

IMPROVING PUBLIC SECTOR PERFORMANCE

THROUGH INNOVATION AND
INTER-AGENCY COORDINATION



WORLD BANK GROUP
Global Knowledge & Research Hub
in Malaysia

CASE STUDY FROM THE GLOBAL REPORT

Driving Education and Health Reforms from the Ministry of Economy and Finance in Mozambique



CASE STUDY 3

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Overview

Facing multiple difficulties in delivering effective healthcare and education to its citizens, Mozambique turned to the World Bank in 2011 for assistance. One of the major problems was coordination between line ministries and the finance ministry. Without effective coordination, the education and health ministries struggled to get resources to the hospitals and schools where they were needed in a timely manner. The government used the World Bank’s “Program-for-Results” instrument to incentivize better coordination and collaboration between the health, education, and finance ministries. Financial incentives, along with support from coaches trained to identify bottlenecks and help coordination, saw Mozambique drastically improve disbursement of school grants and increase availability of critical medicines.



MOZAMBIQUE

POPULATION (July 2017 est.)¹

26.574 million

GDP PER CAPITA (current US\$)²

382.10

INCOME GROUP³

Low income

GOVERNMENT EFFECTIVENESS⁴

18.8%

¹CIA World Factbook, ²World Bank (2016),
³World Bank (2016), ⁴World Bank (2016)

Introduction

In 2011, Mozambique was facing a number of challenges in the education and health sectors. Districts across the country kept running out of essential medicines, resulting in unnecessary deaths, and weak school governance was contributing to poor learning outcomes for Mozambican youth.

While both the Ministry of Health and the Ministry of Education and Human Development (MEHD) faced many obstacles to improve service delivery, one of the most glaring was the management of finances and other resources. To ensure resources were getting to the right place at the right time, both ministries had to work closely with the Ministry of Economy and Finance (MEF). But communication and collaboration between the ministries was very weak, and resources allocated for health and education often arrived late, if at all. “The health and education ministries had tried to solve these issues before, but they had limited knowhow in public financial management,” said Furqan Saleem of the World Bank, who was based in Mozambique at the time.

Prompted by demand from the health and education ministries, the World Bank facilitated meetings between representatives from those two ministries and the MEF. “The Finance Ministry did not know about the problems,” said Saleem. “So it was a real eye-opener for them.” Based on conversations between the World Bank and the ministries, which occurred regularly over the course of more than two years, the government began developing ambitious plans for a program that would bring the three ministries together to improve financial management and service delivery in the education and health sectors.

In putting together the program, the government and the World Bank conducted extensive research on the issues facing the education and health sectors.

Four main issues were identified in the education sector:

- Persistent delays in the allocation of school grants, which constrained the availability of resources at the school level
- A lack of transparency in the education budget allocation and spending at the district level
- Ineffective supervision of schools

- The limited participation of parents and communities in school councils

In the health sector, the main issues with medicine distribution were:

- Fragmented management responsibility
- Inefficient and inaccurate information flow
- Poor inventory management
- Misalignments between supply and demand

Mozambique had to urgently address those issues to improve education and health outcomes for its citizens. At the time, maternal mortality was extremely high (490 deaths per 100,000 live births), there was high HIV prevalence (about 11.5%), and malaria was the leading cause of death for children under 5.¹¹ Schools across the country struggled to pay staff and provide basic equipment such as books, pencils, chalk, and blackboards. On any given day, more than half of the students did not show up to class, and about the same percentage of teachers did not show up for work (World Bank 2015a).

Response

The MEF worked with the World Bank to tackle the issues identified using the World Bank’s Program-for-Results instrument, which provides financial incentives to achieve tangible results. The program, which had a budget of US\$130.6 million (including US\$50 million from the World Bank) and would last from approximately 2014 until 2018, was tied to several disbursement-linked indicators (DLIs). The DLIs were results the program wanted to achieve by specific deadlines. If the government achieved them, the World Bank would provide the agreed-upon funds through performance-based allocations (PBAs). As well as financial incentives, the program also included funding for “coaches,” experts who would help the ministries identify and overcome bottlenecks in their efforts to achieve the DLIs (World Bank 2014a).

Deciding priorities

The government and the World Bank defined targets for nine DLIs. The health sector DLIs focused on

the supply, storage, distribution and availability of medicines. For the education sector, DLIs focused on the accuracy of budget classification, timely disbursement of school grants, improved school supervision, and representative and effective school councils.

