



1. Project Data

Project ID

P124615

Program Name

MZ- PFM for Results Program

Country

Mozambique

Practice Area(Lead)

Governance

L/C/TF Number(s)

IDA-H9680

Closing Date (Original)

31-Mar-2018

Total Program Cost (USD)

46,574,090.07

Bank Approval Date

24-Jun-2014

Closing Date (Actual)

31-Mar-2019

IBRD/IDA (USD)
Grants (USD)

Original Commitment

50,000,000.00

0.00

Revised Commitment

50,000,000.00

0.00

Actual

46,574,090.07

0.00

Prepared by

Hjalte S. A. Sederlof

Reviewed by

Clay Wescott

ICR Review Coordinator

Malathi S. Jayawickrama

Group

IEGEC (Unit 1)

2. Program Context and Development Objectives

a. Objectives

According to the Financing Agreement (p. 4), the Program Development Objective (PDO) was *to improve the transparency and efficiency of expenditures for the storage, distribution and availability of medicines, and for more transparent and accountable management of Complete Primary Schools*. The Program Appraisal Document (PAD, p. 20) had the same PDO. "Complete Primary Schools" are schools that include school years one to seven.



b. Were the project objectives/key associated outcome targets revised during implementation?

No

c. Will a split evaluation be undertaken?

No

d. Components

The PDO was to be achieved by a Program for Results (PforR) operation supporting the government's ongoing public financial management (PFM) reform program, and in particular the piloting of its "PFM for results" program focused on the introduction of performance-based allocations and capacity development in the provision of health and education services. It included the following activities:

1. Paying operational costs for the medicines supply chain and the management of Complete Primary Schools;
2. Implementing mechanisms for enhanced cooperation between the Ministries of Finance, Education, and Health (MoF, MoE and MoH);
3. Using performance-based allocations to motivate improved performance of targeted health and education sector institutions to achieve the objective of the Program; and
4. Carrying out capacity building activities for sector and PFM institutions to improve their ability to identify and resolve problems that hinder the achievement of results.

Nine disbursement-linked indicators (DLIs) were defined, against which the Bank was to disburse funds (Section 3b).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Program Cost. The appraisal estimate for the Program was US\$130.6 million. Actual expenditures at closing were US\$81.37 million. Expenditures included operating costs and performance-based allocations; they did not include expenditures relating to teaching staff, nor did they include procurement of medicines.

Financing. The Program was financed by an IDA grant of US\$50.00 million, of which US\$46.57 million was disbursed. The difference reflects exchange rate fluctuations. The undisbursed balance was cancelled when the Program closed.

Borrower contribution. The borrower contribution estimated at appraisal was US\$80.60 million. The actual borrower contribution was US\$34.80 million due to economic and financial difficulties that arose immediately after effectiveness.



Dates. The Program was approved on June 24, 2014 and became effective on September 19, 2014. The original closing date March 31, 2018 was extended once, to March 31, 2019. The extension allowed the completion of Program activities.

3. Relevance

a. Relevance of Objectives

Rationale

Despite successful central PFM reforms, gaps remained between laws, policies and systems, and their implementation in sectors, provinces and districts. The “PFM for Results” program supported by this operation was the government's response to bridging the gaps in PFM implementation and resulting service delivery underperformance. The operation supported cross-cutting pillars, fostered good governance and macroeconomic stability, and built on the government's National Supply Chain Logistics Plan of Action 2013 and the Pharmaceutical Logistic Strategic Plan 2013–2017, and the Bank's approach to cross-sectoral reforms in its Country Partnership Framework (CPF) for 2017-2021. It piloted the PFM for results program combining the use of performance-based allocations with capacity development to achieve defined PFM service delivery results in two key programs – the storage and distribution of essential medicines, and school-based management in education. The experience gained under the pilot is to be gradually extended to other sectors.

The objectives were clear and realistic, limited in scope to outcomes that the project could reasonably be held accountable for. They were management outcomes that would be expected to contribute to improved quality of health and education services. The DLIs, the government's action plan for supply chain logistics, and legal covenants all created a plausible causal chain between actions supported by the project and achievement of the objective. However, by keeping outcomes at the management level, there was no guarantee that desired outcomes of improved health and educational service quality would be achieved.

