

Terms of Reference for the Public Expenditure and Financial Accountability Assessment in Mozambique

1. Background

1.1. The Memorandum of Understanding (MOU) signed in 2004 between the Government of Mozambique and the Programme Aid Partners (PAPs)¹ sets out the principles and terms of this partnership. The overall objective of the Programme Aid is to contribute to poverty reduction in all its dimensions by supporting the evolution, implementation and monitoring of the poverty reduction strategies (PARPA II). The dimensions include strategies for improving the Governments' Public Financial Management Systems, which is considered as key for sound fiscal discipline, strategic resources allocation and service delivery.

In order to feed the ongoing dialogue between the PAPs and the Government on the Public Financial Management (PFM) reform agenda and to provide a reliable basis to monitor progress in this area, the Government is also committed in the MoU "*to provide PAPs with one annual report on fiduciary risk assessment within public finance management*". The PAPs have agreed with the Government of Mozambique that an assessment of Public Expenditure and Financial Accountability will be carried out in 2007/2008 and that the PEFA assessment will serve as a basis for the dialogue on the Public Finance Management agenda.

There are already several reform initiatives in the PFM area, where SISTAFE is the most important planned to cover budget preparation, budget execution and accounting, auditing, asset management and procurement. The PEFA assessment will thus provide an input for the dialogue on relevance and sequencing of reforms. Relevant recommended actions will be incorporated into the strategies.

1.2. A first PFM assessment using the PEFA methodology was done in 2004 in Mozambique in the context of the first year of the implementation of the MoU. A second PEFA was carried out in 2005, with the final report presented in 2006. The planned PEFA assessment will be the third PFM assessment based on PEFA methodology.

1.3. Involvement and ownership of Government in the PEFA assessment process, from preparation through to follow-up is fundamental for recognition of the results, understanding of the methodology and to be able to use findings and recommendation in

¹ The Government of Mozambique and the Programme Aid Partners (Belgium, Denmark, the European Commission, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Sweden, Switzerland, United Kingdom, Austria, The African Development Bank and the World Bank), signed the Memorandum of Understanding ("MoU") for the provision of budget and balance of payment support in Mozambique of April 2004.

adjusting PFM reform strategies. Participation of PFM lead donors is also important. The Government of Mozambique is committed to engaging more actively in the PEFA assessments and in the follow-up processes. The Government of Mozambique has expressed an interest in creating stronger internal capacity and is aiming at carrying out a self-assessment in the next PEFA planned for 2010 complemented by an external validation process. To this end a management model with both a Steering Committee and a Technical Committee covering the key functional areas of PFM and with donor representation has been established and ToR for the Steering Committee and the Technical Committee are attached to this ToR. Active involvement in the preparation, implementation and follow-up of the PEFA of these key stakeholders is seen as a crucial for a successful self-assessment in the next PEFA-process.

1.4. In view of the above, the Government and the Programme Aid Partners intend to undertake a new PFM Assessment covering the full years 2005/2006 and first half of 2007 in Mozambique. The draft report should ideally be ready before end 2007. It is intended to draw on the experience of the 2004/5 exercise. In case this time table would be too tight, the final report should at least be ready for the Joint Review 2008, namely in February 2008.

1.5. Background documentation will be provided to the consultants through the Technical Committee.

2. Objectives

2.1. The *general objective* of this PFM Assessment based on the PEFA methodology is to enhance implementation of the PARPA II through providing input for developing strategies aiming at more efficient and effective resource allocation and service delivery.

