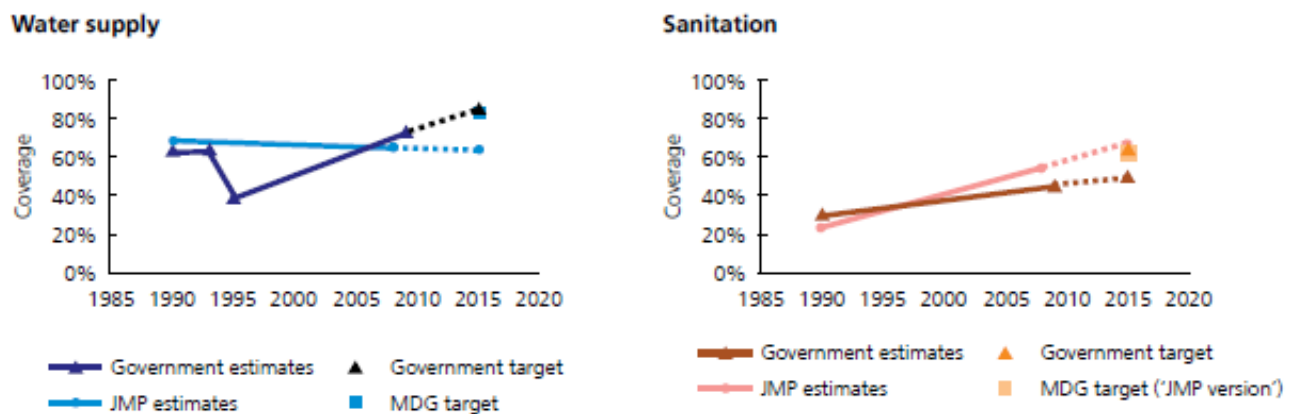
Poor progress on ensuring access to sanitation and safe water, and lack of hygiene, contribute to poor health and nutrition outcomes and impact on the ability to meet



other MDGs in Mozambique, especially health/malnutrition-related goals. This is critically important considering the under-five mortality rate is 98/1,000<sup>5</sup> and 43% of children under five are severely or moderately stunted.<sup>6</sup>

In 2007, the government approved the National Policy of Water and the National Strategy for Water Resources Management. The main objectives of these strategies are, among others, to meet the basic needs in terms of water consumption and improved sanitation, and ensure the protection of water resources and environmental sustainability. These two government instruments were adopted in response to the need to ensure the supply of good-quality water and improved sanitation, in line with the Millennium Development Goals, and remain key policy documents for the 2030 Agenda for Sustainable Development.

**Figure 1: Progress in coverage<sup>7</sup>**



Sources: JMP 2010 Report and MININFRA.

### 1.3 WASH sector in Mozambique

At national level In Mozambique, the water and sanitation sector is led by the Ministry of Public Works and Housing (MOPH). Within the Ministry, the National Water Directorate (DNA) is responsible for policy setting, planning, monitoring, and reporting for rural water supply and sanitation. There are also several institutions that work in this sector under the aegis of the MOPH, such as the Administration of Water and Sanitation Infrastructure (AIAS) which works for the provision water and sanitation for small towns and rural areas; the Regional Water Administrations (ARAs) that regulate the use of river basins waters; the Water Supply Investment and Asset Fund (FIPAG) whose responsibility is to supply water for large cities and towns; and the Water Regulatory Council (CRA) that governs the water sector. Until 2013, the US government has financed the Millennium Challenge Account (MCA) – a project to provide water and sanitation services for medium-sized towns.

Mozambique is divided into five water administrative regions (ARAs). These regions are responsible for management of the river basins and various provinces. In the southern area of Mozambique there is the Regional Administration of Water of the South that works in Maputo, Gaza and Inhambane provinces. The ARA Central body works in the provinces of Sofala and Manica. ARA Zambezi works in the provinces of Zambezia and Tete, in particular in relation to the Zambezi River water management. The Northern-Central Administration of the Water works in the provinces of Nampula and Zambezia, and the Administration of the Northern Water directs the provinces of Cabo Delgado and Niassa.

The Government of Mozambique established the National Rural Water Supply and Sanitation Programme (PRONASAR) in 2010, made up of individual projects and supported through a Common Fund. The PRONASAR is funded by the government of Mozambique and various donors who finance the activities through a common fund for this purpose (essentially the national Sector Wide Approach, SWAp). Provincial programmes also include an education component via local media for sensitisation of communities to the good habits of sanitation and latrine construction.

The Provincial Directorates of Public Works and Housing (DPOPH) also provide water and sanitation services in the provinces, particularly via PRONASAR and other projects. PRONASAR has provided a relatively effective platform for the government and many development partners to invest in rural WASH services.<sup>8</sup>

## 1.4 Methodology

This study provides data of national level budgets and spending, and data from various provinces, and attempts to explore in a little more detail two local government areas/districts.<sup>9</sup> The Sofala and Manica provinces were chosen for this study because of their low levels of absorption. However, it was difficult to do more detailed analysis in these regions and gain greater understanding because of poor data availability and lack of other relevant information.

The study uses data for all provinces and examines the allocation of resources and expenditure in this area by the Ministry of Public Works and Housing (the Ministry that leads WASH). The final result is to provide national-level budget and expenditure data. In addition, the study compares budgets and expenditure between provinces. The period 2011 to 2014 is covered with information sourced from the General State Account for 2011 to 2013 and from the approved law on the budget for 2014.

In order to better inform the analysis, some interviews were conducted with the DNA (National Directorate of Water) and Provincial Directors of Public Works and Housing, Finance and Planning and Development Ministries, as well as the African Development Bank as the focal point for Water and Sanitation in the Programme Aid Partnership.<sup>10</sup>



## 1.5 Data issues in Mozambique

As the water and sanitation budget is split between several institutional structures it can be difficult to analyse actual expenditure levels across all levels of the budget. The WASH budget is held within the Ministry of Public Works and Housing (MOPH), which holds responsibility also for construction and housing, making detailed and specific analysis of the WASH budget more complex.

The DPOPH similarly also includes construction and housing as well as WASH, and this can lead to an overestimation of funds available for WASH in the provinces; some specific WASH-absorption issues may become clouded because of this. However, in interviews carried out to identify spending/absorption issues through the DNA and the Sofala and Inhambane provinces, it was confirmed that most of the DPOPH investment budget is devoted to the water sector (Annex 8). It is also worth noting that reported investments in the water sector do not include the multipurpose dams that may have irrigation, flood-control and drinking water components. This would need to be considered and disaggregated for a more accurate assessment of investment needs for national and global targets, including the new SDG targets.

Information on provincial budgets and expenditure refers to the Provincial Directorates of Public Works and Housing (DPOPH). It was not possible to determine the exact share of WASH included in provincial budgets because both the reports and the 2014 budget do not disaggregate these expenditures. It is also currently impossible to separate expenditures on water supply from those on sanitation for rural areas, as they are jointly reported on. In future it will be necessary to identify expenditure broken down by provincial water administration too, in order to do a full calculation of absorption levels – this makes detailed analysis at different levels very difficult.

It is clear that in order to be better able to address the needs to scale-up WASH – especially to work towards universal water and sanitation access – it will be necessary to be able to identify fully spending targeted at reaching the goals of clean water and sanitation provision, right down to the absorption and actual expenditure in different provinces. It is worth noting that the DPOH has tasked the DNA with reporting in future on the sector's budgets and expenditure; this will mean investing in a system to track total water and sanitation budgets and expenditures.

