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REPUBLIC OF MOZAMBIQUE

TECHNICAL ASSISTANCE REPORT — STRATEGY FOR RESTORING THE EXPENDITURE CHAIN AND IMPROVING FINANCIAL PROGRAMMING

January 2023

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MOZAMBIQUE

OCTOBER 2018

STRATEGY FOR RESTORING THE EXPENDITURE CHAIN AND IMPROVING FINANCIAL PROGRAMMING

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TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS

AFS	IMF's Regional Technical Assistance Center for Southern Africa - AFRITAC South
DNCP	accounting directorate
FAD	Fiscal Affairs Department
IMF	International Monetary Fund
IT	Information technology
MEF	Ministry of Economy and Finance
PEFP	Strategic Public Finance Plan
TA	Technical Assistance
UGE	Spending Units
UGB	Beneficiary Management Units

EXECUTIVE SUMMARY

The Government of Mozambique is committed to strengthen its financial programming procedures in accordance with the Mozambique fiscal law (SISTAFE), and in line with the Strategic Public Finance Plan (PEFP) of 2016-2019. The Ministry of Economy and Finance (MEF) and development partners have agreed on developing, adopting and implementing a strategy for the gradual restoration of the expenditure chain, and the improvement of financial programming techniques and cash management by the National Treasury Directorate (DNT) to prevent continued accumulation of arrears.

The related draft strategy, developed with the assistance of the mission and attached to the present report: (1) takes stock of processes implemented, the IT system(s), and stakeholders' responsibilities and task sharing; (2) describes good practices and main procedures, models, tools and methodologies that could be used to implementing the cash planning and management, and expenditure control functions; (3) identifies the related capacities that would need to be strengthened; and (4) presents a few, feasible, and sequenced medium-term actions to be undertaken.

Restoring the expenditure chain and improving financial programming would imply coordinating with other ongoing reform processes, including: (1) improving the credibility of the budget; (2) assessing, then gradually clearing, the stock of arrears;[1] (3) expanding the Treasury single account system (CUT) coverage; (4) better coordinating cash and debt management; and (5) strengthening internal and external control/audit.

[1] A strategy for clearing the stock of public arrears has been recently supported by FAD assistance.

BACKGROUND

The expenditure process is not implemented as legally defined in Mozambique's fiscal law (SISTAFE). Per the SISTAFE, three key stages of expenditure execution (i.e. commitments, verifications and payment) should be recorded, in due time when they occur, through the financial management (e-SISTAFE) system. Accordingly, fiscal reports should be articulated around these stages. In fact, transactions are entered late in the system, when cash is available per Treasury's weekly ceilings. Meanwhile, invoices are kept in ad-hoc ledgers, outside the e-SISTAFE.

Consequently, the government has cumulated large stocks of unreported arrears.[2] Due obligations not recorded and not paid, have piled-up, undermining contractors' trust in the government ability to honor its debts, thereby shifting business relations with the private sector towards pre-payment requirements. Moreover, spending units lack predictability to efficiently execute their budget, while expenditure controls remain weak, and the quality of financial information poor.

In line with the Strategic Public Finance Plan (PEFP) of 2016-2019, and 2017 and 2018 FAD missions' advice,[3] the Government has committed to develop a more pro-active approach to manage the governments aggregate liquidity. This approach aims at improving cash management, and expenditure control–to ensure that the budget is executed predictably, the expenditure chain is restored, and arrear accumulation is fended-off. To this end, the short-sighted mechanisms currently used for cash rationing should be complemented with appropriate release of commitments and improved annual and in-year cash management plans, and cash flows forecasts.

Against this background, the Minister requested further TA from the IMF. The AFRITAC South (AFS)[4] mission assisted the authorities in defining a strategy and an action plan to restore a legally compliant expenditure process, and to improve financial programming. The mission also

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[2] The March 2018 FAD mission received preliminary data of supplier arrears for the central government estimated at 29.8 million Meticais (MT) as of 2016, close to 5 percent of GDP. The Government has already validated and started clearing the arrears to utilities (at least MT 2.9 billion in 2018).

[3] "Republic of Mozambique: Regaining Control Over Budget Execution", Benoit Taiclet, Laura Doherty, Gregory Horman, Armando Manuel, and Esther Palacio (December 2017); "Republic of Mozambique: Managing Public Arrears", Armando Manuel (February 2018).

[4] AFS provides TA and training to Angola, Botswana, Comoros, Lesotho, Madagascar, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, Zambia, and Zimbabwe. AFS donors are the European Union, the United Kingdom, Switzerland, Germany, China, Mauritius, Netherlands, European Investment Bank and Australia.

participated in workshops on financial programming, and meetings with the authorities and relevant donors to discuss and agree on the strategy and facilitate TA coordination.

OBJECTIVES OF THE STRATEGY AND MAIN FEATURES OF THE REFORM

A. Main Objectives

The Draft Strategy (attached), prepared by the mission for restoring the expenditure chain and improving financial programming:

- Takes stock of the current processes, IT system(s), and stakeholders' responsibilities and task sharing related to financial programming and expenditure control;
- Describes good practices and main procedures, models, tools and methodologies that could be used to implementing the new cash planning and management, and expenditure control functions;
- Identifies the related capacities that would need to be strengthened; and
- Presents a few, feasible, and sequenced medium-term actions to be undertaken.

B. Key features of the strategy and action plan

Restoring the expenditure chain and improving financial programming should be considered as medium/long term reforms. it would take several years to effectively develop these functions, and the mission recommends a gradual approach with the following phases:

- **Phase I.** What should be done by end 2018 to start implementing some priority actions in the context of the 2019 budget implementation?
- **Phase II.** What could be done in 2019 to support the implementation of key sub-reforms?
- **Phase III.** What could be develop and implemented in the medium/long term?

The strategy and action plan have been developed accordingly. Key actions for 2018 and 2019 are presented in the boxes 1 and 2 below.

Implementing the strategy would imply:

- A more efficient use of e-SISTAFE (MEX[5] and MPE[6] in particular);

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[5] *MEX: Modulo de Execução Orçamental (do e-SISTAFE)* - Budget Execution Module (of e-SISTAFE).

[6] *MPE: Modulo de Administracao do Patrimonio do Estado* – Public Procurement and State Assets Management Module of (e-SISTAFE).

- Quarterly release of budget allocations/commitments versus current release of funds;
- Financial programming for payment of expenditures when they should occur versus current financial programming to control budget execution (cash rationing); and
- A different role for the treasury: pro-active manager of government liquidity.

Box 1: Illustrative list of tasks to complete Phase I (by end 2018)

General

- Adopt the strategy and action plan to restore the expenditure chain and to improve financial programming.

Expenditure Control Function

- **Action 1:** Issue the decree to instore the apportionment phase, and to make real-time recording of commitment and verification of expenditures mandatory for all units operating within the e-SISTAFE.
- **Action 2**: Make the necessary changes in e-SISTAFE (MEX) to support the revised expenditure process.
- **Action 3**: Start the training on revised budget execution processes.
- **Action 4**: Make mandatory the commitment note issued by e-SISTAFE and inform suppliers.

