

EXECUTIVE SUMMARY

The public financial management (GFP) reform is increasingly taking root in Mozambique.

The law on the public sector financial management system (SISTAFE) and the information technology (IT) system that supports budget execution and financial and asset management, e-SISTAFE, are tools that have proved effective and reliable. The testimony of public officials who use the system is unanimous in recognizing its robustness in terms of security, reliability, and ease of use, despite possible communication problems and slowness of the system.

Various major steps forward have already been made, such as the gradual increase of budget coverage and direct financial execution; broader use of the treasury single account (CUT), including as regards external resources; the improved linking of plans (five-year government program, poverty reduction program, medium-term fiscal framework, and economic and social plan) and the budget; across-the-board use of the programming classifier in the budget; better coordination between internal audit and the TA; start of implementation of the electronic wage payment system (e-Payroll); start of modeling of the electronic asset management system (e-Assets); and creation of the Finance Information System Development Center (CEDSIF) in 2010. All these successes show that the Ministry of Finance (MF) remains committed to improving public financial management and is therefore ready to deal with new challenges.

It is feasible to conclude that e-SISTAFE can be rolled out in the next four years. To that end, the CEDSIF should conduct a study to define the minimum requirements for the creation of an executing management unit (UGE). The creation of a UGE is justified only when the volume of budget, financial, and asset transactions is such that the costs can be offset of installing computer hardware and the communications network, hiring budget and financial execution and internal control staff, compiling management accounts, and performing internal and external audits, among other activities. In addition, the CEDSIF should identify the units where the rollout is to take place every year, preferably starting with those that have the largest transaction volumes and values.

Similarly, the treasury should work toward completing implementation of the CUT in the next four years. This involves defining the strategy for the gradual incorporation in the CUT of the autonomous institutes' own-generated resources, the INSS, externally funded projects, and all other government revenue (these resources should also be fully included in the government budget).

Install uniformly a collection network encompassing all government revenue. Efforts should be pursued to integrate the electronic single window (JUE—customs), e-Taxation (tax revenue), and e-SISTAFE (revenue and expenditure execution) projects, so as to avoid parallel, competing, or duplicate systems. The creation of the single collection document (DUC), the centralized negotiation with the financial system for the channeling of revenue collection through the banks,

and the centralized management of the technological infrastructure of e-SISTAFE by the CEDSIF are actions aimed at achieving this objective.

The treasury should act decisively to change the traditional execution culture in light of the observation that budget and financial execution still does not fully occur as defined in the SISTAFE law. The mission suggests that a “shock” be exerted on the execution cycle so as to force the break with the tradition of settling expenditure before it is liquidated. To that end, for example, the treasury should carry out a clarification campaign with suppliers to ensure that the appropriation note becomes the document that guarantees to the supplier the existence of resources to finance expenditure, and, if necessary, it could temporarily return to the centralization of all expenditure payments until the culture has actually been changed.

The CEDSIF should give priority to preparing a strategic plan and an IT blueprint (PDTI) because the expansion of the existing systems and IT infrastructure will increase the risks, costs, and complexity of operations. For this, the CEDSIF should formulate medium-term plans in which the priorities, costs, and risks arising from the expansion of operations are explained. It is also essential for the CEDSIF to develop systems only for clients outside the MF, so as to avoid creating negative impacts on the latter’s operations.

Introduce a reform in public accounting that includes improving the compilation of the general government account (CGE) and adopting international standards, with gradual migration to the regime of accrual- and performance-basis accounting. This reform involves changing procedures, improving reports, enhancing account consolidation, widening coverage, perfecting standards, and training DNCP staff. Details of the reform can be found in the report prepared by the consultant, Joseph Cavanagh (see summary of that mission in Annex 3).

The use of e-SISTAFE by other departments, such as Assets and Internal Control, needs to be improved, considering the wealth of information already available. Much information already exists on the procurement of goods of interest to Assets that can be added to the inventory, and control mechanisms should be created in e-SISTAFE (audit trails) that would serve to improve internal controls.

Table 1 presents the status with respect to the recommendations of this and previous missions. Some of these recommendations were incorporated as measures in the Policy Support Instrument (PSI) three-year program with the IMF.

Table 1. 2010–12 Action Plan for Implementation of the SISTAFE Reform

Objectives	Actions	Goal	Unit Responsible	Time-table	Prior-ity	Current Situation and Recommendations (and Position of the Authorities)
A. Budget Preparation						
1. Increase the coverage of the budget	1.1. Include the operations of all government entities, including its autonomous institutions, in the budget.	1.1.1 All public autonomous institutions included in the budget	DNO in coordination with DNT	2014	High	Being implemented. In 2010 a large number of government entities were included; however, the National Social Security Institute (INSS) is covered only in an annex to the budget, for information.
	1.2. Include all external financing operations in the budget.	1.2.1 All external financing operations included in the budget	DNO in coordination with DNT	2014	High	Being implemented. Coverage has increased considerably. Some grants, including in kind, are still not included in the budget, mainly in the health sector.
	1.3. Encourage the inclusion of all own-generated revenue in the budget.	1.3.1. 100 percent of own revenue included in the budget	DNO in coordination with DNT	2014	High	Being implemented, but rate of inclusion is low. For example, INSS is excluded, along with most of the own revenue of the autonomous institutes.
		1.3.2. Legislation amended to permit use of surplus collection	DNO in coordination with DNT			Implemented in 2010.
		1.3.3. Own-generated revenue distinguished from directly collected earmarked revenue	DNO in coordination with DNT			Implemented. Distinction made in the regulations. Recommendation: 1- Streamline the use of earmarked revenue and if possible eliminate it (authorities report that modernization was achieved through changes in the government budget (OE). The elimination of values also requires an amendment of the legislation.)
	1.4 Improve the budget legislation by changing the twelfths rule for years when the budget has not yet been approved by the Assembly.	1.4.1 Twelfths rule changed	DNO	2012	Moderate	Not implemented. The current twelfths rule has a negative impact on the start of new actions because it refers to the previous year's budget rather than the budget proposal submitted by the government to the Assembly.

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						Recommendations: 1- Introduce the rule of budget execution in twelfths in years when the budget has not yet been approved by the Assembly (authorities argue that the current practice is in compliance with the existing SISTAFE law, not yet amended, and that it should be observed until the law is amended).
2. Improve the process of integrating the Plan and the Budget.	2.1. Improve the medium-term fiscal framework (CFMP)	2.1.1 Improve the quality of macrofiscal projections; design alternative scenarios and sensitivity tests.	DNO in coordination with the MPD-DNEAP and Research Office.	2011	High	Being implemented. In 2009 two macroeconomic frameworks were simulated to assess the impact of the economic crisis. Recommendations: 1- Conduct a study to identify the cost of establishing new decentralized units (in provinces and municipalities) and explain the financing sources for expenditure to create such units (under study by the authorities); 2- Include information for comparison between operating expenses and current revenue (being implemented); 3- Include social security information in the CFMP so as to identify possible contingent liabilities (being implemented. In this area, the National Directorate of Social Welfare (DNPS) was involved).
	2.2. Improvement of program-based budgeting	2.2.1 Improve the programming classification to show government programs, in a way that is integrated with the Plan [plan-budget link].	DNO and DNP in coordination with the sectoral ministries.	2012	Moderate	Being implemented. Since 2009, program-based classification has been required in budget preparation, but it is not yet being implemented. Program-based classification of the entire budget began in 2011, but the quality of the objectives, goals, and performance indicators of programs and subprograms is still low. Recommendations: 1- Prepare PARPA III, taking account of the fiscal ceilings in the CFMP; 2- Amend the

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						programs at the district level, so that only the five programs described in paragraph 9 above are included, rather than the 393 defined in the PES and OE.
		2.2.2 Implementation of the [fiscal] goals	DNO and DNP in coordination with the sectoral ministries	2012	Moderate	Being implemented. The programs already identify a number of concrete goals by action, but there is a need to improve the quality of the goals and create a mechanism to provide support during the implementation phase.
		2.2.3. Implementation of performance indicators	DNO and DNP in coordination with the sectoral ministries.	2012	Moderate	Being implemented; however, most of the programs do not yet have defined performance indicators. Recommendation: 1- Define performance indicators in programs, preferably using those already available, such as in the education and health sectors.
B. Budget and Financial Execution						
1. Continue the e-SISTAFE rollout and the decentralization of direct budget execution.	1.1. Establish a timetable and details of the SISTAFE rollout scope, with December 2015 as the finalization date.	1.1.1 Timetable prepared and disseminated for information of all entities	CEDSIF	2015	High	Being implemented. Rollout is under way, with e-SISTAFE scheduled to operate in 438 of the 834 beneficiary management units (UGBs). For 2011, rollout is planned for 50 managing units. However, there is no timetable explicitly defining the sequence of rollout implementation. Recommendation: 1- Complete the rollout by 2015.
2. Increase the scope of the single treasury account (in foreign currency,	2.1 Streamline the use of bank accounts of the entities covered in the OE and operating directly in e-SISTAFE.	2.1.1 Bank accounts streamlined and resources channeled only through the CUT	DNT/CEDSI F/BM	2014	High	Being implemented. There are about 4,300 off-CUT accounts. Closing of these accounts is slow. The balances of the revenue accounts are not automatically transferred to the CUT. Recommendations: 1- Classify the off-CUT

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CUT-ME, and in domestic currency, CUT-MN).						bank accounts by type of account (revenue collection, management fund, external projects, etc.) and define a strategy for closing these accounts; 2– Establish rules for exceptions to using the CUT; 3– Channel revenue collection through the banks.
	2.2. Deposit to the CUT the resources of entities covered in the OE and operating in e-SISTAFE, including their own-generated revenue.	2.2.1 All resources of entities covered in the OE and operating in e-SISTAFE being deposited to the CUT	DNT/CEDSI F	2014	High	Being implemented. There are, on estimate, over 2,000 balance-bearing off-CUT revenue accounts. Progress on this matter is expected with implementation of the collection network. Recommendation: 1- Adopt the procedure of ensuring zero-balance bank accounts by automatically transferring balances to the CUT, starting with the revenue accounts and gradually including the remaining accounts (Work is under way with the AT to reduce collection times. Zero-balance accounts will be transferred automatically to the CUT only when e-Taxation is fully implemented).
	2.3. Channel through the CUTs (CUT-ME and CUT-MN) the external financing resources of entities that execute in e-SISTAFE.	2.3.1 All external resources of the entities executing in e-SISTAFE are in the CUTs.	DNT/CEDSI F	2014	High	Being implemented. It is estimated that 44 percent of the expenditure with external projects is already in the CUT. Already, 13 mutual funds are in the CUT, including funds from the World Bank, the European Investment Bank, Belgium, the European Commission, Denmark, Spain, Finland, The Netherlands, Italy, the United Kingdom, and Sweden. Recommendation: 1- The DNT and the CEDSIF should pursue their efforts with the donors to include new projects in the CUT.

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	2.4 Ensure the integrated management of CUT-MN and CUT-ME, and disseminate information on CUT management mechanisms.	2.4.1 Document disseminated, showing how the CUT and CUT-ME are managed.	DNT/CEDSI F, in coordination with rollout activities			Implemented in 2009. CUT-ME in operation. Guide on the functioning of the CUT-ME implemented and disseminated to projects and the international partners.
3. Put the CUTs in operation (multi-currency CUT-ME and domestic currency CUT-MN)	3.1. Implement the payment-abroad functionality, through the CUT-ME.	3.1.1 CUT-ME fully tested and functioning.	DNT, CEDSIF, and BM			Implemented in 2009.
	3.2. Reach agreements with donors, defining a timetable to begin using the CUTs (CUT-ME and CUT-MN).	3.2.1 Agreements have been reached with donors, including for access to project implementation.	DNT	2012	Moderate	Being implemented. Some external projects already use the CUT. There is donor interest in continuing in this direction. Recommendation: 1- Create an execution portal to facilitate monitoring by citizens and by the international cooperation partners (authorities see this as a discussion point. For more in-depth consideration. MGI versus e-SISTAFE).
	3.3. Implement direct budget execution by the sectoral agencies with CUT resources.	3.3.1 All units and operations integrated into e-SISTAFE are using CUT resources in direct budget execution.	DNT/CEDSI F in coordination with the sectoral and provincial agencies	2014	High	Being implemented. Recommendations: 1- Change the budget execution method, increase the training of those responsible for expenditure execution, and include a chart on this in budget execution reports (REOE's): (i) require that the number of the pertinent appropriation note be included in contracts; (ii) perform monthly financial programming based on liquidated expenditure covering the whole fiscal year; (iii) carry out a campaign to provide clarifications to suppliers, to ensure the appropriation note becomes the document that guarantees the existence of resources to finance expenditure and, if necessary, temporarily centralize all payments, except for working funds, in the DNT in its capacity as the sole entity with

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						authority for the time being to issue payment orders for channeling through the CUT; and (iv) include in financial and budget execution reports information on amounts appropriated, liquidated, and paid, by ministry (authorities feel these points are subject to discussion. The UTRAFE and IGF did an analytical study of this situation. Provision of the report by the IGF is pending).
4. Consolidate the financial programming tools to support strategic decisions of the treasury, and increase the dissemination of information about them.	4.1. Improve the level of detail in the table showing the annual financial programming, so as to emphasize alternative strategies, including external resources deposited in the CUT-ME.	4.1.1 New structure of the table on annual financial programming implemented and disseminated	DNT	2012	High	Being implemented. Financial programming transactions are already available in e-SISTAFE, but this is not yet fully functional. Budget units report needs for the next period, but the annualized monthly information is not yet in the system.
	4.2. Disseminate to the sectors, the annual financial programming, by month of execution.	4.2.1 Monthly financial programming for the entire year disseminated	DNT	2012	High	Not implemented. Financial programming is still being done only in twelfths for the following month.
5.Improve the procurement process.	5.1. Improve government procurement procedures and make them more flexible.	5.1.1 Amendment of the legislation	DNPE			Implemented. New legislation passed in 2009.
	5.2. Approve the rules supplementary to the procurement regulations.	5.2.1 Approval and/or amendment of the rules complementary to the regulations.	DNPE			New procurement regulations implemented in 2010. Recommendation: 1- To allow for better control of contracts in e-SISTAFE, include in the appropriation note basic information on the requirements or contracts.
	5.3. Implement a training program on competitive bidding and procurement for public managers, especially at the local and district levels.	5.3.1 Training program implemented and courses held	DNPE	2012	High	Being implemented. Continuous training provided. Over 4,000 managers have already trained. Recommendation: 1- Take action as regards the culture of paying for goods and services before they are received, through a