## 2. Examination of the national budget and expenditure between 2011-2014

### 2.1 Past financing trends and estimated financing gaps

During the past decade, funding levels and disbursement amounts have steadily climbed, and outputs have consequently doubled or tripled. By 2008, annual sector budgets had increased by 150% on 2003-05 levels. During the

same period, due to efforts by the Government of Mozambique to capture (under the budget system) as much funding as possible, it is now likely that upwards of 95% of all sector funding is ‘on-budget’, though not all is actually disbursed through the single treasury account.<sup>11</sup> Official Development Assistance (ODA) still makes up the majority of WASH sector financing, at around 85%.<sup>12</sup>

However, even with these positive developments, in 2011 it was estimated that \$116 million per year would be required in water supply capital expenditure to meet the MDGs in Mozambique. For sanitation, the shortfall in investment was much larger. Even assuming that households would contribute around 50% of the total costs of urban sanitation infrastructure, and around 40% in rural areas, it was anticipated that public investment of \$35 million per year would only leverage a further \$22 million from households – only half of the \$113 million required. See Table 2 for more information on gaps.<sup>13</sup>

Interestingly, according to calculations by the African Ministers’ Council on Water (AMCOW) 2nd Country Status Overview (CSO2), once costings are disaggregated to sub-sector level, urban water supply appears to have sufficient finance (Table 2), although there are deficits in other sectors (i.e. rural water or sanitation. The same conclusions were drawn using different data (substituting in JMP/ INE coverage and population data, and the MDG targets).<sup>14</sup>

**Table 2: Gaps in availability of rural and urban water and sanitation finance**

	Coverage			Population requiring access	CAPEX requirements		Anticipated public CAPEX			Assumed HH CAPEX	Deficit
	1990	2008	2015		Total	Public	Domes	Externa	Total		
	%	%	%		’000/year	US\$ million/year					
Rural water	30%	52%	70%	591	41	40	6	20	26	1	14
Urban water	35%	50%	70%	460	75	75	13	73	86	0	-
<b>Water supply</b>	<b>31%</b>	<b>51%</b>	<b>70%</b>	<b>1.051</b>	<b>116</b>	<b>115</b>	<b>19</b>	<b>94</b>	<b>113</b>	<b>1</b>	<b>3</b>
Rural sanitation	16%	40%	50%	353	40	21	1	2	3	2	34
Urban	15%	55%	80%	555	73	46	4	29	33	20	21
<b>Sanitation total</b>	<b>16%</b>	<b>45%</b>	<b>60%</b>	<b>849</b>	<b>113</b>	<b>66</b>	<b>5</b>	<b>31</b>	<b>35</b>	<b>22</b>	<b>55</b>

**Sources:** For coverage data: DNA; for investment data: CSO2 costing; note: some rounding errors.

In spite of all these positive developments, donor and government efficiency in the use of funds needs to improve, as the above costing gaps are likely to be underestimations of actual amounts, given that commitments do not always lead to disbursements. This is all the more important given the additional

demands on financing presented by the SDG 6 targets to achieve universal access to water and sanitation by 2030.

## 2.2 WASH budget % expenditure trends 2011-13 – central government level

Total expenditures for the WASH sector have been kept at around 4% of government expenditures over the period under review with minor changes (see Table 3). Between 2010 and 2013 both the budget and sector spending have grown in absolute terms, following the growth of the state budget. The budget in 2014 had increased 45% from the previous year as can be seen from Table 3.

**Table 3: Budget and expenditure 2011-2013**

Water and sanitation	Budget	Expenditure	Budget increase	Expenditure increase	Share of government budget	Share of government expenditure
2011	6,548	5,464	18.4%	16.4%	4.7%	4.8%
2012	7,036	6,265	7.4%	14.7%	4.8%	4.7%
2013	7,003	6,513	-0.5%	4.0%	4.0%	4.0%
2014	10,148.1	-	45%		4.6%	

**Source:** Conta Geral do Estado 2011, 2012, 2013, and budget 2014, million meticaís.

Mozambique's water and sanitation sector budget grew by 18% between 2010 and 2011, and by 7.4% in 2012 before decreasing slightly in 2013. Spending grew during the same period, but at a decreasing rate. From 2010 to 2011, spending increased 16% and from 2012 to 2013 it increased by only 4%.

The biggest share of the budget is devoted to capital/investment (around 99%). In 2013, 86% of the investment budget came from external financial sources, so it is clear that donor aid makes up by far the largest share of the total WASH budget. The share of the sector in total government expenditure decreased slightly from 4.8% to 4% in 2013. In 2014, the budget share was at 4.6%.

## 2.1 Analysis of recurrent spending

The recurrent budget for water and sanitation is about 1% of the total budget for this sector, and given the relatively small amount dedicated to recurrent spending, this study focuses largely on capital spending.

However, recurrent spending trends are worth a brief analysis. In 2011 the recurrent budget was 64 million meticaís, of which only 71% was absorbed by the sector. Infrastructure – with only 5% of the budget spent – was the area mainly responsible

for the low level of expenditure (see Table 4). In 2012 the sector budget was reduced by about half, probably as a result of low utilisation of funds in 2011. The 2012 budget implementation was almost 100%.

In 2013, the recurrent budget more than doubled, but financial absorption was also about half the budgeted amount. This low performance was the result in particular of low implementation in the Water Regulatory Council, Administration of Infrastructure and in the Regional Water Administrations (central provinces). Table shows the budget and execution from 2011 until 2013, according to the State Budget Account.

**Table 4: Current budget and expenditure in water from 2011–13 and budget 2014 (million meticais)**

Priority Sectors	Current budget 2011			Current budget 2012			Current budget 2013			Current budget 2014
	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	
<b>Water (total)</b>	63,993	45,133	71%	34,686	34,106	98%	73,75	50,17	68%	71,60
Ministry of Housing & Public Work-Water National Directorate	0	0	0%	0	0	0%	0	0	0%	0,00
Infrastructures of Water and Sanitation Administration	18,283	0,959	5%	3,742	3,697	99%	10,435	7,923	76%	12,51
Regional Water Administration (North)	3,414	3,39	99%	4,443	4,443	100%	7,099	7,099	100%	7,38
Regional Water Administration (Northern / Central prov.)	3,648	3,555	97%	3,871	3,871	100%	8,081	8,081	100%	9,00
Regional Water Administration (Zambezi)	5,607	5,577	99%	6,606	6,605	100%	8,188	8,163	100%	9,08
Regional Water Administration (Central)	0	0	0%	3,53	3,502	0%	10,037	6,337	63%	12,05
Regional Water Administration (South)	9,689	9,669	100%	8,808	8,79	100%	9,126	9,124	100%	10,26
Investment Fund and Patrimony of Water Supply	0	0	0%	0	0	0%	0	0	0%	0,00
Regulation of Water Supply Council	23,352	21,983	94%	3,686	3,198	87%	20,783	3,443	17%	11,32
MCA - Water Supply and Sanitation Proj.	0	0	0%	0	0	0%	0	0	0%	0