2.2. The *immediate objectives* are to provide the Government and the PAPs with:

- a) An assessment of the quality of PFM in the country in 2005/2006/2007, based on the PEFA methodology, including an assessment of the relative strengths and weaknesses of the three main budgetary outcomes: Aggregate fiscal discipline, Strategic resource allocation and Efficient service delivery;
- b) A careful comparison between the results of the PEFA assessment carried out in 2005/6 on the various main dimensions of PFM, linking the results and PEFA standard indicators to related reform processes over the last three years (2005, 2006 and 2007);
- c) Propose recommended action to the Steering Committee and Technical Committee for inclusion in the Action Plan or in other existing strategies in PFM area.
- d) Propose ways forward for Government to build internal capacity with a view towards carrying out a more autonomous self-assessment based on PEFA methodology in the next planned PEFA exercise, including clarification of institutional responsibilities. The next PEFA exercise is planned to be a self-assessment by Government performed in coordination with an external and independent validation process.

2.3. The **main scope** of this work is to carry out a Standardized Assessment of PFM according to the Public Expenditure and Financial Accountability Framework, ref PEFA PFM Performance Measurement Framework and the related Framework guidance and includes using all of the indicators of the Framework and presentation of the analysis and findings in the format of a PFM Performance Report. The assessment includes:

- i. Prepare and communicate a work plan containing information/documentation needs and planned field work, including meetings required.
- ii. Enter into a dialogue with the Technical Committee based on a proposed work plan, including necessary input from Technical Committee, consultations with Steering Committee, participation from possible relevant external stakeholders, such as Parliament, civil society, Supreme Audit Institution and donors. The process should draw upon the lessons of previous PFM assessments. Agreement on the level of Government participation in the assessment should be an integral part of this discussion.
- iii. Make sure that it is possible to track progress from PEFA assessment carried out in 2005/06.
- iv. Support the Technical Committee in presenting a proposed final work plan to the Steering Committee.
- v. Carry out field work in second half of October with participation and close cooperation with the Technical Committee.
- vi. Carry out at least one meeting with the Steering Committee and the Technical Committee discussing the preliminary findings of the assessment, including the preliminary scoring, with a view towards building capacity and ensuring ownership of the findings of the PEFA assessment and the recommended actions.
- vii. Enter into consultations with the Technical Committee or Steering Committee when necessary, and provide a debrief to both the Technical Committee and the Steering Committee.
- viii. Present a draft report by end November, including a presentation of the findings and recommendations in a seminar with broad government participation.
- ix. Finalize a report, including recommended action for integrating into the existing strategies and action plans for PFM reform.

2.4. The expected outputs are: (i) a final report answering to the objectives and scope referred to above; (ii) an enhanced capacity to conduct PFM assessments based on the PEFA methodology within relevant government offices involved in this exercise, and (iii) relevant input to the existing strategies and action plans for PFM-reform.

3. Methodology

The detailed methodology to be used will consist of the following steps:

1. Preparation of a work plan:

- a. The consultants' work will begin with presenting a work plan in writing, including detailed plan for activities and schedules, documentation/information needs, description of scope and methodology, plan for field visit, meetings required and comments to how the consultants would propose to liaise with the Steering Committee and the Technical Committee defined in the separate Terms of Reference for the process.
- b. The proposed work plan should be submitted as soon as possible and prior to the field work to the Government focal point (the IGF att: Jorge Marcelino) and the PAPs secretariat (Torun Reite, Norway).
- c. Feedback will be given by the Government and PAPs on the proposed work plan within one week (five working days).

2. Preparatory meetings with Steering Committee and Technical Committee

The consultant team will have an introductory meeting with *Steering Committee and Technical Committee* in order to clarify the work plan with an emphasis on defining the need for input, documentation, interviews and dialogue/discussion and agreeing on level of government participation. The introductory meeting should also aim at clarifying issues related to the Standardized Assessment approach and the PFM Performance Measurement Framework. The introductory meeting will have the objective to address specific technical issues that government staff may raise. The Technical Committee and the Steering Committee will have received training prior to the introductory meeting.

3. Interviews with key stakeholders (Technical Committee and others) and key documentation analysis.

4. Draft report

The draft report will include outcomes of interviews and seminar with stakeholders, results from data collection and main constraints identified.

The draft report should be submitted one week after the end of the one month field mission.