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						training and clarification program.
6. Streamline the administrative processes and improve the execution controls.	6.1. Improve system integration.	6.1.1 Systems integrated	DNT, CEDSIF	2012	High	Integration of e-SISTAFE with e-Payroll, e-Taxation, electronic single window (JUE), e-Assets, and other systems is being implemented or developed; e-Inventory has already been implemented. Recommendations: 1- Give priority to widening the application of e-Payroll gradually, to speed up replacement of the four systems that currently generate payroll and use biometric control of staff to verify their identity (authorities report that payments are already being made at the provincial level, in 10 provinces, with the DPPFs already making payments in March 2011 through e-Payroll); 2- Implement a pilot project in which the DNPE uses a computer application to establish asset management as if it were in a typical management unit, to test the feasibility of the new procedures to be adopted by the MPE; 3- Conduct a workshop with the CEDSIF to explore the potential uses of e-SISTAFE to improve asset management.
7. Improve the revenue classification and collection process.	7.1. Implement the single collection document (DUC).	7.1.1 DUC implemented	AT in coordination with DNT and CEDSIF	2012	High	Not implemented. DUC will be part of the collection network project. It is important to ensure proper linking of e-SISTAFE, e-Taxation, and the JUE.
	7.2 Implement the electronic network for revenue collection directly in the banking system.	7.2.1 Collection network implemented	AT and DNO in coordination with BM	2012/14	High	Not implemented. Planned as one of the functionalities of the collection network. Recommendation: 1- Give priority, when implementing e-Taxation and the JUE, to creation of the DUC for revenue collection and tax payment directly through the banking

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						system (authorities report that this will be done when e-Procurement is being implemented, as it involves a greater change in the budget management and execution method).
C. Accounting and Reports						
1. Improve accounting information and streamline procedures	1.1 Improve budget execution reports.	1.1.1 Reports improved	DNCP	2013/14	High	Being implemented. IMF technical assistance under way for improving reports.
	1.2 Prepare new accounting statements to improve the general government account (CGE).	1.2.1 . Budget, assets, and cash flow balance sheets and statement of changes in net worth prepared	DNCP	2013/14	High	Being implemented. IMF technical assistance under way for improving accounting reports. Recommendations: 1- Prepare and issue budget and financial balance sheets directly through e-SISTAFE. 2- The DNCP should move up CGE presentation to April, and the TA should bring forward preparation of audit opinions to September, so that the Assembly can receive these documents by October and use the information in the process of passing the budget for the next year. 3- Prepare a chart with information on public enterprises, semipublic enterprises, and companies in which the state is a shareholder, with data on the state's equity holding share, net worth, and gains or losses realized for the fiscal year, which would be included in budget documents and in the CGE. 4- Include in the budget documentation and the CGE a chart showing the volume of social security revenue and expenditure as well as the corresponding surplus or deficit (points under discussion with the authorities); 5- Improve the reconciliation of fiscal and monetary data, produce fiscal statistics

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						regularly, and improve the linking of the DNO, the DNCP, and the monetary department.
	1.3 Amend/clarify the legislation to eliminate bookkeeping on operations executed directly in e-SISTAFE.	1.3.1 Hardcopy accounting books no longer needed to support accounting	DNCP in coordination with the IGF and TA	2011	Moderate	Not implemented. The Financial Administration Manual presents the applicable rules, but oversight agencies are still relatively unaware of the elimination of books in cases of direct execution.
	1.4 Amend/clarify the legislation as regards the requirement for a receipt.	1.4.1. Receipts for direct payments no longer required	DNCP/CEDSIF in coordination with IGF and TA and with AT	2011	High	Not implemented (the authorities understand that the TA feels it is not yet time to eliminate receipts). Recommendation: 1- The DNCP and the CEDSIF should weigh the implications and work with the IGF, TA, and AT to clarify that the “receipt” that was part of the administrative process as regards contracts is replaced by a combination of two documents already existing in the process: the supplier’s “invoice” and the e-SISTAFE “payment order.” The latter indicates, among other things, the administrative process, issuing unit, payee, and payee’s bank account information. Similarly, the AT should recognize the “payment order” as a supplementary fiscal document serving the tax collection process.
D. Internal Control						
1. Improve internal controls and audits and clarify the institutional arrangements.	1.1 Clarify and disseminate the internal control, internal audit, and external control concepts, objectives, and responsibilities.	1.1.1 Internal and external control roles clarified	IGF and TA, in coordination with sectoral inspection offices and IGE			Implemented. TA and IGF conducted a workshop in 2010 to discuss roles.

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2. Improve the efficiency and effectiveness of the current internal controls.	2.1 Verify the reliability of CGE and budget data.	2.1.1 CGE and budget execution verified by the IGF, together with accounting	IGF and DNCP	2012	High	Being implemented. IGF is increasing the coverage of audited units and already using e-SISTAFE as a control instrument. Training of internal audit units in the agencies is under way.
	2.2 Increase the use of e-SISTAFE as a tool to support internal control and internal audit work.	2.2.1 Planning of internal control and internal audit work will include e-SISTAFE consultation as a basic procedure.	IGF and sectoral inspection offices			Implemented. IGF established a laboratory with terminals for access to e-SISTAFE, and the system is consulted for information to be used in audits. Recommendation: 1- Change the transaction of documentary conformity and include a checklist to improve internal controls.
E. External Control						
1. Improve the effectiveness of the external control	1.1 Clarify and disseminate the concepts, objectives, and responsibilities of internal control, internal audit, and external control.	1.1.1 Roles of internal control and external control clarified	TA			Implemented. TA and IGF conducted a workshop in 2010 to discuss roles.
	1.2 Coordinate audit work with the IGF.	1.2.1 Work plans shared, timetable for joint actions established	TA and IGF			Implemented. TA and IGF are already routinely exchanging audit plans and holding meetings to discuss work methods and others ways to cooperate.
	1.3 Increase the use of e-SISTAFE as a tool to support external control tasks.	1.3.1 Planning of external control and audit tasks will include the consultation of e-SISTAFE as a basic procedure.	TA and CEDSIF for training TA auditors			Implemented. TA has already installed terminals with access to e-SISTAFE and started using the information; but this process is still in its early stages. Recommendations: 1- The CEDSIF should coordinate with the TA to train auditors to use e-SISTAFE; 2- Until the e-Procurement and MPE modules are implemented, develop simplified procurement control in e-SISTAFE that includes the recording of prior TA approval (point for discussion. Authorities feel that the goal will be met

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						during e-Procurement implementation).
2. Transfer prior control activities to the internal control entities.	2.1 Prepare a timetable for certifying the quality of internal controls of government entities.	2.2.1 Timetable prepared and disseminated.	TA in coordination with IGF.	2014	Moderate	Not started. TA is taking action to hire a certifying firm to certify its auditors. Certification of internal audits is not envisaged for the medium term.
	1.2 Certify the quality of the internal controls of government entities, following an approved timetable.	1.2.1 Entities certified according to the timetable	TA and IGF	2012	High	Not started.
	1.3 Draft legislation to limit the requirement for prior approval to cases involving large-value contracts.	1.3.1 Legislation passed, limiting prior approval of contracts	TA and IGF			Implemented. The value in excess of which prior TA approval is required is defined in the annual budget law.
	1.4 Eliminate the requirement for prior approval of the TA for the hiring of civil servants.	1.4.1 Prior approval regarding personnel eliminated	TA	2012	Moderate	Being implemented. Approval is already no longer required in career advancement cases.
F. Other Government Entities						
1. Improve governance of the public enterprise sector	1.1. Strengthen the regulatory framework of the public enterprise sector to clarify financial oversight.	1.1.1 Finalize the draft law amending the law on public enterprises.	DNT	2011	High	Being implemented. Drafting under way of new law on public enterprises that the government plans to place before the National Assembly in 2011.
	1.2 Define the scope of the public sector consolidated balance sheet, including as regards public enterprises, publicly-owned corporations, and partly-owned enterprises.	1.2.1 Prepare a manual defining the scope of the public sector balance sheet, based on good practices.	DNT, DNCP, and IGEPE	2011	Moderate	Being implemented. Under study by the IGEPE.
	1.3 Prepare and disseminate a financial statement on the public enterprise sector, covering public enterprises, publicly-owned corporations, and partly-owned enterprises.	1.3.1 Publication of the consolidated statement on the web and as an attachment to the budget	DNT, DNCP, and IGEPE	2013	Moderate	Not implemented. See recommendation C.1.2.1.3 above.

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2. Improve the governance of the autonomous institutions.	2.1 Strengthen the regulatory framework of the autonomous state institutions to clarify financial oversight.	2.1.1 Draft legislation governing the autonomous state institutions as a whole.	DNT and IGEPE	2011	Moderate	Being implemented. IGEPE drafted legislation, but it is still being discussed internally. In 2009 IGEPE prepared a guide to good practices of corporate governance in companies partly owned by the state.
3. Strengthen the decentralization process.	3.1 Continue the process of clarifying responsibilities and competences of local state agencies and local governments.	3.1.1 Clear legislation on the internal organization and responsibilities of districts and provinces	MAE in coordination with MPD	2011	Moderate	Being implemented.
	3.2 Assess the risks of the decentralization process and coordination mechanisms.	3.2.1 Present a decentralization strategy that clearly specifies the fiscal risks and mechanisms for interinstitutional coordination.	MAE, MPD, MF, and all the sectors	2011	Moderate	Not implemented. See recommendation A.2.1.1.1 above.
G. Coordination of the Reforms						
1. Improve coordination among MF, MPD, and sectors.	1.1. Strengthen the formal legal framework to specify the division of responsibilities between the DNO and DNP for budget preparation.	1.1.1 Amendment of the legal framework and formulation of a new legal framework, if necessary	DNO and DNP			Implemented.
	1.2 Develop a formal legal framework, specific timetable, and division of responsibilities for the preparation of the CFMP, providing for approval by the Council of Ministers [could be combined with action 1.1 above].	1.2.1 Statute governing preparation of the CFMP	DNO and DNEAP, in coordination with the Research Office	2011	High	Not implemented.

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	1.3 Improve coordination with the sectors at the time of budget preparation proposals.	1.3.1 Budgets meeting government priorities within the established fiscal limits and taking account of the constraints placed on the sectoral agencies	MPD and MF in coordination with the sectoral agencies			Implemented. In 2010 a five-year government program was prepared and served as a basis for the preparation of PARPA III (not yet finalized), the CFMP, and the budget. Programs included in the budget, but there is room for further improvement in information on programs, indicators, and goals.
2. Improve dissemination of the SISTAFE reform.	2.1 Create a continuous program on the budget cycle, using various (including distance) training methods, for e-SISTAFE users, public managers, donors, and citizens.	2.1.1 Materials, schedule, and instructors prepared	DNT, DNO, and CEDSIF	2011	Moderate	Formal program not implemented, but MF has been holding various meetings with sectors and partners to disseminate information on the reforms.
3. Ensure the interoperability of e-SISTAFE with other ERPs.	3.1 Develop a strategy for working with the sectoral agencies and donors to: (a) explain the potential of e-SISTAFE to sectors; (b) identify situations in which parallel systems are indeed necessary; and (c) assist sectors in conducting a cost-benefit analysis of the decision to adopt parallel systems.	3.1.1 Interoperability standards and rules defined	CEDSIF in coordination with the sectors	2012	High	Being implemented. The CEDSIF is aware of the importance of giving priority to interoperability. Recommendations: 1- The CEDSIF should step up its efforts to map all IT systems used by entities performing budget and financial execution and control functions, to facilitate communications between e-SISTAFE and these systems and prevent the duplication of entries as well as the risk of incompatible information. Implement a functionality to export and import data to and from e-SISTAFE. (The authorities feel the recommendation is unreasonable and contradicts the SISTAFE law. No agreement was reached on this during the mission. The CEDSIF is of the same view. The Minister of Finance issued a circular requiring the use of e-SISTAFE by sectors. The SISTAFE has to try and meet all sectoral needs, as it not feasible to

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						introduce other systems or to have other systems interface with SISTAFE, except for executing modules nonexistent in SISTAFE or not covered by it); 2- The CEDSIF should take steps to encourage the use of the MEX and the CUT (quick winners), such as: (i) publicizing the existing e-SISTAFE functionalities that streamline administrative procedures; (ii) developing simple new functionalities that can significantly streamline administrative procedures; (iii) training decision-makers in e-SISTAFE; and (iv) amending the legislation. (Being implemented. A forum for users was created to encourage dialogue.)
H. Sustainability and Strengthening of e-SISTAFE						
1. Provide the CEDSIF with an IT strategic plan.	1.1 Develop a roadmap, an investment plan, and a timetable for e-SISTAFE.	1.1.1 Plan prepared in an iterative way and with a review schedule	CEDSIF	2012	High	Being implemented.
	1.2 Prepare an IT strategic plan.	1.2.1 Plan prepared	CEDSIF	2012	High	Being implemented. Recommendation: 1- The IT strategic plan should include the formal specifications for the collection network.
	1.3 Prepare an IT blueprint.	1.3.1 Plan prepared.	CEDSIF	2012	High	Not implemented. Recommendation: 1- The PDTI should include the formal IT management specifications for the collection network.
2. Adopt IT governance good practices.	2.1. Implement a framework of good practices (COBIT or ITIL) for key processes.	2.1.1 Implementation of the following processes: requests,	CEDSIF	2012	High	Not implemented.

