Value for Money analysis of the PRONASAR Common Fund in Mozambique

VFM-WASH – KEY FINDINGS

August 2015 – Marie-Alix Prat & Sophie Trémolet

This brief presents summary findings from a value for money (VFM) analysis of the PRONASAR Common Fund in Mozambique between 2010 and 2015. It also includes an overview of recommendations to improve the programme's VFM, facilitate VFM analysis and strengthen future programme management. PRONASAR is a multi-annual multi-donor programme established in 2009. Five key VFM dimensions were analysed namely economy, efficiency/cost-efficiency and effectiveness/cost-effectiveness. This research is part of a larger study into VFM of WASH programmes; more information about the wider study and its methodology, together with the full report on this analysis are available at www.vfm-wash.org.

Objectives of the analysis

When this study was initiated in October 2013 PRONASAR had been under implementation for nearly 4 years, and some intermediary results were available. This VFM analysis aimed to inform future plans for PRONASAR and the development of a new WASH sector strategy for DFID in Mozambique.

Country Context

- Population (2012): 24 million
- Rural proportion of population (2012): 69%
- GDP per capita (PPP adjusted, US$, 2013): US$ 1,105
- HDI (2012): ranked 185 out of 187 countries
- Access to WASH services
  - Improved water supply coverage (2012): 35% (rural), 78% (urban)
  - Improved sanitation coverage (2012): 11% (rural), 49% (urban)

Overview of PRONASAR

PRONASAR is a Government-led programme to improve rural WASH in Mozambique. Phase 1 ran from 2010-2015. A second phase has been agreed in principle and planning is currently under way.

The government of Mozambique and development partners supported PRONASAR through two pillars:

- **Pillar A** includes support provided through individual projects, implemented by UNICEF, the African Development Bank or the Islamic Development Bank;
- **Pillar B** is the **Common Fund** (CF), in which DFID was the main donor in the first phase of implementation.

Pillar B is the focus of this VFM analysis.

Key characteristics of the PRONASAR Common Fund	
Sector of intervention	Rural Water Supply, sanitation and hygiene
Implementation Period	January 2010 – March 2015
Programme geographical scale	Hardware investments in 3 Provinces: Maputo, Gaza and Zambezia Indirect Support Programme (IPS) at national level
Type of support	Combination of hardware, software and capacity building
Funding arrangements	Sectoral budget support provided through a Common Fund
Implementation arrangements	Implemented by the government, through the ministry (National Water Department), provincial directorates, district governments, communities committees, NGOs and the private sector
Budget	US$ 65 million (2010-2014)
Actual expenditure	US$ 58 million (2010-2014)
Funders	DFID, Government of Mozambique, the Dutch Government via its Embassy, the Swiss Agency for Development and Cooperation, UNICEF and Austrian Development Cooperation.
DFID's contribution	GBP 20 Million, equivalent to US$ 33.9 million (56% total funding)

The Common Fund Investments had three components: water point construction, small water supply systems (SWSS) construction and rehabilitation and sanitation promotion.

PRONASAR CF's results chain

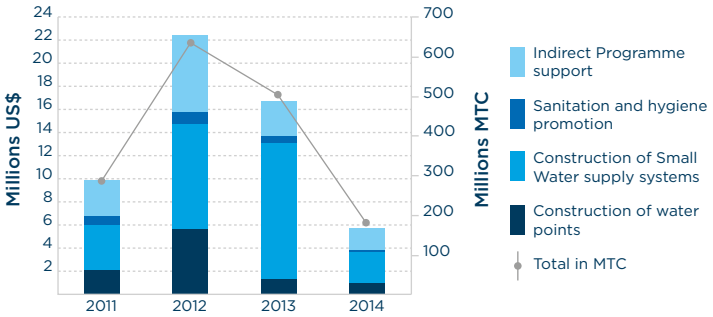
Components	Inputs	Outputs	Assumed outcomes	Sustained actual outcomes	Impacts
Water points	• Construction of water points • Community mobilisation • Research on the sustainability of interventions	New water points built Water committees established	People gained access to water	People have access to sustainable water supply at the intended level of service	Reduced health impacts (diarrhoea) More time available for productive activities
Small water supply systems	• Construction and rehabilitation of small water supply systems	Small water supply systems built			
Sanitation	• CLTS, including hygiene promotion • CLTS in schools	Communities triggered	People gained access to sanitation: • ODF communities • New latrines built	People use improved latrines Communities remain ODF	

In addition, **Indirect Programme Support** (IPS) included several inputs: training of staff and studies, technical assistance, baseline survey, setting up a sector information system (SINAS), audits and reviews, equipment, programme planning, supervision and monitoring etc. All these inputs contributed to the results of the water and sanitation components presented above.

