

RfS SIEA 2018 Lot 5 - 2019/405446/1 - TERMS OF REFERENCE

PEFA ASSESSMENT 2019 - MOZAMBIQUE

Contents

1. CONTEXT	2
1.1 Economic Performance	2
1.2 Financial Management	2
1.3 Public Finance Management Reform Process in Mozambique	3
2. HISTORY OF THE PUBLIC FINANCE REFORM	5
2.1 PEFA assessments and other past reviews	5
2.2 Public Financial Reform process in Mozambique.....	6
3. PURPOSE, OBJECTIVE AND COVERAGE OF THE ASSESSMENT.....	8
3.1. Overall Objective	8
3.2. Coverage.....	9
3.3. Scope	10
4. MANAGEMENT	10
4.1. Management of the PEFA assessment process.....	10
4.2. Composition of the assessment team.....	12
4.3. Assessment schedule	13
4.4 Team members required expertise.....	13
5. APPROACH AAND METHODOLOGY	16
5.1. Methodology	16
5.2. Expected products	16
5.2.1. Reports.....	16
5.2.2 Seminars and meetings.....	18
5.3. Conclusions of the PFM evaluation and PFM reform.....	18
6. FINANCIAL PROPOSAL	19
Annex I: Indicative timetable for the PEFA 2019 assessment process	20

1. CONTEXT

1.1 Economic Performance

Mozambique is a low-income country with a per capita GDP estimated at \$ 429 (2017), covering a population of 28.8 million (2017). Initially driven by the post-conflict reconstruction effort (1975-1992) for the country's economic and social infrastructure, the Mozambican economy has been increasingly determined by large-scale foreign investments in megaprojects and extractive industries, such as natural gas and coal, typically capital-intensive and export-oriented. For almost two decades the country maintained impressive economic growth with annual growth rates of around 7%, showing relative resilience to global economic crises.

However, Mozambique's economy decelerated after 2015 due to a series of endogenous and exogenous shocks, namely natural disasters, metical depreciation resulting from the strengthening of the US dollar and the general fall in prices of the main export products. The economic situation deteriorated further after disclosure in April 2016, of undisclosed loans by two semi-public companies and the consequent freezing of direct general budget support by development partners. Public debt tends to increase at an unsustainable pace, and difficulties prevail in honoring the commitments to its regularization particularly in relation to external loans.

Over the last three years, GDP growth has averaged 3.3%, boosted by positive performance particularly in the extractive industries (increased coal production in 2017), agriculture, livestock, hunting and forestry, and transport and communication. This is measured by the weight of these sectors in the economy and the fact that they have grown above the global average. The inflation rate registered an annual average of 3.91% in 2018, against 15.11% registered in the same period of 2017, dropping significantly from the average of 19.85% in 2016.

Despite the economic growth, Mozambique remains among the countries with the lowest Human Development Index (180 out of 189 countries in 2017). Official data from the Fourth National Poverty and Welfare Survey in Mozambique (2016) show that the proportion of Mozambicans living below the poverty line was 48.4% in 2014/15 compared to poverty levels recorded in 2002 / 03 and 2008/09 of 60.3% and 58.7%, respectively. Although the country has made progress since 2000, with a consistent increase in access to basic services in health and education. Increases have been disproportionate throughout the country, including the main indicators of socioeconomic development showing qualitative and regional disparities. The same trend was observed in terms of distribution of consumption, which has been uneven between urban and rural regions, and also between provinces.

1.2 Financial Management

The State Budget execution is presented Table 1 below at aggregate level. The revenue collection represented around 36% of GDP in 2017, having increased in relation to the previous fiscal year by 3.4 percentage points. Among the resources mobilized, state revenue (but including uneven capital gains of \$ 350 million in 2017) was around 25 % of GDP while total expenditures reached about 30 % of GDP. The country's fiscal deficit (including arrears of external and domestic payments) is estimated to have grown from 7.6% of GDP in 2016 to 8.2% of GDP in 2017.

In 2017, the accumulated balance of public debt registered a decrease of 5.7% in nominal terms compared to 2016, due to the metical appreciation against the US dollar. The domestic debt stock registered growth of 21.9% from 2016 to 2017. External public debt grew by about 10% over the same period. In 2018, the Government carried out a survey on the amount of suppliers' arrears on goods and services and their respective legality. These debts were incurred between 2007 and 2017,

resulting in the validation of a total of 13.3 billion Meticaís of the existing debt, which is being settled in a gradual and phased manner, following a schedule agreed with the respective creditors .

In view of the growth of public debt and the recent releasing of the undisclosed loans of some public companies, the Government approved in 2017 the procedures for issuing and managing public debt as well as the State guarantees. In the same year, the Fiscal Risks Management Office was created, responsible for analyzing financial and fiscal risks, including financial risks in public-private partnerships, large projects and other business concessions, and monitoring public debt portfolio, contingent liabilities of the Government, among others. The *Lei do Sector Empresarial do Estado*, approved in 2018, is a first step towards the future promotion of the economic and financial efficiency of the management of public enterprises, which at the moment constitutes one of the sources of fiscal risks for the country.

Tabela 1. Mozambique Consolidated Fiscal Data (Unit: Millions of Meticaís)

Rubrica	2016	2017
Total revenue	180.441,5	229.525,0
Tax revenue	165.595,3	213.222,9
Grants	14.846,2	16.302,1
Total spending	204.824,7	228.447,5
Spending without debt servicing	191.357,4	203.095,5
debt servicing	13.467,3	25.352,0
Decifit (incl. grants)	-24.383,1	1.077,6
Primary Deficit	-39.229,4	-15.224,6
Net Financing	41.330,1	50.623,9
External	25.584,8	35.399,4
Internal	15.745,3	15.224,6
Public Debt	701.707,6	661.369,8
% of GDP	101,8%	81,8%
GDP	689.213,0	808.815,0

Source: CGE 2016/2017

1.3 Public Finance Management Reform Process in Mozambique

Political system

The Republic of Mozambique is a Democratic State, with a presidential and multiparty political system. The Constitution of the Republic, approved in 2004 and revised in 2018, establishes the principles for governing the country, such as the principle of separation of powers (legislative, executive and judicial), and the electoral package that regulates free and fair elections in the Country .