The five DLIs for the health sector were:

- Fill rate of approved requisitions for medicines from the Central Medical Store's (CMAM) clients (hospitals and provincial warehouses)
- Number of provinces achieving the minimum acceptable score of compliance with standards for stock management, warehousing, and distribution of medicines, as assessed by CMAM's Internal Audit Unit
- Proportion of districts for which CMAM receives logistics information through its electronic logistics and management information system
- Average availability of essential maternal and reproductive health medicines
- Proportion of treatment sites with a stock-out of key anti-retrovirals (ARVs, used to treat HIV) at the end of each month

The four DLIs for the education sector were:

- Proportion of primary schools receiving direct school grants on or before February 28 of each year
- Revised district level budget classification by sub-sector
- Proportion of primary schools that comply with defined standards for transparency and accountability – standards included: inclusive school councils (ensuring gender equity and parental involvement), participatory development and approval of school development plans, and display of information on resources allocated by school councils
- Proportion of primary schools visited for supervision by the District Services of Education, Youth, and Technology (SDEJT)

The program defined yearly targets linked to fund disbursements. If a ministry failed to meet targets one year, the funds would be carried forward to provide an additional incentive to make the next year's target (World Bank 2014a).

Creating a reform team

The National Treasury Directorate, part of the MEF, established a Program Coordination Team to strengthen coordination between the MEF and line ministries. It would also monitor progress, manage the coaching program, and facilitate the disbursement of funds when DLIs were achieved.

The goal of the PBAs was to motivate behavior change in each of the ministries that formed part of the program. Ministries could use the funds for a wide range of activities, from improvements in the working environment, to training, to procuring education materials or medicines. About 80% of incremental program funds were allocated to the PBAs, with the rest going to capacity development and operational costs. The Mozambican Administrative Court would assess and validate compliance with the targets of each DLI.

With the administrative structure of the program in place, the MEF began hiring coaches to work with the education and health ministries to help them achieve the DLIs. Over the course of 18 months, the MEF recruited in each of Mozambique's 11 provinces. By July 2015, the MEF had hired 11 coaches for the education sector and 11 coaches for the health sector – one health coach and one education coach in each province. The MEF also hired five more coaches to work at the national level. One worked with the Program Coordination Team, two with the MEHD, and two with the Ministry of Health.

The coaches would facilitate communication and coordination between the three ministries, and also between the provincial and national authorities. In addition, they would work with counterparts in the education and health ministries to find solutions to difficult problems that came up in their efforts to achieve the DLIs.

Improving medicine supply chains

The coaches working in the health sector decided on a "rapid results" approach to tackling the problems in the medicine supply chain and achieving the DLIs. In collaboration with partners in the Ministry of Health, the 13 coaches working in the health sector designed 33 "rapid results indicators" they aimed to achieve by

the end of 2015. To achieve the indicators, the health sector had to improve communication, infrastructure, and processes to request and distribute medicines.

The inefficient information flow along the supply chain was a key constraint to the availability of medicines. To address the communication issues, the coaches worked with their ministry counterparts to increase collaboration between CMAM and donors, who in 2014 had funded about 75% of Mozambique's health spending (World Bank 2014a). The coaches also set up an emergency communication line between health units and CMAM to avoid the stock-out of medicines.

To reduce wastage in storage units at the provincial warehouses and district depositories, the health ministry provided additional resources to improve warehouse infrastructure. The additional funding paid for the maintenance of vehicles used in distributing medicines, and air conditioners and refrigerators for the warehouses. It also paid for the IT equipment and internet connections at the district depositories.

Another problem the team had to tackle was that warehouses and district depositories often requested more medicines than were actually needed. Coaches worked with district depositories and provincial warehouses to improve the preparation and estimation of their requisitions of medicines and ensure requests were submitted in a timely manner.

Finally, the coaches helped the district depositories install the software that CMAM used to manage logistics, and trained local staff in how to use it. Before 2013, the software had only been installed in 34% of district depositories and was fully functional in just 58% of those, which severely hampered the flow of information to CMAM. Once installed and functional, the new software facilitated medicine requests and stock management, improving logistics planning and allowing CMAM to better position medicine stocks.

Transforming the education sector

New collaboration between the MEF and MEHD, fostered by the coaches, resulted in them creating a joint action plan outlining respective responsibilities to ensure that grants were made on time. Previously,

the MEF had never distributed a grant on time to any school district in the country, which often meant schools did not have sufficient resources to pay staff or buy essential equipment. National coaches assisted the MEF and MEHD in revising the school grant procedures manual and distributing copies to districts around the country. The coaches also developed a spreadsheet-based tool to monitor the allocation of school grants, and ensured the tool was implemented at the local level by remaining in contact with districts and channeling information to the MEHD.

A key part of the agreement between the two ministries involved a new budget classification for education spending that allowed for better monitoring of the flow of funds. The new classification system, implemented in 2016, allowed the MEHD to monitor, for the first time, which source of funding was being used for certain types of expenditures, such as salaries. The MEHD used PBA funding to incentivize SDEJTs to use the new budget classification. Coaches also contributed by conducting trainings on the new process at the provincial and district levels.

As well as improved funding, the program also helped to make school governance more effective and transparent. School councils across Mozambique had long struggled to manage schools effectively, and in most cases there was little meaningful participation from parents or local communities in school governance. Further, information on how school resources were used was rarely made public. Ministry officials, in collaboration with education coaches, developed a school council manual that introduced new rules on how school councils should be formed and act. For example, the majority of board members should come from the local community. Local education officials and coaches trained schools on the new procedures, and the MEHD also launched a communications campaign to publicize the changes and encourage community engagement through social media, newspapers, and television.