Financial Programming Function

- **Action 1**: Prepare a circular (or other guidance note) describing the new approach to financial programming and outlining the responsibilities of the Treasury, other units of the Ministry of Economy and Finance (MEF), and spending units (UGEs).
- **Action 2**: Develop a uniform template for collecting cash flow forecasts from UGEs for goods, services, and capital spending.
- **Action 3:** Develop an Excel-based cash planning model for compiling top-down estimates prepared by the Treasury and bottom-up estimates supplied by UGEs.
- **Action 4:** Develop reports for analyzing variances between cash flow forecasts and actual outturns.
- **Action 5:** Develop any necessary report-generation or data-extraction functionality in e-SISTAFE to support the new approach to financial programming.

Source: Mission

Against this background, priority actions (to be implemented in the context of the 2019 budget) would include:

- An appropriate release of commitments by category of expenditure;

- A restored expenditure process:
  - o Commitment supported by adequate reservation of budget appropriation (commitment note - *Nota de Cabimentação*);
  - o Verification supported by a certification of good/service delivery (liquidation note - *Nota de Liquidação*);
  - o Payment supported by legally compliant commitment and verification (payment order note - *Ordem de Pagamento*);
- A more dynamic cash flow forecasting focusing on the largest and most problematic cash flows;
- The related legal and regulatory framework reviewed and adopted (diplomas; circulars; manuals); and
- Strengthened capacities (MEF, spending units, suppliers, etc.).

Box 2: Illustrative list of tasks to complete Phase II (2019)

Expenditure Control Function

- **Action 5:** Set quarterly allotments/ceilings for commitments for the implementation of the 2019 budget.
- **Action 6:** Set quarterly allotments/ceilings for commitments for the implementation of the 2019 budget.
- **Action 7:** UGEs record verifications in e-SISTAFE upon receiving suppliers' invoices, per legal provisions set in SISTAFE Law.
- **Action 8:** Strengthen internal audit to control that expenditure chain is effectively restored.
- **Action 9:** Implement commitment control pilots in some provinces.
- **Action 10:** Revise the budget execution manual to restore the expenditure chain as legally defined in SISTAFE law.
- **Action 11:** Continue to develop MPE and extend its use.

Financial Programming Function

- **Action 6**: Train UGEs in preparing cash flow estimates.
- **Action 7:** Train the Treasury in preparing cash flow estimates and in operationalizing the new approach to financial programming.
- **Action 8:** Progressively roll out the new approach to financial programming.

Source: Mission

C. Implementation risks

Managing the reform. Reforms will need time, constant efforts, and strong commitment and ownership from the authorities, to be effectively implemented. Communicating to the private sector is important to bring the awareness on how important financial programming and the effective control of public expenditure is. The restoration of the expenditure phases, and the development of the new financial programming function, will also require extensive capacity development.

Implementing the Reform. The implementation of the reform should be progressive. While the chain of the expenditure is being reestablished in the system, information on commitments and verifications should be manually submitted by the UGBs to the accounting directorate (DNCP) and reported in fiscal reports.

D. Next steps

The Draft Strategy is also expected to guide the complementary TA support from DFID that has been planned on financial programming and expenditure control in furtherance of the Fiscal Affairs Department (FAD) and AFRITAC South (AFS) advice.

DFID has proposed to coordinate their support with FAD and AFS, using the same experts. Further discussions would be needed to review, after this mission, the initial TOR to be fully consistent with the new framework, and with relevant coverage and timeframe.

Republic of Mozambique

Strategy for Restoring the Expenditure Chain and Improving Financial Programming

DRAFT

June 2018

Contents

INTRODUCTION

A. Background

1. **Law No. 09/2002 of 12 February, led to the creation of the State Financial Administration System (SISTAFE).** Subsequently, decree No. 23/2004 of 20 August established and harmonized the rules and procedures for the programming, management, execution and control of the public treasury of Mozambique.

2. **The financial programming envisaged in the legislation is yet to be fully implemented.** This is mainly due to the process of cash rationing implemented in 2013. Practically, Spending Units (UGE) and Beneficiary Management Units (UGB) send the Annual Treasury Plan disaggregated by month and by economic classification budget headings manually to the Directorate of National Treasury (DNT) or the corresponding Provincial Directorate of Economy and Finance (DPEF) at the beginning of each fiscal year. The Plan can then be adjusted throughout the fiscal year based on execution rates, changes in budget appropriations or new budget entries.

3. **In addition to this, UGEs submit monthly budget requests at the beginning of each month, indicating the disbursement periods per week.** At the beginning of each week, the DNT releases commitment controls and financial quotas for the week based on these requests and available resources. In practice, the release of these limits at the same time and with short notice creates an incentive for the UGEs to execute the three phases of expenditure (Commitments, Verifications or Settlements and Payments) almost simultaneously, thereby failing to comply with the procedures defined in the legislation.

4. **Financial programming, as defined in the legislation, ensures greater efficiency in the execution of public expenditure and should therefore be one of the main instruments guiding the execution of the State Budget.** To strengthen financial programming as defined in the legislation (articles 79 to 81 of the SISTAFE Regulation) it is necessary to define mechanisms which quantify financial flows from DNT over a given period. These should be quantified and established in line with existing revenue forecasts, budgetary constraints, expenditure forecasts, the financing outlook as well as the outturn trend for the fiscal year.

5. **Recent country-evaluations have shown that expenditure process and financial programming in Mozambique is yet to become fully compliant with existing legislation and does not follow internationally recommended standards.** This, in turn, limits the DNT’s ability to predict expenditure in the budget execution process. This has also led to UGEs not registering the phases of expenditure at the moment of occurrence, leading to delays in public payments to suppliers of goods and services. This has led UGEs to accumulate arrears.

B. Objectives of the strategy

6. The Government of Mozambique is committed to strengthen its financial programming procedures in accordance with the Mozambique fiscal law (SISTAFE), and in line with the Strategic Public Finance Plan (PEFP) of 2016-2019. The Ministry of Economy and Finance (MEF) and development partners have agreed on a strategy for the gradual restoration of the expenditure chain, and the improvement of financial programming techniques and cash management by the DNT to prevent continued accumulation of arrears.

7. The strategy defines the conditions for developing and implementing the cash planning and management, and expenditure control functions. The strategy

- Takes stock of processes implemented, the IT system(s), and stakeholders' responsibilities and task sharing
- Describes good practices and main procedures, models, tools and methodologies that could be used to implementing the cash planning and management, and expenditure control functions
- Identifies the related capacities that would need to be strengthened
- Presents a few, feasible, and sequenced medium-term actions to be undertaken

8. The strategy is also expected to guide the complementary technical assistance (TA) support from DFID and other partners that has been planned on financial programming and expenditure control in furtherance of FAD and AFS advice. The TA should support the MEF, particularly the DNT and the Centre for the Development of Public Finance Systems (CEDSIF)[7]. The TA should also assist UGEs and other relevant Directorates such as the National Plan and Budget Directorate (DNPO), the National Directorate of Public Accounting (DNCP), and the Finance General Inspection (IGF) when necessary.

9. The strategy is organized in two parts:

- **Part I:** Restoring a legally compliant expenditure process
- **Part II:** Improving financial programming

[7] Also in charge of coordinating PFM reforms.

