

Accessing climate finance for sustainable water, sanitation and hygiene services in Mozambique

Key findings and recommendations

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WaterAid/ Guilhem Alandry

Children outside the school in the village of Namissimbe, Niassa, Mozambique.

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Overview

This report summarises the main findings and recommendations of recent research into the barriers to accessing climate finance for sustainable water, sanitation and hygiene (WASH) services in Mozambique.

WaterAid commissioned this analysis by the Overseas Development Institute (ODI) in 2016 as part of the WaterAid Climate Finance Initiative, which aims to identify the changes needed to ensure that a share of climate finance is spent on increasing the water security and climate resilience of people living in WASH poverty. ODI conducted field research and interviews in Mozambique and two other Least Developed Countries: Madagascar and Timor-Leste.

WaterAid is working in Mozambique with partners across government, civil society, international and community organisations, and the private sector to translate these findings into action. Our aim is to increase decision-makers' recognition of WASH as a vital building block in adapting to climate change and increase the resilience of communities. We welcome new partners interested in supporting this mission by contributing technical expertise, research capabilities, capacity building or financing. For more information, please contact Florencio Marerua at florenciomarerua@wateraid.org.

Why is climate finance needed to support water, sanitation and hygiene in Mozambique?

As a post-conflict least developed country Mozambique is extremely vulnerable to the impacts of natural hazards and climate change. Impacts such as rising temperatures, flooding, landslides, drought, coastal inundation and sea level rise – coupled with low levels of adaptive capacity – threaten to undermine the country's development progress.

Climate change could reverse many of the crucial gains achieved in increasing access to WASH services in Mozambique to date, especially among the poorest and most vulnerable populations, which already grapple with many other overlapping challenges. Sustainable WASH services are an essential feature of resilient communities. It is therefore critical that governments and their development partners integrate climate risk in WASH policies, programmes and projects – not only to make WASH services truly sustainable, but also as a foundation for achieving many of the Sustainable Development Goals (SDGs).

In 2009, at the 15th UN Framework Convention on Climate Change (UNFCCC) meeting in Copenhagen, industrialised countries committed to jointly mobilising US\$100 billion a year by 2020 to help developing countries address the risks posed by climate change; in Paris in 2015, they extended this commitment to 2025. Yet, while climate finance is growing, there is concern among the international

development community that the most vulnerable countries are not ‘climate finance ready’ and need considerable institutional support to effectively access, spend and manage funds.

At present only 47.3% of Mozambique’s population has access to at least basic access to water, while a mere 23.6% has access to at least basic sanitation¹ – yet public spending on the water sector has been declining since 2010.² Mozambique is the 31st most climate vulnerable country³ and experiences extreme weather events on an almost annual basis. It is downstream of shared watersheds, has a long shoreline and extensive lowlands at or below sea level. Changes in rainfall and temperatures, as well as an increase in the intensity and frequency of droughts and floods, are expected to hit the country hard over the coming 20 years and beyond.⁴ People will feel many of these effects through reduced access to safe water supplies and damage to WASH infrastructure – much of which is already under significant pressure. The cost of climate-related disasters to the national economy has been estimated at \$US1.74 billion over the period 1980–2003⁵ and, with current WASH services still very limited, there is a need for urgent action to reduce the potential impact of future events.

There is cause for optimism. Despite a protracted internal conflict Mozambique has made significant gains over the past 20 years with average annual GDP growth of 7.4%.⁶ In terms of climate finance, it received \$147 million between 2003 and 2016, the bulk of which was channelled to adaptation projects.⁷ Within the next decade international climate finance flows to Mozambique are expected to increase significantly⁸ as the country continues to develop its climate change policies and programmes, including those linked to the United Nations Framework Convention on Climate Change (UNFCCC).

Despite being the third largest recipient of international climate finance in Africa to date, Mozambique’s disbursement levels remain low. Climate finance delivery is hampered by low technical capacity, unreliable monitoring, and donor concerns about governance. Furthermore, the revelation in 2016 of US\$1.4 billion in undisclosed debt has set the economy back and significantly reduced donor confidence,⁹ with the International Monetary Fund, the World Bank, and the United Kingdom’s Department for International Development all suspending aid.

As a result, Mozambique’s fiscal position will be finely balanced until the end of the decade and is likely to reduce the government’s flexibility in its rollout of basic services. While key donors are sceptical about the role climate finance could play in supporting WASH in the immediate future, there are key changes that Mozambique can pursue to improve its ability to apply, secure and manage climate finance.

What are the major enabling factors and barriers in Mozambique?