Reflections

In 2016, school grants were allocated on time for the first time since their creation, and in 2017 99% of schools received their grants on time compared to 0% before the program. Further, nearly all the district level expenditures on education had been re-classified. The increased transparency of district expenditures on education and the timely allocation of school grants should result in the higher availability of school resources. Whether higher availability of resources will result in improved learning outcomes is unclear, as research on the topic in other developing countries has found mixed results (World Bank 2017c).

The government also made progress in strengthening school management and supervision, although there was still significant room for improvement going forward. “Through the program and the new school council manual, the composition of school councils has improved,” said Saleem. “There is more representation of parents and community members... so now they have a say in how the school is managed.” By March 2016, new supervision manuals had been approved and distributed, and in 2017 48% of schools received supervision visits following the new procedures. Supervisors made follow-up visits at 16% of those schools.

The health sector made even faster and further progress on its goals. Compliance with the minimum acceptable standards of warehouse practices increased at the provincial level, and by 2015 all provincial warehouses assessed were up to standard. The percentage of district depositories reporting logistics information to provincial warehouses through the supply chain management information system increased from 20% to 96% between 2012 and 2017 (World Bank 2017c).

The improved functioning of the pharmaceutical supply chain led to the higher availability of medicines. Essential medicine availability at health centers increased from 59% in 2012 to 82% in 2015, and the fulfillment of approved medicine requisitions from provincial warehouses and hospitals increased from 72% to 86% over the same period. Moreover, the stock-out rate of essential ARVs in HIV treatment sites decreased substantially from 27% in 2012 to 5% in 2015.

The faster progress achieved in the health sector was possibly due to the different nature of the interventions in each sector. Whereas the health sector’s intervention sought to reinforce existing systems and procedures, the reforms in education were based on the implementation of new instruments such as the school council and supervision manuals, which required additional time to be institutionalized and greater involvement of stakeholders at the central, district, and community levels (World Bank 2017c).

In the health sector, the PBAs were key to incentivize change at the central and provincial level and to ensure the higher availability of essential medicines in health units. By linking a financial incentive to the availability of maternal health medicines and ARVs, the program guaranteed that these vital medicines were prioritized.

The establishment of yearly financial incentives linked to increasing targets ensured that at least part of the PBA funds was used to improve the performance of the DLIs. In the education sector, the PBAs were used to finance several activities related to the DLIs such as trainings on the revised budget classification and the revision of the school grant procedures manual. The same pattern was observed in the health sector, where the funds were employed in activities such as the maintenance of the equipment of provincial warehouses or the installation of logistics software in district depositories. The possibility of claiming undisbursed funds from previous years provided additional incentives to achieve DLIs that sectors were unable to achieve on schedule.

Coaches played a key role in helping the government achieve targets. In the education sector, the national coaches facilitated meetings and coordination between MEF and MEHD staff, and played a key role in designing and disseminating improved practices for the timely disbursement of school grants. In the health sector, coaches facilitated improved communications within the medicines supply chain and developed a series of rapid results initiatives to address technical problems.

This initiative was the first time the World Bank’s Program-for-Results system was used in Mozambique, and for many government officials it was their first time working with results-based management. As such, the program introduced a new way of thinking

for the Mozambican government, and has imparted knowledge and experience that may be used to improve current and future government programs. In addition, the new collaborative relationship between the MEF and the education and health ministries will likely have lasting benefits that help avoid the miscommunication and bottlenecks that have long

hampered service delivery. In 2018, the Mozambican government and the World Bank launched a new Program-for-Results initiative that aims to expand on this success through improving medicine supply chains across the primary health care sector (World Bank 2017d).

Success Drivers

Mozambique's experience in using the World Bank's Program-for-Results instrument to deliver health and education reform reflects **three** of the five key dimensions for successful public sector innovation.

Building **institutional capacity** in the education and health ministries was a key goal of the program. Program-funded coaches facilitated communication and coordination between the Ministry of Economy and Finance and the education and health ministries, as well as developing tools to help ministry staff improve their capacity. Coaches also helped train civil servants in new procedures to streamline resource delivery in the health and education ministries. Improved communication, stronger coordination, and restructured processes will likely help avoid the miscommunication and bottlenecks that have impeded service delivery in the past.

Incentives, particularly financial incentives from the program's performance-based allocations (PBAs), were critical for driving change. Coaches and ministry staff worked hard to achieve targets to receive the PBAs. Importantly, funds were carried forward if targets were not met, providing an additional incentive to improve performance the following year.

Technology was a crucial supporting element to achieve many of the program's targets. For example, program-funded IT equipment and internet connections were important for district depositories to improve supply chain management. The coaches also provided support for the technology by installing the software and training officials to use it.