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## PROSAÚDE III: TWO STEPS FORWARD, ONE STEP BACK<sup>1</sup>

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### Key messages

- The Ministry of Health (MISAU), assisted by the Development Partners and Civil Society Organisations (CSOs) must adopt a national decentralization plan that must reflect the sector's needs. The health sector needs to express to Parliament (AR), to the Ministry of State Administration and Public Service (MAEFP) and to the Ministry of Economic Affairs and Finance (MEF) its thoughts on how the sector should be treated in the decentralization process, currently and in the future. For this purpose, MISAU must have its own plan. This would avoid situations in which technicians from other sectors impose models for the division of institutions, functions and competences on the sector, without knowing the facts, with unsatisfactory results.
- MISAU and Cooperation Partners must clarify the scope and scope of PROSAÚDE with regard to eligible expenses. The scope of the Manual of Procedures (MoP) needs to be clarified, to avoid the mismatches of perspectives that have occurred so far, where partners feel that there should be more limitation, while districts feel that the common fund should be more open. This clarification may even benefit the government's intentions and efforts to bring more partners into the financing modality within the national planning and budgeting system. It is hoped that the ongoing MoP review will help with such clarification.
- MISAU and its Partners must give greater visibility to PROSAÚDE. Several interviewees understand that there are three categories of information related MISAU and PROSAÚDE must publish in order to give more visibility to the common fund. First, the disbursement commitments and the effective disbursement, which each partner assumes. Second, the audit reports and the consequent corrective measures. Lastly, the mid-term and final evaluation should be part of the information to be placed in a window on the MISAU website, on a Facebook page or on another platform that the Government and the Partners deem to be more appropriate.
- MISAU and its Partners should strengthen the technical and programmatic unit (UTP) of PROSAÚDE to improve technical assistance to the districts. The current management unit of PROSAÚDE is visibly understaffed, needing, at least, two more technicians. In order to improve the performance of the districts, the reinforcement of the UTP is suggested. One of the additional technicians could be in charge of communication and outreach, while the other would be in charge of supporting technical assistance to the districts. Thus, UTP technicians could divide the country's districts among themselves for a better provision of technical assistance.

1. Policy Brief based upon the Public Expenditure Tracking Survey (PETS) report financed with PROSAÚDE III funds in 12 districts of Mozambique. The Districts are Nacala Porto, Angoche and Ribaué; Gurué, Mocuba and Milange, Angónia, Moatize and Changara; Manhiça, Marracuene and Matutuine. The full report can be read on N'weti's website: <https://nweti.org/> or upon request by email [nweti@nweti.org.mz](mailto:nweti@nweti.org.mz)

- The Government should adopt a plan to increase the number of partners who channel their support via e-SISTAFE. The health sector has enough experience to know how to distinguish the benefit between vertical financing and financing integrated in the national system such as PROSAÚDE III. The arguments in favour of this last modality are equally numerous. Therefore, it would be beneficial for the sector if there were a clear strategy to bring more partners to this modality.

## 1. Introduction

PROSAÚDE III marked two steps forward: first, the decision to maintain the common fund, having advanced to the current third generation; the second step is the decision to align it with decentralization, channeling 80% of the financial resources to the districts. However, there is also a setback in the reduction of the volume of funds, before and during the current version of the common fund.

This Policy Brief results from the Public Expenditure Tracking Survey (PETS) on PROSAÚDE III, in the years 2019 and 2020, carried out by N'weti in the health sector in twelve districts of four Provinces in the country: Nampula, Zambézia, Tete and Maputo Province.

PETS is a tool that emerged in the context of massification and strengthening of the role of civil society organizations (CSOs) in controlling the management of public funds as a contribution to improving the performance of public finance management (PFM), with the aim of improving the public service provision and the well-being of citizens (Gurkani et al., 2009).