Objectives	Actions	Goal	Unit Responsible	Time-table	Prior-ity	Current Situation and Recommendations (and Position of the Authorities)
		incidents, configurations, changes, continuity				
	2.2 Draft technical documentation to support the development and evolutionary maintenance of e-SISTAFE.	2.2.1 Benchmark architecture of the system	CEDSIF	2012	High	Being implemented.
		2.2.2 Conceptual model of e-SISTAFE and other systems (scope and non-scope) prepared or amended and disseminated	CEDSIF	2012	High	Being implemented. Recommendation: 1- Develop, over a longer period, the conceptual models of the large systems represented by e-Procurement, e-Taxation, and e-Assets. The application should be developed in the following order: (i) payroll; (ii) collection network (iii) procurement control; and (iv) inventory control. The new order of priority for the development of IT systems and applications will be defined in the Systems and Applications Development Plan to be proposed by the CEDSIF for approval by the government.
		2.2.3 Logical data model	CEDSIF	2012	High	Being implemented.
		2.2.4 Rules on integration into e-SISTAFE	CEDSIF	2012	High	Being implemented.
		2.2.5 Rules on interoperability with e-SISTAFE	CEDSIF	2012	High	Being implemented.
	2.3 Define the data management role and process.	2.3.1 Manager to exercise functions	CEDSIF	2011	High	Being implemented.
	2.4 Assess the [fiscal], financial, and technological risks of e-SISTAFE.	2.4.1 Risks assessed and pertinent decisions taken	CEDSIF	2011	High	Being implemented. Security audit performed and timetable of actions established.

I. BUDGET, FINANCIAL, AND ACCOUNTING IMPLEMENTATION AND CONTROLS

A. Plan and Budget

Current Situation

1. **In 2010 the Ministry of Planning and Development (MPD) prepared the new five-year government program (PQG) for 2010–15 and began drafting the third national poverty reduction strategy (Action Plan for the Reduction of Absolute Poverty—PARPA III).** In 2010 the authorities published an assessment of PARPA II, which concluded that a new plan was needed. PARPA III is being formulated in consultation with Mozambique's civil society and cooperation partners. Its approval is delayed, now envisaged for the first half of 2011.

2. **The PQG was structured around five major strategic objectives:** (i) consolidation of national unity, peace, and democracy; (ii) poverty reduction and promotion of the culture of work; (iii) good governance, decentralization, anti-corruption measures, and promotion of the culture of accountability; (iv) strengthening of sovereignty; and (v) enhancement of international cooperation. As regards public financial management (GFP) and public sector reform, the PQG establishes the following actions:

- Coordinate public investment projects in an integrated way;
- Formulate the strategy to reduce poverty in urban areas;
- Improve the monitoring and assessment of the government planning system;
- Adopt and implement electronic revenue collection and management systems, through e-Taxation;
- Adopt and implement the electronic single window (JUE) customs clearance mechanism, thereby facilitating foreign trade;
- Streamline the procedures for filing tax returns and paying taxes, so as to reduce their complexity and make them more understandable for taxpayers;
- Provide more assistance to economic agents and other taxpayers in the fulfillment of their fiscal obligations, by creating and expanding taxpayer services;
- Decentralize the tax payment system by opening up more revenue offices, including mobile collection units, to facilitate the payment of domestic taxes at border offices and the involvement of local administrative and community authorities in tax collection;
- Continue the process of implementing the revenue courts and customs courts, to ensure greater access by citizens to fiscal justice services;

- Expand implementation of the program-based planning and budget methodology to include all government institutions at the central, provincial, and district levels, with a view to improving coordination of the planning and budgeting tools;
- Disseminate information through the mass media on direct and timely payment, through e-SISTAFE, to providers of goods and services and other recipients of payments, including wages and salaries, pensions, and life annuities;
- Increase coordination with the development partners to reduce processing outside the budget system for projects and programs, with a view to making all external resources available through the treasury single account (CUT) and accounting in a timely way for all public financial resources;
- Build internal control capacity and transparency in the use of resources;
- Ensure that local communities and the areas where natural resources are being mined receive a share of the mining revenue;
- Consolidate the public sector to make it results-oriented and geared toward serving the citizens, by ensuring quality services and citizen involvement in monitoring the quality of the services provided to them;
- Enhance civil service professionalism, by staffing it with skilled, motivated, and experienced professionals with the spirit of serving the government and the citizens, in the context of a merit-based culture;
- Promote administrative and financial transparency, as well as the integrity of government management systems, by raising the level of individual accountability of civil servants and government employees as regards the provision of quality services;
- Strengthen and train local agencies, consolidating decentralization and devolution, ensuring the full performance of the tasks and competences of local agencies and growingly meeting the needs of local communities;
- Consolidate the culture of public transparency, exceptionality, integrity, and accountability, in the context of efforts to prevent and combat corruption;
- Promote good conduct, discipline, and integrity in the civil service, through rigorous compliance with the rules and procedures on the provision of services; and
- Consolidate the role of internal control in preventing and combating corruption.

3. PARPA III is being drafted, using the same budget programming classifier and the same strategies as in the PQG. This will facilitate support for PARPA III and greater clarity about the costs of the activities performed.

4. The implementation and monitoring of the PQG are concretely reflected in the Economic and Social Plan (PES) and in the Government Budget (OE), two key annual

instruments. The PES describes how the program goals and actions for each year will be put into operation. The OE is the financial expression of the PES. Both generate periodic and annual audit reports, the basis for the system of monitoring the PQG. The implementation of the PES is assessed every six months. The 2011–13 medium-term fiscal framework (CFMP) defined the budget revenue and expenditure packages for the period. The OE is drafted on the basis of the CFMP.

5. The PES contains definitions of the annual objectives and goals for the outcomes and outputs of each program. In 2009, 584 government programs were created, including: 168 with a sectoral scope, covering the whole country; 22 with a provincial scope, providing institutional and administrative support as well as specific provincial activities; and 393 with a district scope. For example, in the health sector six programs were defined: (i) mother and child health and medical assistance, (ii) reduction of the impact of major endemic diseases and malnutrition, (iii) health promotion and disease prevention, (iv) health network development, (v) human resource development, (vi) institutional and administrative support, and (vii) HIV/AIDS in the public health program. However, performance indicators can be identified in only a few programs. In general, only the quantitative targets of actions (output) are identified.

6. The MPD is implementing the National Planning and Decentralized Finances Program to build the capacity of local agencies of the government. This program is structured in six main areas: (i) strategic planning for the drafting of land use plans; (ii) operational planning for the preparation of annual operational plans (POAs); (iii) budget and financial execution; (iv) management; (v) community involvement; and (vi) internal control. The program covers the period 2010–15. A specific capacity building package is planned to train local staff on using e-SISTAFE.

7. The International Monetary Fund (IMF) is providing support to Mozambique in the form of a three-year Policy Support Instrument (PSI) program. An IMF mission visited Mozambique during March 23–April 7, 2011 to carry out Article IV consultations and discussions in the context of the second assessment of the three-year program approved in June 2010. This mission supports the government’s medium-term development strategy that is contained in its economic program under the PSI. The strategy is based on increasing public investment in infrastructure and raising expenditure in the priority social sectors as well as on structural reforms in areas such as public financial management, tax policy and administration; debt management, economic good governance, and development and supervision of the financial sector. Included as measures in the PSI were three specific actions arising from the mission in support of the GFP, as follows:

- **Expand the coverage of the budget:** the e-SISTAFE rollout will continue, the objective being to complete it in the next few years. The government intends to adopt a rollout plan by end-September 2011, covering all entities outside the system. The only entities to be excluded will be those where the cost-effectiveness ratio does not justify such an

expansion. The target for December 2011 is for direct execution to reach 45 percent and for the rollout to include 50 more entities;

- **Integrate all the information systems:** By end-August 2011 the government will adopt an IT blueprint to support e-SISTAFE and the other systems covered in the GFP. That blueprint should serve as a medium-term guide on IT priorities, define operational and hardware models, and assess the costs and risks associated with expanding the budget execution systems; and
- **Make the government accounts consistent with international accounting standards:** based on the technical assistance provided by the consultant, Joseph Cavanagh, the DNCP will conduct an exercise by end-August 2011 to generate the accounts in a format consistent with international standards. This exercise is intended to improve the accounting records, integrate flows and stocks, and include information from government entities. A study will be done on how to migrate gradually to international standards over the next few years.

Mission Notes

8. **There is still a need for more realism in the proposals made in PARPA III, in light of Mozambique's financial capacity.** The PARPA still does not take account of the fiscal packages projected in the CFMP. It would be more appropriate if the PARPA goals were based on the resources actually expected.

9. **Considerable progress was made in defining the government's programs; however, performance indicators still have not been defined for most of those programs.** As already mentioned in paragraph 5, the seven health programs have only output targets. For example, the program for reduction of the impact of major endemic diseases and malnutrition contains no definition or indicator of the expected outcome of the program. One of the concrete targets is to give "intermittent preventive treatment at least twice during pregnancy to at least 65 percent of pregnant women." In the case of the program indicator, an alternative would, for example, be to measure the change in the mortality rate among pregnant women. Thus, for instance, the target for the program period could be "to achieve a 5 percent reduction in maternal mortality by 2014." Similarly, on the concrete target of covering 65 percent of all women, information should be provided on the current performance, so as to clarify the impact expected with implementation of the program. Thus, the concrete target could be defined, for example, as "to increase from 55 percent to 65 percent the number of pregnant women receiving intermittent preventive treatment at least twice a year by 2014." Another important factor is the existence of information. An attempt should be made to verify that indicators already exist and are routinely collected and, as far as possible, to use those that are available. Various indicators generally exist in the areas of health and education. In addition, the budget is still essentially focused on the administrative area, without the allocation of personnel costs, for example, to the programs. Table 2 shows the figures in the 2011 budget, by program, in the area of health. There is no operating expenditure allocated to the programs, and this has an extremely negative impact on

the identification of their actual costs, mainly because this is a sector with high-intensity personnel use.

Table 2. 2011 Budget for Health Sector Programs
(in thousands of meticaïs)

Program	Internal Operations	Internal Investment	External Investment	Grand Total
<i>Central government</i>	20,824,354	-	3,899,152	24,723,506
HIV/AIDS			149,669	149,669
Administrative institutional support			20,017	20,017
Mother & child health, med. assistance			2,048,957	2,048,957
Reduction of endemic diseases & malnutrition			674,725	674,725
Health network development			701,025	701,025
Human resource development			304,759	304,759
Health promotion & disease prevention			-	-
Government system administration (1)	20,824,354		-	20,824,354
<i>Provinces</i>	12,965,043	178,112	202,148	13,345,303
HIV/AIDS				-
Administrative institutional support			202,148	202,148
Mother & child health, med. assistance		4,712		4,712
Reduction of endemic diseases & malnutrition				-
Health network development		173,400		173,400
Human resource development				-
Health promotion & disease prevention				-
Government system administration (1)	12,965,043			12,965,043
Grand total	33,789,397	178,112	4,101,300	38,068,809

Source: 2011 Government Budget

Note: (1) Includes all agencies and entities covered in the budget and not only the health sector.

10. **Programs at the district level are defined by criteria of location rather than programming.** Five major programming lines of action were identified in the districts, called strategic areas: (i) rural development, (ii) infrastructure development, (iii) management of the government system and in the education sector, (iv) institutional support, and (v) technical and professional education. Nor is there any allocation in these programs to cover personnel and administrative costs. It would be more appropriate if these five programs were included at the district level rather than the 393 defined in the PES and OE (Table 3).

Table 3. Budget of the Districts by Strategic Area or Program
(in thousands of meticaïs)

Strategic Area or Program	Internal Operations	Internal Investment	External Investment	Grand Total
Government system management	13,300,349	51,243		13,351,592
Rural development	-	794,206	1,233,687	2,027,893
Infrastructure development	-	1,149,310	27,704	1,177,014
Education	-	17,496	140,931	158,427
- Institutional support	-	17,496	139,702	157,198
- Tech. and professional education	-	-	1,229	1,229
Grand total/Districts	13,300,349	2,029,751	1,402,322	16,714,926

Source: 2011 Government Budget

Recommendations

- Gradually include performance indicators in all programs, starting with those in which indicators already available can be identified, in particular those in the areas of education and health (Table 1, item A.2.2.3.1).
- Prepare PARPA III, observing the existing fiscal ceilings so as to make the targets more realistic (Table 1, item A.2.2.1.1).
- Amend the programs at the district level to include only the five programs as described in paragraph 9 above rather than the 393 defined in the PES and OE (Table 1, item A.2.2.1.2).

B. Budget Execution

Current Situation

11. **The scope of the government budget (OE) is wide, but from the institutional standpoint it is still incomplete.** The OE covers essentially government agencies and entities at the central, provincial, and district levels. In the context of decentralization, the coverage of the budget was expanded to include new, previously excluded, management units. However, there are entities at the central level with administrative and financial autonomy that are, however, not included in the OE. The SISTAFE law governs the budgetary processes of the autonomous institutions, but there are problems as regards its actual implementation. According to the SISTAFE law, for example, any institution whose own revenue exceed two thirds of its expenditure is deemed autonomous from the administrative and financial standpoint, but the inclusion of such institutions in the budget is not required.

12. **The use of e-SISTAFE and the CUT as the main tools of public financial management is already a reality in Mozambique, but their scope is not total.** In theory, all government agencies and entities are required to use them, but judging from the budget, the coverage is not complete.