5. Comments

All stakeholders involved in this assessment are supposed to deliver written comments to the draft report as soon as possible and in any case within one month after the delivery of the draft. The preliminary report should also be discussed and commented in a seminar with participants from government and the PAPs.

6. Submission of Final Report

A final report will be prepared by the consultants and submitted not later than February 2008.

Without undermining the independent nature of this assessment and the necessary objectivity of the ranking exercise, the consultants will consider feedback from stakeholders into the report, as long as they have been remitted within the time limits. However, in case of persistent differences of opinion, the consultants will express their independent analysis in the report, and will inform separately, in a specific annex, of eventual differences of opinion expressed.

2.5 Local Actors and Liaison

The main GoM partner for this exercise is the Ministry of Finance (MF). MF has nominated IGF as the Government focal point. The focal point will help in the organization of the work, will coordinate the Government's participation around this exercise and will provide full collaboration to the exercise. The IGF will coordinate the process and chair the Steering Committee and the Technical Committee. Reference is made to the specific ToR for the management model in annex 1.

The Ministry of Finance (at IGF or higher level if necessary) will be responsible for liaising with other actors outside the management model.

Due to its specific role in the PFM area as an external auditor, it is particularly important that the Tribunal Administrativo, which works in an independent manner from the Government, would be informed at an appropriate time, would provide the relevant information and participate in the discussions about the preliminary findings. Generally, all services that are to be affected by the findings and recommendations of the assessment should be invited by MF to participate in the workshops and to react to conclusions.

Liaison with the PAPs group will be through the focal donor and the PFM coordinator. The focal donor is represented by the economist at the Norwegian embassy.

2.6. Human resources

The consultancy team will consist of three consultants: two international and one local, all with excellent capacity in PFM area, knowledge of PEFA approach and preferably solid experience of work in Mozambique. At least one of the two international consultants must be completely fluent in Portuguese.

2.7. Calendar

Field work in Mozambique will be of maximum month.

An additional week is foreseen for writing the draft report.

The final report should be delivered two weeks upon receipt of the final comments.

2.8. Presentation of the reports

All reports submitted by the consultants should be sent both in Portuguese and English, both in paper and in electronic version, to the Government focal point, IGF and to the PAPs secretariat/donor focal point.

Terms of Reference

Management of the Public Expenditure and Financial Accountability Assessment in Mozambique

and the establishment of the Steering Committee and the Technical Committee

1. Introduction

In conformity with the Memorandum of Understanding signed in 2004 between the Programme Aid Partners (PAPs) and the Government of Mozambique, the latter committed to improve the Public Finance Management, commitment that leads to a joint evaluation of the performance.

In the joint evaluation realised in 2006 by the PAPs and the Mozambican Government, it was agreed that the PEFA methodology would be adopted, for the evaluation of the Public Finance Management in 2007.

This evaluation has been performed by consultants. However, it is of common interest that internal conditions are created within the government, to enable it to conduct a self evaluation with the necessary objectivity. In order to achieve such an objective, it is necessary to involve the managers and technicians of the key sectors for the evaluation of the Public Finance Management (PFM).

In this context, the creation of a Steering Committee (SC) and a Technical Committee (TC), intends to define the roles and activities of the government, as well as the partners and consultants engaged to make effective the mentioned evaluation.

For the present evaluation, the two committees will be composed by representatives of the PAPs and of the Government.

2. Objectives

The key objective for the creation of the two committees is to ensure the management of the evaluation process of evaluation mentioned in point 1, by taking decisions in relation to the several specific matters inherent to the evaluation and to facilitate the access to information, its processing and the discussion of the intermediate and final reports.

Creation of future capacities within government, in order to conduct a PFM evaluation with major independence and professionalism.

3. Specific roles and Constitution of Committees

As noted above, each of the mentioned Committees has a specific role, having however a complementing character.