There is a consensus on the preponderant role that PETS plays in the discussion to improve the effectiveness and efficiency of the provision of public services, such as health (Acosta & Pettit, 2013; Barnett et al., 1993). PETS is traditionally a technique for quantitatively measuring the performance of a government's public policies in the provision of certain services (as is the case with the health sector) in a certain geographic area, within a period of time, generally corresponding to an economic exercise, that is, one year (Gurkani et al., 2009).

The PETS report that served as the basis for this Policy Brief was carried out taking into account the context in which PROSAÚDE III was conceived and started to be implemented: the deepening of decentralization in the health sector – allocation of more resources (80%) to

districts. This Policy Brief summarizes the main findings and recommendations of the work carried out, with the aim of promoting discussion between the different stakeholders in the financing of the health sector in Mozambique: government, development partners and civil society organizations engaged in the sector.

## 2. Is PROSAÚDE III at the crossroads of decentralization?

In its sector strategic plan PESS 2014-2019 [2024], the MISAU - identified decentralization (see Pillar II) as one of the two strategic with with Pillar of the health sector in Mozambique, Pillar I being related to increasing the quality and efficiency of health services. For over a decade, the health sector in Mozambique has been referred to as one of the most decentralized one (Weimer, 2012b), but more recent research has proven that the health sector remains centralized (Posse, 2018).

The third generation of PROSAÚDE was conceived with the strategic objective of “expanding access to and improving the quality of Health Services, reducing Maternal Mortality, Morbi-Mortality from Chronic Malnutrition, Malaria, Tuberculosis, HIV, Non-Communicable Diseases and Preventable Diseases, among other objectives” (PROSAÚDE, 2017a).

However, the results of the analysis raised doubts about the pursuit of this objective of decentralization. The doubt arose from the ambiguity verified between the progress that the common fund made in allocating the highest level of financial resources to the districts, the difference between the commitments assumed by the partners and the effective disbursements made by them. Furthermore, a reduction in the volume of these resources from 2019 to 2020 was noted, as well as the maintenance of several other problems, as discussed below.

Table 1 shows the comparison between the commitments assumed by the funders of the PROSAÚDE common fund and the disbursements they effectively made in the last five years.



**Table 1:** Comparison between commitments and disbursements of PROSAÚDE from 2016 to 2020

Amounts in 10 <sup>3</sup> USD					
PROSAÚDE Committments and Disbursements	Annual Amounts				
	2016	2017	2018	2019	2020*
Annual Committments	48,500	27,927	21,258	20,268	14,680
Disbursements	17,602	25,253	19,665	17,794	14,751
Level of Committments Annual (%)	36%	90%	93%	85%	96%

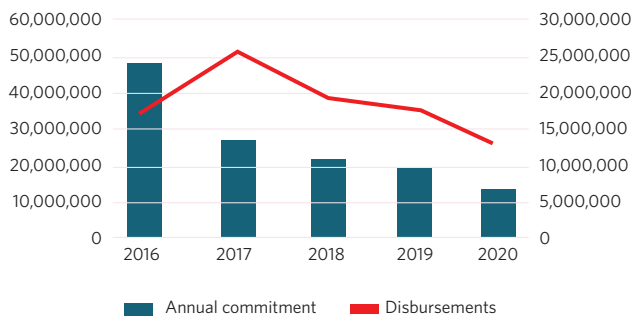
Note(\*): In 2020 the level of compliance% does not take into account the amount disbursed by Italy for the previous year 2019

Source: (MISAU REO, 2020)

In parallel with the differences verified between commitments and disbursements, the volume of resources has been continuously decreasing, as displayed in Graph 1 below.

**Graph 1:** Decrease in PROSAÚDE funds in the last 4 years

Annual commitment and Disbursements from 2016 to 2020



Source: (MISAU, 2020) - REO

### 3. Decentralize with less and less financial resources

As noted in the previous sections, the progress in decentralizing 80% of the financial resources of PROSAÚDE III has been accompanied by a reduction in the volume of these resources. The three districts studied in Nampula Province registered a decrease in funds, as documented in Table 2.