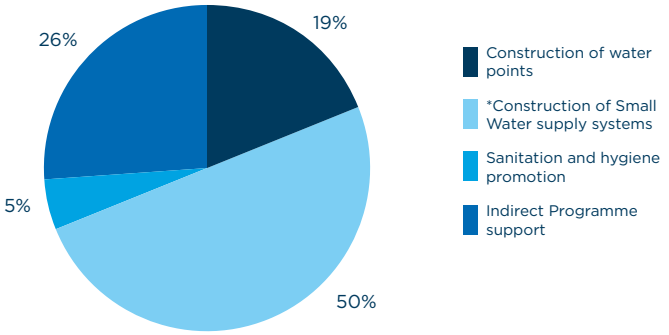
Overview of Programme Expenditure

PRONASAR CF disbursed about US$ 58 million from 2010 to 2014. The disbursement rate increased throughout the life of the programme to 90% of the planned expenditure in 2011 and above 100% since 2012. For the purposes of this VFM analysis, expenditure was allocated to programme components for Financial Year (FY) 2011 through to 2014. Expenditure on SWSS construction and rehabilitation accounted for the bulk of programme expenditure and increased significantly between 2012 and 2013, while the expenditure to water point (WP) construction and sanitation promotion decreased in the same period. High transport costs and rampant inflation tend to drive up costs of goods and services in Mozambique against international benchmarks. The costs of PRONASAR CF interventions are therefore high when compared to international benchmarks, but this could also be due in part to procurement issues, particularly at programme start up.

PRONASAR CF expenditure by component



Distribution of total expenditure by component (2011-2014)



Estimated contributions from other stakeholders

In addition to programme expenditure, other stakeholders provided resources (financial or in nature) that contributed to reach programme outputs. These costs, which are referred to as "non-programmatic costs", are briefly presented here.

- The Government of Mozambique contributed an estimated US$ 1.2 Million from 2011 to 2014 in government staff time. Additional contributions are associated with the daily operation of government offices (office rental and bills, equipment etc.), but these could not be estimated.
- Households contributed an estimated US$ 0.2 Million in cash for building latrines and US$ 0.7 Million equivalent monetised value of labour and material from 2011 to 2014. This was estimated based on a national survey conducted by the VFM-WASH consortium on the sustainability of rural WASH services, which included questions on household investment in sanitation. However, these are estimates at provincial level. They are not statistically significant and may not be representative of the specific districts in which PRONASAR CF has been investing.

These costs are not included in the calculation of VFM indicators presented in this note but are reflected in the full report.

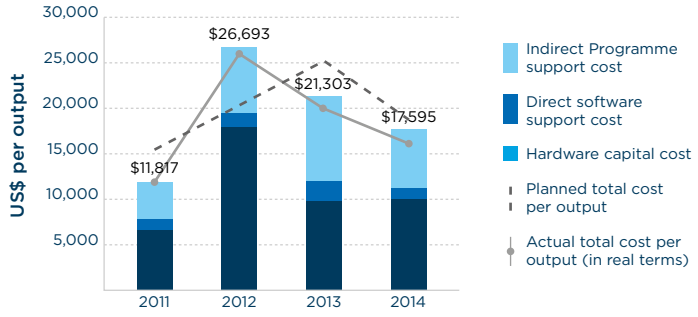
Water point construction

Results and VFM indicators for water points construction

		Outputs	Assumed outcomes	Sustained actual outcomes
Results		**Water points constructed**	**People who gained access to the new water points constructed**	**People who are using the new water points constructed (estimated)**
Programme results (2011-2014)	#	774	232,200	150,502
Cost per result (average 2012-14)	US$	23,755	79	132

- **Efficiency.** 81% of water points (WP) planned were actually constructed. Technical difficulties were encountered during drilling due to challenging hydrogeological conditions. External factors such as flooding in Zambezia and political turmoil in 2013 also affected realisation of outputs. However, the realisation rate improved over the course of the programme.
- **Cost-efficiency.** The cost per water point constructed decreased by 35% between 2012-2014, mainly due to a reduction in the cost of hardware per water point. This could be due to improvements in procurement performance, a change in the characteristics of outputs (depth of boreholes) or the use of lower cost technology.
- **Cost-effectiveness.** The estimated cost per person who is still using a WP constructed by the programme in 2015 is 67% higher than planned. . This is due to the fact that the number of actual users is lower than was estimated at programme inception. The estimated number of actual users is based on the sustainability survey conducted by the VFM-WASH consortium.