13. **As regards direct execution, an increasing number of agencies and entities execute operating and capital budgets in this way, facilitating the transfer of funds from the CUT to recipients' bank accounts, using e-SISTAFE.** For the execution of any expenditure, e-SISTAFE requires that the appropriation, liquidation, and payment phases occur consecutively and in accordance with the principle of the separation of functions. Various agencies and entities are still engaging in indirect execution; in other words, they are receiving advances of funds. Supporting documents for expenditure are included in the system subsequently, when the accounting records are being established.

14. **E-SISTAFE is set up in such a way that each executing unit has to use a specific section classifier for internal management of the sectoral ministries, but not a single agency is already using this tool.** The Ministry of Agriculture is in the final phase of approving its table of section classifiers. The section classifier has up to 21 positions for the details of the sectoral internal chart of accounts, which would make it possible to compile and extract quite specific reports. The classifier allows for classifications by project, operational area (cost center), or other expenditure category. It is noteworthy that there is no legal obligation to use the section classifier.

15. **In the case of external financing, the foreign currency-denominated CUT (CUT-ME) is in place, and its use for projects financed by international partners has increased.** The goal of the CUT-ME is to help broaden the scope of the budget, especially as relates to externally-funded expenditure; improve transparency; and facilitate supporting actions. An effort has been made to improve the coverage of the budgetary and financial execution of externally-funded projects in the CUT. In 2008, 19.41 percent of all external resources went through the CUT; this share rose to 20.14 percent in 2009 and 44 percent in 2010 (Table 4). The World Bank and other partners, such as Sweden, Belgium, the European Commission, the United Kingdom, Spain, Italy, Norway, Denmark, Finland, The Netherlands, Ireland, and the European Investment Bank, directly or through mutual funds, are already using the CUT and e-SISTAFE for all new projects. The United States, the African Development Bank, and a few other multilateral organizations are not yet using the CUT and e-SISTAFE, but they are expected to do so gradually.

Table 4. Share of External Resources Channeled through the CUT, 2008–10

(In millions of meticaís)

Item	2008	Percent	2009	Percent
Support to the budget	11,103	37.93	12,627	31.76
Project financing via CUT	5,682	19.41	8,008	20.14
Off-CUT project financing	10,457	35.72	14,682	36.92
Onlending agreements	2,034	6.95	4,444	11.18
Total external resources	29,275	100.00	39,761	100.00

Source: MF, 2008 and 2009 budget execution reports.

16. **In general, the level of satisfaction with e-SISTAFE implementation is very high, and the benefits generated are quite considerable.** The e-SISTAFE enables the MF to plan and control budget and financial execution in an integrated and timely way. However, some units having their own revenue and specific projects before the creation of the CUT-ME are still executing outside the CUT and e-SISTAFE. The agencies' own revenue is in the budget, but collection takes place in their own bank accounts. Table 5 shows some performance indicators of the GFP reforms. There have been improvements in almost all the indicators.

Table 5. Performance Indicators for Assessment of the Reform Process

Indicator		2006	2007	2008	2009	2010
Budget preparation and execution	Share of revenue not included in the government budget (OE)	NA	NA	NA	NA	NA
	Share of revenue not included in the OE	NA	NA	NA	NA	NA
	Number of executing units using e-SISTAFE for budget preparation and execution, out of a total of 884	0	12	301	320	438
Financial execution	Share of expenditure executed directly through the CUT	4.49%	11.49%	23.61%	31.40%	37.55%
	Number of off-CUT bank accounts maintained by public entities	6,410	6,428	5,438	5,433	4,390
	Number of funds of donors making payments abroad through the CUT-ME	0	1	1	-	6
	Number of donor funds using the CUT-ME				1	13
	CUT balance at year-end (in thousands of meticaís)		2,009,463	2,808,995	4,195,992	5,632,264
	Total value of treasury banknotes issued (90-day securities)	3,100,000,000	-	-	-	20,000,000,000
e-SISTAFE	Number of entities that completed the e-SISTAFE rollout	88	245	301	320	438
	Number of e-SISTAFE responses to users through service desk (day)	11	13	26	39	20
	Number of sectoral ministries using the sectional classification	0	0	1	1	0
	Number of active e-SISTAFE users	1,570	4,463	4,074	4,173	6,478
	Share of wage expenditure executed directly	0.02%	2.73%	2.75%	3.47%	8.60% (40 sectors)
	Share of pension expenditure executed directly	0	0	0.88%	0.30%	0.30%

17. The CEDSIF and the treasury control the opening and the number of bank accounts by account type, but there is no strategic plan to encompass the accounts in a clear vision of which will be maintained, even after the system has been fully implemented. In 2010 there were about 4,390 public sector off-CUT bank accounts. There are 154 type-1, type-12, and type-16 revenue accounts that can be closed only after the collection network is implemented, when they can be replaced by “book” accounts in the accounting systems of financial institutions, functioning only as “gateway accounts.” Implementation in the case of all e-Payroll units will eliminate 1,679 type-4 accounts, used for the payment of wages. It is

anticipated that all the expenditure accounts will be closed after the rollout. Meanwhile, there are currently 2,421 accounts for operating and capital expenditure but that are also used for management fund expenditure, which it will be difficult to close even after the rollout of e-SISTAFE. Among the type-2 accounts, there is currently no separation between normal expenditure and expenditure executed in accordance with management fund procedures.

Table 6. Statement of Bank Accounts by Type - December 2010

Type	Description	Quantity
1	Central Revenue Office	70
2	Operating expenditure	2,034
3	Capital expenditure	387
4	Wage expenditure	1,679
5	Public and other enterprises	3
7	Program and project expenditure	129
8	Central treasury	1
9	Provincial treasuries	1
10	Debt service expenditure	2
12	Provincial revenue	62
15	Wage discounts	0
16	Revenue from third parties	22
Total		4,390

Source: CEDSIF

18. **Budget execution has improved gradually, although recording of the appropriation, liquidation, and payment phases is yet to be fully implemented.** Through 2009, expenditure payment was based on the annual cash flow plan, showing monthly accruals, that sectors prepared and sent to the DNT. Subsequently, the financial programming module was implemented, and programming was initially performed on a daily basis and then weekly. Financial programming has been performed monthly since 2010, and sectors are now able to indicate the period in which they intend to have funds disbursed.

19. **A standardized single collection document (DUC) is not currently used in the process of revenue collection by the central government.** Direct payment is still prevalent in the revenue offices of fiscal departments, including in cash, for subsequent transfer to the bank accounts of managing units in the banking system, followed by dispatch of the funds to the CUT. However, the volume of financial resources in those suspense accounts is high. The general rule should be for revenue to be transferred immediately to the CUT.

Mission Notes

20. **Information on the accounting system is treated in detail in a separate report produced by the IMF consultant, Joseph Cavanagh (see summary in Annex 3).** The

consultant carried out his mission at the same time as the mission covered by this report, with emphasis on improvement of the general government account (CGE) and on the proposal to introduce a public accounting reform consisting of adopting international standards of public sector accounting by moving to a regime of accrual- and performance-basis accounting.

21. **There are still government entities that are not covered in the OE, CUT, or, as a result, e-SISTAFE.** This is the case for the INSS and various autonomous institutes' own revenue. In addition, some entities covered by the OE do not have all the revenue and expenditure included in the budget. Table 7 shows the scope of the OE, CUT, and CGE.

Table 7. Level of Coverage of the Budget, CUT, and General Government Account

Type of Entity	Treasury Resources	Own Resources	Treasury Single Account	General Government Account
	Budget-covered	Budget-covered		
Central agencies	Yes	Yes	Yes	Yes
Autonomous institutes	Yes	Yes	Yes	Yes
Foundations	Yes	Yes	Yes	Yes
Public enterprises	No	No	No	No
Fully-owned enterprises	No	No	No	No
Partly-owned enterprises	No	No	No	No
Districts	Yes	Yes	Yes	Yes
Local governments	No	No	No	No
INSS	No	No	No	No
Funds	Yes	Yes	Yes	Yes
National Assembly	Yes	Yes	Yes	Yes
Judiciary	Yes	Yes	Yes	Yes
Administrative Court	Yes	Yes	Yes	Yes
Bank of Mozambique	No	No	No	No

Regarding coverage, the authorities reported as follows:

- As a rule, all revenue and expenditure of the entities with the notation “Yes” are in the OE, including the own-generated revenue of autonomous institutes, funds, and districts. Enterprises, the INSS, and local governments are not included in the OE. The latter is therefore not yet really a general budget;
- All revenue of the entities included in the budget are in the CUT, except for a portion of the revenue used to finance the external component of investment. In addition, not all execute their expenditure directly as they do not all have access to e-SISTAFE, and in the latter case, execution occurs by advance of funds. In such instances, the system records the expenditure as if it were executed. The supporting documentation relating to the expenses for which it passed funds must be submitted subsequently;

- The external component of some projects is not covered in either the budget or the CUT. Thus, there are still projects whose external component is in the budget but not in the CUT;
- Public enterprises and local governments are covered in an annex to the CGE. Only a portion of the subsidy of some public enterprises and transfers to local governments are included in the budget; and
- The Ministry of Foreign Affairs centralizes the expenditure of embassies, which is included in the budget and executed through the CUT (transfers to embassies).

22. **Those agencies and entities that execute expenditure in e-SISTAFE still have little knowledge about the reports available in the system.** During the visit we made to the Ministries of Health and Agriculture and to the Marracuene District, we verified that they all assess the implementation of the system very positively and highlight the gain in productivity in budget and budget execution. They are all unanimous in stating that the system gave them greater security, facilitates quicker execution, and has better controls. Nevertheless, there is still little use and knowledge of the reports available in the system, one of the reasons being that there are lengthy delays before some reports can be generated. Before e-SISTAFE, there were generally various bank accounts that it was hard to reconcile. The closing of those accounts and the use of the CUT are seen as progress.

23. **The budget is not executed as envisaged in the SISTAFE law and designed in e-SISTAFE: in practice, the appropriation, liquidation, and payment phases frequently occur at the same time.** There are various reasons for this problem: (i) behavioral, considering that traditionally, execution was based on financial disbursements in twelfths, which discouraged the various sectors from planning their expenditure; (ii) managers' perception that the financial rules take precedence (the pre-eminence of collected revenue), because the treasury sets budget ceilings equal to financial ceilings and does not allow for the appropriation, by more than the manager requests, of all expenditure already committed or of contracted totals; (iii) training: budget execution officials are still insufficiently trained to understand the importance of making entries in a timely way, even though more than 4,000 of them have already been trained; (iv) weak internal controls, with documentary compliance deemed to exist even when there is no documentation of the processes followed; and (v) the absence of other incentives that would make reporting more important, such as the requirement for financial programming to cover the entire fiscal year; the absence of charts showing, in budget execution reports, the volumes appropriated, liquidated, and paid; and the requirement that the number of the pertinent appropriation note should be shown on each contract. The authorities feel that care is needed during the current transition period to ensure that expenditure needs reported by the sectors actually match the expenditure budgeted for the period in question. The treasury is therefore currently investing in training to change the behavior of managers, so that expenditure planning can become a priority in expenditure execution. Figure 1 shows the flow of expenditure execution as it currently occurs, much like it always has been executed, despite the implementation of e-SISTAFE.

Figure 1. Flowchart of Existing Expenditure Execution Procedure

[Tr.: Text in table below is for insertion in Figure 1 as in source document.]

Supplier	Receiving Manager - UGB	Executing Manager - UGE	Treasury
Does not have information on whether resources are available.	Identifies need and conducts procurement procedure.		
Submits bid to supply good or service, and issues pro forma invoice or quotation.	Requests payment to the supplier in accordance with the outcome of the procurement procedure and dispatches: - Requisition; - Procurement documentation; and - Table identifying the successful supplier.	Requests ceiling on appropriation and payment. Does not separate out the expenditure phases.	Releases ceiling on appropriation and payment.
Supplies good or service and issues invoice.	Informs the supplier about payment and requests delivery of the good or service.	Initiates, all on the same day, the phases of appropriation, liquidation, and issuance of unprocessed payment order.	Processes the payment order in the CUT.
Documentation unnecessary	Receives good or service, and requests receipt.	Reports that payment was made and the supplier can deliver the good or service.	Payment made before provision of the service or delivery of the good. Greater risk.
Issues receipt.	Receives good or service from the supplier and sends invoice.	Enters receipt and invoice into the process and closes off the process.	

24. **As a result, early payment transfers the financial risk of operations to the government, because payment occurs before the good or service is delivered.** At the same time, the only guarantee that suppliers have at the moment is the payment order, whereas their guarantee should be the appropriation note. As appropriation proposals have not yet been issued during the request phase, suppliers remain uncertain that managers will have budgetary resources to honor commitments; hence, their reluctance to provide goods or services before payment.

25. **To adjust working methods to what is envisaged in the SISTAFE, the most prudent action would be to issue the appropriation when a contract is awarded following the procurement process, before the signing of the contract or requisition, so as to ensure that the contract is covered in advance by an appropriation.**² When managers seek bids from

² The ideal approach would be to include a pre-appropriation phase to record the availability of budgetary resources during the procurement phase, and the appropriation would stand for the contract phase. But this could have a huge impact on the system. We therefore opt for an intermediate approach that would allow for adjustment of an appropriation amount after the signing of a contract.

suppliers, they should be able to inform the latter that budgetary resources exist for the expenditure in question. This gives assurances to suppliers that there would be resources for procurement of the good or service. Once awards have been made to successful bidders, managers sign the contract or make the requisition and, at the same time, where applicable, they should record the number of the pertinent appropriation note, guaranteeing that appropriation precedes contracting. Thus, it should be mandatory for the number of the appropriation note to be inserted on an official requisition and/or contract, as this would assure the supplier that there is budget support for the expenditure and would also make it necessary for appropriation to occur at the proper time.