**Table 2:** Analysis of allocations and execution of PROSAÚDE III in Nampula

Amounts in 10 <sup>3</sup> MZN					
Nacala Porto District					
Updated Allocation		Variation	Execution		Variation
2019	2020	%	2019	2020	%
10141	7573	-25,3%	9128	7358	-19,4%
Angoche District					
5546	2893	-47,8%	5028	2893	-42,5%
Ribaué District					
5718	3383	-40,8%	5213	3382	-35,1%

Source: Own construction

In all of the three districts of Nampula Province – Nacala Porto, Angoche and Ribaué, and in both years analyzed (2019 and 2020), the variation of the updated allocation is negative. The variation in achievement was also negative. In short, contrary to the prevailing discourse among Cooperation Partners on the primacy of the decentralization aspect in the current version of PROSAÚDE, this common fund continues to decrease. Therefore, although the allocation of funds is now made directly to the districts, such funds are increasingly inferior, contrary to any theory of decentralization that advocates more and more allocation of resources, in order to avoid “decentralizing the centralism”(Weimer, 2012a).

Similar to the situation in the country’s most populous Province, Nampula, in Zambézia, the second most populous Province, there was a decrease in the volume of PROSAÚDE III funds, as shown in the following table.

**Table 3:** Analysis of allocations and execution of PROSAÚDE III in Zambézia

Amounts in 10 <sup>3</sup> MZN					
Milange District					
Updated Allocation		Variation	Execution		Variation
2019	2020	%	2019	2020	%
6329	4740	-25,1%	5730	4660	-18,7%
Gurué District					
6697	2763	-58,7%	6044	2754	-54,4%
Mocuba District					
7725	3653	-52,7%	6717	3503	-47,9%

Source: Own construction

In the three districts studied in Zambézia (Milange, Gurué and Mocuba), PROSAÚDE III had a decreasing trend, with both allocations and execution variations showing negative results. In 2020, amounts less than those allocated in the previous year were assigned to each of the three districts in 2019. The District of Gurué was the most penalized, with a reduction of 58.7%.

Contrary to the situation encountered in the two most populous Provinces in the country (Nampula and Zambézia), where we found negative variations in all studied districts, in the case of Tete Province, we have two districts with positive variations. The Districts of Angónia and Changara had a relatively positive performance with slight increases in budget allocations from 2019 to 2020. This growing trend was expected for all districts in the country, in the spirit and in the letter of PROSAÚDE III.

**Table 4:** Analysis of allocations and execution of PROSAÚDE III in Tete

Amounts in 10 <sup>3</sup> MZN					
Angónia District					
Updated Allocation		Variation	Execution		Variation %
2019	2020	%	2019	2020	
4292	5408	26,0%	3712	5347	44,0%
Moatize District					
5357	3190	-40,5%	4482	3190	-28,8
Changara District					
2919	3590	23,0%	2171	3590	65,4%

Source: Own construction

Only one of the three districts studied in Maputo Province, Manhiça District recorded positive variations both in the allocation of PROSAÚDE III funds and in their execution. In terms of allocation, the District of Manhiça recorded a growth of 61.2%, while its execution grew by 50.4% from 2019 to 2020. The other two Districts analyzed, Marracuene and Matutuíne, registered negative variations, which is consistent with the broad results obtained throughout the research. Marracuene saw the allocation reducing by 34.5% and its execution dropped by 27.3% from the year 2019 to 2020. In turn, the District of Matutuíne recorded a large reduction of its allocation by about two-thirds (58, 9%), while its execution decreased by 47.7% from 2019 to 2020, as shown in table 5.