Some important building blocks are already in place to support increased access to climate finance in Mozambique. In addition to its existing experience in securing climate finance (including for WASH-related activities), the government has integrated climate change into many national policies and plans.

However, there are still major obstacles impeding Mozambique's access to and use of international climate funds, especially for WASH. This research examined Mozambique's national policy context and institutional and financial management settings to identify actions that both government and non-government actors could take to access climate finance for sustainable WASH policies and interventions.

National policy context

While Mozambique has no specific national climate legislation, it has developed a comprehensive national policy framework which establishes a strategy for action on climate mitigation and adaptation. The government is currently in the process of submitting its Second National Communication to the UNFCCC and aligning its National Adaptation Plan (NAP) action programme with its National Strategy.¹⁰

The Government's five-year plan (2015-2019)¹ prioritises action on climate change across sectors, including a clear statement that it is the government's responsibility to ensure 'sustainable and transparent management of the country's natural resources and environment' to be achieved through the production of knowledge on risk reduction and adaptation, and reducing the vulnerability of communities, the economy and infrastructure. However, while this states a clear commitment to mainstream climate policies and provides a framework for prioritising the people most vulnerable to climate change, the plans say little specifically about poverty as a dimension of vulnerability and risk. Mozambique's National Strategy¹¹ does stipulate that special attention should be given to women, children, the elderly, people with disabilities, and those suffering from chronic illness, but among the various documents addressing these issues, only the Initial National Communication¹² (reports to the UNFCCC identifying national emission reduction targets until 2020, and forecasting significant financial resources needed to assist developing countries in combating global warming) makes reference to the need to prioritise the very poorest.

It should be noted that these policies do recognise that the impacts of climate change will be transmitted largely through water and that it is important to consider the whole water cycle. The National Strategy¹³ calls for increased capacity to capture, store, treat and distribute water and dispose of wastes and Mozambique's Intended Nationally Determined Contribution (INDC) calls for climate resilient hydraulic infrastructure.¹⁴ Mozambique's National Water Policy does highlight flooding as a particular risk, but recognises that other hazards such as droughts pose significant challenges to sustainable development, setting out an intention to build resilience to these risks. The National Water Policy, meanwhile, explicitly prioritises the needs of the poorest, but does not mention vulnerability to climate change.¹⁵

Despite this encouraging progress, some actors within government have so far primarily viewed climate change as an environmental issue to be dealt with on a

¹ The Government's Five Year Programme (the Portuguese acronym for *Plano Quinquenal do Governo*) sets out the GoM's priorities and development objectives, and is approved by Parliament.

project-by-project basis. This has made it difficult for headline climate policies to be implemented and for climate advocates to have their voices heard in WASH sector debates. This is a significant policy challenge because the cross-cutting nature of climate change means there needs to be constant engagement between climate change decision makers and other ministries.

Institutional effectiveness

Both government and non-government actors have made a concerted effort to keep climate change on the agenda in Mozambique. Twice a year the prime minister chairs the National Council for Sustainable Development (CONDES) which convenes ministers across sectors to promote environmental policy implementation, as well as coordinating high level policy and planning on climate change. The Climate Change Unit (known as the UMC) is the key government agency dealing with climate change, and is responsible for monitoring and reporting on the National Strategy. It also provides technical assistance to other ministries and works with the Climate Change Inter-Institutional Group (GIIMC) to provide a platform for engagement on climate issues among technical experts across government, as well as civil society and the private sector.

However, there is a lack of cooperation, with some WASH agencies unaware of the Climate Change Unit's existence and horizontal coordination between relevant ministries either absent or under-resourced. Furthermore, regular changes in the machinery of government create uncertainty over roles and responsibilities as well as loss of vital institutional knowledge.

The government has recognised these problems and so WASH agencies are now actively engaging with the agriculture and environment sectors to discuss resilience. These agencies are also already monitoring the work underway on climate resilience that is aligned to the National Strategy. At the subnational level, both the National Strategy and the national monitoring and evaluation system (SNAMMC) recommend the use of local adaptation plans as a means of mainstreaming climate issues and improving local resilience at district and community levels. While the approach is encouraging, results to date have been limited. Until 2015, for example, only 14 of 128 districts had included climate change actions in annual district budgets,¹⁶ and even those were due in large part to considerable support from international agencies.

A number of WASH platforms allow representation of key stakeholders from both government and civil society, but climate change issues do not feature prominently. The main sector policy platform – the Water and Sanitation Group (GAS) – operates as a consultation and technical discussion forum for the WASH sector, bringing together a varied array of water sector professionals. To date, the GAS has not engaged proactively in discussions on climate change.