26. **The government's efforts should be in the sense of guiding managers to observe the expenditure phases.** There is currently no temporal separation between the phases. At this time, there is no document attesting, before payment, to the fact that the good or service was actually provided. Such a document should be an invoice from the supplier, duly certified by the manager. As the invoice is the valid document for tax purposes, it identifies the supplier (single taxpayer identification number—NUIT), the amount to be paid, and the goods and services supplied, it is sufficient a document that is proof of an expenditure. In turn, the attestation by the receiving manager, on the invoice itself, of having received the pertinent good or service, it is sufficient to report that the expenditure is ready for payment. It is at this time that the generating event occurs, establishing the government's obligation to pay a given amount to a third party. This is the time closest to the accounting event of expenditure liquidation in an accrual-basis regime.

27. **Thought should be given to the necessity/appropriateness of returning temporarily to the centralization of payments at the treasury on the basis of financial programming and depending on cash availability, if no other way is found to correct the current practice of paying for goods or services before they are supplied.** Once informed by an executing manager, through the issuance of a liquidation note, that an obligation exists, the treasury is ready to issue the payment order. The issuance of payment orders in a centralized way would enable the treasury to plan the flow of payments in accordance with its cash flow plan. In general, treasuries try to keep the flow of expenditure as similar as possible to the flow of revenue. This reduces the need for a treasury to have to go to the market to meet short-term liquidity requirements. In addition, it enables the treasury to have temporary cash surpluses and to seek remuneration for them. Active investment of this type depends on the existence of various other factors, such as the forecasting of central bank remuneration for quick assets deposited daily in the single account.

28. **The issuance of a payment order in e-SISTAFE makes it possible to eliminate the "receipt for payment," insofar as the processed electronic bank order issued by the system is sufficient proof that the supplier was paid.** The elimination of the "receipt" document is possible because there are two sound information systems behind this operation, namely, e-SISTAFE itself and the payment system of the financial institution involved. Figure 2 shows the operational flow in accordance with the e-SISTAFE design, except as relates to centralized

payment at the treasury. We feel that such temporary centralization of payments at the treasury is advisable in terms of better liquidity management and as a way to break with the traditional execution procedure.

Figure 2. Flowchart of Expenditure Execution Using e-SISTAFE

[Tr.: Text in table below is for insertion in Figure 2 as in source document.]

Supplier	Entity Manager	Executing Manager - UGE	Treasury
Already knows there are available resources.	Identifies need for supply of good or service, and requests budget.	Requests budget ceiling.	Releases appropriation ceiling.
Submits bid to supply good or service and issues quotation.	Conducts procurement procedure, requests bid from the supplier, and informs the latter that there is a budget ceiling on the expenditure.	Informs manager that there is a budget appropriation and procurement can go ahead.	Expenditure phases separated out and under different responsibilities.
Supplies good or service and issues invoice.	Examines bids and makes award to winning supplier, issues requisition or signs contract, and asks the supplier to provide the good or service.	Issues liquidation note and enters invoice into the process.	Authorizes payment and processes payment in the CUT.
Invoice is proof that the service was provided or the good received.	Certifies receipt of the good or service, sends invoice to the UGE, and requests payment.	Enters copy of the processed payment order into the process and closes off the process.	Payment made after provision of the service or delivery of the good. Less risk.

29. **E-SISTAFE makes it possible for financial programming to take place month by month for the entire year, but it has been the practice to release ceilings for appropriation and financial disbursements in the same amounts and only for the following month.** The DNT feels that the authorization of monthly appropriation ceilings does not justify suppliers' claims of payment uncertainty and delays, as it is the executing units that establish expenditure payment priorities by indicating when they intend to have funds available, and everything requested has been released. Nevertheless, there is still little tradition in the design of budget execution planning, and this causes expenditure bunching in the short term. As there is no proper recording of the time when the expenditure commitment (appropriation) occurs or when the service is actually provided or the good actually supplied (liquidation), this information has not been properly captured by e-SISTAFE. Thus, the DNT is unaware of the volume of commitments actually already assumed. In addition to strengthening the guidance given to managers as regards the proper use of events, and until internal controls are improved, it is important to create a clearer separation of responsibilities. For example, it should be mandatory to insert the number of the pertinent appropriation note on official requisitions and/or contracts. This would assure the supplier that the expenditure in question has budget support and would make timely appropriation mandatory. In turn, financial programming based on liquidated expenditure would force the recording of liquidation. To this end, managers must understand the importance of the liquidation phase. The CEDSIF believes that for the prevention of an abrupt

reversal of the current process of gradual decentralization of the execution of budget operations, steps should first be taken to clarify to suppliers the change in the current situation, and only afterward, if still necessary, should there be a return to the centralization of payments at the DNT. Notwithstanding, to test the impact of the measure, some agency or entity such as the Ministry of Health, which demonstrated during the mission that it had superior knowledge of the expenditure process, could be used as a pilot. Centralizing payments at the DNT would ensure that suppliers are all treated in the same way. From the system standpoint, we envisage no problem with automating payments to suppliers; they could take place, for example, every 10 days and never more than 30 days after liquidation.

30. Although the CUT is operating fully from the standpoint of e-SISTAFE, the revenue accounts continue to carry balances at each day-end insofar as revenue is not classified.

This observation had already been made during the mission of 2010. Although we are convinced that the daily electronic transfer of balances is possible immediately, we feel that the problem will be definitively resolved when the collection network is implemented. As can be seen in Table 8, there is a huge volume of financial resources deposited outside the CUT. This reduces the efficiency of financial management by the treasury.

Table 8. Cash Balances at Year-end
(in thousands of meticaís)

Type of Account	2007	2008	2009
Treasury single account	2,009,463	2,808,995	4,195,992
Recipients	2,578,049	2,992,592	3,118,423
Other treasury accounts	3,425,760	4,141,718	6,292,003
Other government accounts	10,249,156	9,093,184	7,990,684
Total	18,262,428	19,035,558	21,597,002

Source: 2007, 2008, and 2009 CGE. The CUT balance in 2010 was Mt 5,532,264,000.

31. An effort has been made to meet the cooperation partners' requirements for specific controls, but there is a need to improve the quality of the information generated and facilitate consulting on execution. Considering that one of the goals of the PQG is to increase transparency in the GFP and foster the culture of accountability, it would be appropriate to study the advisability of creating a portal where each citizen can monitor budget and financial execution. The portal would therefore meet the monitoring requirements of the cooperation partners. In addition to increasing transparency considerably, this measure would encourage the cooperation partners to accelerate the input of projects into e-SISTAFE, insofar as they would be able to monitor their implementation.³

³ Countries such as Portugal and Brazil (www.portaltransparencia.gov.br) have all the detailed budget execution available for open consultation on the Internet.

32. **It is essential for priority to be given to completion of the e-SISTAFE rollout.** Only after the implementation of e-SISTAFE in all the entities covered by the budget will it be possible to consolidate the CUT and eliminate the various government bank accounts still maintained at financial institutions. To this end, it is important to stress and assure units that the flow of resources through the CUT, once supported by the accounting system (e-SISTAFE), does not take financial autonomy away from the entities.

33. **Entities that receive resources from the treasury and have access to e-SISTAFE should execute the portion of resources from the treasury directly in the system.** This is a partial approach until all execution can occur through the OE. In that case, the DNT would function like a bank for the financially autonomous entities, and e-SISTAFE would be used for the “home banking” of the entities that collect their own resources, so that no funds would remain outside the CUT. Currently, the treasury transfers own-generated financial resources to the accounts of the autonomous entities; however, the CUT is fully structured to operate as a financial institution for those entities. Payments can be made directly through the CUT to the accounts of suppliers (payment for goods and services) and civil servants (wages). Only in exceptional circumstances should off-CUT transfers be used.

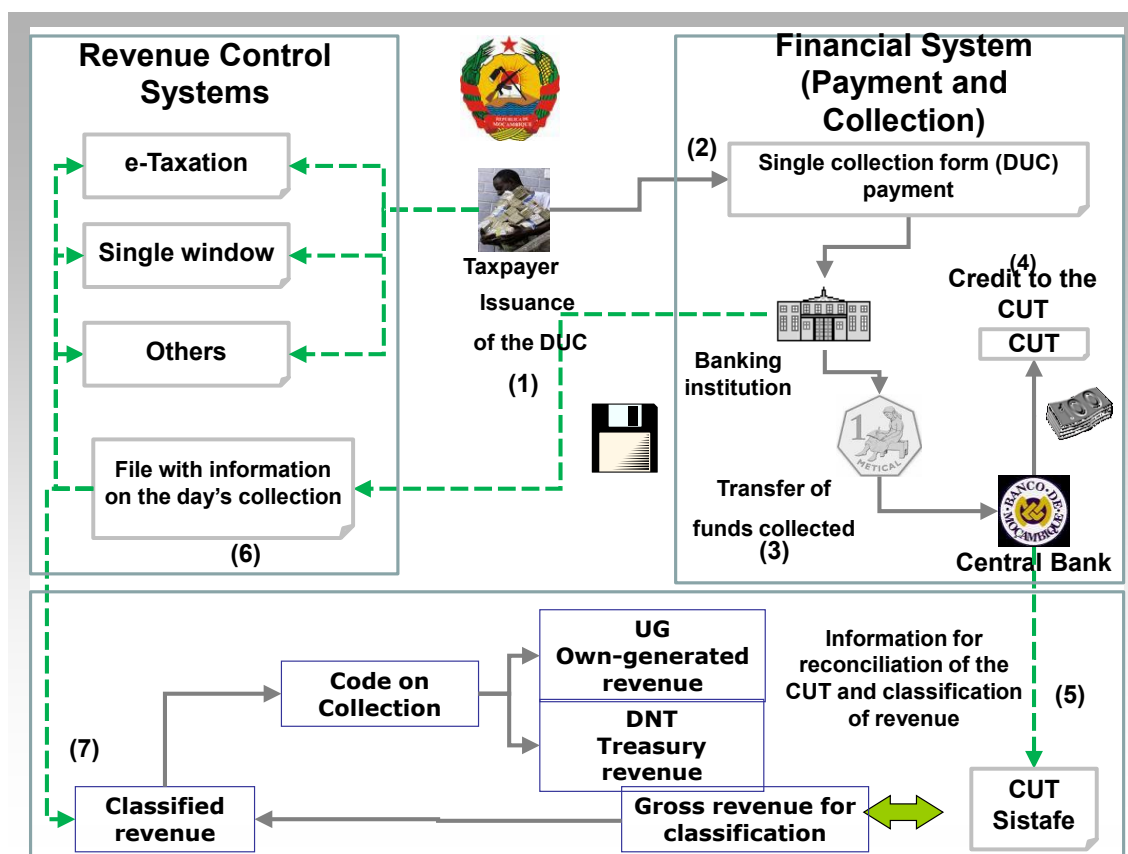
34. **A public debt control module has not yet been implemented in e-SISTAFE, but this is not a problem, as there is already a specific system in place for such control.** The DNT’s debt department uses the Commonwealth system that is known and used in various countries. There is a plan to develop a public debt management functionality in e-SISTAFE, but the mission feels this is not a priority for the short term. In addition, consideration should be given in future, as one of the alternatives, to ensuring simple interoperability between the two systems, thus avoiding the development of yet another system from scratch, in circumstances where there is already a tested, fully functioning solution that meets the needs of the debt department. According to data from the DNT, there are two types of securities issued by the treasury to cover its financial needs. Treasury bills are securities to cover short-term expenditure and are deposited with the Bank of Mozambique. Treasury bonds are for medium- and long-term financing, are issued on the domestic market, and have the appeal of yielding, on average, 1 percent more than the key rate of the Bank of Mozambique. Nevertheless, steps are needed to ensure that increasingly more debt information (amounts, interest, and debt service payments) is recorded in the accounts in a timely way.

35. **In the ongoing revenue control project based on the development of e-Taxation and the electronic single window (JUE), attempts should be made to introduce the DUC for the collection of all government revenue, including own-generated revenue.** Perfecting the collection process should be considered in an integrated way, with the development of the revenue collection network module and the planning and budget module, in coordination with the budget execution module and the management of state assets module, all in the e-SISTAFE environment. The basic premise arises from the principle that revenue collection, understood in its broadest form as “all inflows to the public treasury,” should be executed through the banks, in strict observance of the cash unity principle. The basic conceptual model of revenue inflows to

the CUT, maintained at the Bank of Mozambique, should generally be implemented in the following steps:

- Citizens in possession of the DUC make payments at accredited banking institutions;
- Banking institutions transfer to the Bank of Mozambique the full sums collected, within a given time frame established in the contract concluded between the administration and the banking institutions;
- The Bank of Mozambique credits the funds in question to the CUT;
- The details from all fields of the DUC are forwarded by the collecting banking institution, within the time frame established between the treasury and the banking institution, to the treasury and the revenue authority (AT), which will, on behalf of the entities responsible for collection, classify the revenue in e-SISTAFE, e-Taxation, and the JUE, for accounting, financial, budget, and fiscal purposes;
- The inflow of revenue into the CUT should be reconciled daily, through an offsetting entry on the “gross revenue for classification” liabilities account;
- In processing those details, the administration should ensure that the taxpayer information relating to fiscal secrecy does not go through e-SISTAFE; and
- As required with revenue classification, revenue recorded in each source goes, in e-SISTAFE, toward the cash assets of the treasury or of the managing unit responsible for the collection (Figure 3).

Figure 3. Flowchart of Revenue Entering the CUT – Integration of the Single Window, e-Taxation, and e-SISTAFE



36. **Finally, it is necessary to improve coordination of the information produced by the budget, accounting, and fiscal statistics departments.** The mission from the IMF's African Department established that the data in the fiscal statistics were produced with lags and irregularities, coordination between the DNO and the DNCP was weak, and the financial position in the accounts of the central government was not properly reconciled with the monetary data.