C. Related reforms and conditions

10. Restoring the expenditure chain and improving financial programming will need to be coordinated and integrated with other ongoing reform processes. While not covered by this strategy, other critical reforms should be implemented in parallel:

- **Improving the credibility of the budget.** Although forecasts of macro-aggregates have improved, there is a need to enhance the credibility of the budget. This can be done through a more transparent process and efficient techniques for budget preparation.
- **Urgently assessing, then gradually clearing, the stock of arrears.**[8] Based on other countries' experience, the government should rapidly take stock of and validate legitimate suppliers' claims. This will send a positive signal to creditors and raise officials' awareness on the need to comply with budget ceilings and expenditure processes. Clearing these arrears will come afterward, with creditors' agreements on clearance modalities (including discounts
- **Continued expansion of CUT coverage.** The process to identify inactive accounts then close them, and to roll-out of the e-SISTAFE to extend the use of the CUT, have to be continued.
- **Stronger coordination of cash and debt management.** The capacity of domestic market to accommodate a more variable profile of treasury bill issuance and/or maintenance of a larger cash buffer within the CUT should be strengthened to absorb temporary shocks.
- **A shorter "policy-reaction lag"** for determining which policy actions (i.e., tolerate a higher deficit, reduce low-priority expenditure, undertake revenue measures) need to be taken by fiscal authorities when cash flow shocks are likely to be permanent and not temporary.
- **Strengthened internal and external controls and audits.** The IGF and the Administrative Court (TA) have a crucial role to help restoring the expenditure chain and improving financial programing, through the implementation of the accountability and sanctions framework.

[8] A strategy to clear and prevent arrears was recently developed by the Government with TA support from FAD, and is partially being implemented.

I. RESTORING A LEGALLY COMPLIANT EXPENDITURE PROCESS

A. Main features of an efficient expenditure process and control

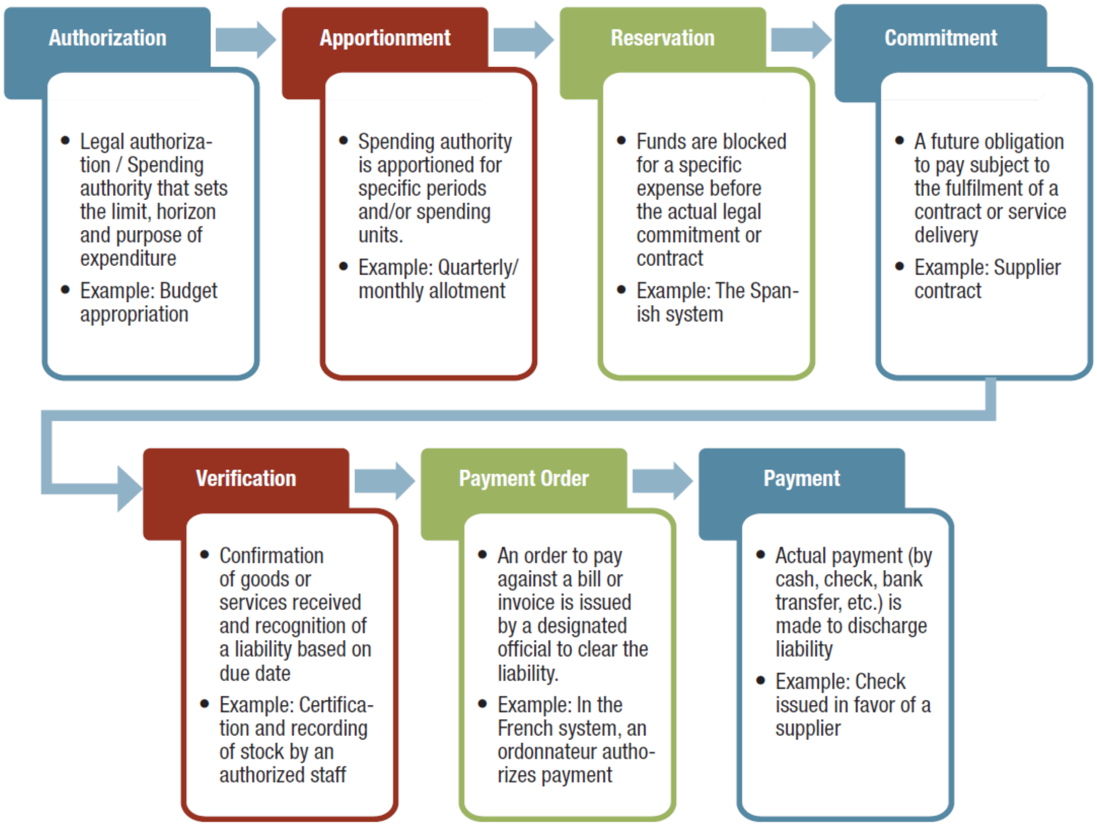
11. The objective of expenditure control is to ensure that public resources are spent as intended, within authorized limits, and following sound financial management principles. The role of an expenditure control system is to ensure that the level and allocation of government expenditure reflect the will of the legislature as voted for in the budget. Expenditure controls should also reflect sound financial management principles, ensuring that public resources are utilized efficiently, incurred obligations are cleared in a timely manner, abuse/misappropriation of public money is prevented or sanctioned, and private actors compete on a level playing field for government contracts.

12. To ensure these objectives are met, government expenditures typically go through seven stages between authorization by the legislature and payment to the final beneficiary (Figure 1). Of these seven stages, three have a direct impact on government's obligations and debt, and should be recorded separately to ensure the predictability of, allow control over expenses, and for fiscal reporting and financial programming purposes: (1) commitments made, yet to be settled; (2) verifications recorded yet to be paid (i.e. the expenditure float); and (3) payments made (cash basis budget execution).

13. The Mozambique fiscal law[9] identifies these three stages of the expenditure execution, that must happen separately from other stages of expenditure, and demands fiscal reporting be based on commitments. These legal provisions are practically not implemented.

[9] Law N. 9/2002 of 12 of February, on Public Financial Management System (SISTAFE), Article 30 on expenditure process.

Figure 1. Seven key stages of the expenditure chain



B. Main issues in Mozambique

14. Due to cash rationing, the Treasury has set a system by which transactions are entered in the system as they mature for payment, not when the individual stages happen. Practically, the spending units (UGEs) keep invoices and contracts in ad hoc ledgers, out of e-SISTAFE. Then they operate spending by the sole amount of transactions complying with the weekly cash ceiling set by the Treasury.[10] Since request for limits are send only after invoices are received, the risk of accumulating arrears is very high (if not inevitable). All steps of expenditure are generally recorded within one week[11] as follows: commitments and verifications are recorded in e-SISTAFE simultaneously; and payments are made within four days, e.g. the time lapse the Treasury needs to execute the disbursements.

[10] The Treasury formally releases a "*Limite de Cabimentacao*" (limit for commitment) to the UGE. This limit corresponds to available cash to be spent during a time slot of one week and is announced at the beginning of each week, based on the monthly requests received from UGEs.

[11] Source: e-SISTAFE database provided by CEDSIF.

15. Squeezing expenditure phases into such a short time lapse, also denies capturing commitments and invoices when they occur. It encourages the neglection of critical documents such as contracts, receipts and invoices that are put on the back burner until the last moment when transactions are done. Therefore, fiscal reporting in Mozambique is incomplete and does not provide a fair reflection on government obligations. Decisions on fiscal policies are poorly informed in the lack of accurate data on real execution process.