The President of the Republic, the deputies of the National Parliament, the members of the provincial Parliaments, the provincial governors, the members of the district assemblies, the district administrators, the members of the municipal Parliaments and the presidents of the local councils are

/ will¹ be elected through of universal, direct, equal, secret, personal and periodic suffrage, and the results of the elections are based on a system of proportional representation.

Political and administrative structure

Mozambique is a unitary country, organized territorially in (11) provinces, (153) districts, which are subdivided into administrative posts and localities, and (53) municipalities. The above-mentioned revision of the Constitution is based on the agreement reached regarding an effective peace in the country, based on the political dialogue between His Excellency, Filipe Jacinto Nyusi, President of the Republic and the President of Renamo, on February 2018. It should be noted that the Constitutional revision refers to the decentralization package for local powers (provinces and districts) for the 2019 and 2024 elections, respectively.

Until the implementation of the constitutional revision, municipalities constitute the only subnational government in Mozambique. Municipalities enjoy financial, patrimonial and administrative autonomy, in accordance with Law no. 1/2008, which defines the patrimonial, budgetary and financial regime of local authorities. Municipalities are however also subject to internal audit by the General Inspectorate of Finance (IGF) and external audit by the Administrative Court (TA).

On the other hand, provinces and districts execute the state budget approved by the National Assembly. As from 2020, the provincial budgets will be approved by the Provincial Assembly. However, it should be noted that the new legal framework for provinces and districts on finance management and taxation is awaiting regulation.

PFM institutional framework and system

As per Constitution of the Republic of Mozambique, the PFM institutional framework is based on the separation of powers constituted by the executive, the legislative and the judicial power.

(a) Executive

The Ministry of Economy and Finance (MEF) is the central organ that guides the formulation of socioeconomic policies, coordinates the planning process and oversees the PFM. At the sectoral level, the MEF coordinates with the other ministries, and at the local level, it is organized according to the structure of the provinces and districts. This results in a decentrated system operating through more than one thousand and five hundred budgetary units.

For the municipalities, the Municipal Council is the autonomous executive organ on administrative, financial and patrimonial aspects, but reports to the Municipal Parliament. The Municipal Parliament is constituted by the President-elect and appoints its members. The budget of the municipalities is elaborated by the Municipal Council and submitted to the MEF for information and subsequently discussed and approved by the Municipal Parliament.

Based on the Law and Regulation of the State Financial Administration System (SISTAFE), an integrated information management and financial information system (e-SISTAFE) is being introduced gradually to all central, provincial and district budget holders. E-SISTAFE is a crucial tool for the PFM cycle, especially in the areas of budgeting, execution, accounting and treasury management, among others. Based on the e-SISTAFE model, the Municipal Management System is under development for its implementation in municipalities.

(b) Legislative

The National Parliament is the highest legislative body in the Republic of Mozambique and is composed of 250 elected deputies on the basis of the proportional representation of each political party for a term of five years. Likewise, the members of the Municipal Parliament are elected for a five-year term with the number of members based on the population of the respective territory.

¹ The constitutional revision of 2018 foresees the application of this expanded electoral system to the provinces (from the general elections scheduled in 2019), the districts (from the elections scheduled in 2024), and the municipalities (already applied in the elections held in October 2018).

Both assemblies are responsible for scrutinizing the budget proposal and following up the Supreme Audit Institution's report on the State Accounts (or Municipal Accounts). At the national level, the Parliament delegated powers to the executive to make budgetary changes during the execution, with prior parliamentary authorization required only for increase of aggregated spending limits.

The State Budget covers 3 types of institutions: (1) Central Government entities, which include the sovereign entities (Presidency, National Parliament and Courts) and 19 Ministries; (2) Geographically deconcentrated central government entities (provinces and districts); and (3) autonomous entities in administrative, financial and patrimonial aspects (Municipalities). The State Budget (OE) also includes transfers to: a) autonomous institutions that are in a financial position to benefit from full autonomy and carry out non-commercial activities (institutes, funds, etc.); b) municipalities and c) public enterprises receiving subsidies.

The revenue sources of the municipalities and competencies consist of: (i) own revenues (fiscal and non-fiscal), (ii) intergovernmental fiscal transfers, namely the Municipal Compensation Fund (FCA), Investment fund for Local Initiatives (FIIL), Strategic Program for Urban Poverty Reduction (PERPU), and the Road Fund, (iii) Grants, (iv) Loans and (v) other municipal revenue.

(c) Judicial

The Administrative court (TA) is the supreme audit institution in Mozambique, mandated to conduct external audits (ex-post audits), and / or through the prior approval (ex-ante) verifying legal conformity and ensuring budgetary commitments before the public expenditure. The administrative court also has judicial power to analyze and judge its audits, as well as to impose fines and / or initiate relevant investigations.

All public institutions and state agencies at the central, provincial and local levels are subject to external audit and prior approval by the TA, including entities with administrative and financial autonomy, as well as the Municipalities. The court is also responsible for auditing the State Accounts (CGE).

Only the State Accounts (CGE) audit report is submitted to the National Parliament (TA is not obliged to submit its regular audit reports). The Parliamentary Committee on Planning and Budget (CPO) makes the first assessment which is subsequently submitted for deliberation to the Plenary of the National Parliament. In municipalities, the Municipal Management Account must also be presented to the Municipal Assembly.

2. HISTORY OF THE PUBLIC FINANCE REFORM

2.1 PEFA assessments and other past reviews

Evaluations at national level

In Mozambique, four assessments using the PEFA methodology have been conducted since 2005. The first assessment was published in 2005 (covering 2002-2004), in the context of the implementation of the Memorandum of Understanding (MoU) on general budget support between the Government of Mozambique (GoM) and the Cooperation Partners. The second PEFA evaluation (covering 2004-2006) was completed in 2008, the third in 2011 (covering 2007-2009), and the fourth in 2015 (covering 2012-2014). The last assessments was carried out with both the 2011 and the 2015 test-methodology (basis of the current 2016 methodology) to serve as a basis for comparison for the following evaluations.

The last PEFA assessment in 2015 registered improvements in several indicators, particularly in the areas of budget execution, accounting, reporting and internal and external auditing. The report also noted a considerable increase in coverage of the e-SISTAFE system, as in the number and scope of the audits carried out. On the other hand, the assessment identified some weaknesses such as: the credibility of the State Budget, management of Public Investments, medium term planning and budgeting (the use of the Medium Term Fiscal Framework and its link to the Economic and Social Plan (PES) and the State Budget), effective collection of tax arrears and public procurement practices.