**Table 5:** Analysis of allocations and execution of PROSAÚDE III in Maputo Província

Amounts in 10 <sup>3</sup> MZN					
Manhiça District					
Updated Allocation		Variation	Execution		Variation %
2019	2020	%	2019	2020	
786	126880	61,2%	6360	9562	50,4%
Distrito de Marracuene					
8045	5271	-34,5%	7248	5269	-27,3%
Distrito de Matutuíne					
13178	5413	-58,9%	10337	5269	-47,7%

Source: Own construction

The results presented in tables 2, 3, 4 and 5 show that the two most populous Provinces in the country – Nampula and Zambézia – are those that registered the greatest reductions in PROSAÚDE III funds, at the level of the totality of the studied districts. Thus, the most populous provinces in the country have the lowest per capita rates. Furthermore, this fact underscores the structural underfunding that has occurred in the health sector over the past several years, as well as the demonstration of the preference of health sector funders for “vertical approaches”, as noted by several previous surveys. (N’weti, 2021; FISCUS & MB Consulting, 2021; Garrido, 2020; Village Reach, 2014; Weimer, 2012).

Table 6 summarizes the reality of the differences and inequalities that exist between the different provinces within the PROSAÚDE III common fund. The sums of updated allocations, 2019 and 2020, of the districts studied in the country’s most populous Provinces – Nampula (35,254,000.00 Meticaís) and Zambézia (31,897,000.00 Meticaís) – are both lower than the sum obtained from Maputo Province: 52,454, 000.00 Meticaís. This means that the PROSAÚDE III is operating in the same way as the State Budget, where allocations to Maputo Province are higher than those to the biggest and most populous Provinces of Nampula and Zambézia.



**Table 6:** Comparison between budget allocations and executions in the four provinces studied

Amounts in 10 <sup>3</sup> MZN		
Province	Updated Allocation (2019+2020)	Execution (2019+2020)
Nampula	35.254	33.002
Zambézia	31.897	29.408
Tete	24.737	23.038
Maputo Província	52.454	44.184

Source: Own construction

The results presented in table 6 show that the PROSAÚDE III common fund faces the challenge of dissociating itself from the inequality that Mozambique has experienced over the years. Allocating more funds to a Province that is not the most populous in the country – Maputo Province – is a reality that must be changed, for the benefit of the majority of the population.

In fact, the criteria used by the Government, through the MEF to define budget allocations to the provinces give greater weight (70%) to the population factor, with the remaining 30% distributed among the factors that make up the multi-dimensional poverty – consumption, sanitation, health and education. For the districts, the State Budget (OE) has been allocated considering the population factor with a weight of 35%, the surface (20%), the district own revenues (15%) and the Multi-dimensional Poverty Index (30%).

This distribution of coefficients means that the districts with the largest population, for example Milange, Nacala Porto or Angónia, which are also the most extensive, should deserve greater budget allocations. Therefore, the revision of the PROSAÚDE MoP should include the revision of the formula for calculating allocations to districts and provinces, in order to ensure greater equity – granting more resources to the most populous, most extensive districts and with greater poverty, and less resources to those less populous, less extensive and with less poverty.

## 4. Constraints faced by PROSAÚDE III

The study has identified nine constraints the health common fund is facing. Those constraints are discussed below.