16. Commitment control is loose or inexistent. Complying with Mozambique's legal framework, investment contracts shall be submitted by UGEs to the supreme audit court (TA) for a control on procedural regularity, not budget compliance. Prior the TA's control, the Treasury should conduct a preliminary control on commitments (*pre-cabimento*). In practice, the ceiling issued by the Treasury is not binding the purchasing UGE, and does not prevent them from over purchasing more than their budget. Most commitments are not controlled upstream, and the financial sustainability of spending units' procurement is not ensured.

C. Addressing the main issues

Adequate release of appropriations: restore the apportionment phase

17. A clear differentiation should be made between the role of the budget release and cash release. Extending time horizons on budget releases enables compliant and timely recording of commitment and facilitate budget implementation; while cash release means that cash is available at the right place at the right time to facilitate payment.

18. For goods and services, the UGEs should be given commitment ceilings/allotments sufficiently in advance to improve the quality of public expenditure management downstream. This would provide the following improvements: (1) the UGEs would have sufficient room to enable records of commitment and verification stages; (2) the process of programming can be implemented interactively, starting with the submission of financial needs of funds by the UGEs to the Treasury and with accurate information on real commitments and verifications; and (3) the Treasury would gain critical information to consolidate a quarterly cash plan.

19. Hereinafter, the quarterly apportionment/commitments ceilings could be made on a quarterly basis, based on revenue forecasts. It could represent 25 percent of the annual appropriation, or less if the MEF would prefer a more conservative release of commitment in case revenue collections fall short of estimates (e.g. based on 90 percent of revenue collections). In some special cases, such as the consumption of public utility services and the execution of medium- or long-term leasing contracts, the apportionment could be annual, in order to sign the contract (commitment), with monthly/quarterly payments based on invoices.

20. For the other categories of expenditures, the apportionment could be made in the system by the Budget Department following a top-down approach:

- For **payroll expenses and social contributions**, the apportionment could be done annually, quarterly of monthly and correspond to the amount of the compensations, subsidies and contributions owed during the period of reference.

- In relation to **debt servicing**, the apportionment could be done annually based on the schedule of reimbursement prepared by the Public Debt Management Department.

- For **spending related to capital projects**, apportionment is in general annual in accordance with the contract (multiyear and annual legal commitments).

- For **transfers**, the commitment ceilings would depend on the nature of the transfer (defined by law, regulation, and/or policy decisions by the government): for example, quarterly for study scholarships, in accordance with specific schedules for transfers to local governments, state-owned enterprises (SOE) or public entities, or based on specific contracts.

21. The implications for e-SISTAFE would be to separate budget release from cash release and extend the time horizon for budget releases: quarterly for ongoing/continuing expenditure, and longer for contracts and other specific items.

A more efficient use of the existing functionalities of e-SISTAFE

22. The budget is executed through the public sector financial management system (e-SISTAFE), which has been developed to cover the main stages of the expenditure.[12] The e-SISTAFE and its Budget Execution Module (MEX) are robust enough to record all transactions made by the UGEs when they occur. It records different phases in the expenditure workflow including commitments, verifications and payments.

23. E-SISTAFE is being upgraded with the progressive implementation of the public procurement and asset management module (MPE). This functionality should strengthen public procurement management and ensure budget allocations/allotments exist and are reserved before launching the public tender (adding a pre-commitment stage). The module should also improve the:

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[12] The SISTAFE is the financial administration framework of the State, composed by five subsystems: (1) State Budget Subsystem (SOE); (2) Public Accounting Subsystem (SCP); (3) Public Treasury Subsystem (STP); (4) State Asset Subsystem (SPE); and (5) Internal Control Subsystem (SCI). This framework is supported by an integrated financial management information system called e-SISTAFE, composed by several modules. Some of these modules, such as the Budget Preparation Module (MEO, *Modulo de Elaboração do Orçamento*) and the Budget Execution Module (MEX, *Modulo de Execução Orçamental*) are operational, and some are still being developed, such as the State Assets Module (MPE, *Modulo do Patrimonio do Estado*).

- ***Control of procurement,*** to obtain high quality goods and services at a competitive price; to provide a fair opportunity for all bidders to compete for government contracts, and to get good value for money and to minimize risks of corruption and patronage.

- **Verification of goods and services (and public works) and accounting control** involving: (1) verification of the goods and/or services delivered by a supplier to ensure that these and/or public works conform to the specified quality and quantity; (2) a calculation of the liability incurred by the government to the supplier; (3) the prevention, identification and mitigation of arrears; and (3) the proper recording of State assets.

24. The interfaced functionalities of the budget preparation module (MEO), MEX and MPE should allow in the medium-term to cover all phases of budget execution from allotment of funds to payments (as presented in Figures 2 and Table 1). However, there is no need to wait to complete the current pilot of the MPE to include public works and to roll-it throughout the country during the next two years.[13] The functionalities of MEX could be used to record on real time all commitments and verifications with the 2019 budget implementation.