In addition to the four PEFA's, other international assessments were carried out, such as: (a) Public Expenditure Review (PER) in 2014; (b) IMF- Fiscal Transparency Evaluation (FTE) in 2015; (c) Public Investment Management Assessment (PIMA) in 2016; (d) Tax Administration Diagnostic Assessment (TADAT) in 2016; Debt Management and Performance Assessment (DeMPA) in 2017 and (e) research on budget transparency (Open Budget Survey) in 2015 and 2017.

Evaluations at sub-national level

A PEFA was conducted for the Municipality of Beira in 2015 (published in 2016), covering the years 2012-2014 (Supplementary Framework for Subnational Governments 2013). The assessment identifies weaknesses such as the credibility of the budget (particularly lack of preparation of the budget on the basis of credible forecasts of revenue, and multi-year strategic plans); internal and external audits; and the degree of consolidation of the government's cash balances. On a positive note, the report mentions a strong fiscal discipline thanks to the absence of debt, swiftness of payments and a rigid expenditure execution and budgetary adjustments respecting rules and protecting priorities. The report is not publicly available, but is to be shared with the evaluation team.

2.2 Public Financial Reform process in Mozambique

The adoption of the Law and Regulation of the State Financial Administration System (SISTAFE) in 2002 and 2004, respectively, marked the beginning of broader reforms in Public Finances Management Systems (PFM) in Mozambique, introducing legislation and management models more appropriate to the needs of a modern public administration. These reforms contribute to achieving better budgeting practices, stricter internal controls, efficient cash management, more accurate accounting and reporting, and auditing in line with international standards (Table 2. Key Events in the PFM Reform Process since 2004).

An example of the modernization of the PFM system in Mozambique is the e-SISTAFE, which is the IT platform of the State's financial management system that establishes and harmonizes rules and procedures related to financial programming, management, execution and control of the State's public treasure and the financial administration of the State agencies and institutions. It is applicable to all state agencies and institutions, including those with financial and administrative autonomy.

Despite these central reforms in the area of PFM, there are still gaps in the laws, policies, systems and the implementation in sectors, provinces and districts. The development of the IT system in PFM reform continues to be necessary and require an improved comprehension as well as continuous updates and adjustments to respond to new needs.

With the objective of capturing the balance of progress made and the necessary actions for PFM reform in Mozambique, the Government approved the Public Finance Vision 2011-2025 in 2012, which provides strategic guidance for the long-term PFM reforms. The document focuses on 6 strategic objectives, namely:

1. The organization and modernization of the planning and budgeting system by programs and results and their implementation, motivating its decentralization until the Budget Holder (UGB - Budget Management Unit) and the full implementation of all revenue and expenditure classifiers and tables for each UGB;

2. The revenue and internal savings, the appropriateness of the spending pattern and the rigid application of all internal and external resources via the State Budget and the Single Treasury Account (CUT);
3. The improvement of the administration and prudent management of the State's assets, holdings and business sector, as well as public debt, welfare and social security, integrating them all into e-SISTAFE;
4. The organization, bookkeeping, statistics of the patrimonial and economic-financial situation of the State Organs, Institutions and other entities, regardless of their degree of financial and patrimonial autonomy;
5. The availability of the statistical and economic-financial information of Public Finance relevant to the support to the management and governance and the improvement of the internal and external control and of the monitoring and public accountability; and
6. The continuous modernization of the processes, systems and technological infrastructure of Public Finance, based on the professionalization and permanent valorisation of national human resources.

In 2016, the Public Finance Strategic Plan (PEFP) 2016-2019 was prepared and approved based on the assessment of the Public Finance Vision (VFP). The PEFP identifies 7 objectives: (1) Stimulate savings and private investment; (2) Increase the State's revenue collection; (3) Assure the careful allocation of public resources; (4) Ensure greater efficiency in the execution of public expenditure; (5) Improve the management of State assets; (6) Guarantee the sustainability of public debt; and (7) Improve the use of public goods and the dissemination of information about public finances.

Both the Public Finance Vision and the PEFP contain Action Plans for monitoring and evaluation of progress, which include, among other things, actions, targets and deadlines. The monitoring and evaluation of PEFP will be elaborated by the National Directorate of Monitoring and Evaluation (DNMA) of the MEF (Ministry of Economy and Finance), including information from all Government relevant organs and institutions to be periodically reported to the Council of Ministers and shared with the cooperation partners.

Table 2. Key Events in the PFM Reform Process since 2004

Year	Key Events / PFM Developments since 2004
2002	Approval of the SISTAFE Law (Law No 9/2002 of 12 February)
2004	Approval of the SISTAFE Regulation (Decree no. 23/2004, of 20 August); First External Audit Report prepared by the Administrative Court (CGE 2002); Signing of the Memorandum of Understanding on Direct General Support to the State Budget; Separation of the Ministry of Finance and Planning into Ministry of Finance and Ministry of Planning and Development
2005	Introduction of new Regulations for Public Procurement; Introduction of the e-SISTAFE Implementation Plan (which foresees gradual implementation from the central level to the provincial and district levels); Gradual replacement of expenses payment using the cash advance by direct means (ongoing process)
2006	Creation of the Tax Authority of Mozambique (Law n ° 1/2006) Conduct of the first PEFA assessment (covering the years 2002, 2003 and 2004)
2007	Approval of the Financial Management Manual by the Government (Ministerial Diploma 169-2007)
2008	Conduct of the second PEFA Evaluation (covering the years 2004, 2005 and 2006); Approval of the Budget Preparation Manual for State Budget 2009 which introduced the program-based budgeting approach; Beginning of the PFM Vision / Strategy process for 2009-2020
2009	Legislation reviewed and approved on the Administrative Court (Law No 26/2009)
2010	Revision of the Public Procurement Regulation (Decree No. 15/2010); Creation of the Finance Information Systems Development Centre, CEDSIF (Decree No. 34/30 of August)