**Source:** CGE 2011, 2012 and 2013, Budget 2014.

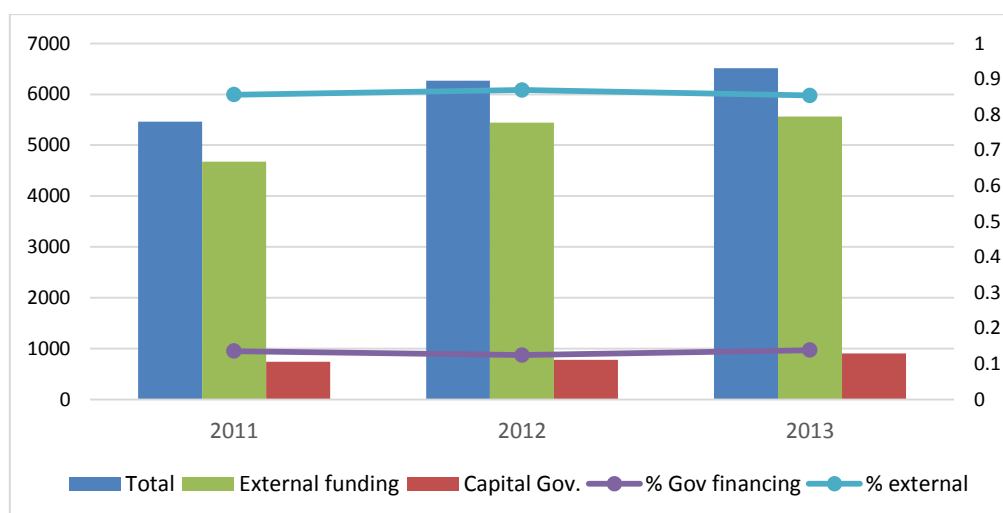
In general, the execution of recurrent budget is commensurate with other sectors. However, there are variations in absorption in different areas of the budget. At central level, the Administration of Water and Sanitation Infrastructure in 2011 spent only 5% of the budgeted amount. Other institutions implemented more than 94% of the current budget allocated to them. In 2013, there were fluctuations in the utilisation of the budget, with the CRA spending only 17% of its budget. Other institutions with low execution rates in 2013 were the Regional Water Administration Centre with 63% and the Board of Water and Sanitation Infrastructure with 76%. The recurrent budget for 2014 was 3% less than in 2013, mostly because of the reduction in the budget of the CRA. This reduction is most likely related to the low financial absorption in 2013.

## 2.2 Capital/investment budget

Most of the budget and expenditure for the water and sanitation sector (about 99% in 2013) at central government level is for investment. In practice the largest proportion is dedicated to capital/investment in water supply, with the Water Supply Investment and Asset Fund (FIPAG – the corporate body that oversees and supplies water to large cities and towns) accounting for about 50% of the total budget allocation and 46% of the total of all spending in 2011.

In 2011, three organisations accounted for 92% of total capital spending to the sector: FIPAG accounted for 46%, the MOPH for 29%, and the Millennium Challenge Account (MCA) for 17%. Although MCA is not under the MOPH, its spending is counted as an investment in water and sanitation. FIPAG and MOPH account for 75% of total investment. The proportion of sector investment funds accounted for by FIPAG, MOPH and MCA has declined from 2011 to 2013, however. FIPAG underwent the biggest decline from 46% in 2011 to 14% in 2013. This reduction partly reflected the fact that FIPAG has recently made significant investments in urban water supply facilities, and sector investments were adjusted to meet other priorities.<sup>15</sup>

**Figure 2: Distribution of capital expenditure by source of financing (million meticais)**



Source: CGE 2011, 2012, 2013.

Between 2011 and 2013 FIPAG, MCA and the MOPH's combined share of the sector's capital budget reduced by 11% from 92% to 81%. While FIPAG's share fell, MCA increased its share of the budget from 17% to 42% and the MOPH also increased its share to 23% in 2013.<sup>16</sup> In relative and absolute terms there was a

reduction in funding to water supply and sanitation, as a result of the reduction of external finance.

As noted above, the investment budget for the water and sanitation sector is funded largely through donor support – including grants and loans – and so the reduction of external finance therefore raises real concerns in terms of the investment sustainability and capacity of government institutions to maintain infrastructure meet infrastructure deficits once the external financing ends. The share of the budget financed by external sources made up about 85% of this amount in the period. Figure 2 shows a breakdown of the investment budget.

In 2014 the investment budget increased by 48%, reflecting increases in the MoPH budget as well as provincial and centrally financed water and sanitation projects (see table in the annex for more information on these figures).

**Figure 3: State budget and absorption of capital, 2011-2013 (million meticais)**



**Source:** CGE 2011, 2012, 2013; Budget 2014

From 2011 to 2013 the water and sanitation budget increased by 7%, and financial absorption increased by 19%. There was a substantial rise in the MCA budget as well as increases in the budgets of the Regional Water Administrations in the North and South. The Regional Water Administrations in North-Central and Zambezi did not attract external funds during this period, and external financing for the Regional Water Administration in the North was reduced in 2014.



Figure 3 shows total budget and spending in the water and sanitation sector between 2011 and 2013, and the annex shows the breakdown in more detail. The financial absorption of the State budget increased from 83% in 2011 to 93% in 2013.

### 2.3 Absorption levels – national funds

Recurrent budgets at national level were fully absorbed in 2012. However, in 2011 and 2013 there was low implementation of these funds (71% and 68% respectively). These funds cover expenses such as paying for goods and services, and payment of personnel. Recurrent costs are generally financed by internal government funds, rather than Mozambique’s cooperating partners.

Domestic funds for capital investment were fully absorbed by the sector. However, there was a relatively lower rate of implementation of external funds, especially in 2011 (with only 81% spent). In 2012 and 2013, absorption of these funds increased to about 90%. Table illustrates the financial absorption of government capital budgets relative to external capital financing.

The organisations that showed the most difficulty in absorbing funds were the ARA North and Central and the Water Regulatory Council. They absorbed 18% and 33% of their budgets respectively in 2011. In 2012 and 2013 these organisations improved their performance, however.

**Table 5: Absorption of external and government capital funds**

Water and sanitation	Central funds	
	Government financing	External financing
2011	100%	81%
2012	99%	88%
2013	100%	92%

Source: CGE 2011, 2012, 2013

### 2.4 Rural versus urban investment

For the purposes of this analysis we considered MOPH budgets as well as the budgets for Administration of infrastructure, ARAs and the MCA as investment in rural water and sanitation, because these funds go mostly or partly to finance the sector in rural areas. Furthermore, investment in DPOPH is also seen as rural investment, since these funds are also devoted mostly to rural areas. Urban investment in the water sector was considered primarily in terms of the budgets allocated to FIPAG.

Investment in rural and urban water supply and sanitation has fallen from 15.6 billion meticaïs to 12.1 billion meticaïs between 2011 and 2013 (as can be seen from Table 6). The same applies to expenditure, which fell from 12.4 to 11.0 billion meticaïs, a decline of 22% and 11% respectively. The proportion of funding for urban water (FIPAG) fell from 20% to 9% reflecting changing national priorities after significant initial investment in the urban sector. Water Regulatory Council capital budgets have not been incorporated in the above.

Rural investment was four times the investment in urban areas in 2011, reflecting the location of the national population. Indeed, about 70% of the Mozambican population lives in rural areas, and so it would be expected that greater funds be invested in rural areas.

Overall, according to estimated costs relating to the MDGs, urban water supply generated sufficient funding through to 2015 – as shown in Table 2 – while funds remained below cost estimates for the sub-sectors of urban sanitation, rural water and sanitation to meet MDG national targets. According to AMCOW this is due to a strong institutional arrangement, a comprehensive service model design, and appropriate staffing policies in the urban water space (as opposed to the rural sector in Mozambique).