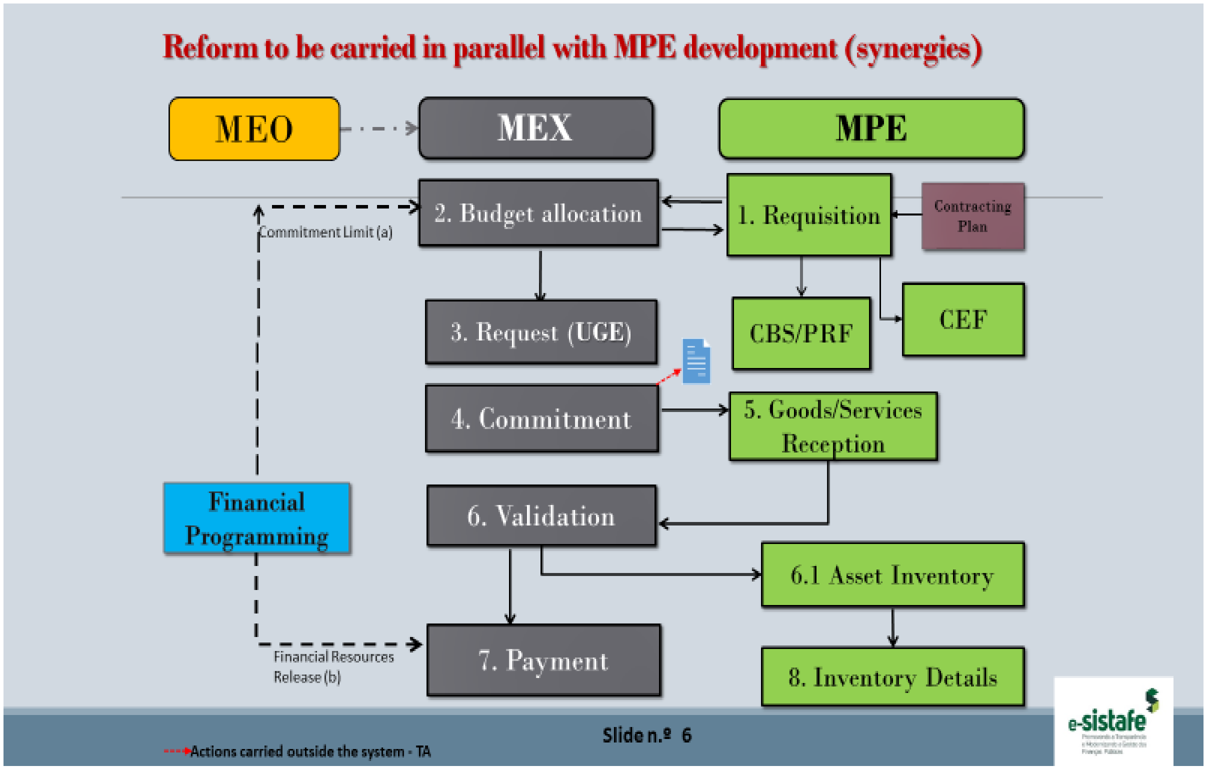
Enforcing the commitment note

25. A feature of e-SISTAFE is the possibility to issue a "commitment note" (*Nota de Cabimentação*). Designed to increase suppliers' confidence, the commitment note is an official statement which may be printed out from e-SISTAFE and sent to suppliers to confirm that has or will have resources to pay what is ordered, when the obligation to pay become due.

26. But the way the commitment note has been used has not allowed to monitor commitments. If it was issued at the date of the purchase order, and if the latter was registered in e-SISTAFE, it would be a valid source of information to monitor budget execution. However, this note can be generated only when a commitment is registered in e-SISTAFE and, so far, purchase orders are issued outside e-SISTAFE. As a result, the "*Nota de Cabimentação*" has not brought added value to the control of budget execution, and is not trusted by suppliers as a future obligation of the State to pay them, subject to the fulfillment of the contract of service delivery.

[13] In 2017, MPE was implemented as a pilot test in CEDSIF, National Directorates of the Ministry of Finance, ministries of Education and Health. The full roll-out of MPE for all ministries/departments is expected for 2020.

Figure 2. Budget execution process in e-SISTAFE for goods, services, and public works



27. Issuing and enforcing compliant "Nota de Cabimentação" should be one of the main features in restoring the expenditure cycle and control. It should be the only valid document confirming that: (1) the purchase has strictly respected the first phases of the expenditure process (phases 1 to 4); (2) the supplier has the obligation to deliver in due time the good and services in accordance with the contract (phase 5); then (3) Government will pay in due time what has been delivered (phases 5 and 6) The supply of goods or services outside the normal procedure should be prohibited. Internal and external audits from the IGF and the TA should verify compliance with these procedures and apply sanctions when necessary.

A strict and limited use of advances and operating accounts

28. The SISTAFE Law authorizes the processing of expenditure under cash advance arrangements, called an operating fund, to pay for expenditure in small amounts and for which compliance with the normal way of processing expenditure has been waived (Article 30.2). These expenditures are by nature limited, and the conditions for their implementation should be strictly defined. Box 1 presents good practices for managing cash advances and related operating accounts, in the case of Mozambique.

29. However, advance payments to suppliers have become the general practice at provincial and district levels. Suppliers are reluctant to deliver goods and services prior to receiving payment, to avoid the risk of incurring into arrears. Private sector outside the capital usually has limit liquidity and does not have the capacity to finance the government. The recent increase in the government stock of arrears has contributed to shifting business relations towards pre-payment requirements.

Box 1. Recommendations for managing cash advances and related operating funds

Establishment and ceiling of operating funds

The Treasury shall have the sole authority to approve the establishment of operating funds of any ministries, departments, and agencies, and shall set a ceiling on the amount of each standing operating account.

Advance to an operating fund

No advance shall be given to replenish an operating fund, unless all the utilized amount has been acquitted in accordance with regulations; the UGEs shall request an advance to create or replenish a standing operating fund through the e-SISTAFE.

The UGE shall, through e-SISTAFE: (a) record a commitment of expenditure, the amount of which is equal to the advance to the standing operating fund; (b) generate and approve a payment voucher; (c) send a bank instruction to make electronic fund transfer to a bank account opened for the operating fund; and (d) record the amount of the advance as an asset.

Advance payment to supplier

An advance payment for goods and services and public works of an UGE may be made only when all the following conditions are met: (a) the advance payment is required by a written public contract within a percentage of a total price to be paid under the contract; (b) a supplier or contractor has obtained from a financial institution a guarantee on payments of damages to the Government in case of its non-performance of contractual obligations; and (c) the term of the guarantee covers the entire contract period.

The UGE shall verify the validity, legality, and accuracy of an advance payment for goods and services and civil works before recording the commitment through the e-SISTAFE.

When recording the commitment, the UGE shall verify whether the requested advance payment is within the commitment control limit, and through e-SISTAFE, (a) record a commitment of expenditure, the amount of which is equal to the advance payment; (b) generate and approve the payment voucher and make the payments; and (c) record the amount of the advance payment as an asset.

The UGE shall verify the delivery of goods and services, the completion of civil works, or the satisfaction of any other contractual terms before acquitting the advance payments and recording the same amount of expenditure through e-SISTAFE.

The consolidated annual accounts shall include a list of outstanding advance payments for goods and services and civil works with the breakdown to each supplier, contractor, and project.

Source: Mission

A different role for the National Treasury

30. With the revised process for expenditure, the role of the National Treasury in Mozambique would change. Because of the centralized and time-consuming cash rationing system managed by the Treasury, the latter is overloaded and cannot focus on its core functions. Revised core functions for the Treasury could be as follows:

- **Financial planning and cash flows forecasting**: ensure that cash outflows are compatible with cash inflows and to prepare borrowing plans.
- **Compliance control to cash advances and related operating funds**: including the approval of advance ceilings and the oversight of cash advances and related operating funds.
- **Cash management**: controlling spending in the aggregate, implementing the budget efficiently, minimizing of the cost of government borrowing, and maximizing the opportunity cost of resources.
- **Public debt**: manage the Government borrowing to finance the fiscal deficit.
- **Management and oversight of the Government bank accounts (CUT system)**: supervising all central government bank accounts, including any extrabudgetary funds.
- **Administration of foreign grants and counterpart funds** from international aid.
- **Government financial assets management**: consisting of shares in enterprises, loans granted by the government, payments of guarantees not honored by debtors, preparation of consolidated financial statements for State Own Enterprises (SOE), etc.