Cost-efficiency: Cost per water point constructed



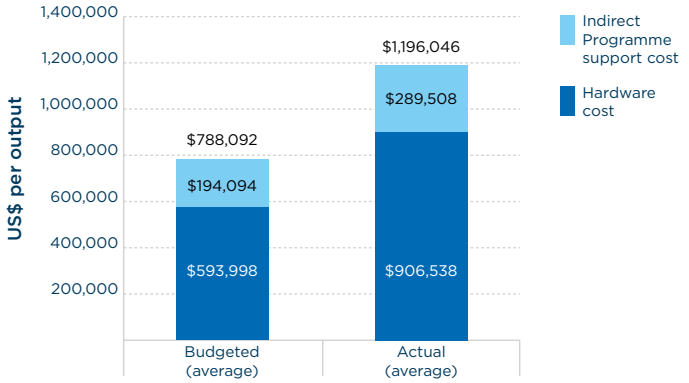
Source: Estimated by authors from PRONASAR PIA and Relatorio Balanço for 2012 to 2014

Small water supply systems construction

Results and VFM indicators for small water supply systems construction

		Outputs	Assumed outcomes	Sustained actual outcomes
Results achieved		Small water supply system	People who gained access to the new water points constructed	People who are using the new SWSS constructed
Actual results (2011-2014)	#	30	185,061	No data
Cost per result (average 2012-14)	US$	1,196,046	194	No data

Cost-efficiency: Cost per small water supply system



Source: Estimated by authors from PRONASAR PIA and Relatorio Balanço for 2011-2014

- **Efficiency.** 75% of SWSS planned were constructed during the period 2011-2014. Delays occurred due to flooding in 2013, difficult hydrogeological conditions that caused a change in the type of technology initially planned, cancelling of one contract, and unpredictable cash flows.
- **Cost-efficiency.** There was no associated software cost for this component. The actual cost per SWSS constructed was 52% higher than planned. Un-planned expenditure is due to a change in technology initially planned, cancelling of a contract and more works required than planned.
- **Cost-effectiveness.** Cost per assumed beneficiary for SWSS is 2.5 times higher than for water points.

Sanitation and hygiene promotion

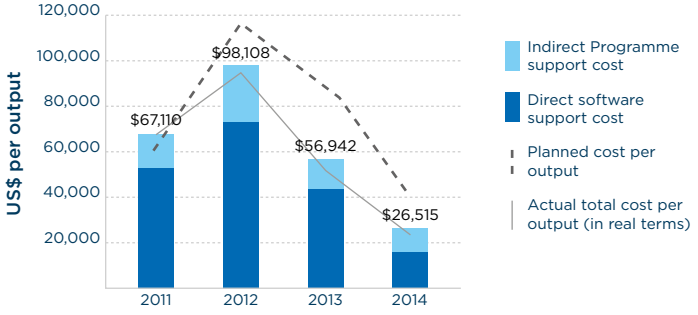
Results and VFM indicators of Sanitation and Hygiene Promotion

		Total 2011-2014			Total 2011-2014	
		Outputs		Assumed outcomes	Outputs	Assumed outcomes
Results achieved		Districts triggered per year (2011-2014)	People triggered by CLTS (2011-2014)	People who gained access to an improved or traditional improved latrine (2011-2014)	Communities triggered by CLTS (2013)	Verified ODF community (2014)
Actual results	#	15	1,659,239	253,941	183	29
Cost per result (average)	US$	63,629	2.1	14	4,035	11,941

Note: results were not consistently available for all years

- **Efficiency.** Estimated ODF conversion rate was between 10-16%, but improved over time. This is quite low compared to international experience, but not surprising considering that the programme is still quite new in Mozambique. This also likely to be due to issues with ODF certification and reporting procedures. In addition, poor quality of PEC Zonal contractors might have reduced efficiency. These are mainly small local NGOs or social enterprises that may not be adequately trained. CLTS campaigns seem to have had a sustained impact beyond the implementation period, as the number of additional latrines built remained constant despite a reduction in expenditure for sanitation.
- **Cost-efficiency.** The cost of CLTS campaign per district has decreased by approximately 50% per year since 2012. This is likely to be explained by:
  - The nature of sanitation promotion activities contracted and the time at which they happen in the programme cycle: set-up activities tend to have higher costs than follow-up activities.
  - An improvement in procurement performance and contract negotiation.
- **Cost-effectiveness.** The institutional arrangements for PEC Zonal activities, with low involvement from district level staff, might impede the long term effectiveness of sanitation promotion activities, in the absence of longer-term follow-up after PEC contracts end.