Rating

Substantial



b. Relevance of DLIs

DLI 1

DLI

Average availability of a tracer set of essential maternal and reproductive health medicines at health facility level [on the day of verification during a calendar year].

Rationale

Outcomes in maternal and reproductive health were weak, and introducing a mechanism for regular monitoring of the availability of relevant medicines through an annual survey of health facilities to assess stocks was likely to promote better health outcomes. DLI 1 was designed to encourage better availability of necessary medicines at health facilities with baselines and measurable target values permitting monitoring of progress and triggering the release of funds when targets were met. Over the project period, targets were not fully met (see Section 4), but still showed sustained progress.

Rating

Substantial

DLI 2

DLI

Number of provinces achieving the minimum acceptable score of compliance with standards for stock management, warehousing, and distribution of medicines as assessed by the Central Medicines Warehouse (CMAM) internal audit unit.

Rationale

The DLI was designed to contribute to better inventory management throughout the system by strengthening coordination between the central drug agency, CMAM, and provincial health authorities. This was to improve management of stock in hand, and also ensure timely distribution and availability of medicines. Progress (the increase in the number of provinces complying with standards for stock management) was clearly defined and measurable, and targets were surpassed (Section 4).

Rating

Substantial

DLI 3



DLI

Proportion of treatment sites with a stock-out of key anti-retrovirals (ARVs) at the end of each month.

Rationale

The DLI was designed to contributed to the government's aim of achieving universal coverage in HIV treatment. It set a diminishing annual target for stock-outs over the project period, contributing to improved drug availability at health centers and triggering disbursements. Progress was clearly defined and measurable, using a standard protocol and methodology. Targets were exceeded (Section 4).

Rating

Substantial

DLI 4

DLI

Proportion of districts for which CMAM receives logistics information through the country's management information system for medicines.

Rationale

SIMAM is the electronic logistics and management information system (MIS) used in managing the supply chain. At project startup it was installed in all provinces but was not yet functional in all districts. The DLI was designed to encourage better data flows from more districts and consequently broaden the scope for improved distribution to and availability of drugs at health centers. Progress under the DLI was clearly defined and measurable, triggering disbursements, and by the end of the project, targets had been surpassed (Section 4)

Rating

Substantial

DLI 5

DLI

Fill rate of approved requisitions from CMAM clients for tracer medicines.

Rationale

DLI 5 was designed to support improved quality and timeliness of information flows between CMAM and sub-national levels, based on fill rates for an approved list of medicines. This provided information on how



effectively supply and demand for medicines was managed by CMAM and, like DLI 1, it served as an indicator of management of inventory at hand. Measurable target values permitted annual monitoring of progress, triggering disbursements. Target values were exceeded (Section 4).

Rating

Substantial

DLI 6

DLI

Proportion of complete primary schools that comply with defined standards for transparency and accountability.

Rationale

The DLI was designed to support more transparent and accountable school-based management, including standards for complete primary school councils. Results were defined by gender balance in school councils; parental involvement; and parental participation in school development planning. Measurable target values permitted annual monitoring of progress, and triggered disbursements. Target values were exceeded (Section 4).

Rating

Substantial

DLI 7

DLI

Proportion of complete primary schools receiving funds on or before February 28 of each year.

Rationale

The DLI facilitated the timely disbursement of funds as an important enabling condition that, in combination with DLI 6 ensured that there were resources to manage at the school council level. For monitoring, it drew on a defined protocol and methodology, using district services' school supervision reports for verification. The DLI indicator was clearly defined and measurable, permitting monitoring of progress and triggering disbursements. Target values were exceeded (Section 4).

Rating

Substantial

DLI 8

DLI

Revised district level budget classification by sub-sector, configured and applied.

Rationale



The DLI was designed to support improvements in the budget classification system for better reporting of education expenditures. An improved budget classification system was to strengthen the transparency in the flow of financial information by sub-sectors (primary, secondary, adult and vocational education, youth and technology) that, when applied, would facilitate the monitoring of spending and reduce the risk of education funds being diverted to other functions.

Rating

Substantial

DLI 9

DLI

Proportion of complete primary schools visited for supervision by district services.

Rationale

The DLI strengthened the vertical accountability process through supervision by promoting the introduction of guidelines for school supervision, supporting DLI 8.