Main features of the reviewed expenditure process and control

31. The main features of the revised process and related flows of information would be as presented below (Table 1).

Table 1. Main features of the revised expenditure process

Stage	Action	Responsibility	Flows of Information
1. Authorization	• Government prepares and submits the budget for legislative approval based on a realistic medium-term fiscal framework or annual budget projections. Government has comprehensive assessment of fiscal risks. • Contingency provisions are used to accommodate unplanned, unavoidable, and unforeseen expenditures. • Budget reflects expenditure commitments carried forward from prior years.	Budget Directorate of the MEF	Finance Law approved by Parliament, and **detailed appropriations** downloaded in MEO and MEX
2. Apportionment	• Spending authority is apportioned for specific periods	Budget Directorate of the MEF	**Annual or quarterly allotments/warrants/commitment ceilings** downloaded in MEX
3. Reservation	• Funds (part of a budget allocation) are blocked for a specific expense	UGEs	In accordance with the authorized allotment, and based on **quarterly/monthly procurement/expenditure plans**, UGEs prepare a **requisition** to reserve the funds during the tendering process compliant with Contractors and Suppliers List (CEF) - Catalog of Goods and Services (CBS) - and Reference Prices (PRF).
4. Expenditure commitment	• Legal right to acquire goods or services is made with the issuance of a purchase order or contract and commitments are recorded at this stage for all types of expenditures. • Monitoring and control mechanisms cover all budgetary and extra-budgetary funds for the public sector.	UGEs	The specificities of **the purchase order/contract** are recorded in MEX. Commitment approval linked to reservations. The UGE controls the regularity of the commitment and issues through MEX a **commitment note** to the supplier. The commitment note must be annexed to the contract that is submitted to the TA for approval. Thus, the commitment in e-SISTAFE is recorded before the contract enters into force.

Stage	Action	Responsibility	Flows of Information
5. Expenditure verification (liquidation)	• Work is completed, goods and services are delivered, and the invoice is received. • The liability arises when the third party satisfies contractual obligations. The invoice becomes an obligation, and the payment due date is registered in the accounting system. • Payment orders issued only after documented verification.	UGEs	**A certification of goods delivery/service rendered** is prepared and signed by the UGE, and recorded in MEX with **the invoices** as supporting document. Issuance of **a liquidation note** (*Nota de Liquidação*) through the system (MEX). Monitoring by the Treasury of overdue verification/payables (**reports**).
6. Financial needs	• UGE sends quarter/monthly financial requests to the Treasury through e-SISTAFE, indicating for each period, the forecast of cash inflows needed to attend its commitments.	UGEs Treasury	**Update of financial requests** (*Requisicao de Necesidades Financeiras*) Treasury approves UGEs financial ceilings for payment, per aggregate economic classifiers.
7. Payment	• Payment is made by the UGE and recorded in the accounting system, removing the liability. • UGE processes orders and issues checks or electronic transfers. • Payment due date is known, and available funds are in government bank accounts on the due date. • Checks are cashed/electronic transfers made expeditiously in favor of the creditor.	UGEs Treasury IGF UGEAs	Issuance of a **payment order note** (*Ordem de Pagamento*) on due dates. Treasury performs **regular bank reconciliations, cash planning and management and arrears tracking and management** (regular reporting/monitoring of overdue payments). IGF performs audits and controls of regularity to ensure that the payment is supported by legally compliant commitment and verification. Assets are recorded in MPE (**inventory**) by sector procurement units (UGEAs).

D. Specific IFMIS issues and proposals for enhancement

32. **A more efficient use of e-SISTAFE to restore the expenditure chain and improve financial programming.** MEX should be upgraded to allow the allotment and requisition phases in particular.

E. Strengthening capacities

33. **The main challenge is to change users' practices, so the three main phases of the expenditure chain can be restored in e-SISTAFE when they are done.** This would require extensive training at various levels (e.g., spending units, supervisory bodies, and internal control) and clear manual of procedures.

34. **The skill levels of staff will be a key determinant in efforts to improve budget execution.** The authorities agree that there is an overall skills deficit in UGEs about budget execution processes. In this regard, training should cover not only new IT functionalities, but also an explanation of budget execution functions and processes, flows of information, and basic principles in restoring the expenditure chain and preparing cash flow forecasts. For instance, UGEs should be trained to make appropriate use of the quarterly allotment or commitment ceilings and do not pretend cash payments would follow within four days, as nowadays.

35. **Training and seminars should also be organized for suppliers.** The commitment note issued by e-SISTAFE should start being used to provide suppliers with a certificate or proof of future payment. Suppliers should be trained to stop requesting payments prior to the delivery of goods and services, and to only deliver them after commitments are made in the system.

36. **Because of the changes in roles and responsibilities in the expenditure process,** specific and intensive training should also be provided to the Budget Directorate of the MEF and the National Treasury on the revised core functions.

37. **Segregation of duties at budget unit level is clearly defined but not yet effective in practice.** Behavior of staff and appropriation of rules and principles remains a concern. Any user of e-SISTAFE is requested by a permanent message to avoid using the password of any colleague. The simultaneous registration of Commitment, Verification and Payment is made possible insofar a single agent can use password and e-profile of the committing officer (*agente de cabimentação*), the verification officer (*agente de liquidação*), and the compliance officer (*agent de control interno*). Staff are also used to maintain parallel records.

38. **Some improvements should be done to the infrastructure which supports e-SISTAFE to ensure that spending units can have regular access from their local offices.**

When access to the system is temporary lost, the agents involved in the budget execution process must travel to another UGE to record their transactions in e-SISTAFE. For practical reasons, this might end up in all three expenditure phases being recorded simultaneously.

F. Action plan for restoring the expenditure chain

Background

The phases of the expenditure currently are recorded simultaneously, which is not compliant with the fiscal law. There is little information and control over commitments, expenditure, and arrears.

Key measures

- Review/complete the regulatory framework needed to restore the expenditure chain;[14]
- Set quarterly allotments or ceilings for commitments, based on revenue forecasts;
- Immediately restore the commitment and verification phases in e-SISTAFE;
- Make the use of the commitment note mandatory;
- Raise awareness through seminars on the need to restore the normal expenditure process;
- Gradually enforce the commitment control, starting from the UGEs at central level, with support from IGF and TA.

Institutional arrangements

The National Directorate of Treasury will need to coordinate with CEDSIF to ensure availability of support and ensure the implementation process goes smoothly. The Budget Directorate, the UGEs and the IGF/TA should contribute to this process.

Risks and mitigation measures

The restoration of the expenditure phases will require extensive capacity development. While the chain of the expenditure is being reestablished in the system, information on commitments and verifications should be manually submitted by the UGBs to the accounting directorate (DNCP) and reported in fiscal reports. Communicating to the private sector is important to bring the awareness on how important the effective control of public expenditure is.

[14] The initial Budget Execution Manual developed after the adoption of the SISTAFE Law included chapters on financial programming and the administrative procedures for the different phases of the expenditure chain, including apportionment, commitment and verifications. These chapters should be reintroduced.