Cost-efficiency: Cost of CLTS campaign per district



Source: Estimated by authors from PRONASAR PIA and Relatorio Balanço for 2011-2014

Identifying priority areas for Programme Management

The study revealed severe data constraints which precluded conducting a full VFM analysis of the PRONASAR Common Fund. Key data gaps are shown on the table below. Additional efforts are required to improve M&E systems to provide a stronger basis to assess VFM and improve programme management. Priority areas where programme managers need to invest additional efforts to generate VFM gains are identified below based on an assessment of where the most significant gains could be achieved.

Priority areas for Programme Management

	Water points construction		Small Water Supply Systems construction		Sanitation and Hygiene Promotion	
PRONASAR's expenditure (excluding IPS)	28%		66%		6%	
	Data availability	Areas where focus needed	Data availability	Areas where focus needed	Data availability	Areas where focus needed
Economy	○	★★★	○	★★★	○	★
Efficiency	◑	★★	◑	★★	◑	★★
Cost-efficiency	◑	★★	◑	★★★	◑	★
Effectiveness	▨	★★	○	★★★	○	★★
Cost-effectiveness	▨	★	○	★★	○	★

Key data availability							
	● Data available		◑ Data partly available		▨ Estimates		○ No data available

Key priority areas			
★★★ High priority		★★ Medium priority	★ Low priority

Examples of ways in which VFM could be improved in these areas include:

- **Improve procurement:** Economy could be improved by better monitoring and managing contracts procured. As hardware costs represent 69% of the programme direct costs (for the construction of SWSS and water points), improvements in procurement could generate important savings Training to improve programme management skills of government staff would increase the cost per beneficiary but likely improve the cost efficiency of the programme.
- **Improve the focus on sustainability in approach to access to water and sanitation:** Limited information was available on functionality, and only qualitative data were available on the drivers of sustainability (financial management of water points and SWSS, management of water committees, existence of local institutions responsible for sanitation). This VFM analysis used functionality and use data for WP from the national survey on sustainability conducted as part of Objective 2 (but which included non-PRONASAR CF WP). One way to improve functionality would be to deliver more support to Local Governments, communities and SWSS operators on sustainable operation and maintenance of the infrastructure and services, which would generate additional software expenditure.
- **Strengthen the focus on sanitation:** More emphasis has been placed on water supply as opposed to sanitation in PRONASAR CF so far. Although the data are insufficient at present, it seems likely that a more focused well-designed sanitation and hygiene promotion intervention could deliver better value for money, particularly in terms of long-term health impacts, and additional leveraging of household funds.

Recommendations for facilitating VFM analysis to improve programme management

1 Develop a central management system in order to track inputs and outputs jointly

At present data on results and expenditure are not tracked jointly and considerable efforts are required to match them. A common reporting framework needs to be created so that both expenditure and results can be recorded based on activities. A simple excel tool can then be developed to track jointly inputs and results.

2 Develop management tools to improve contract monitoring

A crucial piece of information for estimating VFM indicators is the recording of contracts let by the programme. This was only partially done by the PRONASAR management team, i.e. only for certain years and types of contracts (PEC Zonal and WP and SWSS construction). Tracking contract expenditure by contract type on a regular basis in a Management Information System would therefore be a key innovation which would enable more efficient management of expenditures.

3 Strengthen SINAS, the National Water and Sanitation Information System

Since 2009, considerable investments have been made towards strengthening SINAS, the National Water and Sanitation Information System that collects information on rural and urban water and sanitation, but implementation has been repeatedly delayed. For PRONASAR programme managers to perform a VFM analysis on a regular basis, SINAS would need to be strengthened and implemented at a decentralised level so as to collect and centralise data on outputs and outcomes achieved by the programme. In particular, it should seek to collect data on the actual number of beneficiaries who gained access to water and sanitation at the time of the programme, but also the number of persons who are still using services implemented by the programme at the intended service levels over time.

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