Year	Key Events / PFM Developments since 2004
2011	Approval of the Public Companies Law; Approval of the Private Public Partnerships (PPPs), Mega-Projects and Concessions Law; Review of the tax legislation; Conduct of the third PEFA assessment (covering the years 2007, 2008 and 2009)
2012	Approval of the Public Finance Vision 2011-2025 by the Council of Ministers (June 2012) ; Mozambique is declared as EITI-compatible (Extractive Industries Transparency Initiative)
2013	Approval and publication of the Public Projects Preparation and Selection Manual; Approval of Decree No. 60/2013 on the internal audit that gives the General Inspectorate of Finance (IGF) greater autonomy and a broader set of skills; Approval of Decree n ° 53/2013 that grants additional skills to the Districts
2014	Approval and publication of the Integrated Investment Plan (PII)
2015	Conduct of the fourth PEFA assessment (covering the years 2012, 2013 and 2014) First SISTAFE National Meeting User Forums took place in 3 Provinces
2016	Approval of the Public Finance Strategic Plan (PEFP) 2016-2019; User Forums took place in 4 other Provinces; Creation of the Fiscal Risks Management Office, adoption of new procurement legislation (Decreto n°5/2016, revogando o Decreto n. °15/2010), First Proof of Life took place, publication of the 1st Fiscal Risks Report
2017	Revision of the SISTAFE Regulation, Start of the design and development of the new Planning System, measures to contain expenditure (Decree No. 75/2017); procedures related to the issuance and management of public debt and State guarantees, and the creation of the Fiscal Risks Management Office adopted (Decree No. 77/2017); Amendment of the specific Taxation and Fiscal Benefits regime for Petroleum Operations and Mining Activity (Law no. 14 and 15/2017)
2018	Start of the implementation of State Asset Administration Module (MPE) Ministerial Diploma n ° 88/2018 on State Bank Accounts approved; Approved the Punctual Review of the Constitution, on the decentralization of the provinces and districts (Law no. 1/2018); Approved the Law of the State Business Sector (Law no. 3/2018); Approval of the organization and functioning of institutes, foundations and public funds (Decree No. 41/2018); Start of pilot implementation of the Module of Administration of State Assets (MPE).

3. PURPOSE, OBJECTIVE AND COVERAGE OF THE ASSESSMENT

3.1. Overall Objective

The overall objective is to obtain an objective and independent diagnosis of the progress recorded in the area of PFM, by collecting and analysing data available from the period 2016-2018 (see detailed in 3.3), applying the PEFA methodology at national and sub-national level. This assessment, the 5th PEFA assessment for the country, will occur at a timely moment given that it will provide not only the indicative balance of the progress of the PEFP 2016-2019, but will also guide the planning process for the preparation of the next Public Finance Strategic Plan. It will function as an updated diagnostic

The evaluation of the municipalities (3 from each region for comparison) was included in view of the decentralization progress in the country, within the framework of the revision of the Constitution of the Republic of Mozambique. The municipalities of Maputo, Matola, Tete and Nampula were selected for this evaluation (details below). The objective is to gain a better understanding of the current

situation and obstacles at the level of the local authorities, and also to use the results of the assessment to compare current and future progress.

3.2. Coverage

National level

- The evaluation should cover all levels covered by the State Budget (OE), which are following: (1) Central Government entities, which include the Sovereign Bodies (Presidency of the Republic, National Parliament and Courts) and 19 Ministries; (2) geographically deconcentrated central government entities (provinces and districts); and (3) autonomous entities in administrative, financial and patrimonial aspects. Transfers from the state budget to the following entities will also be included in the evaluation of the relevant indicators: (a) autonomous institutions which have financial autonomy and engage in non-commercial activities (institutes, funds, etc.); b) municipalities and c) public enterprises that receive subsidies.
- The assessment should include a trend analysis of all indicators of the PEFA 2016 methodology, documenting the main strengths and weaknesses detected.
- Table 3 below shows the 10 budget holder units with the highest operating and investment expenses in the State Budget.

Table 3. Major Budget Units to be covered by the evaluation (in MZN * 000)

N.O.R D	Budget Units	Total Spend (2017)
1	Road Fund	11.093.965
2	Ministry of Health	7.302.222
3	Ministry of Education and Human Development	3.735.546
4	Eduardo Mondlane University	2.358.987
5	Ministry of Public Works, housing and hydric resources	1.806.237
6	Regional Water Administration	1.652.190
7	Fund for investment and asset management for provision of water	1.632.707
8	National Directorate for Management of Hydraulics Resources	1.543.957
9	Environmental Fund	945.715
10	Ministry for Higher Education, Science and Technical Education	923.438

Source: Based on data from CGE 2017 Mapa I-1-2.

Municipal level

- Four municipalities were selected based on the (1) volume of allocations and expenditures from the current and capital transfers of the State Budget, and (2) the population and area of the Municipality. In these terms, and given the fact that the Beira Municipality would be impossible to be contemplated, the municipalities of Maputo, Matola, Nampula and Tete were selected - see detailed in table 4 below.
- It should be noted that the assessment for the Maputo and Matola municipalities will be financed by the French Agency for Development (AFD) and the other assessment by the European Union. However, all assessment will be subject to the same quality reviews provided by the PEFA methodology.
- Subnational assessments will be based on the supplementary PEFA framework for subnational entities (issued in December 2016). Evaluations should cover the performance assessment of all indicators in this framework, documenting the main strengths and weaknesses.

Table 4. Summary of Municipal spending 2017/2018 (MZN)

Nº	Autarquia	Superfície (Km²)	População	Execução de Despesas das AUTARQUIAS LOCAIS	
			(Censo 2007)	2017	2018
1	Cidade de Maputo	339	1.094.628 h	585.533.180,00	710.504.860,00
2	Cidade da Matola	373	671.556 h	316.090.850,00	356.637.030,00
3	Cidade de Tete	287	155.870 h	97.829.774,14	111.499.860,00
4	Cidade de Nampula	320	471.717 h	232.896.200,00	262.393.670,00

Source CGE 2017, 2018

3.3. Scope

- Evaluations at national and subnational level should cover the last three fiscal years (from 2016 to 2018); relevant elements of the current year (2019) can be taken into consideration as defined in the methodology of the PEFA framework.
- The assessment at the national level should review the progress and setbacks compared to the last PEFA 2015 conducted using the test methodology (Volume II).
- In order to follow up on the previous assessment, the performance of fiscal year 2015 will be taken into account as a reference even if they are not included in the score calculation for the other indicators.
- The cut-off date for evaluations at national and local level will preferably be May 31, 2019, as this is the date the General State Account (CGE) and Municipal Account for fiscal year 2018 will be available.