However, it is worth noting that reaching rural areas in Mozambique not only requires significantly increased investments, but also presents challenges in terms of financial absorption. The large geographical size of Mozambique means that extending coverage to rural areas increases costs and hampers the economies of scale that are possible in towns and cities. Capacity constraints such as limited human resources, skills and transport availability, mean that it is often more difficult to absorb funds in poor rural areas, especially in hard-to-reach places.

Mozambique's rural water and sanitation policy is rooted in the 1991 Water Law and the 1995 National Water Policy (revised in 2007). The national policy emphasises decentralised, autonomous and financially self-sustaining provision of water supply and sanitation services; a greater role for the private sector; integrated water resource management; recognition of water as an economic as well as a social good; more beneficiary participation; and a greater focus on capacity building. All of this adds considerable responsibility on the provinces to deliver strong performance on overall WASH commitments and spending.

**Table 6: Water and Sanitation rural and urban investment from 2011-13 (million meticaís)**

Description	Capital 2011			Capital 2012			Capital 2013		
	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%
Central (rural)	11 921	9 752	82%	11 561	10 366	90%	10 538	9 558	91%
Provincial (rural)	426	238	56%	450	340	76%	610	518	85%
Total (rural)	12 347	9 990	81%	12 011	10 706	89%	11 148	10 076	90%
Investment Fund and Patrimony of Water Supply	3 261	2 503	77%	1 414	1 319	93%	1 044	1 004	96%
Total	15 608	12 492	80%	13 425	12 026	90%	12 192	11 079	91%

Source: CGE, 2011, 2012, 2013

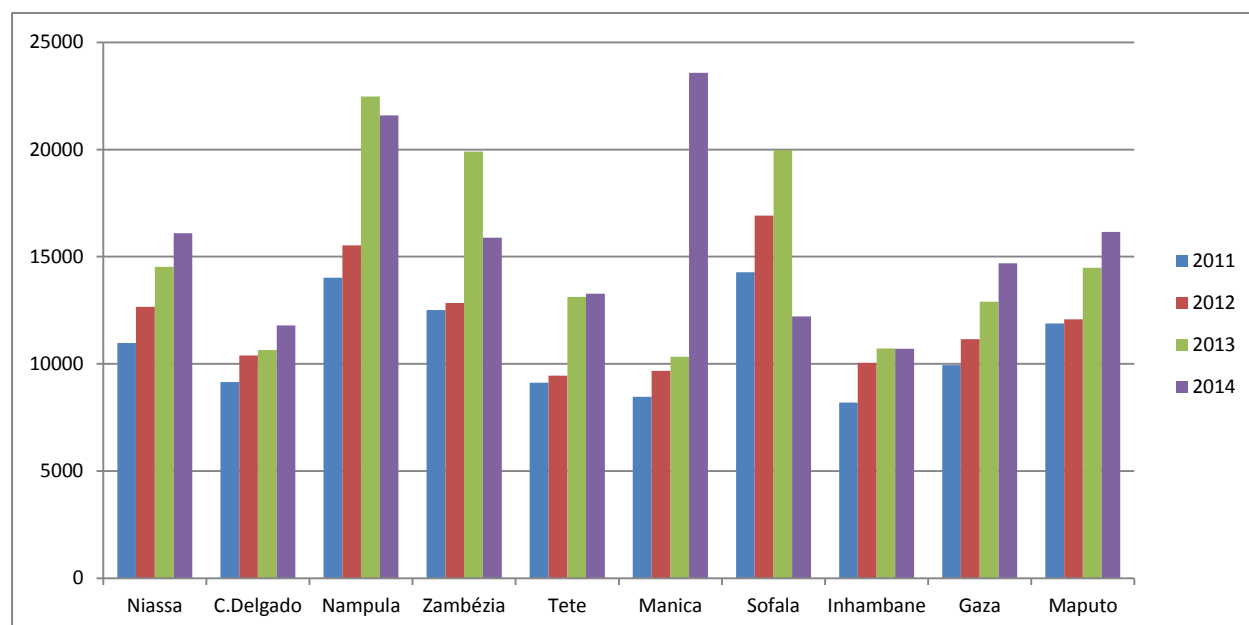
### 3. Budget and expenditure 2011-13—provincial level

Provincial Directorates of Public Works and Housing (DPOPH) are the provincial<sup>17</sup> arm of the MOPH. The DAS (Water and Sanitation Department) comprises provincial water and sanitation departments under the DPOPH that deal with water supply and sanitation in the rural areas, sinking boreholes and providing rural and urban sanitation and education for hygiene and sanitation. It is difficult to make a detailed analysis of provincial investment funds that are targeted for water and sanitation since the General State Account report does not have these details. However, considering that the DPOPH deals primarily with water and sanitation, most of the investment budget is in practice devoted to water and sanitation

#### 3.1 Current budget and expenditure

Current budgets at provincial level declined between 2011 and 2012, resulting in a significant drop in expenditure on staff. In 2013, budgets recovered due to a slight increase in the amount budgeted for staffing costs, combined with an increase of more than 55% in budgets for goods and services. Expenditure tended to match budgets with high financial absorption. Provinces with higher current budgets are Nampula, Zambezia and Sofala. Manica had a sharp increase in the 2014 budget due to a new commitment from the government.<sup>18</sup>

**Figure 4: Current budgets per province, 2011–2014 (thousands of meticaais)**



**Source:** CGE 2011-13 and Budget 2014

### 3.2 Investment budget

Provincial investment has risen over the period 2011-2014, expanding from 426 to 664.5 million meticaais in 2014. Spending more than doubled, increasing between 2011 and 2013 from 237 to 518 million meticaais. The domestic budget and internal expenditure had the highest growth, each tripling during the period 2011-2013. The absorption of internal funds has been close to 100% (see Table 7).

The increase in domestic funding to the provinces is as a result of the increase in domestic government revenue provided. During the same period, external funding reduced by half between 2011 and 2014. Between 2011 and 2013 there was an increase in expenditure of external funds by 30%, with financial absorption also increasing (by 25%).

**Table 7: Provincial capital budget and expenditure from 2011-2013 (million meticais)**

Water and sanitation	Budget			Expenditure		
	Government financing	External financing	Total	Government financing	External financing	Total
2011	112,9	313,2	426,1	112,9	124,8	237,7
2012	156,8	309,1	466,0	156,8	199,1	356,0
2013	348,4	261,7	610,2	348,4	169,1	517,6
2014	505,9	158,6	664,5			