3.1. Steering Committee

The steering committee has the following roles:

- Approval of the terms of reference in all its characteristics
- Approval and Management of the funding
- Verification of the fulfilment of the defined objectives
- Approval and presentation of an evaluation report

3.2. Constitution of the Steering Committee

The Steering Committee will be formed by the directors of the areas considered as strategic and by representatives of the PAPs.

The following areas are considered as strategic:

- General Finance Inspectorate – *Process Coordinator*
- The National Directorate of Treasury – *Deputy Coordinator*
- The National Directorate of Budgeting;
- The National Directorate of Public Accounting;
- National Directorate of Planning;
- UTRAFE
- The National Directorate of Public Assets
- The Revenue Authority of Mozambique

The Partners will be represented by two elements to be nominated by the (PAPs).

3.3. Technical Committee

This committee has an operational character and the following roles:

- To create material conditions to facilitate the execution of the work to be undertaken by the consultants
- To follow up work of the consultants during the phase of data collection and interpretation, and making a technical evaluation of the results presented
- To provide all the information requested by the Consultants in relation to the respective services or sectors;
- To participate in the discussion of the preliminary conclusions of the intermediate report
- To elaborate the document that expresses their positions and that are divergent from the consultant's opinions;

- To define the performance indicators that will be taken for the evaluation;
- To facilitate the consultant's meetings with the government institutions;
- To represent their sectors, and
- To establish the capacities for a self-evaluation in future occasions.

3.4. Constitution of the Technical Committee

The technical committee (TC) will be formed by technicians from the strategic areas and by representatives of the PAP's as follows:

- General Finance Inspectorate - Coordinator
- The National Directorate of Treasury - Deputy Coordinator
- The National Directorate of Budgeting
- The National Directorate of Public Accounting
- National Directorate of the Public Assets for the Procurement area (UFSA)
- UTRAFE
- The National Directorate of Planning
- Revenue Authority of Mozambique

The Partners will be represented in this committee by two technicians nominated by them, while the other technicians that will integrate the Technical Committee will be indicated by the respective directors, whose names will have to be sent to the General Finance Inspectorate until the end of June.

4. Timetable

4.1. Planning

June-July

- i) The Steering Committee proposes and approves all the stages of the evaluation process: the necessary preparation and training, the process for discussion of the preliminary and final results, dissemination and follow up after the approval of the final report (TORs for the process).
- ii) The SC prepares the whole process of hiring consultants, including the decision on the modality of the tender process to adopt, in close dialogue with the partners focal point;
- iii) The Financing will be through the Common Fund for SISTAFE, through the UTRAFE.

August

- i. Meeting of the Steering Committee for appraisal and opinion on the contracting of the consultants team in accordance with the technical and financial proposals presented by the consultants and for proposing a decision to UTRAFE on the finalization of the contract;
- ii. Meeting of the Technical Committee, for reception and analysis of documents of the 1st evaluation (2005) to have an understanding of the process and the respective methodology guidelines elaborated by the PEFA secretariat in Washington.

September/October

- i. Training seminar for all intervening parties (TC and SC) – to be facilitated by the PEFA secretariat in Washington, if possible during the third week of September.
- ii. The TC makes available to the consultants all the necessary information
- iii. The SC and TC prepare the program for the consultants field work.

4.2. Execution

October

- i. Beginning of the field work in the second half of October;
- ii. Dialogue and situation analysis in relation to the achieved results and difficulties encountered.

End November

Presentation of the preliminary report.

Mid December

A seminary is organized for Government interlocutors and the development partners to disseminate the information on the PEFA evaluation presented in the preliminary report. Participants invited to make comments.

On the basis of the seminar results, the TC prepares a written assessment and comments of the preliminary report.

The SC approves the TC assessment and comments.

End January

Presentation of the final Report, including proposals to include in the action plan.

4.3. Implementation of the Recommendations

February/April

Elaboration of an action plan by Government, based on the existing documents on the vision for the Public Finances area, by the TC and approval by the SC.