Recommendations

- The OE should contain all the revenue and expenditure of the central government agencies, autonomous institutes, foundations, funds, the INSS, provinces, districts, the Legislature, and the Judiciary, which, in turn, should deposit all revenue into the CUT and execute all revenue and expenditure through e-SISTAFE (Table 1, items A.1.1.1, A.1.2.1, and A.1.3.1);
- The single budget, CUT, and e-SISTAFE are the core pillars of government revenue and expenditure control and should therefore all have the same scope. Action is needed to

ensure that the tools used to control government revenue and expenditure have the same scope (Table 1, item B.2.2.1);

- The rules should clearly define the exceptions allowing for non-use of the CUT: for example, only entities in locations where there are no resources for using the system, foreign currency-denominated accounts in banks abroad (embassies, for example), and accounts for dealing with special situations that must be regulated by the treasury. Even in these situations, balances maintained outside the CUT should be small (Table 1, item B.2.1.1.2);
- Collect all the revenue and execute all the expenditure covered in the OE (except enterprises) through the banks, in the manner established by the MF, in strict observance of the cash unity principle, it being prohibited to create bank accounts without the authorization of the MF, which should establish a mechanism for checking whether financial institutions are complying with this rule. This premise is being implemented in Mozambique but is not yet an absolute truth (Table 1, item B.2.1.1.3);
- To raise the level of control over the entities' bank accounts and streamline rollout efforts, the treasury should restrict the use of bank accounts, depending on the type of flows involved. There are still over 4,000 bank accounts of public entities. The large number notwithstanding, it is important to know for which type of flows these accounts were created. Thus, the accounts can be broken down, for example, into accounts of receiving entities (with no access to e-SISTAFE), management fund accounts, collection accounts, external project accounts, public enterprise accounts, and foreign currency-denominated accounts. The authorities should thus analyze the use of each type of account. For instance, it may not be a priority to close down the management accounts, as even after the full implementation of e-SISTAFE it will probably be necessary to maintain accounts of this type. Also, the collection accounts would be closed only after the collection network has been implemented, as the existing accounts would be mere entries in the accounting system of the financial institution involved for separating out resources in transit before their transfer to the CUT (Table 1, item B.2.1.1.1);
- In the classification of bank accounts, create a breakdown to identify accounts that are specifically for the expenditure of management funds and expenditure raised for the creation of those accounts;
- Generate quarterly reports on the balances of off-CUT accounts (Table 1, item B.2.1.1.4);
- Temporarily centralize the payment phase at the treasury and change the method of expenditure execution so as to record the appropriation phase at the same time as the procurement phase and the liquidation phase, when there is proof of the delivery of the good or service in question by the supplier (Table 1, item B.3.3.1.2); and
- Improve the reconciliation between the fiscal and monetary data, produce the fiscal statistics regularly, and better coordinate the work of the DNO, DNCP, and the monetary department (Table 1, item C.1.2.1.5).

C. Internal and External Controls

Current Situation

37. **Progress has been made in the improvement of transparency, internal controls, internal audit, and external audit.** More and more fiscal information is available on the government web pages, and there are various projects under study and being implemented for increasing that information.

38. **The IGF is introducing improvements in the training of its teams, the coordination of internal audit actions, and liaison with the TA, which represent considerable progress in the enhancement of controls.** The IGF is in the final phase of recruiting new auditors. The IGF is staffed with about 130 persons, 90 of whom are auditors. Approximately 450 internal auditors carry out government internal audits. Coverage is deemed adequate in the central agencies but still insufficient in the provinces. The hiring is envisaged of 80 new technicians in 2011 to work in the IGF and the various government internal audit units. A 160-hour training course and on-the-job training will be provided. The Internal Control System Coordinating Board holds periodic meetings to discuss internal audit matters of interest. For the improvement of coordination, participants in these meetings of the board have included members of the Government Inspectorate General, the agency responsible for disciplinary administrative processes.

39. **The IGF has improved liaison with the TA.** The two agencies share annual audit plans. The IGF prepares reports on audits of the accounts of the municipalities in support of opinions by the TA on the accounts; its technicians have participated in training given by the TA; and it is currently involved in the preparation of an opinion, with information and in the appropriate format, to enable the TA to prepare a case for an assessment of managers' accounts. Accordingly, whenever the IGF observes any irregularity that warrants a penalty, it will be able to use its own internal audit reports for assessing the pertinent managers' accounts.

40. **In examining the 2009 accounts, the TA observed that there had been expenditure processed without adequate supporting documentation, involving the sum of Mt 530 million.** Based on this observation, the IGF performed an audit to ascertain the reasons for this occurrence. It found that the bulk of the amount in question related to inadequate training in the pertinent processes. Thus, the sum declined to about Mt 70 million. The IGF concluded that there was a need to improve the training of officials involved in budget and financial management. In addition, internal control staff had acted inefficiently, as they had not recorded documentary noncompliance in any of the irregular situations found. One of the reasons for the absence of records of noncompliance was that the recording of documentary noncompliance in e-SISTAFE blocks the payment of expenditure. In practice, therefore, a problem arises if internal control officers record such events. It would be advisable to change the documentary compliance mechanism to make it more effective.

41. **A seminar was held in 2010 to establish a clearer definition of the roles of internal control and external control.** At this seminar, organized by the World Bank, the IGF and the TA were able to discuss and clarify the roles of the various agencies that act in the area of internal control.
42. **The IGF has tried to broaden the use of e-SISTAFE by the internal control agencies (OCIs).** Procurement procedures were initiated in 2010 for the acquisition of facilities to install e-SISTAFE terminals in the OCIs. Programs were also developed for internal audit training in Mozambique and abroad for the OCIs.
43. **Three administrative courts (TAs) were set up in 2010 in the provinces.** The creation of four more is planned for 2011, to be followed by others over the next few years until there is a TA in each of the 11 provinces. The provincial TAs thus function as courts of first instance for proceedings on the accounts of provincial agencies, and the [central] TA operates as the audit court of second instance.
44. **The TA is developing a vast training program.** This training program is aimed at making it possible by 2014 to certify TA auditors in the areas of compliance, works, and performance, as well as, in the future, in environmental and IT audits. A manual is being compiled on the auditing of works. The process of certification will be covered by an international certifying body. Plans are already under way for international public bidding to hire a consultant to formulate a curriculum for certification in auditing.
45. **The TA feels there is still a need to establish accounting records manually and to maintain written records of payments even when there is electronic proof of them in e-SISTAFE, because there are rules requiring this.** The rules appear to be those in the ministerial instruction approving the SISTAFE manual and the regulations on administrative processes. The TA feels that the weaknesses of the internal controls explain the fears that written documents will no longer be required.

Mission Notes

46. **The form and system of internal control used in the managing units have not been very efficient.** The IGF observed that the way in which internal control officers act does not allow for the prevention of payments using improperly formalized processes. This is so because documentary compliance, such as it exists, blocks continuity of payment. In addition, internal control has not prevented expenditure from being paid before it has been liquidated. This mission verified, from the processes it studied at ministries and in a district, that in virtually all the processes for the supply of goods and services, payment for goods or services was made before delivery. We observed that execution officers did not have a clear understanding of the proper sequence of administrative actions and used e-SISTAFE merely as a register of payment orders. Internal control officers, either because they are not aware of the proper sequence or because they cannot alone change a traditional practice, end up not preventing payment in cases where the processes are poorly formalized or executed in an incorrect order. Very strong pressure is thus brought to bear on internal control officers linked hierarchically to the managers, so that

even when the required documentation does not exist, they are not in a position to suspend the payment process. It is therefore necessary to change the way in which documentary compliance is processed. An alternative is for the internal control officer to identify the documents that should be part of the procedure but, where these are absent, does not block the execution of the subsequent phases. It should be up to the principal manager rather than to officers operating the system to decide whether or not to continue expenditure execution.

47. Documentary compliance should be changed so that it becomes more informative and enables the internal audit bodies to be alerted that a process was followed in another way than that envisaged in the rules and in the system. This mission suggests that questionnaires be included in the system itself so as to provide better guidance to internal control officers and give better indications of the information needed to support expenditure. Thus, for example, in the case of typical expenditure processes pertaining to the supply of goods or services, e-SISTAFE should produce a checklist on which the internal control officer is required to respond to questions such as the following:

- | | |
|---|-------------------------------------|
| - The invoice is part of the process: | Yes () No () Not applicable () ; |
| - The liquidated amount is equal to the invoice amount: | Yes () No () Not applicable () ; |
| -The recipient of the liquidation note is the invoice issuer: | Yes () No () Not applicable () ; |
| - Proof is given of delivery of the good or service: | Yes () No () Not applicable () ; |
| - TA clearance is necessary: | Yes () No () Not applicable () . |

For each type of expenditure a similar questionnaire should be prepared. The IGF can help in the preparation of these questionnaires, given its familiarity with the legal and normative obligations incumbent on each type of process.

48. As the general practice is to make payments before the pertinent expenditure has been liquidated, it would be important to conduct a detailed analysis of the reasons for the resistance to changes in the budget execution procedures. Several of the reasons are cultural, which is why a continuing process of training can help change behaviors over the long term. But others can be linked to external factors, such as the reluctance of suppliers to agree to supply a good or service before payment, the very way in which execution was decentralized, and the little action taken by other departments to align the operational payment procedures, as in the case of the budget and assets departments. The budget department should help guide and control the appropriation phase, and the assets department should help in the expenditure liquidation phase. Although there are signed contracts for expenditure execution throughout the year, the budget department is unable to ascertain the amount of budget funds already actually committed. On all contracts implemented over a period of more than a month, the pertinent appropriation number should be duly recorded. Similarly, upon the conclusion of each new contract for the purchase of durable goods, the assets department should take steps to monitor the implementation of the respective public bidding procedures and, in the phase of the liquidation of such a good, should require that it be inventoried upon its purchase. Table 9 shows some of

the control points pertinent to each department where information from e-SISTAFE is underused.

Table 9. Budget and Financial Execution Control Points

Department	Appropriation	Liquidation	Payment	Control Points	
Budget	Identifies how much of the budget is already committed. Very important for continuous contracts and investments.	Identifies that the budget is executed in the given amount.	Identifies that the obligation was paid.	May point to potential commitments of budget sources in volumes above the norms.	Signals the rate of budget execution, identifying if it was slower than desirable.
Finance	Signals the potential for possible payments in the future.	[Identifies the] timing of the obligation to pay.	Identifies the amounts to be withdrawn from the CUT.	A difference between the appropriation and liquidation identifies the amounts that will affect financial programming in subsequent periods.	A difference between the liquidation and payment identifies pending obligations. These are the so-called fluctuating debts.
Assets	Identifies the existence of procurement procedures for the purchase of goods and potential goods to be inventoried.	Identifies expenditure that should be reflected in the inventory in the case of durable goods.		A difference between the appropriated expenditure and the total expenditure in the bid indicates the potential absence of public bidding procedures.	A difference between the amount in the inventory and the liquidation amount identifies the potential absence of inventorying.
Internal audit	Identifies the existence of a requisition for expenditure and a contract awarded to a third party.	Identifies that there should be an invoice and certification by the manager that a good or service was provided.	Identifies the existence of a payment order to a third party.	Documentary noncompliance identifies the potential absence of legitimate backing for the execution of each of the phases.	
Accounting	Identifies that budget funds should be earmarked for the expenditure in question.	Identifies an obligation for the government to make a payment and the receipt of a good to be inventoried in due course.	Identifies a flow on a bank account.	Identifies the existence of other accounting events arising from the transactions in question, such as a flow from a bank account, asset accounts, or debt accounts, as well as obligations payable.	

49. **The DNCP should amend the ministerial instructions that appear to be preventing an end to the requirement for the “receipt” and the “accounting book” in the case of expenditure executed directly in e-SISTAFE.** The DNCP should amend the rule to make it clear that e-SISTAFE possesses other internal controls that make it unnecessary to keep those

manual documents. In addition, managers should be amply informed that in cases of direct execution through the system, there is no need to include these documents in the expenditure processes. The proposal is to eliminate unnecessary manual steps and encourage managers to migrate to the system, with a view to making expenditure execution easier. Finally, the elimination of these processes frees up human resources to provide better control of the more important act of budget and accounting execution that is the proper substantiation of expenditure liquidation, that is, proof that the contracted good or service was actually supplied.

Recommendations

- Consider making changes as regards documentary compliance in e-SISTAFE with a view to providing better information on the documents that must be part of each type of budget and financial execution process. For example, questionnaires can be created that guide the internal control officer to identify more clearly which information and documents are to be part of the processes (Table 1, item D.2.2.1.1);
- Consider amending the ministerial instruction requiring the “receipt” in the case of payments made through e-SISTAFE and accounting book entries for executing units that use e-SISTAFE (Table 1, item C.1.4.1.1); and
- Take action concerning the culture of paying before receipt of a good or service, through a program of training and clarification (Table 1, item B.5.3.1.1).

II. INFORMATION TECHNOLOGY AND COMMUNICATIONS

Current Situation

50. **The Finance Information System Development Center (CEDSIF) was created in 2010 for the purpose of putting together the information technology (IT) department in the MF.** The CEDSIF has competence for modernizing public finance and other related processes in all government agencies and institutions and for the provision of specialized IT services. At the same time, the project unit (UTRAFE) created in 2002 to coordinate the public finance reform (SISTAFE), and the Data Processing Center (CPD) in the MF were closed down. The creation of the CEDSIF supports institutional capacity building through a policy of concentrating responsibilities and human, material, and financial resources. The principal tasks assigned to the CEDSIF are to: (i) provide technical assistance in the strategic management of the governance, development, and implementation of the public finance system; (ii) lead the development and establishment of the strategic management structure as well as the architecture of information and communication systems, processes, and technologies in support of public finance; (iii) manage the processes of designing, building, operating, and maintaining information and communication systems and technologies in support of public finance; (iv) manage the issues relating to the security of information and communication systems and technologies; (v) manage the assets under its responsibility; (vi) provide specialized services in the area of training and professional upgrading in public- and private-sector entities; (vii) assess

and certify the quality of the public finance management structures and processes; and (viii) assess, certify, and supervise the systems complementary to e-SISTAFE.