Source: CGE 2011, 2012, 2013

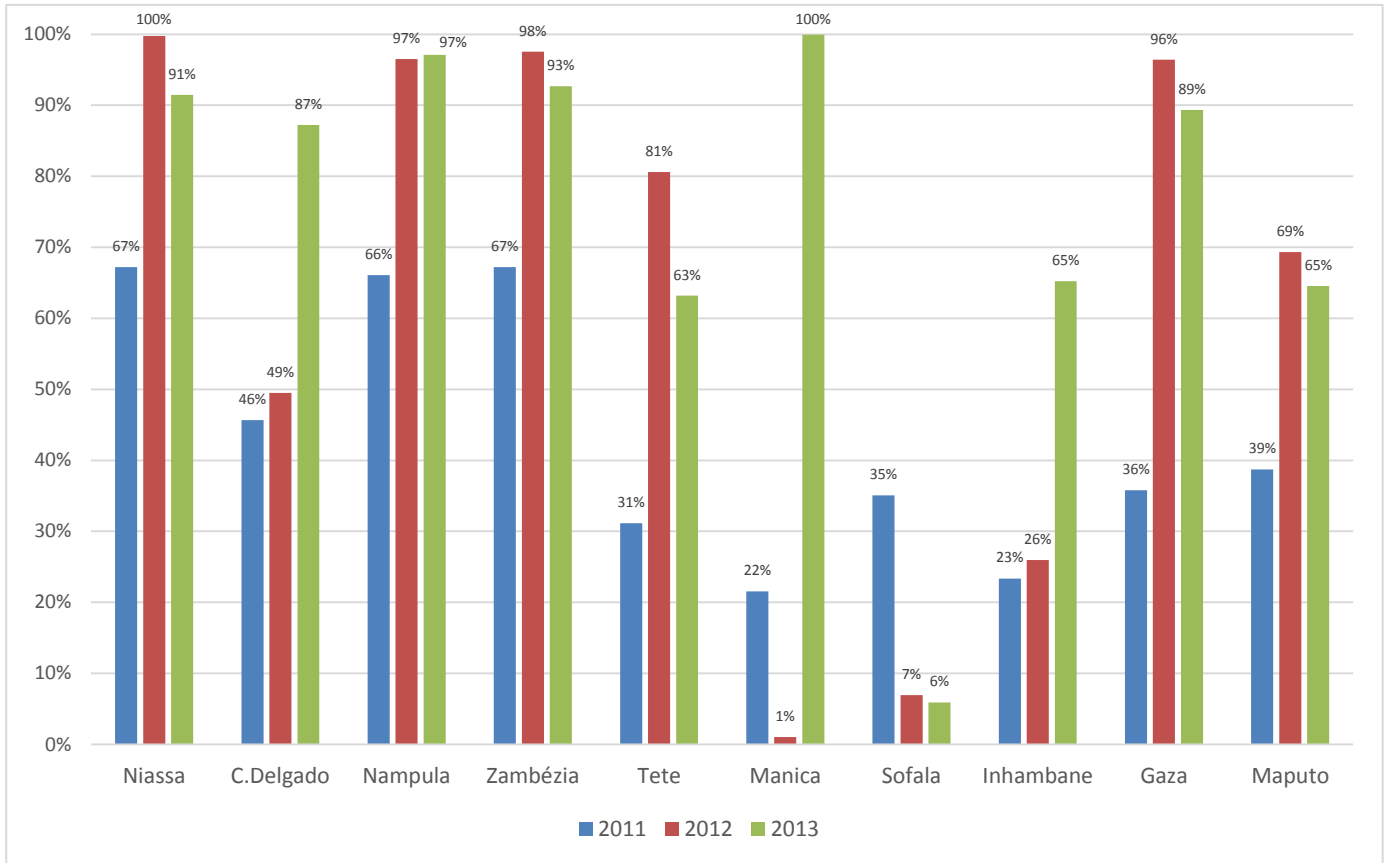
### 3.3 Absorption levels – provincial budgets

Figure 5 and Table 8 show the different degrees of absorption over the study period by province. Financial absorption over the period significantly improved from an average of 43% in 2011, to 62% in 2012 and 76% in 2013.

Provinces such as Sofala, Manica and Inhambane had very low rates of external fund execution, averaging at 41%, 16% and 38% respectively. Both Manica and Sofala are interesting cases from an external funding perspective: both provinces have experienced significant challenges in absorption over the period; both are predominantly rural and have population densities below the national average; and both are part of the major donor programme called the ‘One Million Initiative’.<sup>19</sup> In addition, Manica and Sofala provinces were both part of the initial National Rural Water Supply and Sanitation Programme (PRONASAR), which serves as the vehicle for a sector-wide approach by government and its development partners. Improvements since the initial launch of this programme in 2010 may well also reflect increasing improvements to this model.

In Manica there was a dramatic reduction of the absorption rate in 2012 to 1%, followed by 100% financial absorption in the following year – clearly this is a vast change in overall levels. In Sofala there was a permanent reduction in the absorption of external funds, falling to 6% in 2013. Annexes 5 to 7 show the variations in the implementation of the funds between 2011 and 2013, by province.

**Figure 5: Provincial execution of external funds from 2011 to 2013 (%)**



Source: CGE, 2011, 2012, 2013



**Table 8: Provincial Absorption of external funds from 2011-2013 (%)**

Provinces	2011	2012	2013
Niassa	67%	100%	91%
C. Delgado	46%	49%	87%
Nampula	66%	97%	97%
Zambézia	67%	98%	93%
Tete	31%	81%	63%
Manica	22%	1%	100%
Sofala	35%	7%	6%
Inhambane	23%	26%	65%
Gaza	36%	96%	89%
Maputo	39%	69%	65%

Sofala particularly stands out as having low financial absorption over the period. In Sofala, a number of issues have previously had an impact on donor funds, including high operating costs and the suspension of activities because of conflict. Financial absorption in Sofala and Manica has also been affected by the rainy season—this has been identified in reviews of donor funds for these provinces.<sup>20</sup>

#### 4. Causes of low levels of implementation

In general, the implementation of state budget funds for current expenditure has been good during the period, and it has improved over time. However, the implementation of external funds for investment has been mixed, varying from institution to institution. In some cases implementation is very low. In Mozambique, financial procedures are decentralised: this means that provinces and districts are responsible for all procurement processes and payments. The provinces prepare their annual programmes, and these are then aggregated at the national level by the National Directorate of Water (DNA).

The DNA has two types of programme for the provinces:

- Centralised programmes, where the DNA receives the budget and distributes it to the provinces: an example of a programme like this is the PRONASAR.
- Provincial programmes, where the water and sanitation annual programmes are designed at provincial level and they are then financed by DNA.

Both types of programme can be financed by the government and donors. According to the DNA, some donors prefer to finance provincial programmes through the central level. These preferences are justified by the fact that when they send funds directly to the provinces, there can be delays from the Provincial Directorate of Finance and Planning to release the funds to the DPOPH, which affects budget absorption. However, this can complicate the process and make it more difficult for provinces to assess the overall availability of funds. There is certainly a need to improve structures and processes for the flow of funds.

The 2010 Water Sector Public Expenditure Review (PER) found that there were 78 donor projects, with the majority of projects reporting an average investment amount of less than \$5 million.<sup>21</sup> This high number of projects suggests that sector transaction costs remain high. Moreover it found that insufficient recurrent funds for government operational expenses meant that the human and financial resources needed to manage so many projects are simply not available. The PER advised that increased project consolidation, donor harmonisation and the pooling of funds were all urgently required. It should be noted that over the past five years the Government of Mozambique has taken major steps towards improving its budgeting and disbursement processes to reach a point where major sector donors are more inclined to use programmatic support.

In the case of rural water and sanitation, the establishment of PRONASAR is expected to include approximately 12% of all sector water and sanitation funding, or between 40%–50% of all external funding in the rural water supply and sanitation sub-sector over the medium term. Recent improvements in donor absorption levels, alongside the increase in recurrent budgets in 2014, may well be the first signs that this approach is bearing fruit.

State institutions follow standardised procedures to manage funds. They need to follow the fiscal year and ensure that procurement procedures are consistent with regulations in the Decree 15/2010. Often, the late approval of the investment budget hinders preparation of the procurement process, making it difficult to hire companies in time to complete the work during the fiscal year. In fact, provinces may only sign contracts when they have available funds for the activities. The preparation and launch of tenders takes time, and the late release of funds leads to delays in the tendering process, which in turn delays the execution of works and consequently the financial absorption of the budget.