National public finance management

For international climate finance institutions, a key determinant of whether they invest in Mozambique's climate change plans will be the ability of Mozambique to prudently manage climate funds. Wider public financial management considerations are therefore key.

Over the past 15 years there has been significant improvement in Mozambique's public finance management system, but challenges remain. Budget legislation is delayed until after the start of the financial year and execution levels are low. In 2014 there was a 28% variation between budgeted and executed spending,¹⁷ likely due to high level of budgetary reallocations allowed without the need for legislative approval, but also because of deficiencies in planning, and uneven budgeting processes at the institutional level.

The revelations concerning undisclosed debt in 2016 has damaged fiscal credibility and halted budget support from donors. While the debt situation has not helped improve Mozambique's financial stability, its causes can be traced back to political processes rather than a fundamental flaw in the public finance management system.

In terms of climate finance, there is a lack of reliable measurement of how much public expenditure has gone towards action on climate change specifically, and although there are plans to track climate finance flows, these are yet to be implemented.¹⁸ Recent state budget analysis revealed a considerable increase in public funding for climate change action. For example, annual state budgets show that from 2014 to 2015, the budget allocation to climate change actions increased from US\$6.8 million to \$42.7 million.¹⁹ However, this does not necessarily indicate increased spending on climate compatible development; it may highlight a broadening of what is considered as climate-related activity.

Analysis of the state budget²⁰ shows encouraging signs, with 40 budget line items addressing climate change issues, and even more encouragingly disbursed through a variety of government agencies. This suggests that ministries across government are beginning to include climate change in their annual sectoral plans. In 2015 96.5% of Mozambique's climate expenditure was allocated to adaptation related programmes of which 70% of the total capital expenditure was for ten WASH-related projects.²¹

What are the next steps?

Overall, Mozambique's policy landscape, institutions and public finance management system are broadly conducive to attracting further climate finance, though this may be challenging in the short term due to low institutional capacity to develop and manage projects that meet the standards and requirements of climate funds. To secure funds in the medium-to-long term, a major coordinated effort is needed to ensure funds are used to support sustainable WASH services and prioritise poorer and more vulnerable regions and groups. As a starting point, stakeholders should develop a common understanding of the principal risks to WASH, particularly for

poorer populations, and how they can be addressed in ways that resonate with both climate fund priorities and broader sustainable development aims.

To increase the likelihood of securing international climate finance for WASH-related activities, **the Government of Mozambique could consider:**

- **Developing a WASH sector policy on climate change (a WASH ‘roadmap’ for adaptation and resilience)**, drawing on lessons learned and potential policy interest resulting from recent natural disasters. This sector roadmap could be used to inform key policies, such as the NAP, which could be used to create a bridge between departments and the Climate Change Unit.
- **Incentivising cross-ministerial cooperation on climate change and WASH issues.** The development of the proposed sector roadmap could help consolidate cooperation. This could be accompanied by the appointment of focal points within relevant ministries and the respective adequate resources allocation. Collaboration at sub-national level is also vital and ministries should prioritise building strong working relationships and capacity with provincial and district level agencies.
- **Prioritising the development of funding proposals that address WASH and climate change and meet the strict criteria set by international climate funds.** Again, a WASH sector roadmap on climate change could support the creation of ‘bankable’ proposals, as Mozambique builds on the many positive actions it has taken to mainstream climate change. Proposals should clearly outline plans for the long-term sustainability of mitigation and adaptation actions after initial funding commitments end.

In parallel, there are **clear opportunities for WaterAid and other organisations involved in WASH and climate change** to work together to strengthen technical expertise and advocacy on climate-resilient WASH in Mozambique. Priorities could include:

- Consolidating knowledge and advice on the links between WASH and climate change. Partners could help by clearly articulating what climate-resilient WASH approaches look like, using lessons from natural hazards and longer-term climate variability. They could also prioritise the identification of ‘at risk’ areas and groups, the appraisal of different adaptation options and their potential integration with existing activities (e.g. water safety planning) and monitoring and evaluation of results. This will be most effective if civil society organisations collaborate to identify collective gaps in knowledge and experience and work reciprocally to build capacity.
- Supporting the formation of climate-resilient WASH policies and programmes, such as within the new NAP, aligned with the work plans of the Climate Change Unit, and potentially through the WASH sector roadmap on climate

change proposed above, using existing platforms such as GAS and GIIMC.

- Provide inputs into the review process of the National Water Policy through GAS, advocating for the inclusion of climate change considerations and specifically prioritising consideration of the needs of the poorest and most climate-vulnerable populations.

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