Overall, the DLIs were clearly defined and measurable, timed in line with the government's budget cycle, and each one had a clear protocol for monitoring and verification. The indicative timeline for achievement and verification was reasonable – overall, nearly all DLI targets were achieved or exceeded. DLIs incentivized critical actions, were scalable in proportion to the level of achievement, and provided necessary flow of funds for achieving the PDOs, and the results framework, as the former were drawn from the set of PDO outcome and intermediate outcome indicators and delivered incentives that were likely to generate a more transparent and efficient medicines delivery system, and a more transparent and accountable management of complete primary schools (PAD, p.52-55; ICR, p. 19). Additional evidence on DLIs is in Section 4.

Rating

Substantial

OVERALL RELEVANCE RATING

Rationale

The PforR was used as a lending instrument, with disbursements linked to the delivery of results as a means of incentivizing the efficient use of resources for the provision of health and education services. The approach was likely to (i) improve the reliability of the medical supply chain, with a particular focus on gradually improving maternal and reproductive health and HIV/AIDS outcomes, two areas where the health system indicators for Mozambique were poor; and (ii) encourage better management of resources for complete primary schools. The DLIs that were selected from the results framework in both cases (health and education) supported a cohesive set of interventions that were likely to promote sustainable PFM results. They were clearly defined, measurable and included monitoring and verification methodologies. All DLIs



contributed towards achieving the PDO.

Furthermore, the PforR added value because it provided a platform to engage and align the Ministry of Finance and sector ministries through joint identification of DLIs. Also, the flexibility of the PforR instrument has allowed the government to adapt a mix of performance-based allocations and capacity development as implementation experience evolves, but this also means a shift in risks from the Bank to the client.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To improve the transparency and efficiency of expenditures for the storage, distribution and availability of medicines

Rationale

The objective was to be achieved by avoiding stock-outs of essential medicines by applying performance-based allocations (DLIs) and capacity development to improve the quality and timeliness of information flows and the flow of medicines through the public drug delivery system. Outcomes were to be determined by (i) improved communications between CMAM and sub-national levels (province, district, health facility) to allow accurate forecasting of medicines needs; (ii) better inventory management at provincial levels, including reporting of stock-outs and fill rates at facility levels; and (iii) such reporting increasingly channeled through the supply chain management information system.

Outputs



- The proportion of treatment sites with stock-outs of a tracer set of ARVs at the end of each semester fell from 27 percent in 2013 to 7 percent in 2019, compared to a target of 10 percent (DLI 4)
- The percentage of districts that report logistics information to CMAM using the supply chain management information system increased from 77 percent to 93 percent between mid-2012 and mid-2019, compared to a target of 87 percent (DLI 5)
- The fill rate of approved requisitions from CMAM's clients for tracer medicines increased from 71 percent in 2013 to 86.7 percent in 2019 compared to a target of 84 percent (DLI 6)
- With a baseline of zero in 2013, by 2019, 10 out of 11 provinces achieved an acceptable score from internal audits of warehouse standards for medicine

Outcomes

- The average availability of a tracer set of essential maternal and reproductive health medicines at health facility levels increased from 78.6 percent in 2013 to 87.4 percent in 2018, almost reaching the target of 88 percent. (DLI 1)
- The number of provinces achieving the minimum acceptable score of compliance with standards for stock management, warehousing and distribution of medicines increase from a baseline of zero in 2013 to 10 in 2018, compared to a target of 8 provinces. (DLI 2)

The ICR (pages 22 and 23) noted the following additional impacts of the project: (i) a satisfaction survey undertaken by MoF notes that 189 respondents were satisfied and 133 moderately satisfied with the availability of essential reference medicines from a total sample of 353 respondents; (ii) monitoring of the supply chain has improved, strengthening the DLI verification process; (iii) performance-based allocations are motivating change, as was the case with capacity building using coaches and facilitators.

All these outcomes and impacts point to a stronger, more effective and efficient supply chain, as well as to the creation of incentives for better management, the latter an underlying feature in the longer-term objective of improving PFM.