Capacity issues at provincial level also hinder execution. At the provincial level there are only a few companies, many of which are small and sometimes have no capacity to carry out big contracts. Provinces claim that there is a shortage of companies that can work in the water and sanitation sector. In some provinces companies tendering for work in water and sanitation are in short supply, and in many cases already involved in other work. This can create delays in implementation and payment of work. Linked to this, is also the issue of access to sites in more remote areas.

Delays in the use of external funds, and particularly those from multilateral development banks, are the result of demanding procurement and reporting processes. When provincial directorates are notified that they have funds available they must send the Terms of Reference (ToR) to the financing agency for the work to be completed. The financing institution needs to provide a “no objection”, a process that can take at least three months. The province must then launch the tender and select the company to do the work. After this process is complete, the provincial authorities must send the information on the selection process to the financing institution for another “no objection” response. This process may take another three months. Sometimes, if the company chosen is on the financing institution’s blacklist, the tender process needs to start again. After the process is complete, only then can the company start work. The process takes at least six months, according to the Ministry of Planning and Development (MPD). There are also conditions attached to companies’ capacity to perform the work.

Other problems that may delay contracts, and thus the absorption of funds, are related to late release of information about the availability of funds. Sometimes provinces receive information in August or September and there is insufficient time to prepare the procurement process, since the fiscal year finishes in December. In these cases provinces are unable to use the funds and the money is transferred to the next year.

There are also capacity issues at provincial and district level when it comes to planning and properly organising the procurement of works. DNA, in collaboration with its partners, carries out training of provincial and district staff in financial management and management of procurement and tenders to improve performance. It is therefore an issue that the government is aware of, although clearly more work is needed in this area.

Provincial authorities complain that lack of funds for inspection and supervision processes can also be an obstacle to the absorption of budgets: the DPOPH requires an inspectors’ report before work can be paid for. However, often the DPOPH does not have enough (recurrent) funds to pay for the inspection, which delays the implementation and verification of the work, delaying also payment and closing of the project. This hinders the financial absorption of budgets.

Projects outside of the State Finance and Administration System (SISTAFE) increase the procedures and processes involved and pose additional problems for the management of funds at provincial level. This is another factor contributing to difficulties in absorbing funds.

## 5. Conclusions and recommendations

It is difficult to analyse the total funds going to each of the activities of the water and sanitation sector, using the General State Accounts report. In particular there is a need to understand better and disaggregate information on funds for the WASH sector, because at present it is not possible to separate the amount of funds that are directed to rural and urban water supply and rural and urban sanitation.

It is clear that external funds for the water and sanitation sector have an overall lower rate of absorption. Currently external funds (which are used in capital and investment) are reducing. At the same time, funds for recurrent and running costs have not increased enough to address the need for the maintenance of water supply and sanitation infrastructure. Overall, there is a significant imbalance between current and capital funds for the WASH sector which leads to difficulties in ensuring the sustainability of projects and programmes. The government should therefore mobilise more funding for both current expenditure and investment to cope with the risk of a continuing reduction of external financing to the sector. Failure to do this could adversely affect gains already made in the sector over the past few years.

The state planning system should work within the timeframe already stipulated to ensure that investment funds arrive on time to the provinces. This can facilitate adequate budget absorption by the provinces without delay – given the lengthy processes needed to ensure proper procedures are followed. Planning in the water sector should be improved together with the flow of information from the national to provincial level. This will improve the capability of DPOPH to use investment budgets effectively. Provinces need information on budgets on time in order to launch procurement processes, to ensure smooth budget absorption and avoid delays in the completion of works. Improved planning should also involve the preparation of lists of poor performing companies in order to prevent them from taking part in tenders.

There should also be an Improvement in communication between donors, central government and provinces to avoid delays in provision of information about budget availability. In addition, funds for supervision and inspection should be taken into account when budgets are set for investment projects.

Finally, donors need to be encouraged to work within the state financial system. This will facilitate information sharing and coordination, reduce transaction costs and contribute to improved performance in the absorption of budgets.

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## Annexes

### Annex 1: Water and sanitation budget and expenditures 2011 (national)

Mapa I-1-2																		
General State Account, 2011																		
Summary sector expenditures / Water																		Million Mts
Cod	Priority Sectors	Current Budget			Capital Expenditures									Total Expenditures				
					State Budget			External funding			Total			Budget		Spent		% Total Spent
		Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	% of State budget	Amount	% of State budget	
	<b>Water (total)</b>	64	45	71%	741	741	100%	5 743	4 677	81%	6 484	5 418	84%	6 548	4,7%	5 464	4,8%	83%
	Ministry of Housing & Public Work-Water National Directorate	0	0		99	99	100%	1 601	1 491	93%	1 700	1 589	93%	1 700	1,2%	1 589	1,4%	93%
	Infrastructures of Water and Sanitation Administration	18	1	5%	45	45	100%	9	9	100%	54	54	100%	73	0,1%	55	0,0%	76%
	Regional Water Administration (North)	3	3	99%	26	26	100%	94	17	18%	120	43	36%	124	0,1%	46	0,0%	38%
	Regional Water Administration (Northern / Central prov.)	4	4	97%	7	7	100%	0	0	0%	7	7	100%	11	0,0%	11	0,0%	99%
	Regional Water Administration (Zambezi)	6	6	99%	7	7	100%	0	0	0%	7	7	100%	12	0,0%	12	0,0%	100%
	Regional Water Administration (Central)	0	0		9	9	100%	94	17	18%	104	27	26%	104	0,1%	27	0,0%	26%
	Regional Water Administration (South)	10	10	100%	173	173	100%	27	27	100%	200	200	100%	210	0,2%	210	0,2%	100%
	Investment Fund and Patrimony of Water Supply	0	0		374	374	100%	2 887	2 129	74%	3 261	2 503	77%	3 261	2,4%	2 503	2,2%	77%
	Regulation of Water Supply Council	23	22	94%	1	1	100%	64	21	33%	65	23	35%	89	0,1%	45	0,0%	50%
	MCA - Water Supply and Sanitation Proj.							966	966	100%	966	966	100%	966	0,7%	966	0,8%	100%
CGE 2011	Inflation				10,35%													



