

TECHNICAL & FINANCIAL FILE

STRENGTHENING OF THE BUDGETARY AND FINANCIAL
MANAGEMENT PROCESSES AT THE ADMINISTRATION AND
FINANCE DEPARTMENT OF THE MINISTRY OF HEALTH OF
MOZAMBIQUE

MOZAMBIQUE

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ABBREVIATIONS

This is a list of abbreviations used in the document.

AIDS	Acquired Immune Deficiency Syndrome Síndrome de Imunodeficiência Adquirida
BM	Bank of Mozambique Banco de Moçambique
BTC	Belgian Development Agency Cooperação Técnica Belga
CBO	Community-Based Organizations Organizações de Base Comunitárias
CF	Common Fund Fundo Comum
CUT	Single Treasury Account Conta Única do Tesouro
CDRS	Sanitary Regional Development Centre Centro Regional de Desenvolvimento Sanitário
CNCS	National Conselho Nacional de combate ao HIV/AIDS
CMAM	Central Store of Medicines and Medical Articles Central de Medicamentos e Artigos Médicos
DF	Department of Finance of DAF (Ministry of Health) Departamento das Finanças do DAF (Ministério da Saúde)
DAF	Department of Administration and Finance Departamento de Administração e Finanças
DPPF	Provincial Directorate of Planning and Finance Direcção Provincial do Plano e Finanças
DPS	Provincial Directorate of Health Direcção Provincial da Saúde
e-SISTAFE	Integrated System for State Financial Administration (IT application) Plataforma electrónica para a Administração Financeira do Estado
GBS	General Budget Support Orçamento Geral do Estado
GDP	Gross Domestic Product Produto Interno Bruto
GBTNA	Gender Based Training Needs Assessment Avaliação das necessidades de Formação baseadas no Género;
HIPC	Heavily Indebted Poor Countries Países Pobres Altamente Endividados
HR	Human Resources Recursos Humanos
IMF	International Monetary Fund Fundo Monetário Internacional

JLCB	Joint Local Consultative Body Estrutura Mista de Consultação Local
MDG's	Millennium Development Goals Objetivos de Desenvolvimento do Milénio
MdF	Ministry of Finance Ministério das Finanças
MoH	Ministry of Health Ministério da Saúde
MoU	Memorandum of Understanding Memorando de Entendimento
MTEF	Medium Term Expenditure Framework Cenário Fiscal de Médio Prazo
MPD	Ministry of Planning and Development Ministério da Planificação e Desenvolvimento
MZM	Metical (New Mozambican Metical) Meticais (Metical da Nova Família)
NGO	Non Government Organization Organizações Não-Governamentais
OECD	Organization for Economic Co-operation and Development Organização para a Cooperação Económica e Desenvolvimento
ODA	Official Development Assistance Ajuda Oficial ao Desenvolvimento
PAP	Programme Aid Partnership Parceiros de Apoio Programático
PARPA	Poverty Reduction Action Plan Plano de Acção para a Redução da Pobreza Absoluta
PESS	Strategic Plan of Health Sector Plano Estratégico do Sector da Saúde
PES	Economic and Social Plan Plano Económico e Social
PEFA	Public Expenditure Financial Accountability Despesa Publica e Contabilidade Financeira
PEN	National Strategic Plan against HIV/AIDS Plano Estratégico Nacional de Combate ao HIV/SIDA
PFM	Public Financial Management Gestão de Finanças Públicas
SBS	Sector Budget Support Apoio Orçamental do Sector
SC	Steering Committee Comité de Coordenação (Estrutura Mista de Coordenação Local)
SCP	Public Accounting Subsystem Subsistema de Contabilidade Pública
SCI	Internal Control Subsystem Subsistema de Controlo Interno
SOE	State Budget Subsystem Subsistema do Orçamento do Estado
SPE	State Patrimony Subsystem

STP	Subsistema do Patrimonio do Estado Public Treasury Subsystem
SWAp	Subsistema do Tesouro Público Sector Wide Approach
TFF	Programa de Abordagem dos Sectores Technical and Financial File
UGEA	Ficheiro Técnico e Financeiro Procurement Management Unit (sector or institutional level)
UTRAFE	Unidade Gestora e Executora de Aquisições Technical Unit for State Financial Administration Reform Unidade Técnica de Reforma da Administração Financeira do Estado

EXECUTIVE SUMMARY

The Governments of Belgium and of Mozambique (GoM) agreed to support Public Finance Management (PFM) in the Health Sector to strengthen the budgeting and financial management processes of the Finance Department of the Health Ministry.

This support is in line with PARPA, the GoM Poverty Reduction Strategy, which is aligned with the Government Five-Year Plan, the key political medium-term programming instrument. Two main objectives are reflected in the strategy: to decrease the incidence of poverty from 54% in 2003 to 45% in 2009 and to promote fast, sustainable and broad based growth that is expected to be achieved under three pillars (governance, human capital and economic development).