- i. Continuous decrease in the number of partners and the volume of financial resources. After more than 10 years of implementation, among several setbacks related to issues of the crisis of external aid (aid fatigue) and PFM, and loss of trust between the Government of Mozambique (GoM) and partners. The resources of the PROSAÚDE common fund, however, have been decreasing over the years, having decreased from covering 52% of the sector's total expenditure in 2008 to only 2% in 2016. The PROSAÚDE budget for 2019 was around \$17 million, with contributions from Switzerland, Denmark, Spain, Ireland, Italy, UNFPA and UNICEF. Four years earlier, in 2015, PROSAÚDE II had a resource envelope of just over USD 53 million, funded by Canada, Ireland, Netherlands, Denmark, Switzerland, Flanders, UNICEF, Italy, UNFPA and Spain.
- ii. Clarification of the scope of PROSAÚDE III. The PROSAÚDE III Manual of Procedures establishes as the first priority of the common fund the financing of expenses related to "Primary Health Care." Such priority in practice covers a little of everything. As a result, while the districts seek to cover all the expenses under its purview, the MoP limits this coverage, leaving out expenses that are essential to the operation of health services. Those expenses include water and electricity bills or vehicle maintenance costs (with the exception of ambulances – it turns out that in reality many districts even use normal vehicles for ambulance services).
- iii. Payment of ineligible expenses by districts. Several districts have paid water and electricity bills for health facilities, have bought office supplies, or paid for repairs of vehicles that are not ambulances even though these expenses are not eligible.
- iv. Weak and insufficient human and technical capacity at district level. One of the gaps found in the districts is the difficulty of planning, budgeting and reporting of funds, sometimes due to insufficient human resources and sometimes due to lack of technical capacity to do so. As an example, most districts do

not have technical staff capable of preparing financial programming (FP) in a correct and timely manner. Interviews with managers in districts and provincial capitals indicated that this situation has worsened since the provincial health directorates were split into two separate units: Provincial Health Services (SPS) and Provincial Health Directorate (DPS), as personnel have been moved back and forth, with no regard for their qualifications and experience.

- v. Delays in the disbursement of funds. Disbursements under PROSAÚDE III are subject to audits and delivery of final reports. In practice, these audits have taken longer than expected and desirable, resulting in delays in disbursements by funders. Due to the delay that audits take, there are partners who only disburse in November or December, generating problems in the execution of funds within the financial year. As a result, some partners who disburse funds upon presentation of a preliminary audit report have chosen informal solutions.
- vi. Difference of understanding between partners and district managers about the future of PROSAÚDE. Partners who finance the common fund want a narrower PROSAÚDE, in addition to widening the range outside of PFM, while districts want a wider PROSAÚDE. In the interviews carried out with the funders of the common fund, we noticed a common concern to “focus more on PROSAÚDE’s financial resources”, meaning the need to further limit the list of eligible expenses. On the other hand, at the level of beneficiary-resource managers at district level, we find a consensual concern with the need to further expand the range of eligible expenses.
- vii. Payment of top-ups outside the PROSAÚDE III mechanism by funders. The research has found that several funders of the common fund have bypassed the established mechanism, making top-up payments on the side. For example, in 2017 and 2018, Ireland made these payments to non-working staff. In 2019, Italy did the same.
- viii. Lack of visibility of PROSAÚDE. Successive Public Expenditure and Financial Accountability (PEFA) assessments have noted that the health sector in general faces a lack of transparency, as it does not disclose much of the information of public interest (FISCUS & SAL E CALDEIRA, 2008); (FISCUS & MB Consulting, 2015); (FISCUS & MB Consulting, 2021). PROSAÚDE III faces a similar problem with lack of

visibility, because, like the health sector in general, it does not disclose basic information, apart from the ordinary financial execution information contained in the Budget Execution Reports (REO) of MISAU.

- ix. Limited capacity for mentoring (coaching) and monitoring of districts. In the design of PROSAÚDE III, the Technical and Programmatic Unit was expected to have a team of five people. This composition was never respected. First, there were three people, one being a coordinator and two senior technicians. While the coordinator handled the strategic part of the common fund, the technicians dealt with day-to-day operational issues. This coordinator left UTP. Thus, the UTP was reduced to those two technicians, who must now be divided into strategic issues of liaison with Partners and with MISAU, as well as operational issues. In practice, PROSAÚDE has only one technician full-time, since another technician is fully responsible for preparing the Budget Execution Report (REO). This results in a constraint limiting their ability to coach and monitor the staff of the Departments of Administration and Finance (DAFs) at the level of all districts in the country. For this reason, there are districts that have never been visited by the UTP, nor received training or technical guidance on site, only virtually. When possible, UTP only covers the districts closest to the provincial capitals.



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