Table2. Schedule for restoring the expenditure chain

Action	Deadline	Technical Assistance
Action 1: Issue the decree to instore the apportionment phase with quarterly commitment ceilings, and make real-time recording of commitment and verification of expenditures mandatory for all units operating within the e-SISTAFE	By October 2018	X
Action 2: Make the necessary changes in e-SISTAFE (MEX) to support the revised expenditure process	By October 2018	X
Action 3: Training on revised budget execution processes	From November 2018 - Continuous	X
Action 4: Make mandatory the commitment note issued by e-SISTAFE and inform suppliers	By end 2018	
Action 5: Set quarterly allotments/ceilings for commitments for the implementation of the 2019 budget	From January 2019	
Action 6: UGEs record commitments in e-SISTAFE upon contracting	From January 2019	
Action 7: UGEs record verifications in e-SISTAFE upon receiving suppliers' invoices, per legal provisions set in SISTAFE Law	From January 2019	
Action 8: Strengthen internal audit to control that expenditure chain is effectively restored	From March 2019 Continuous	
Action 9: Implement commitment control pilots in a selected set of UGBs: in some provinces in all provinces	 From June 2019 From January 2020	
Action 10: Revise the budget execution manual to restore the expenditure chain as legally defined in SISTAFE law	By end 2019	X
Action 11: Continue to develop MPE and extend its use	2019 - 2020	

II. IMPROVING FINANCIAL PROGRAMMING

A. Objectives of financial programming

39. Financial programming is a key enabler of orderly execution of the budget. The objective of cash management is to ensure that the government has sufficient liquidity at all times to pay obligations as they fall due, without the need to ration cash (and thereby interrupt predictable execution of the budget) and without accumulating arrears. Whatever the level of revenue, there are times during the year when there are mismatches between cash inflows and cash outflows, resulting in short-term cash surpluses or, more problematically for budget execution, short-term cash deficits. Cash planning facilitates pro-active management of the cash balance, to eliminate (or mitigate) temporary cash deficits. Banking arrangements that centralize the government's liquidity within the treasury single account (CUT) are critical for optimizing liquidity by reducing the possibility of idle cash.

B. Main issues in Mozambique

40. The principal tools for cash planning have been the "cash budget" and the "cash plan". At the start of the fiscal year, the Treasury prepares the cash budget, which decomposes the approved budget by month. It is a largely "static" document as it undergoes no other amendments during the year, than changes in revenue forecasts. In addition, each month the Treasury prepares the cash plan, which is a cash flow projection for the coming month, broken down by week. It incorporates recent information on revenue receipts, the requirements of the executing units reported in e-SISTAFE, and new information from sectors. These plans, which are passed to the Bank of Mozambique, are discussed at a weekly meeting chaired by the Minister at which decisions are made on the financial quotas to be released to UGEs in the week ahead.

41. The cash budget and the cash plan are important tools, but they have weaknesses. The cash budget is a largely static document and undergoes few amendments during the year, unless there are material changes in revenue forecasts. The short forecast horizon of the cash plan limits its usefulness as a tool for anticipating likely or possible cash deficits that may occur several months later in the fiscal year, so that action may be taken, well in advance, to correct those deficits through short-term debt issuance or, if necessary, to adjust expenditure execution in an orderly manner. Moreover, large variances between forecasts and actual outturns are not systematically investigated to determine whether they reflect unexpected timing differences or are more permanent in nature.

42. The cash budget and the cash plan have been, in practice, a cash rationing tool, not a cash management tool. The monthly cash plans are not unconstrained forecasts. The revenue component is an exception; it is based on an updated projection from the revenue administration. The expenditure data, however, are functioning as requests from UGEs for release of authority; they are not forecasts. The Treasury then decides how much to release depending on the expected adequacy of the cash reserves. Although this arrangement works to manage the risk of a cash shortfall, it places the Treasury in the position of taking decisions on which expenditure to hold back or delay—a responsibility more appropriately of budget management authorities. The current practice also reduces the incentive for UGEs to plan their financial operations, and it risks creating unnecessary arrears or supply disruption.

43. The Treasury does not currently actively manage the government's aggregate cash balance. It does not borrow or lend in the money market to maintain a steady balance in the CUT. The government is able to borrow short-term on an occasional basis when it forecasts an emerging cash flow constraint, but it does so by accepting liability for some of the treasury bills issued by the Bank of Mozambique for monetary policy purposes.

44. Progress continues to be made in rationalizing the government's banking arrangements. Those arrangements are built around a main account at the Bank of Mozambique, the CUT, with links to other accounts at both the central bank and commercial banks. Delays in sweeping balances in transit and other accounts into the CUT reduce the efficiency of cash management. In many cases, this does not occur until the end of the month, but the Treasury monitors the accounts and may request that larger sums be swept more promptly.[15] Liquidity lying outside the CUT—especially problematic when outside the central bank in commercial banks—is being reduced through the ongoing closure of inactive or unnecessary accounts. Importantly, in February 2018, Ministerial Diploma 23/2018 was issued to reinforce management of the government's banking accounts, including ensuring that Treasury is a co-signatory for any accounts operated by execution units and is able to obtain, without hindrance, information on activity in those accounts.

C. Defining the new process

45. Under this strategy, the Treasury will adopt a pro-active approach to ensuring that the government has sufficient liquidity to execute the budget as planned. Restricting budget execution—in other words, cash rationing—should come in last resort, not first, once other measures to accommodate short-term mismatches in cash inflows and outflows have been exhausted. This would involve adjusting dynamically the volume of short-term financing that the government obtains through treasury bill issuance. Issuance would be augmented (beyond what was originally programmed) during periods when the cash balance would otherwise fall into deficit and, conversely, would be reduced during periods when the cash balance would otherwise be unduly excessive.

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[15] One source of delay is revenue awaiting classification, linking the taxpayer's deposit to the relevant tax. The cumulative balances may at times be substantial. Nonetheless, in principle there need not be any delay in transferring such revenue to the CUT, as classifying and recording the revenue can be independent of the movement of cash into the CUT.

46. Under this pro-active approach, good financial programming becomes essential. Cash flow forecasts are necessary for devising strategies to smooth the cash flow profile and, thus, the profile of liquidity at hand. Given that it may not be possible in practice to manage fluctuations in the cash balance entirely through dynamic issuance of treasury bills, cash flow forecasting can contribute to making cash rationing less disruptive. By planning ahead, budget management authorities would be able to make more informed decisions as to which spending—sector versus sector, and within each sector—to constrain and which to allow to proceed and thereby better protect overall budgetary priorities.

47. To be useful for informing decision-making, the cash plans would need to have several characteristics. The provisions in Law 09/2002 establishing the public financial management system and also in Ministerial Diploma 169/2007[16] are consistent with this strategy.

48. The forecast horizon must be sufficiently long and the timestep short. The horizon would extend out a minimum of six months and ideally 12 months (or longer). As each month passes, the plans would be extended out another month, including into the next fiscal year. The plans would be of expected cash flows per week out at least three months and per month beyond three months. A weekly timestep out six months, however, would be preferable.

49. The cash plans must be reliable. The Treasury should prepare them, using both top-down and bottom-up information. Many cash flows are likely to have a regular monthly pattern (such as payment of salaries and pensions, as well as transfers to lower levels of government or statutory agencies outside the budget) or are already known by the Treasury (such as debt service). The Treasury should hence be able to forecast those flows without active input from UGEs. Other cash flows are more volatile (such as payments for some goods and services, as well as capital spending). To estimate those flows, the Treasury depends on data from UGEs, as they are best placed to know when flows are likely to, and optimally will, occur. To that end, the Treasury need to maintain network of contacts, both voice and electronic, at the technical level, with the main revenue and spending entities, which it may call on both to develop the cash plans and to monitor actual flows. It should not be dependent solely on formal information-exchange mechanisms to obtain the necessary data.

50. The cash plans must be updated frequently. Updates should take place at least monthly, but fortnightly or even weekly would be preferable. In addition, the Treasury must always be able to know the precise timing of any major cash flows. To that end, UGEs could be required to provide advance notification of at least a week of individual payments that exceed a certain (high) threshold value. In addition, the cash budget should be updated on a quarterly basis as the fiscal year progresses.