## Annex 2: Water and sanitation budget and expenditures 2012 (national)

Mapa I-1-2																		
General State Account, 2012																		
Summary sector expenditures / Water																		Thousand Mts
Cod	Priority Sectors	Current Budget			Capital Expenditures									Total Expenditures				
					State Budget			External funding			Total			Budget		Spent		
		Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	% of State budget	Amount	% of State budget	% Total Spent
<b>Water (total)</b>		34 686	34 106	98%	785 309	780 671	99%	6 215 791	5 443 753	88%	7 001 100	6 224 424	89%	7 035 786	4,8%	6 264 823	4,7%	89%
Ministry of Housing & Public Work-Water National Directorate					296 744	296 744	100%	2 497 014	2 254 844	90%	2 793 758	2 551 588	91%	2 793 758	1,9%	2 551 589	1,9%	91%
Infrastructures of Water and Sanitation Administration		3 742	3 697	99%	129 661	129 661	100%	77 950	184	0%	207 611	129 845	63%	211 353	0,1%	135 198	0,1%	64%
Regional Water Administration (North)		4 443	4 443	100%	1 639	1 639	100%	0	0	0%	1 639	1 639	0%	6 082	0,0%	6 082	0,0%	100%
Regional Water Administration (Northern / Central prov.)		3 871	3 871	100%	4 643	5	0%	0	0	0%	4 643	5	0%	8 513	0,0%	8 513	0,0%	100%
Regional Water Administration (Zambezi)		6 606	6 605	100%	3 299	3 299	100%	0	0	0%	3 299	3 299	0%	9 904	0,0%	9 904	0,0%	100%
Regional Water Administration (Central)		3 530	3 502	99%	13 997	13 997	100%	26 002	25 604	98%	39 999	39 601	99%	43 529	0,0%	43 102	0,0%	99%
Regional Water Administration (South)		8 808	8 790	100%	182 184	182 184	100%	327 042	250 547	77%	509 226	432 731	85%	518 035	0,4%	441 521	0,3%	85%
Investment Fund and Patrimony of Water Supply		0	0	0%	146 773	146 773	100%	1 267 555	1 172 573	93%	1 414 328	1 319 346	93%	1 414 328	1,0%	1 319 345	1,0%	93%
Regulation of Water Supply Council		3 686	3 198	87%	6 369	6 369	100%	27 471	18 341	67%	33 840	24 710	73%	37 527	0,0%	27 909	0,0%	74%
MCA - Water Supply and Sanitation Proj.		0	0	0%	0	0	0%	1 992 757	1 721 660	86%	1 992 757	1 721 660	86%	1 992 757	1,3%	1 721 660	1,3%	86%
CGE 2012					Inflation	2,05%												

## Annex 3: Water and sanitation budget and expenditures 2013 (national)

Mapa I-1-2																		
General State Account, 2013																		
Summary sector expenditures / Water																		Thousand Mts
Cod	Priority Sectors	Current Budget			Capital Expenditures									Total Expenditures				
					State Budget			External funding			Total			Budget		Spent		
		Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	Spent	%	Budget	% of State budget	Amount	% of State budget	% Total Spent
<b>Water (total)</b>		73 750	50 170	68%	902 037	902 037	100%	6 027 360	5 560 948	92%	6 929 397	6 462 985	93%	7 003 147	4%	6 513 155	4%	93%
Ministry of Housing & Public Work-Water National Director		0	0	0%	377 941	377 941	100%	1 266 938	981 079	77%	1 644 879	1 359 020	83%	1 644 879	1%	1 359 020	1%	83%
Infrastructures of Water and Sanitation Administration		10 435	7 923	76%	139 835	139 835	100%	575 890	436 664	76%	715 725	576 499	81%	726 160	0%	584 422	0%	80%
Regional Water Administration (North)		7 099	7 099	100%	2 993	2 993	100%	0	0	0%	2 993	2 993	100%	10 092	0%	10 092	0%	100%
Regional Water Administration (Northern / Central prov.)		8 081	8 081	100%	5 816	5 816	100%	0	0	0%	5 816	5 816	100%	13 897	0%	13 897	0%	100%
Regional Water Administration (Zambezi)		8 188	8 163	100%	5 425	5 425	100%	0	0	0%	5 425	5 425	100%	13 613	0%	13 588	0%	100%
Regional Water Administration (Central)		10 037	6 337	63%	2 205	2 205	100%	25 640	25 574	100%	27 845	27 779	100%	37 882	0%	34 116	0%	90%
Regional Water Administration (South)		9 126	9 124	100%	120 542	120 542	100%	355 292	355 292	100%	475 834	475 834	100%	484 960	0%	484 958	0%	100%
Investment Fund and Patrimony of Water Supply		0	0	0%	174 380	174 380	100%	869 732	829 298	95%	1 044 112	1 003 678	96%	1 044 112	1%	1 003 678	1%	96%
Regulation of Water Supply Council		20 783	3 443	17%	7 902	7 902	100%	15 472	14 644	95%	23 374	22 546	96%	44 157	0%	25 989	0%	59%
MCA - Water Supply and Sanitation Proj.		0	0	0%	65 000	65 000	100%	2 918 397	2 918 397	100%	2 983 397	2 983 397	100%	2 983 397	2%	2 983 397	2%	100%
CGE 2013					Inflation:	4,21%												

#### Annex 4: Water and sanitation budget 2014 (provincial and national)

Descrição	Current budget	Investment	Total
Ministry of Public Works and Housing	0	3 058,55	3 058,55
Infrastructure of Water and Sanitation Administration	12,51	974,30	986,81
Regional Water Administration (South)	10,26	1 150,55	1 160,81
Water Supply Investment and Asset Fund (FIPAG)	0,00	1 531,78	1 531,78
Regulation of Water Supply Council	11,32	41,66	52,97
Regional Water Administration (Zambezi)	9,08	3,17	12,26
Regional Water Administration (Central)	12,05	20,13	32,18
Regional Water Administration (Northern/Central province)	9,00	7,79	16,80
Regional Water Administration (North)	7,38	5,33	12,71
Provincial Directorates of Public Works and Housing (DPOPH)	156,00	433,37	589,37
Water and Sanitation (Provinces)	0,00	231,21	231,21
Water and Sanitation (Central budget)	0,00	2 920,40	2 920,40
<b>Total</b>	<b>227,60</b>	<b>10 378,24</b>	<b>10 605,83</b>

#### Annex 5: DPOPH investment budget and expenditures 2011

Province	Total Internal financing			Total External financing			Total		
	Allocation	Expend	%	Allocation	Expend	%	Allocation	Expend	%
DPOPH TOTAL	112882,44	112882,46	100%	313187,31	124838,94	40%	426069,75	237721,4	56%
Niassa	4832,03	4832,03	100%	10 867,54	7 302,48	67%	15 699,57	12 134,51	77%
C.Delgado	5193,25	5193,25	100%	8 776,62	4 005,78	46%	13 969,87	9 199,03	66%
Nampula	5039,22	5039,22	100%	12 097,06	7 995,73	66%	17 136,28	13 034,95	76%
Zambézia	11428,41	11428,42	100%	51 135,07	34 373,73	67%	62 563,48	45 802,15	73%
Tete	7617,08	7617,08	100%	6 750,70	2 102,06	31%	14 367,78	9 719,14	68%
Manica	22279,74	22279,74	100%	7 157,75	1 543,34	22%	29 437,49	23 823,08	81%
Sofala	10504,94	10504,94	100%	14 260,47	4 999,42	35%	24 765,41	15 504,36	63%
Inhambane	5967,33	5967,33	100%	90 991,84	21 254,99	23%	96 959,17	27 222,32	28%
Gaza	35674,16	35674,17	100%	60 303,97	21 574,22	36%	95 978,13	57 248,39	60%
Maputo P.	4346,28	4346,28	100%	50 846,29	19 687,19	39%	55 192,57	24 033,47	44%