51. Established as an IT system to support the SISTAFE, e-SISTAFE was created with a modular structure. Law 9/2002 approved the SISTAFE, and it was put into operation on the basis of the SISTAFE Regulations, approved by Decree 23/2004, which defined the macroprocesses and respective subsystems, the functional structure and its competences, and the tools for integration of the subsystems, with a description of the IT system, e-SISTAFE. These regulations have not been updated at all since 2004. From a formal standpoint, the development of e-SISTAFE is supported by the presentation of action and budget plans (PAOs), which form the basis, for both the government and the Joint Fund, of the earmarking of resources for CEDSIF activities.

52. The CEDSIF is responsible for providing information and communications technology (ICT) services in the area of public financial management and for handling IT system security issues. To this end, a contract was awarded in 2010 for an independent IT external audit touching on the areas listed in Table 10. The CEDSIF is implementing the recommendations resulting from that audit.

Table 10. Areas Covered by the IT Security Audit of the CEDSIF

1. Security policy	12. Amend of the configurations of the active network hardware
2. Organization of information security	13. Management of user accounts
3. Asset management	14. Management of access
4. Human resource management	15. Configuration of support processes
5. Physical and environmental security	16. System of logging and auditing
6. Control of access	17. Control of the network environment
7. IT system acquisition, development, and maintenance	18. System development lifecycle
8. Management of information security incidents	19. Administration of AdFunds
9. Management of business continuity	20. Audit Trails
10. Hot DR site outside Maputo	21. Procurement
11. Training of the security team	22. Single taxpayer identification number (NUIT) management

53. The conceptual architecture of the SISTAFE was supported in the coherent and consistent development and rollout of e-SISTAFE. The conceptual architecture of SISTAFE is based on four macroprocesses: (i) drafting of the medium-term fiscal framework (CFMP), the social and economic plan (PES), and the government budget (OE); (ii) execution of the OE; (iii) management of public assets; and (iv) assessment of the management of the OE and the public assets. These macroprocesses encompass five subsystems: (i) the OE, (ii) the public treasury, (iii) the public assets, (iv) public accounting, and (v) internal control. Based on this architecture, the tools for integration of the subsystems are: (i) budget classifiers, (ii) the basic public chart of accounts (PBCP), (iii) the treasury single account, (iv) financial programming, (v) the collection network, (vi) the register and inventory of public assets; (vii) the general

government account, (viii) internal control programming, and (ix) the IT system, e-SISTAFE (Annex 2).

54. **The modular architecture of e-SISTAFE facilitates the reconciliation of development options based on alternatives for the customization of commercial off-the-shelf (COTS) systems.** The IT solutions for the core areas of the system, with priority given to the accounting and budget management departments, were developed from scratch. For the areas of taxation and human resource management, the options under consideration led to the adoption of market solutions. Figure 4 presents the relational architecture of the e-SISTAFE modules with those of the financial system and the taxation department (Annex 1 describes the existing systems and those to be developed).

Figure 4. Relational Architecture of e-SISTAFE Applications

[Tr.: Text in table below is for insertion in Figure 4 as in source document.]

				TAXATION
SISTAFE				
	e-CAF		e-SISTAFE MEO	
	e-Payroll		MEO	
	e-CAF			
	e-CAP	e-SISTAFE MEX		
				e-Taxation
FINANCIAL SYSTEM			MEX	RC
	Integration	Secu-		
BM		rity	Account	CC
	AdFunds		Engine	
STF		Frame-		
	e-CUT	work	DW	AR
BCOM N				
BCOM 1				AG
STF	e-Inventory			

Source: CEDSIF

55. **The information system for managing domestic tax revenue is e-Taxation, which will replace the current interim revenue collection system (SICR).** Its architecture is based on Oracle's enterprise taxation management (ETM) software, the network of bank account-based collection, and the portal for taxpayers. The project is managed by the AT, which defines the business processes, and is supported by the CEDSIF from the standpoint of IT management and

ICT hardware installation. The ETM modules cover all the functional areas of the AT, including: (i) taxpayer registration and management (NUIT), (ii) tax return processing, (iii) payment processing and recognition, and (iv) taxpayer current accounts. The flexible architecture of the ETM facilitates gradual implementation, there being no ceiling on the total number of tax types that can be included. The rollout of e-Taxation provides for a start-up in 2011 with the NUIT management module, to be followed in 2012 by VAT and the simplified tax for small taxpayers (ISPC) and in 2013 by corporate income tax (IRPC) and personal income tax (IRPS). Web services, the tool used to achieve the interoperability of e-Taxation with e-SISTAFE, is implemented from scratch in ETM and to be called up using the MEX execution module.

56. The electronic single window (JUE) implements, in the context of the customs administration, the concept of electronic trade of the G2X type.⁴⁴ The JUE replaces the trade information management system (TIMS) currently in use. With the JUE, the intention is to increase the effectiveness and efficiency of the merchandise clearance process in Mozambique customs. The reduction of business climate costs, the increase in government revenue, and greater transparency in the customs procedures are some of the results expected from the JUE. This is a complex, capital-intensive project for which financing is provided by the Mozambique Community Network (MCNet), a public- and private-sector joint venture bringing together the government (20 percent), the Confederation of Economics Associations of Mozambique (CTA—20 percent), and Escopil Internacional Limitada/General Supervision Company (SGS SA) (60 percent). MCNet is responsible for managing the entire process of the JUE design and implementation, including the technological infrastructure (datacenter, communications network, and access terminals), providing service/a helpdesk, as well as evolutionary and corrective maintenance of the JUE over the next 15 years. It is expected that the project will enter into production in June 2011.

The JUE architecture is based on two components: (i) a customs management system (CMS), to be used by customs to administer all of its operations, including action in managing the risk inherent in those operations, and to be accessed only by customs, which will establish the appropriate profiles and parameters for customs control actions; and (ii) TradeNet, a network covering the entire country and linking the community of operators in the goods clearance process, namely, shipping company representatives, transport controllers, operators of means of transportation, commercial banks, and government entities that deal with foreign trade, whether by issuing operator licenses or by granting the permits necessary for importing and exporting merchandise.

57. The scope of the actions and competences of the CEDSIF, as well as the modular architecture of e-SISTAFE, forced and facilitated the earlier-than-planned allocation of resources for the development of new software. The following projects were thus generated: (i) SGRH, human resource management; (ii) JUTUR, tourism single window; (iii) INAS, the

⁴⁴ Generally refers to electronic trade: G2G, G2B, G2C, and, in the future, B2B and C2C.

recipients management system for the National Institute of Social Action; (iv) SINAGEC, the national system for the management of civil construction costs; (v) CMCM, the integrated financial management system for the municipality of Maputo; and (vi) P13, the integrated financial management system for 13 municipalities.

58. The production of reports from e-SISTAFE presents the usual problems of products of this type. On the one hand, it is an activity that requires more resources from the system and therefore becomes slower; on the other hand, it generally requires more user capacity to select variables and a way of aggregating them. There are two types of reports in e-SISTAFE: those obtained directly from the “live” base and those obtained from the data warehouse (DW). As planned, an extract, transform, and load (ETL) tool was developed for the creation of the DW (base of aggregated data, created in parallel and optimized for responding to questions, where historical records are kept). From this DW, about 1,800 reports are produced in image format (JasPer software) along with a master file in Excel. These files are supplied to the administrative agencies and the cooperation partners.

59. The CEDSIF prepared a detailed study for the migration of technology and the updating of infrastructure in support of the evolutionary development of e-SISTAFE, with a presentation of alternatives and a budget. This study concluded in favor of the acquisition of two Oracle Exadata machines, based on their principal advantages: (i) lower hardware costs, (ii) lower maintenance costs, and (iii) quick implementation.

The datacenter supporting e-SISTAFE is managed by the CEDSIF and consists of a principal site and a secondary (disaster recovery—DR) site. The physical architecture of this datacenter presents a topology in which the server farms are physically separated into three channels: web servers, application servers, and database servers. Currently the databases reside on a Sun Solaris 9 platform, using the Oracle 9i SGBD, on two Sun Sparc servers. The updating of this datacenter is envisaged in the medium-term investment plan (PIM) contained in the 2010–13 PAO, given the evolution of e-SISTAFE in terms of both the increasing use of the existing modules and the inclusion of new modules (e-Taxation, e-Assets, SGRH). It turns out that currently there are periods when the database servers show levels of use on the order of 100 percent, to which is added the fact that the hardware is no longer supported by the manufacturer, and the Oracle 9i SGBD does not function in the existing operating systems. Table 11 shows the principal indicators of use of the IT infrastructure for which the CEDSIF is responsible.

Table 11. Indicators of Use of the IT Infrastructure in 2011

Indicator	Quantity
Number of PCs	3,500
Number of banking transactions (in 2010)	704,193
Links (ministries, central agencies, districts, provinces, etc.)	+ 450
Number of users (in 2010)	6,478
Number of e-SISTAFE modules in production	7*
Number of modules under development	4**
Number of entities using e-SISTAFE (2010)	460
Number of entities using e-Payroll	85

Source: CEDSIF

* MEO, MEX, CAF, CAP, e-Payroll, e-Inventory, DW

** SGRH, e-Taxation, e-Assets, electronic single window

Mission Notes

60. **The CEDSIF should update section X (IT System) of the SISTAFE Regulations, in the context of its competencies and based on the eight years of experience in the implementation of e-SISTAFE.** The CEDSIF, in the context of its tasks and in cooperation with the other agencies of the MF, should arrange for the updating of the e-SISTAFE Regulations at the MF, in particular its section X. Making this section autonomous would be justified by the fact that it becomes outdated much more quickly than the others, and because that make it possible to include greater detail in areas where that is warranted. The e-SISTAFE Regulations should: (i) rigorously establish the institutional scope of e-SISTAFE and the respective modules; (ii) be associated with the very thrust of the new technologies; (iii) describe the e-SISTAFE architecture, showing it as a dialogue with other systems; (iv) define user profiles; and (v) outline how access will be gained to information on budget execution and how that information will be disseminated to the public (transparency).

61. **The CEDSIF should formulate a strategic plan and blueprint for the development of ICTs (PDTI) (systems architecture, IT architecture, technological guidance) to support the rollout of e-SISTAFE, its evolutionary maintenance, as well as the relationship of the CEDSIF with other government agencies and with suppliers of ICTs.** The absence of these formal documents may weaken the CEDSIF as the coordinator of e-SISTAFE. Box 1 shows the main components of a strategic plan and a PDTI.

62. **The CEDSIF should evolve from a purely “accounting” vision of the SISTAFE to a more holistic vision of the concept of public finance management.** It should maintain its observance of the concepts of accounting event and strict recording of such events in e-SISTAFE, as well as rigorous cash flow planning. But it also needs to move forward to embrace other concepts, such as support for public finance transparency, disclosure to citizens, e-SISTAFE usefulness, etc., as already envisaged, moreover, in the draft amendment of the 2011–25 Public Finance Vision. We strongly support the inclusion of a project in the 2010–12 PAO for the creation of a portal with public finance information for citizens in general and another, more

specific, for the project financial partners. Observance of the concept of e-SISTAFE usefulness means, quite simply, ensuring it can be used and measured for its scope in the production of the CGE. On this point, we also suggest that thought be given to including in the 2010–12 PAO a project to develop an interface (web service or the mere importing of Excel files) to make it possible to import quarterly or annual balance sheets into e-SISTAFE from all the entities that use their own financial management systems.

Box 1. IT Strategic Plan and IT Blueprint

IT Strategic Plan

The IT strategic plan of the CEDSIF should reflect the Center’s four principal concerns, for: (i) strengthening the IT alignment with public financial management (GFP); (ii) improving IT governance; (iii) increasing IT value; and (iv) establishing the priorities of investment in IT. There is no need to spend a lot of time on the drafting of the plan (because it can be improved continuously), and the end product should be a good communications tool for e-SISTAFE.

Features of the IT strategic plan

- Important for the stakeholders (government, government agencies, partners of the Joint Fund);
- Efficient: covers only what is necessary;
- Sensitive: from performance indicators to GFP needs and critical factors;
- With documented, rational assumptions;
- Consistent with the IT governance model;
- Openly disseminated;
- With a direct impact on the strategic objectives of the CEDSIF and its contributors;
- Its drafting and maintenance represent a process rather than a project;
- It is a living document, periodically reviewed and updated;
- “It tells a simple story”; and
- “Just sufficiently wide-ranging.”

IT Blueprint

Aligned with the strategic plan, this is an operational document that should be continuously updated, should support the development of e-SISTAFE and its relationship with other government systems and with suppliers, and should cover at least the following areas:

- Information architecture: model of information architecture, dictionary of data and data syntax rules, data classification plan, and integrity management; and
- Technological guidance: technology management blueprint, technological infrastructure plan, technological standards, and IT architecture.

63. **The absence of an IT strategic plan and an IT blueprint can make it difficult to provide a basis for investment in the datacenter in the CEDSIF portfolio and to erase doubts regarding the necessity for it at the level of the SISTAFE Joint Fund.** In light of the urgent need for action, and during the finalization and approval of the 2011–25 Public Finance Vision, complemented by the Blueprints for the Development of IT Systems and for the Technological Infrastructure of e-SISTAFE, the CEDSIF made an additional effort to organize all the information, necessary as a basis for urgent action, about the existing technological infrastructure: (i) impossibility of using other MF datacenters; (ii) obsolescence and undersizing of the existing temporary site; (iii) operational advantages of the proposal presented, by comparison with the existing one; (iv) urgency of the 2011–12 investment plan; and (v) business risks of not investing now. Thus, considering the obsolescence of the existing hardware/software in the technological infrastructure, resulting from a lengthy period without any investment, and in light of the rate at which e-SISTAFE is growing, the need for such updating is deemed pertinent and pressing. The option for the Database Machine/Exadata Software, as opposed to a so-called traditional architecture, reflects a bet on the new paradigm of “database machines” in which hardware and software are developed from the start to work together; they are thus guaranteed to have unique features, setting them apart from other solutions, and we therefore feel this is a sound, consciously selected solution.