Rating
Substantial

OBJECTIVE 2

Objective

To create a more transparent and accountable management of complete primary schools



Rationale

The objective was to be achieved by applying performance-based allocations (DLIs) and capacity development to increase the proportion of complete primary schools that comply with standards for transparency and accountability that emphasize (i) community involvement in school councils; (ii) timely disbursement of school funds to strengthen school-based management; and include (iii) a revised budget classification and reporting system that allows greater transparency in budget allocations and stronger expenditure monitoring; and (iv) enhanced school supervision.

Outputs

- The proportion of complete primary schools that received direct school grant funds on or before February 28 each year (the end of the previous fiscal year) rose from a baseline of zero in 2013 to 100 percent in 2019 against a target of 90 percent (DLI 3)
- The budget classification of schools by sub-sector was configured and first applied in 2017 (DLI 8)
- Proportion of complete primary schools visited for supervision by district services increased from zero in 2013 to 85 percent in 2018, against a target of 50 percent (DLI 9)

Outcomes

- The proportion of complete primary schools that comply with defined standards for transparency and accountability set in 2014 was 76 percent in 2018 against a target of 60 percent
- From 2014 to 2018, teacher and student attendance improved due to increased supervision activities and the accountability culture they helped to create
- Student learning outcomes improved, and improved teacher attendance resulted in an increase in the amount of time available for instruction from an average of 1 hour and 43 minutes in 2014 to 2 hours and 38 minutes in 2018
- Audit reports and a 2018 survey concluded that 76 percent of complete primary schools visited have functional school councils, including parents and the wider local community

Rating

Substantial

OVERALL EFFICACY



Rationale

The results framework included DLIs that logically contributed to the Program Development Objective, which was to improve the transparency and efficiency of expenditures for the storage, distribution and availability of medicines and for the management of complete primary schools. In the medium to longer term, the Government of Mozambique expects that performance-driven approaches will be a central component in supporting efficient, transparent and accountable use of public resources to deliver results. Better translation of resources into outcomes will be crucial to a development trajectory of inclusive and durable growth in Mozambique, as natural resource revenues increase dramatically in coming years.

Rating

Substantial

5. Outcome

Relevance of objectives was rated **high**, as they aligned with both government and Bank priorities for the country. Relevance of DLIs was **substantial**, reflecting their consistency with the PforR objectives and outcome indicators, although in some cases aiming at ambitious outcomes that were not always achieved. Reflecting that, efficacy was also rated **substantial**.

Outcome Rating

Satisfactory

6. Risk to Development Outcome

The PFM for Results Program was an innovative design in an environment of political volatility and substantial fiduciary risk. While these risks are likely to remain, they are counterweighed by a strong and continued government commitment to PFM reform and the relatively successful implementation of this Program for Results pilot. Sector risks – in education and health – appear to be modest as the reforms are largely institutionalized – in large part because of the broad engagement of actors – ministries, government levels and communities.

7. Assessment of Bank Performance

a. Quality-at-Entry

The Program was strategically relevant. Its piloting of a “PFM for Results” approach helped build a platform for an expansion of the approach to other sectors of the reform. The Bank invested considerable time and resources between concept and approval to create understanding and acceptance of the innovative concept and modalities, with a number of workshops bringing key stakeholders together



to build ownership. This was helped by a proactive Bank team with co-TTLs stationed in the country, along with interest and support from the Country Management Unit.

Program design drew on Bank projects in health and education, and it complemented capacity development under the Bank-financed National Decentralized Planning and Finance Program. A Health Commodities Security Project financed commodity procurement, analytical studies and supply chain-related equipment purchases, as well as computers for the country's logistics MIS. Design largely used country financial management systems which had progressively been strengthened through government efforts. It was coordinated with the activities of other donors supporting the PFM reform. The results framework was internally consistent, with DLIs and other indicators measurable and linked to outcomes.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

Project implementation benefited from a diverse team of experts, including field-based Bank staff, which was able to respond adequately to government implementation concerns and collaborate with other donors. The team focused on ensuring maximum impact, reflected in the extension of the program closing date to allow strengthening inter-sectoral collaboration. Still, implementation did not proceed without challenges, as both the Bank team and the Borrower were experiencing a learning curve, reflected in delays in communications of information, in the disbursement of funds and the recruitment of teams for some activities. These challenges were addressed with innovative approaches not foreseen in the PAD, including the use of rapid results initiatives, supported by internationally certified coaches and national facilitators.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Satisfactory