4. MANAGEMENT

4.1. Management of the PEFA assessment process

The process for PEFA 2019 assessment will be jointly managed by the Government of Mozambique (GoM) and representatives of the Cooperation Partners, the European Union (UE) and the French Agency for Development (AFD) are financiers. The GoM will take responsibility for the process and will facilitate access to the data.

The process will be led by the Ministry of Economy and Finance (MEF) of the GoM. Co-leadership on behalf of the partners will be ensured by the European Union Delegation in Mozambique, the main donor of this evaluation. The MEF will assist the team of consultants in organizing meetings and providing documents and materials for the assessment.

In order to ensure that the PEFA assessment is conducted efficiently and effectively and the desired quality is ensured, the following coordination mechanisms will be used:

- 1) **Management Committee (MC)**: a smaller committee, composed out of the assessment coordinating entity on behalf of the Government which is the National Directorate for monitoring and evaluation (DNMA) and the financing partners (EU and AFD). The committee shall be

responsible for the day-to-day management of the assessment process and aspects related to the management of the consultants' contract (communication, monitoring of the activities carried out by the team of consultants, and approving the products prepared by the team).

- 2) **Reference group (RG) – national level:** a committee composed by the coordinator, the National Directorate for monitoring and evaluation (MEF-DNMA), representatives of the various directorates or subordinates institutions, the financing partners, and the representatives of the PFM coordination group. This committee will ensure that relevant stakeholders, both national and international, are consulted throughout the process. This group will also be responsible for supporting the tracking of progress, and support the reform dialogue after the assessment (based on the report).
- 3) **Reference group – subnational level:** A reference group will be established for each Municipality. The members of the reference groups of the municipalities will be defined in partnership with ANAMM (National Association of Municipalities of Mozambique), with the participation of the Representative of the Provincial Directorate of Economy and Finance (where evaluations will be conducted). This group will ensure that relevant stakeholders, both national and international, are included and consulted throughout the process. Another important role of this group will be to support the follow-up and dialogue on post- assessment.
- 4) **PEFA CHECK Team - Mechanism for Quality Assurance:** The PEFA secretariat has established 6 criterions that need to be met to get the PEFA check. The first is to review the Terms of Reference for the assessment/consultation. This review (CHECK) will be held by a team of employees representing independent institutions involved in PFM, being (i) the PEFA Secretariat, (ii) the Government of Mozambique represented by the Ministry of Economy and Finance (MEF), (iii) the European Union, (iv) the IMF, (v) the Italian Cooperation, (vi) the Embassy of Switzerland, (vii) the USAID, and (viii) a member of civil society.

The evaluations (National and Subnational) can be carried out in a gradual manner. The evaluation of the national level will be the first to be carried out, since the conditions (management and processes) have already been established. For the subnational assessments the MEF is still in the process of articulating with the selected municipalities in order to appropriate the process and validate the ToR.

The DNMA, as focal point, will assist the evaluation team in making contacts, access to documents and data required for evaluation, and organizing meetings and visits (in Maputo and in the identified municipalities) .

Other Government entities will also be involved in the evaluation, especially for providing required information. In November 2018, a training on the PEFA methodology 2016 was conducted to which following entities participated: National Directorate of Planning and Budget (DNPO), Directorate of Economic and Financial Studies (DEEF), National Directorate of Public Accounts (DNCP), National Directorate of State Assets (DNPE), Directorate of Administration and Human Resources (DARH), Risk Management Office (GGR), Tax Authority (TA) , The General Inspectorate of Finance (IGF), the Administrative Court (Trib. Admin.), the National Parliament (AR), the Institute for Management of State Participation (IGEPE) and the Centre for the Development of the Financial Information System (CEDSIF) and the National Directorate for monitoring and evaluation (DNMA).

Table 5. Overview of the coordination groups

Designation	Entity	Representatives
Management Committee (MC)	MEF - DNMA	Jorge Sipanela (Director)
	EU Delegation to Mozambique	Geert Anckaert (Head of Section)
	French Development Agency	Julien Darpoux (Director)
Reference group –	PFM Coordination group	IMF
	MEF	DNT, DNPO, DEEF

national level (RG)	Other entities	CEDSIF, AT, ANAMM (National Association of Mozambique Municipalities) *Trib. Admin. and National Parliament are invited
Reference group – subnational level	Representatives of the Provincial Department of Economy and Finance. Other members will be identified after consultation with ANAMM, before the start of the assessment.	

4.2. Composition of the assessment team

It is important to note that although all assessments (national and of the four municipalities) share the same objective, the management and monitoring mechanism, and quality control described in this ToRs; the recruitment /tendering of the evaluation team (s) will be carried out separately by EU and AFD. This ToR only describes the composition of the assessment team and expected outputs for the evaluations to be financed by the European Union (National, Tete and Nampula). Other ToRs exist for the composition of the assessment team and expected outputs for the Maputo and Matola assessments – elaborated by AFD, with a similar standard to ensure the same level of quality.

Due to the nature of the work and relying on past practice, a team of six (6) persons (maximum) is recommended, to be coordinated by one (1) Team Leader - Senior Specialist in PFM - who will be responsible for overall management, the drafting and final presentation of reports and briefs, and communication with the Management Committee and Reference Group (s).

Team members should consist of: one (1) other Senior Specialist, three (3) Junior Specialists and one Assistant. At least half of the team must be fluent in Portuguese (including the team leader). If the team leader is not fluent in Portuguese, at least the other senior specialist needs to be fluent in Portuguese. Of the 3 Junior Experts, at least 1 must be fluent in Portuguese.

As the assignment is very specific (respecting the PEFA guidelines regarding the Terms of Reference) a detailed table of indicative working days is provided. The contractor can propose, as part of its methodology, a different breakdown. This is to merely orient contractors.

Table 6. PEFA Assessment – Indicative table of working days.