64. **The CEDSIF should bear in mind that if it gives in to the pressure to broaden its scope to include new sectors (public management, public works, tourism, etc.), this should be done without detriment to the consolidation of what it already possesses and should not lead to losses of quality of service.** The mission of the CEDSIF and its sphere of action should be explicit and formal, and could be result from a negotiation about resources, from a strategic option to be better known, from a need for financial sustainability, or even from an imposition of oversight. However, it should be always understood and internalized in the ICT strategic plan. Thus, unless it is explicitly confirmed that serving other sectors will not have a negative impact on the performance of the principal financial systems, the CEDSIF should not develop other systems, such as the system for tourism or for public works. Financial sustainability should be sought within the range of the GFP participants.

65. **The CEDSIF, within the sphere of its competences, should not only protect the security of the systems under its purview but also provide acceptable levels of IT service.** Its ability to assume this dual task competently will be put to the test in e-Taxation: the AT may perhaps intend to assign quite demanding work to the CEDSIF. This situation should serve as an incentive for the CEDSIF to start taking steps toward certification. For that purpose, it cannot at the moment manage to perform an audit every two years. It needs to adopt, in a gradual process, a set of IT good practices such as those prescribed in the Information Technology Infrastructure Library (ITIL).

Recommendations

- The CEDSIF should formulate an IT strategic plan and an information systems blueprint (systems architecture, informational architecture, technological guidance) to support the rollout of e-SISTAFE and its evolutionary maintenance, as well as the CEDSIF's relationship with other government agencies and with IT suppliers (Table 1, items H.1.1.1, H.1.2.1, and H.1.3.1);
- Include in the 2010–13 PAO a project to create a portal with information on public finance for citizens in general and another, more specific, for the partners financing projects (Table 1, item B.3.2.1.1);
- Put into operation a technological services management platform at the CEDSIF, implementing five ITIL processes (regulated by Service Lifecycle), organized into three major groups: (i) Service Desk, regulated through the management of incidents and requests; (ii) Inventory, regulated through the management of configurations and changes; and (iii) Contingencies, regulated through continuity management (Table 1, item H.2.1.1);
- Draw up formal specifications on the network for the collection of all public treasury revenue, under the supervision of the MF, involving all types of taxes and fees and other revenue, as well as the banking network and all revenue-collecting government entities. These specifications will address issues such as: a single revenue collection document, establishing formal automated links with the banking institutions (rights and duties); responsibility of each public or private entity toward the network, and financial sustainability of the network. There should be a strategic plan for the development of information systems (Table 1, items H.1.2.1.1 and H.1.3.1.1).

Box 2. ITIL - Framework of IT Management Good Practices

The Information Technology Infrastructure Library (ITIL) is geared toward the management of service and availability:

- A framework with a detailed level of description and process-oriented;
- Definition of the IT activities important to for Unit Management;
- A checklist that is easy to use and understand;
- It can be adapted to suit any organization.

A possible approach is to put into operation a Technological Services Management platform at the CEDSIF, implementing five ITIL processes (regulated by Service Lifecycle), organized into three major groups:

- Service Desk, regulated through incident and request management;
- Inventory, regulated through configuration and change management;
- Contingencies, regulated through continuity management.

This approach assumes the training of staff in ITIL and specialized consultancy support.

The Microsoft system center configuration manager (SCCM) software is also necessary for configuration management, which is a prerequisite for the online inventory of IT resources. It is also necessary to have an ITIL-supported Service Desk tool, such as the HP Service Manager.

This platform should follow the ITIL-recommended best practices, with the emphasis on:

- Identifying CEDSIF business processes (areas of action, projects, and actions with an IT impact);
- Compiling the catalogue of services (IT services in production or available for implementation);
- Identifying critical business processes; and
- Formally defining and using service level agreements (SLAs) with reference to the services catalogue.

Annex 1. Features of the e-SISTAFE Modules and Other Interrelated Systems

Module	Feature	Status
Across the board Account Engine Security Framework Data warehouse e-CAF	<ul style="list-style-type: none"> Provides services of processing accounting transactions for the other modules. Supports multiple PBCPs, multiple currencies, and multiple financial years. Provides services of identifying, authenticating, controlling access, and customizing menus for the other modules. Integrated with e-CAF. Easy, quick extraction of customized information. Supports the census of civil servants and government pensioners and the management of the pertinent register. Is integrated with the Security Framework module, so that only civil servants registered in e-CAF can gain access to any e-SISTAFE module. 	Operational
MEP Planning	<ul style="list-style-type: none"> To produce the PQG, the Sectoral and Local Plans, and the Integrated CFMP; Control bodies with access to the MEP for performance audits; To ensure integration with MEO, MEX, MDP, MGH, and MGD, through common classifiers; Should include a documentary repository of policies, legislation, and other documents that may be inputs to the plans. 	2011–12 PAO
MEO Budget preparation	<ul style="list-style-type: none"> Budget preparation with a focus on performance indicators, covering all public institutions. 	Operational
MEX Budget execution	<ul style="list-style-type: none"> Budget execution, production of the budget, financial, and assets balance sheets and statement of changes in assets; Integration with MEO, MPE, MDP, MSP, MGH, MRC. 	Operational
CUT CUT-ME	<ul style="list-style-type: none"> Domestic currency- and foreign currency-denominated cash management and home banking. 	In production
e-Payroll	<ul style="list-style-type: none"> Streamlined solution to facilitate the payment of wages through the CUT, applied to the central government and in Maputo to about 30,000 civil servants; Module for payroll verification based on e-CAF and integrated with MEX, allowing for direct payment through the CUT; Gradual implementation throughout the Administration: currently implemented in 40 sectors (8.6 percent of total wage expenditure). 	Operational
SGRH Human Resource Management	<ul style="list-style-type: none"> System of civil service human resource management (civil servants and pensioners); Updating of the personnel registers in e-CAF and e-CAP; Integration with MEX and e-Payroll; Customization of Oracle's HCM software. 	2011–12 PAO
e-Inventory	<ul style="list-style-type: none"> Streamlined solution for inventorying of assets for inclusion in the general government account; Automated registration of the inventory files prepared by the UGBs; Integrated with e-SISTAFE through the organic classifier. 	Operational
MPE e-Assets (including e-Procurement)	<ul style="list-style-type: none"> Assets position and management of changes in assets (inventorying, flows, depreciation, valuation, leasing, sales, and discounts); Registration of all bidding procedures; 	2011–12 PAO

	<ul style="list-style-type: none"> • Management of contracts (for concessions, management, and studies); • Integration with MEO and MEX. 	
e-Procurement (included in MPE)	<ul style="list-style-type: none"> • Registration of all phases of the procurement process, with a view to streamlining and accelerating them; • Integration with MEX and MPE. 	2011–12 PAO
e-Taxation	<ul style="list-style-type: none"> • Registration of all phases of the revenue from all taxes. Management of fiscal incentives; • Payment of taxes online directly in the banking system (collection network). 	2011–12 PAO
Electronic Single Window	<ul style="list-style-type: none"> • Replaces the trade information management system (TIMS) currently in use; • The architecture of the JUE is based on two components: <ul style="list-style-type: none"> (i) Customs Management System (CMS), to be used by Customs to manage all customs operations; and (ii) TradeNet: a network covering the entire national territory and interlinking the community of operators in the goods clearance process. 	Start-up of production planned for June 2011
MGI Information management	<ul style="list-style-type: none"> • A business intelligence solution applicable across the board to all e-SISTAFE modules, with a view to accelerating the production of reports requested by the various sectors. 	2011–12 PAO
MPI (Included in MPE)	<ul style="list-style-type: none"> • Management of intangible assets; • Reliable, timely statements of all government holdings; • Integrated with MEX. 	2011–12 PAO
MDP	<ul style="list-style-type: none"> • Public debt management. 	To be included in 2013–15 PAO
MGC	<ul style="list-style-type: none"> • Effective management of all internal and external control processes. 	Not in plan
MGD Grant Management	<ul style="list-style-type: none"> • Full and reliable statement of all the phases of management of domestic and external grants in all public institutions (including autonomous institutions, local governments, and public enterprises); • Integrate the already existing system (ODAMOZ). 	To be included in 2013–15 PAO

Annex 2. SISTAFE Macroprocesses, Subsystems, and Integration Tools

SISTAFE macroprocesses

SOE	STP	SPE	SCP	SCI
Draft the CFMP, PES, and government budget		Manage public assets.		Assess management of the budget and of public assets.
Execute the government budget.				
Budget	Treasury	Assets	Accounting	Internal Control

SISTAFE subsystems

1. Formulation of government policies and legal framework	2. Fiscal planning	Financial and Budget Policy Implementation								
		3. Government budget preparation	4. Public expenditure execution	5. Management of public assets		6. Management of government revenue	7. Grant management	8. Debt management	9. Cash management	10. Accountability
				5a. Tangible	5b. Intangible					
11. Internal control										
12. External control										

Tools for integration of the SISTAFE subsystems

Budget classifiers	Basic Chart of Public Accounts	Treasury Single Account	Financial program-ming	Collection network	Register and inventory of public assets	General government account	Internal control program-ming	e-SISTAFE IT system
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Annex 3. Summary of Recommendations of the Mission by the Consultant, Joseph Cavanagh

At the request of the Ministry of Finance (MF) and with financial support from the Danish Embassy in Mozambique, FAD consultant Joseph Cavanagh visited Maputo, March 14-25, 2011, to follow up a previous mission in the area of public accounting.

The principal objectives of the visit were to: (i) formulate proposals for a new general government account (CGE) format; (ii) monitor and help the National Directorate of Public Accounting (DNCP) and the Finance Information System Development Center (CEDSIF) with the best suggestions possible for production of the 2010 CGE (better control over the production of documents and use of e-SISTAFE to produce more statements); (iii) develop a new format for the accounts; and (iv) propose a long-term project to develop public accounting in Mozambique. The main recommendations were:

- In the short term, the DNCP can improve the management of IT and documents to facilitate the production of the CGE for 2010. Technical assistance may be necessary.
- The DNCP could use its existing capability to produce an electronic version of the principal volume of the CGE for 2010, to be made available on government websites. This principal volume would have to be checked to ensure it contains everything required by the SISTAFE law.
- Other detailed expenditure analyses, already available in electronic format but scattered about in various archives, could also be made available separately on the web, in a subsequent phase.
- The ministry should consider the options for improving production of the CGE: either through the use of a functionality already available in e-SISTAFE or using a separate system (this is not a parallel accounting system) to be developed at the DNCP.
- In developing these proposals, the ministry should also consider the needs of the National Institute of Statistics, which are similar to those in the area of government finance statistics.
- Better management of the production of the CGE should facilitate earlier publication of the accounts, and this should be considered part of the public accounting project.
- The ministry should clarify the legal requirements for the maintenance of manual accounting books and, if necessary, amend or repeal the pertinent ministerial instructions. The TA should be consulted to clarify this difference of legal interpretation.
- There should be a dialogue between the ministry and the TA on the use of the supplier's receipt as sufficient proof of the supply of goods or services, as an alternative to a formal

invoice. The objective of the dialogue is to determine if this practice can be accepted and in what circumstances, and if the e-SISTAFE processes should reflect this practice.

- The ministry should consider our proposal for a new format for the accounts and the CGE document, and decide if it wishes to pursue the implementation of this proposal. More work will be necessary to improve the formats and test the new format for the 2010 CGE.
- If the ministry intends to continue with this work, it will probably need a support mission to help compile the 2010 data, test and improve the statement of accounting policies, and compile a comprehensive set of notes and additional disclosures based on the 2010 data. That mission could be scheduled between June and September 2011.
- International standards require that the existing accounts be called government accounts, to better reflect their coverage. The entire document can still be called the general government account, to reflect the fact that they include information on other parts of the public sector and to comply with the law.
- The introduction of a new format for the government accounts provides the opportunity to include a professional statement by the Accountant General and a short form of the opinion of the external auditor, to enhance the status of the accounts as a professional and objective presentation of the financial outturn. The former could be easily achieved. The latter requires consultation with the TA and would be better considered as part of the public accounting project, recommended below.
- In the short and long terms, there is much room for improvement and modernization of the terminology used in the accounts, to make it clearer and easier for the reader.
- The ministry will need to consider whether the suggested statement of financial position should be published, as is required by law. The proposed version uses the information already disseminated in the existing accounts; this is therefore not controversial. Notwithstanding all that, bringing together those elements in a single statement may reveal deficiencies in the data with which the ministry would prefer to deal prior to publication.
- The new format provides an opportunity to reduce the size of the government accounts document, with lower levels of detail published or made available separately. This smaller document would be more appropriate for publication—perhaps less than 200 pages—and easier to produce in electronic format for dissemination on government websites.
- The ministry should launch a project to reform public accounting, so as to give an indication of the future path to be followed toward greater compliance with international standards and to decide how this will be done. The project will almost certainly need external technical assistance.

- The project should consider the possibilities of improving the accounts and the transparency of the individual entities, and how this would be linked to the government accounts.
- The project should involve and take account of the needs of the National Institute of Statistics, whose work partly depends on the information in the CGE.
- The project should involve internal and external auditors to ensure that any new proposals do not cause problems for the work of auditors and that the format of the accounts and the systems that support them will not attract criticism from the auditors that could be avoided.