8. M&E Design, Implementation, & Utilization

a. M&E Design

The results framework for the operation provided a logical sequence of activities that was consistent with key outcomes and the PDO. For M&E it used existing systems in the health and education sectors. For health, this included CMAM's pharmaceutical logistics performance framework; and for education, existing



data collection and monitoring systems. An independent evaluation of the PFM for Results Program was commissioned to review Program data during implementation.

b. M&E Implementation

Monitoring information was collected by the Program coordinating team, drawing on a variety of monitoring information, including implementation and performance of PFM management capacity development, and performance-based allocations by sector.

c. M&E Utilization

Collected data was used to inform decision-makers on various activities, adjust the approach (for instance extend the project by a year to maximize both learning and impact). More importantly, the information was to be used to make plausible assessments about whether the use of performance-based allocations and capacity development were being successfully adopted in developing processes.

M&E Quality Rating

Substantial

9. Other Issues

a. Safeguards

The Program was assessed as a category C project. As the PFM for Results Program mainly supported changing incentives and providing technical assistance to strengthen PFM systems for results in target sectors, direct environmental and/or social impacts were not anticipated for the most part. The environmental risks associated with program were assessed as moderate and mainly related with the inadequate disposal of pharmaceutical waste. Still, the Bank prepared a comprehensive Environmental and Social Systems Assessment (ESSA) for the Program and identified unintended generation and inappropriate disposal of pharmaceutical waste resulting from expired or damaged medicines as the main environmental risks. The ESSA recommended two safeguards activities: (i) satisfactory completion of norms for disposal of pharmaceutical products and plans for implementation at main warehouses; and (ii) satisfactory implementation of the norms through review of routine reporting on volumes and methods of pharmaceutical waste disposal.

b. Fiduciary Compliance

Financial Management: The financial management guidelines in the Operational Manual incorporated the necessary internal control guidelines using the country financial management arrangements. The internal



controls of the Program worked as intended. All key Program staff attended training workshops to fully understand the approved Manual. The quarterly interim unaudited financial reports were submitted to the Bank on time. The final audit for the Program was carried out by an internationally affiliated firm in full compliance with the international standards. The auditors expressed an unqualified audit opinion on the financial statements.

Procurement: Given the nature of the Program, the Bank did not review procurement packages but assessed that all the prerequisites for procurement planning and implementation were in place to help ensure successful implementation. The Program fully utilized the country procurement system. Besides small value purchases of an operational nature, medicines and capacity development activities were the two main procurable items which were managed at the central level. The Program's procurement specialist played an important liaison role between working teams at different levels of the Program, adhering to the government's procurement regulations and to Program requirements as was set out in the Program's Operations Manual.

c. Unintended impacts (Positive or Negative)

None were noted in the ICR.

d. Other

Externalities. The following positive externalities related to the project's design as a PFM for Results Program were recorded in the ICR: (i) appreciation of the results-based approach as a means of raising efficiency in public finances; and (ii) adoption of the approach by other donors.

Gender. The Program included features of gender mainstreaming: school councils were to be established based on gender equity; access to medicines for reducing maternal death rates and improving reproductive health; capacity building for teachers and nurses, many of whom were women.

10. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	



11. Lessons

The following Lessons are drawn from the ICR:

All stakeholders should be involved in a program from the beginning to minimize misunderstandings during implementation. The Program had multiple stakeholders at different levels of the political structure in Mozambique, and with different functions. A common platform for fulfillment – in this case PFM for Results – served as a uniting reference point for the Bank, government entities, and donors.

Understanding priorities in a complex environment is essential. The Program had a strong results framework that set out the logic of the intervention, defined priorities and facilitated dialogue when implementation issues arose.

Information and logistics are key elements in a results-based operation that operates at several levels. Timely availability of financial resources was key to ensuring a well-functioning education system and timely availability of necessary drugs for addressing major health issues. One factor of success was the timely intra-governmental and inter-sectoral information flows

12. Assessment Recommended?

No

13. Comments on Quality of ICR

The ICR is well argued, but at just over 39 pages is much longer than the normal length of 15 pages. That said, it provides a solid description of the PFM for Results instrument and its challenges. This allows a fair assessment of the results and ratings of the operation.

a. Quality of ICR Rating

Substantial