Experts	Filed Work (MOZ)			Home based	Total
	mission 1	mission 2	mission 3		
Category I-Team leader (min. 12 years' general experience)	19	11	4	20	54
Category II - Junior Specialist (min 6 years general exp)	17	10	-	10	37
Category II-Junior Specialist (min 6 years exp)	17	10	-	10	37
Category I-Senior Specialist for municipalities (min 12 years general exp)	17	10	4	20	51
Category II-Junior Specialist for municipalities (min. 6 years general exp)	17	10	-	15	42
Assistant	8	8	4	-	20
Sub-total	95	59	12	75	
Total	166			75	241

4.3. Assessment schedule

Place of posting / main location of assignment: Maputo

Majority of the time will be in country (Mozambique Maputo). All experts can do partly home base work and in country missions. For the 2 Municipalities Nampula and Tete, travel to the respective Municipalities will need to be organised by themselves.

- Home- based: working days are foreseen for the preparation of the missions (including document analysis, preparation of seminars, etc..) and reports writing (draft and final).
- Mozambique: Training, seminars, meetings, information gathering, preliminary performance review, review of draft reports, and dissemination of the final report. Three missions to Mozambique are foreseen, with the following distribution between Maputo and the Municipalities.

National (Mozambique – Maputo):

- First mission (+/- 20 working days) for the formal launch including 2 days training will take place, information collection and preliminary assessment of the indicators..
- Second mission (+/- 10 working days) for interviews, access to additional information, and the draft report presentation and validation seminar.
- Third mission (+/- 4 days) for presentation of the final report and a dissemination seminar.

Municipalities (Mozambique – Nampula and Tete):

- First mission (+/- 5 working days for each municipality= 10 in total) for the formal launch including 2 days training will take place, information collection and preliminary assessment of the indicators.
- Second mission (+/- 10 working days) for interviews, access to additional information, and the draft report presentation and validation seminar.
- Third mission (+/- 4 days) for presentation of the final report and a dissemination seminar.

Timing

Annex I contains an indicative timeframe for the assessment at the national level, where the intention is to have the report (at least the final draft) during the preparation of the SISTAFE National Meeting scheduled for November 2019. Assessments of the municipalities can be carried out simultaneously or after the national level assessment, provided that the total days indicated in Table 6 are observed. The assessment team is required to include in the inception report the schedule for all assessments.

4.4 Team members required expertise

It is expected that the assessment is performed by a qualified, competent, independent team of experts with international reputation and experience and that meets the following qualifications:

- Experience in conducting PEFA assessments;
- General knowledge of the legal and tax structure of the PFM system in Mozambique;
- Previous experience in conducting PEFA assessments in Africa is an asset;
- At least half of the team members must be fluent in Portuguese;
- Ability to write the first version of the report in Portuguese

A) Category I - Team Leader

The team leader should have skills and experience corresponding to a senior public finance management specialist.

a. Specific Requirements:

- Strong knowledge of the PEFA methodology (2016 Methodology);
- Experience in leading PEFA assessment teams during at least 5 assessments;
- Experience with at least 5 training sessions on the PEFA methodology;
- At least 5 years of experience in financial and fiduciary concepts, preferably related to developing countries;
- At least 5 years of experience in financial analysis and interpretation to persuasively present results related to finance;
- Ability to synthesize multiple and different sources of information, including experience and intuition in financial management and audit, and make a sound analysis and provide appropriate advice;
- Ability to make consistent, rational and objective independent judgments under pressure.

b. Education: At least a Master's degree in Economics, Management, Administration and/or Public Finances, Public Finance Management, or related fields or 5 years of equivalent professional experience which must be above the general professional experience duration fixed below;

c. General Professional Experience: Minimum of 12 years of proven experience in the field of Public Finance Management;

d. Language skills: Excellent knowledge (spoken and written) of English and /or Portuguese. Good knowledge of Portuguese is an asset.

Note: Presence of the team leader is required in the briefing and/or debriefings.

B) Category I - Senior Specialists – Municipalities

The Senior Specialist will need to have the skills and experience of a senior specialist in public financial management in the subnational areas, to complement those of the team leader:

a. Specific Requirements:

- Experience in conducting at least 3 PEFA assessments at subnational level;
- Experience in organizing at least 3 training sessions on the PEFA methodology;
- Experience in leading PEFA assessment teams - least 1 assessments;
- At least 7 years of experience in financial and fiduciary concepts in subnational areas, preferably related to developing countries (complementary to those of the team leader);
- Ability to synthesize multiple and different sources of information, including experience and intuition in financial management and audit, and make a sound analysis and provide appropriate advice;
- Ability to make consistent, rational and objective independent judgments under pressure.

- b. Education: At least a Master's degree in Economics, Management, Administration and/or Public Finances, or related fields or 5 years of equivalent professional experience which must be above the general professional experience duration fixed below;
- c. General Professional Experience: Minimum of 12 years of proven experience in the field of Public Finance Management;
- d. Language skills: Excellent knowledge (spoken and written) of English and /or Portuguese. Good knowledge of Portuguese is an asset.

C) Category II - Three Junior Experts

- a. Specific Requirements:
 - Knowledge of the PEFA methodology;
 - Have participated in conducting at least 2 PEFA assessments;
 - Experience with PFM evaluations – the 2 Junior Experts should be aware of complementary PFM, (e.g. revenue and tax, internal control and audit, budgeting and procurement);
 - At least 4 years of experience in public finance, financial and fiduciary concepts, preferably related to developing countries;
 - At least one of the 2 junior specialists must have excellent knowledge of Portuguese. English is always necessary.
- b. Education: At least a Master's degree in Economics, PF or other related fields or 5 years of equivalent professional experience which must be above the general professional experience duration fixed below;
- c. General Professional Experience: A minimum of 6 years of relevant proven experience in Public Finance
- d. Language skills: Excellent knowledge (spoken and written) of English and /or Portuguese. Good knowledge of Portuguese is an asset. At least one of the two junior experts must have a good proven knowledge of Portuguese.

D) Assistant

- a. Specific Requirements:
 - Ability and experience in providing logistical and administrative support to the team (schedules, presentations, translations, etc.);
- b. Education: at least one higher education degree (any field);
- c. General Professional Experience: A minimum of 5 years of proven experience in Logistical and administrative roles;
- d. Language skills: Good proven knowledge of Portuguese (C2 equivalent).