Source: CGE, 2011

## Annex 6: DPOPH investment budget and expenditures 2012

Province	Total Internal financing			Total External financing			Total		
	Allocation	Expend	%	Allocation	Expend	%	Allocation	Expend	%
DPOPH TOTAL	156 836,53	156 836,53	100%	309 121,70	199 129,62	64%	449 946,23	339 956,82	76%
DPOPH Niassa	14 846,25	14 846,25	100%	1 165,75	1 163,08	100%	16 012,00	16 009,33	49%
DPOPH C.Delgado	7 058,47	7 058,46	100%	4 405,30	2 180,10	49%	11 463,77	9 238,56	97%
DPOPH Nampula	16 693,63	16 693,63	100%	6 835,84	6 597,98	97%	23 529,47	23 291,61	99%
DPOPH Zambézia	27 705,14	27 705,13	100%	52 603,41	51 309,27	98%	80 308,55	79 014,40	98%
DPOPH Tete	22 175,91	22 175,91	100%	1 570,65	1 266,13	81%	23 746,56	23 442,04	99%
DPOPH Manica	30 217,47	30 217,47	100%	5 237,40	54,53	1%	35 454,87	30 272,00	85%
DPOPH Sofala	14 637,86	14 637,87	100%	4 795,34	333,57	7%	19 433,20	14 971,44	77%
DPOPH Inhambane	3 834,60	3 834,61	100%	101 179,12	26 280,64	26%	105 013,72	30 115,25	29%
DPOPH Gaza	11 662,96	11 662,96	100%	69 739,68	67 239,94	96%	81 402,64	78 902,90	97%
DPOPH Maputo Provincia	8 004,24	8 004,24	100%	61 589,21	42 704,38	69%	69 593,45	50 708,62	73%

Source: CGE, 2012

## Annex 7: DPOPH investment budget and expenditures 2013

Province	Total Internal financing			Total External financing			Total		
	Allocation	Expend	%	Allocation	Expend	%	Allocation	Expend	%
DPOPH TOTAL	348 437,02	348 437,02	100%	261 736,51	169 142,15	65%	610 173,53	517 579,17	85%
DPOPH Niassa	48 116,53	48 116,53	100%	999,41	914,22	91%	49 115,94	49 030,75	100%
DPOPH C.Delgado	30 458,75	30 458,75	100%	4 171,56	3 638,06	87%	34 630,31	34 096,81	98%
DPOPH Nampula	33 641,22	33 641,22	100%	3 149,85	3 057,79	97%	36 791,07	36 699,01	100%
DPOPH Zambézia	49 526,58	49 526,57	100%	47 099,52	43 654,00	93%	96 626,10	93 180,57	96%
DPOPH Tete	26 945,19	26 945,19	100%	6 553,94	4 141,00	63%	33 499,13	31 086,19	93%
DPOPH Manica	52 781,66	52 781,66	100%	2 513,56	2 512,26	100%	55 295,22	55 293,92	100%
DPOPH Sofala	12 079,01	12 079,02	100%	42 511,30	2 504,45	6%	54 590,31	14 583,47	27%
DPOPH Inhambane	37 001,24	37 001,24	100%	99 179,05	64 668,86	65%	136 180,29	101 670,10	75%
DPOPH Gaza	6 812,40	6 812,40	100%	33 007,97	29 493,97	89%	39 820,37	36 306,37	91%
DPOPH Maputo Provincia	51 074,44	51 074,44	100%	22 550,35	14 557,54	65%	73 624,79	65 631,98	89%

Source: CGE, 2013

## Annex 8: Budget and expenditures from 2011-2013 in Inhambane and Sofala Provincial Directorates of Public Works and Housing

Programmes	Inhambane						Sofala					
	2011		2012		2013		2011		2012		2013	
	Budget	Expend.	Budget	Expend.	Budget	Expend.	Budget	Expend.	Budget	Expend.	Budget	Expend.
Climat Change					1 996,00	32,1						
Water Supply and Sanitation	11700	11700			7 794,90	0						
Water Supply and Sanitation Project	60670	920	31117,9	0	78 695,30	54 137,10	11100	3526				
Apoiar os Órgãos Locais do Estado na Gestão e Execução do Plano	2212	1624	3765,3	0	899,2	706,1	3161	1473	3101,6	0	2953,9	2504,5
Water and Sanitation					8 871,20	8 871,20						
Rehabilitation of Small water supply systems											39557,4	0
Environment Quality			100	0								
Water Supply and Sanitation Programme	9300	6966										
Total	83 882,00	21 210,00	34 983,20	0,00	98 256,60	63 746,50	14 261,00	4 999,00	3 101,60	0,00	42 511,30	2 504,50

Source: Budget Execution Reports 2011 (Jan-Dec), 2012 (January, March) and 2013 (Jan-Dec)

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## Endnotes

<sup>1</sup> This report was written by Manuel Lobo, Resource Person from Mozambique, on behalf of DFI. The report had inputs and edits carried out by Jo Walker of DFI and Artur Matavele, John Garrett and Wen Hoe of WaterAid.

<sup>2</sup> INE 2013.

<sup>3</sup> To halve the proportion of people without sustainable access to safe drinking water and basic sanitation.

<sup>4</sup> JMP 2013 Update, WHO/UNICEF (2013), based on official government statistics produced by the National Institute of Statistics (INE). The last data points used to inform the JMP estimate for 2011.

<sup>5</sup> DHS, 2011.

<sup>6</sup> State of the World's Children Report, UNICEF (2013).

<sup>7</sup> Country Status Overview, AMCOW (2011). Water Supply and Sanitation in Mozambique, Turning Finance into Services for 2015 and Beyond.

<sup>8</sup> Data published in the AMCOW 2nd Country Status Overview (CSO2): Water Supply and Sanitation in Mozambique: Turning Finance into Services for 2015 and Beyond, AMCOW (2011). Available here: <http://www.wsp.org/sites/wsp.org/files/publications/CSO-Mozambique.pdf>

<sup>9</sup> It was agreed to study a province since Mozambique is a vast country and the districts are not representative units for the country. In Mozambique there 11 provinces and 128 districts.

<sup>10</sup> Programme Aid Partnership – A partnership between the Government of Mozambique and donors with the overall objective of contributing “to poverty reduction in all its dimensions by supporting the evolution, implementation and monitoring of the PARPA”. (Memorandum of understanding between the Government of Mozambique and Programme Aid Partners for the provision of Direct Budget and Balance of Payments Support, 2004, pg. 4).

<sup>11</sup> Country Status Overview, AMCOW (2011). Water Supply and Sanitation in Mozambique Turning Finance into Services for 2015 and Beyond.

<sup>12</sup> This is based on figures from AMCOW for 2006-08 budgets, as well those obtained for this study which show 85% funding from donors. There is therefore a fairly constant ODA commitment of above 80%.

<sup>13</sup> Data published in the AMCOW 2nd Country Status Overview (CSO2): Water Supply and Sanitation in Mozambique: Turning Finance into Services for 2015 and Beyond, AMCOW (2011). Available here: <http://www.wsp.org/sites/wsp.org/files/publications/CSO-Mozambique.pdf>

<sup>14</sup> Ibid.

<sup>15</sup> It is worth noting that funding FIPAG is done primarily through bank loans.

<sup>16</sup> Includes small rounding errors.

<sup>17</sup> Provincial governments are responsible for province-wide planning, the application of national policies and regulations, sector monitoring, some small-town system construction and oversight, and some rural water point construction and rehabilitation.

<sup>18</sup> Given all recurrent budgets come from the government's own spending.

<sup>19</sup> The One Million Initiative is a large scale rural water, sanitation and hygiene (WASH) programme in 18 districts in the provinces of Sofala, Manica and Tete, jointly implemented by the Government of Mozambique, UNICEF and Netherlands, with support from a range of other donors.

<sup>20</sup> Mid-term impact evaluation: UNICEF – Government of The Netherlands Partnership for Water Supply, Sanitation and Hygiene 'One Million Initiative', Mozambique.

<sup>21</sup> World Bank, 2010. Mozambique PER for the Water Sector, Washington DC, World Bank.

**Cover photo:** A boy at the clean water pump in the village of Nerculo, Niassa, Mozambique.