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[16] Ministerial Diploma 169/2007 approved the first Budget Execution Manual under SISTAFE law. Further updates of this manual are not consistent with this strategy for restoring the expenditure chain and improving financial programing.

51. Variances between forecasts and actual outturns should be investigated with executing units. It is critical to determine as soon as possible whether divergences from the forecasts are only temporary and will correct themselves in the periods ahead. If variances arise from more permanent shocks, however, a policy response is required, and decisions as to reducing expenditure, raising revenue, or tolerating a higher fiscal deficit are taken by budget management authorities. The emphasis should be on variances that exceed a nominal threshold value (regardless of their size in percentage terms), as they are the ones most disruptive to a predictable profile for government's liquidity and to orderly execution of the budget. Variances that exceed a percentage threshold, however, should also be discussed with UGEs, as they may point to weaknesses in their financial and operational management capacities.

52. It is not necessary to prepare the cash plans within e-SISTAFE; an Excel-based spreadsheet model is sufficient. It is not necessary the cash plans be of accounting quality or exhaustively cover all UGEs or all budget line items; what matters is that they capture the flows that are most material, in terms of size, variability, and unpredictability. It is likely that a modest number of UGEs, as well as only a few budget line items, account for over 80 percent of all flows. Other flows can be accounted for in the model based on uncomplicated assumptions. Moreover, the data can be easily manipulated in Excel to explore different scenarios. To obtain the necessary bottom-up inputs for the model—in contrast to those flows estimated using a top-down approach—the Treasury needs to be able to extract from e-SISTAFE data that UGEs have loaded in respect of commitments recorded in real time. These data from e-SISTAFE could be compared with data supplied by UGEs using a uniform Excel-based collection template periodically circulated by the Treasury. All cash plans need to be retained, not just overridden with each update, to allow analysis of forecast performance.

53. Full implementation of a pro-active approach to managing the government's liquidity would be likely to happen gradually, as it would depend on factors beyond just good financial planning. There would need to be strong coordination at both the operational and the strategic policy level between cash management and debt management. The domestic financial market would need to be able to accommodate a more variable profile of treasury bill issuance in terms of volumes and tenors. There may also be consequences for the implementation of monetary policy, so periodic consultation with the Bank of Mozambique would be important. Likewise, maintaining a larger cash buffer within the CUT so as to absorb temporary shocks would help to facilitate orderly execution of the budget. Importantly, the "reaction lag" for determining the appropriate policy response when cash flow shocks are likely to be permanent needs to be short, so there must be in place a mechanism for altering budget management authorities of those shocks.

Table 3. Main features of the revised financial programming process

Task	Action	Responsibility[17]	Flows of Information
Preparation of cash budget (annually)	Annual cash budget is prepared, as per current practice	Treasury	Data from e-SISTAFE; estimates by the Treasury in consultation with Revenue Authority, larger spending units and other relevant counterparts
Update of cash budget (quarterly)	Cash budget is updated for the remainder of the fiscal year, taking account of actual outturns to-date and revised estimates of expenditure and revenue	Treasury	Data from e-SISTAFE; top-down estimates prepared by the Treasury; bottom-up estimates prepared by UGEs for goods, services, and capital spending
Preparation of cash plan (at least monthly)	Cash plan is prepared, with a horizon of at least six (ideally, 12) months and a weekly timestep out at least three (ideally, six) months and a monthly timestep thereafter	Treasury	
Analysis of variances between forecasts and outturns (at least monthly)	Variances that exceed a nominal threshold are systematically investigated to determine whether they are temporary or permanent	Treasury and UGEs	Previous cash plan(s); data downloaded from e-SISTAFE; other information from UGEs
	Variances that exceed a percentage value are examined	Treasury and UGEs	
	Permanent cash flow shocks are raised with budget management authorities for their consideration	Treasury, UGEs, and Budget	Previous cash plan(s); data from e-SISTAFE; analyses by Treasury; other data from UGEs
Update of cash plans (at least monthly)	Cash plan is updated and extended another month (including into the following fiscal year, when necessary), taking account of actual outturns to-date and revised estimates of expenditure and revenue	Treasury	Previous cash plan(s); data from e-SISTAFE; top-down estimates prepared by the Treasury; bottom-up estimates prepared by UGEs for goods, services, and capital spending
Notification of large payments (weekly)	Treasury is notified of all individual payments that exceed a threshold value	UGEs	Payment orders prepared by UGEs
Management of cash balance (at least monthly)	Volumes and tenors of treasury bill issuance are adjusted in order to smooth the aggregate cash balance, consistent with market conditions and monetary policy considerations	Treasury	Cash plan; information on market conditions; consultation with the Bank of Mozambique

[17] In this table, UGEs refers to the largest UGEs that collectively account for over 80 percent of all expenditure and revenue.

D. Specific IFMIS issues and proposals for enhancement

54. **Systems development and enhancement requirements are likely to be modest.** No new modules in e-SISTAFE need to be developed to enable better financial programming. Some work may be needed to enable the Treasury to easily extract data from e-SISTAFE for the purpose of populating the cash planning model and analyzing variances between forecasts and actual outturns.

E. Strengthening capacities

55. **Capacity will need to be strengthened within the Treasury and within the UGEs that account for the largest share of expenditure.** Within the Treasury, capacity-building should focus on (i) developing the cash planning model; (ii) developing a uniform template for collecting data from UGEs; (iii) drafting guidance for UGEs; (iv) preparing top-down estimates for the model; and (v) analyzing variances in order to improve the quality of forecasts. Within UGEs, capacity-building should focus on (i) implementing the guidance from the Treasury; (ii) improving the quality of forecasts of cash flows for goods and services, as well as for capital expenditure; and (iii) analyzing variances in order to improve the quality of forecasts.

56. **DfID is prepared to support the authorities in strengthening financial programming.** To that end, the terms of reference for technical assistance to be provided by external consultants have been developed in collaboration with the authorities. Further discussions would be needed after this mission to make these terms of reference fully consistent with the new framework, and set reasonable coverage and timeframe.

F. Action plan for improving financial programming

57. **The action plan is summarized in Table 4.**

Table4. Schedule for improving financial programming

Action[18]	Deadline	Technical Assistance
Action 1: Prepare a circular (or other guidance note) describing the new approach to financial programming and outlining the responsibilities of the Treasury, other units of the MEF, and UGEs	October 2018	X
Action 2: Develop a uniform template for collecting cash flow forecasts from UGEs for goods, services, and capital spending	November 2018	X
Action 3: Develop an Excel-based cash planning model for compiling top-down estimates prepared by the Treasury and bottom-up estimates supplied by UGEs	November 2018	X
Action 4: Develop reports for analyzing variances between cash flow forecasts and actual outturns	November 2018	X
Action 5: Develop any necessary report-generation or data-extraction functionality in e-SISTAFE to support the new approach to financial programming	December 2018	X
Action 6: Train UGEs in preparing cash flow estimates	December 2018 Continuous	X
Action 7: Train the Treasury in preparing cash flow estimates and in operationalizing the new approach to financial programming	December 2018 Continuous	X
Action 8: Roll out the new approach to financial programming	Ongoing, starting January 2019	

[18] In this table, UGEs refers to the largest UGEs that collectively account for over 80 percent of all expenditure and revenue.