5. APPROACH AND METHODOLOGY

5.1. Methodology

The PEFA methodology will be applied, obeying the following aspects:

- It will be an objective and independent assessment carried out by a team with extensive international and national experience (details in section 4. 2. Composition of the evaluation team);
- The evaluation should be based on the 2016 PFM Assessment Framework and the Supplementary Framework for Subnational Governments of December 2016 and requires the application of all the guidance available on the PEFA website (e.g. Volumes 1, 2 and 3 of the updated version of the PEFA Handbook and the "How to prepare a PEFA report", published in December 2018);
- All 31 indicators with their respective dimensions should be assessed at PEFA at the national level. This should allow for comparison with the evaluation carried out in 2015 using the test methodology;
- At the municipal level, all PEFA indicators should be considered for evaluation. If some indicators are not suitable for evaluation according to the condition / situation of each municipality, the report should include explanations of the reason for each unvalued indicator.
- The format of the report should follow the above PEFA instructions and be presented separately for each of the four evaluations;
- PEFA Check and the involvement of different stakeholders (detailed below in section 5.3 quality control) should be ensured throughout the evaluation process (including preparation, review and finalization).

Data Collection

Many of the reference documents are available on GoM sites; otherwise the MEF will ensure access to specific documents.

5.2. Expected products

5.2.1. Reports

Following documents will need to be produced:

- (ii) **Inception report** (Inception Report, PT): must be submitted within 1 weeks after the start of the first mission, containing the following:
 - a. Description of the approach to the analytical research and potential risks;
 - b. Detailed work plan including a schedule and a list of the main entities to be contacted during the first mission;
 - c. Proposal of index for the final report (as indicated in the PEFA methodology of 2016) (central and subnational);
 - d. List of documents/data to which consultants do not have access;
- (iii) **Initial Report** (PT): to be submitted during the 3rd week of the first mission including the following:
 - a. Summary of progress analysis based on 2016 PEFA methodology (indicators) verifying progress compared to 2015 test methodology;
 - b. A preliminary report for the 2 municipalities following PEFA methodology for subnational entities;
 - c. List of institutions that need to be consulted;
 - d. List of documents/data to which consultants do not have access;

- e. Update on the approach (Inception report) including potential risks.
 - f. An annex will be included in the report in which the team provides a simple set of recommendations and actions based on the progress and findings detected (maximum of 5 pages);
- (iv) **Draft Final Report (PT)**: to be submitted within 5 weeks after delivery of the initial report. The final report draft should include the following:
- g. A draft report (national) based on 2016 PEFA methodology (report format and indicators) verifying progress compared to 2015 test methodology;
 - h. 2 draft reports for the municipalities following PEFA methodology for subnational entities;
 - i. Each report should include an annex in which the team provides a simple set of recommendations and actions based on the progress and findings detected (maximum of 5 pages);
- Note: this draft report needs to be submitted for PEFA CHECK review.
- (v) **Summary of the validation seminar (PT)**, to be delivered within one week after the seminar (maximum 10 pages);
- (vi) **Final report (PT and EN)**: electronic version. Based on the structure indicated by the PEFA 2016 methodology, this must be submitted 2 weeks after the validation seminar and after receipt of the PEFA CHECK comments, including a table showing the response to all comments raised by all reviewers. Each report should include an annex in which the team provides a simple set of recommendations and actions based on the progress and findings detected (maximum of 5 pages);

The printed version of the report needs to be available in Mozambique 3 days before the dissemination seminar.

A. Submission and reviews

- All the reports should be sent in electronic format (PDF and MS Word) to the management group, responsible for ensuring submission to the PEFA CHECK members.
- A validation seminar will be organized one week after the submission of the final report draft. Comments on the final report draft will be collected during the validation seminar to which relevant actors of Government, Development partners and civil society will be invited.
- PEFA CHECK members will individually provide written comments as required by the methodology. A table containing the responses to all comments raised by the reviewers should be shared with all PEFA CHECK members (PEFA CHECK criteria).
- All comments should be considered for the final version (evidenced in the comments matrix). The final version of the report should be sent one month after the validation seminar.

B. Detailed report information

- The data sets used for analysis will be delivered in Excel. Final reports must be sent in printed version after approval (before dissemination seminar).
- Final approval of the distribution and publication of the final report shall be ensured by the Management Committee. The final publication of the reports will be through the website of all members of the Management Committee and the PEFA Check Team.

- If the consultants determine that they won't be able to deliver the products specified in the terms of reference within the indicated deadline or with the details or the necessary substance, they should immediately inform the EU Delegation in Mozambique on the nature of the delay or change in substance and propose a solution/alternative to the problem.

C. Number of copies

- 90 printed copies (50 of the central report and 20 for each municipality) in Portuguese and 40 copies in English (20 of the central report and 10 for each municipality) of the Final Report;
- 1 pdf and 1 editable electronic copy (of the PT and EN version).
- The printed versions (PT and EN) must be ready and available in Maputo for the dissemination seminar.

5.2.2 Seminars and meetings

The team of consultant should facilitate the following seminars, including the preparation of well-structured presentations (with power point) for each of them:

- An initial meeting to present the assessment objectives to the Reference Group (during the first mission);
- An event/formal launch seminar (1H) of the assessment, including a 2-day training session for members of the Reference Group and other stakeholders (+/- 40 participants at national level, +/-20 participants for each municipality) -during the first mission;
- A wrap-up meeting at the end of the first mission (one in Maputo and one in each municipality) to inform the to the Reference Group on initial results (see report requirements);
- A draft report validation seminar with all relevant actors session for members of the Reference Group and other stakeholders (+/- 40 participants at national level, +/-20 participants for each municipality) -during the second mission;
- A wrap-up meeting at the end of the second mission (one in Maputo and one in each municipality);
- A final dissemination seminar to the Reference Group and all relevant stakeholders to present the final report (including all comments) (+/- 50 people) (third field mission);

For the 2-day training, the consulting team will also be responsible for producing the corresponding material in Portuguese (2016 methodology). The target audience should be the members of the Reference group (government officials, Parliament and the SAI and representatives of development partners). If necessary, some additional sessions (such as separate presentations for government entities or Cooperation Partners) may be requested.

5.3. Conclusions of the PFM evaluation and PFM reform

The outcome of this assessment (outline and final reports, both at the national and local level) will serve as background information for the review of the PEFP 2016-2018, as well as for the preparation of the SISTAFE National Meeting (planned for November 2019, with wide participation of central and local government, and cooperation partners), where it is intended to discuss the following PEFP 2020-2024.

The result of the assessment at the local level will be used for dialogue on decentralization modalities and possible PFM improvements at the subnational level, as well as for preparation for the possible central and local impacts of decentralization on the country's public finances.

6. INCIDENTAL EXPENDITURE

Other exhaustively identified reimbursable costs, with their details :

- Per diems for the missions to Tete and Nampula
- Travel costs for the experts:
 - International travel
 - Travel costs to the 2 Municipalities (Nampula and Tete)
- Logistical costs related to the organisation of the seminars and trainings need to be included: such as rental of premises, equipment, catering services, etc. . The seminars should be conducted in Portuguese.
- Translation costs for the reports from Portuguese to English
- Printing of hard copies:

Annex I: Indicative timetable for the PEFA 2019 assessment process

Estágio	Ação	Entregáveis	Data Limite (2019)	Responsável
Trabalho preparatório - depois do início do trabalho da equipa de consultores (home-based)				
	Início dos trabalhos da equipa seleccionada (desk review)	-	Julho	Equipa de consultores
	Submissão do Relatório Preparatório (PT) ao Comité de Gestão	Relatório Preparatório (PT)	Julho	Equipa de consultores
	Circulação para o Grupo de Referência		Julho	Comité de Gestão
	Pedido às unidades responsáveis a disponibilização das informações para a preparação da primeira visita e marcação dos encontros solicitados	Informações necessárias adquiridas	Julho	DNMA
	Disponibilização das informações para a preparação da primeira visita e marcação dos encontros solicitados		Julho	Unidades responsáveis do GdM
	Preparação da primeira visita no campo (formações e seminários)	Material para o seminário e formação	Julho	Equipa de consultores
Trabalho no Campo: Primeira visita - para os consultores				
	Primeira visita da equipa de consultores em Moçambique – +/- 20 dias úteis (autarquias: +/- 5 dias úteis)	-	Julho / Agosto	Equipa de consultores
	Reunião inicial para a apresentação ao GR (1 hora cada)	Reunião inicial (ou reuniões iniciais)	Julho	Equipa de consultores / GRs
	Lançamento formal do processo junto com uma formação para o GR e outros atores relevantes	Evento/seminário de lançamento e formação	Julho	Equipa de consultores / GRs
	Submissão do Relatório Inicial (PT) ao Comité de Gestão	Relatório Inicial (PT)	Agosto	Equipa de consultores
	Circulação para o Grupo de Referência para discussão na reunião de wrap-up da primeira visita	-	Agosto	Comité de Gestão
	Reunião wrap-up da primeira visita – apresentação dos resultados iniciais ao Grupo de Referência	Reunião wrap-up	Agosto	Equipa de consultores / GRs
Home-based – para os consultores				
	Redigir o esboço do relatório e solicitar via e-mail informações adicionais	-	Agosto – Outubro	Equipa de consultores
Trabalho no Campo: Segunda visita - para os consultores				
	Segunda visita da equipa de consultores em Moçambique – +/- 10 dias úteis (autarquias: +/- 4 dias para cada autarquia)	-	Outubro	Equipa de consultores
	Submissão do Esboço do Relatório Final (PT) (1ª versão) ao Comité de Gestão	Esboço do Relatório Final (PT) - 1ª versão	Outubro	Equipa de consultores
	Circulação do Esboço do Relatório Final para o Grupo de Referência	-	Outubro	Comité de Gestão

	Seminário de validação do Esboço do Relatório Final	Seminário de validação	Outubro	Equipa de consultores / GRs
	Submissão da Síntese sobre os seminários de validação ao Comité de Gestão	Síntese dos seminários	Outubro	Equipa de consultores
	Reunião wrap-up da segunda visita com o Grupo de Referência	Reunião wrap-up	Outubro	Equipa de consultores / GR
	Submissão do Esboço do Relatório Final (PT) – versão revisada com os comentários do seminário relevante incluídos	2ª versão do Esboço do Relatório Final (PT)	Outubro	Equipa de consultores
	Circulação do Esboço do Relatório Final para o Grupo de Referência e para o PEFA Check <i>*No entanto, somente os comentários da PEFA Check serão organizados e respondidos em uma tabela</i>	-	Outubro	Comité de Gestão
Home-based – para os consultores				
	Submissão de comentários do PEFA Check ao Comité de Gestão e Equipa de Consultoria (15 dias úteis para a revisão)	-	Novembro	PEFA Check
	Revisão/integração dos comentários e submissão do Relatório Final (PT/EN) e tabela de respostas aos comentários da PEFA Check	Relatório Final (PT/EN)	Novembro	Equipa de consultores
	Circulação imediata ao Secretariado PEFA para a revisão de seguimento (follow-up review)	-	Novembro	Comité de Gestão
	Revisão de seguimento (follow-up review) (10 dias úteis)	-	Dezembro	Secretariado PEFA
	Finalização em base do feed-back do Secretariado PEFA	Relatório Final (PT/EN) revisado	Dezembro	Equipa de consultores
	Impressão do Relatório Final (PT/EN) revisado	Relatórios impressos	(3 dias antes do Seminário)	Equipa de consultores
Trabalho no Campo: Terceira visita – para alguns dos consultores				
	Terceira visita da equipe de consultoria incluindo Seminário de Disseminação do relatório final – 4 dias úteis (autarquias: 1 dia por autarquia)	Seminário de Disseminação	Dezembro ou Janeiro 2020	Equipa de consultores / GRs
	Publicação do Relatório Final (PT e EN) nos sites do GdM e PEFA	-	Dezembro ou Janeiro 2020	Comité de Gestão
Actividades pós-PEFA				
	Diálogo de reforma da GFP com base nos resultados da avaliação do PEFA – nacional (preparações da RNS começarão em base do esboço do relatório final)	Documentação sobre a relevância do PEFA - nível nacional para as prioridades da GFP para o país	Outubro - Novembro	Comissões de trabalho para a Reunião Nacional para a SISTAFE e GR

	Diálogo de reforma da GFP com base nos resultados da avaliação do PEFA – autarquias	-	2020	GRs
	Desenvolvimento de um plano de ação ou programa de reforma da GFP	Próximo Plano Estratégico das Finanças Públicas e Plano de Acção complementar de seguimento do PEFA -nível nacional Plano de ação ou programa de reforma da GFP - nível autárquico	2020	GdM/Autarquias em consulta com os Grupos de Referência