The current sector strategic Plan - PESS II (or *Plano Estrategico do Sector de Saude* – covers the period 2007-2012, focuses in two main areas: the improvement of the health status of the population and the provision of quality health services, and on strengthening the capacity of the sector for service delivery.

At national level a long term PFM vision has been developed addressing also the issue of responsibilities of Ministry of Finances (MoF) and of the line ministries. A number of national Reform Programmes that are being implemented in all government units (including in the Health Sector) such as: Reform in budgeting (with the introduction of program budgeting); e-SISTAFE (national integrated financial management information system for budgeting, budget execution, treasury and accounting); Implementation of the new procurement legislation; and Implementation of the new legislation on internal control and internal audit.

Over the last years, the health sector budget has gradually increased in nominal terms, and as a percentage of GDP and the total budget. Public Finance Management is considered as a challenge, mainly because the sector has to deal with different financing sources: the State Budget, Sector Own Revenues and Programmatic Aid. The Health Sector has the highest array of donor arrangements and donor external financing. This fragmentation places heavy strains on the system, creating significant weaknesses in the quality of financial management and procurement systems. In recent years there have been some efforts to channel more of these funds through national systems, but the advent of vertical funds is again a challenge.

Public Financial Management is a cross cutting issue that will allow public sector reform in Mozambique to advance and increase the levels of budget preparation, execution and reporting. The PFM strategy in the country is based on the development of e-SISTAFE and its extension to all public institutions and at all geographic levels. This project is fully aligned with this strategy.

The project supported by Belgium aims to improve the financial management capacities of the health sector at central and provincial level with the strengthening via the extension and the deepening of e-SISTAFE. Expected results will include Extension of the use of Direct Budget Execution modality; improve the level and quality of the sector financial management; and improve the implementation of the “Consolidated Action Plan”.

The project aims to support the sector on central and decentralized levels (national, province and district). With a direct focus on selected actors (namely health sector subordinated institutions and selected provincial\central hospitals), some activities are going to be implemented at the provincial level.

The General Objective of the project is to: *“Strengthen the budgeting and financial management processes of the Finance Department of the Health Ministry”*. The Specific Objective is: to *“Strengthen the financial management capacities of the health sector at central and provincial level via the extension and the deepening of e-SISTAFE.”*

The Belgian contribution will be used to finance training and capacity building activities of the project, either delivered by UTRAFE staff or by private companies (after respective procurement process) to ensure the achievement of the following results: Extension of the use of Direct Budget Execution modality; Improve the level and quality of the sector financial management; and Improve the implementation of the “Consolidated Action Plan”.

The direct beneficiaries of the equipment and the training will be the users (staff) of the institutions. By making funds available directly to these executing units their management capacity and response level will increase. The Ministry of Health (MoH) is also a direct beneficiary as its administrative burden will reduce and it’s reporting capacity will increase and the population in general should benefit indirectly through a better functioning Public Health Sector.

Human resources at the representation level in Mozambique and at headquarters level in Brussels will be used to monitor and follow up on the project. The DAF in MoH is committed to add any extra human resources needed for the successful implementation of the project. IT-materials and communication facilities will be made available to the subordinated institutions of MoH at central level and to the hospital at provincial level.

The total budget available for the projects is of € one million for a period of 18 months. The Mozambican contribution for the project will be given in human resources and tax exemptions for project operations.

ANALYTICAL RECORD OF THE INTERVENTION

DGDC Intervention Number	3008384
Navision Code BTC	MOZ 09 019 01
Partner Institution	MISAU (Ministry of Health- MoH)
Duration of Specific Agreement	30 Months
Estimated Starting Date of Intervention	01/01/2011
Partner's Contribution	Human Resources and Logistics
Belgian's Contribution	Euro 1.000.000,00
Intervention sectors	Budgeting and Financial Management
Overall Objective	Strengthen the budgeting and financial management processes of the Finance Department of the Health Ministry.
Specific Objective	The financial management capacities of the health sector at central and provincial level are strengthened via the extension and the deepening of e-SISTAFE.
Results	<p>Results I: Extension of the use of Direct Budget Execution modality;</p> <p>Results II: Improve the level and quality of the sector financial management;</p> <p>Results III: Improve the implementation of the "Consolidated Action Plan"</p>

1. Analysis of the situation- Context

1.1. Reference to national policy of the partner country

1.1.1. Poverty Reduction Strategy- PARPA

PARPA is the GoM Poverty Reduction Strategy; it's the second national strategy document covering 2005 to 2009 and is aligned with the Government Five-Year Plan, the key political medium-term programming instrument. Two main objectives are reflected in the strategy:

- (i) to decrease the incidence of poverty from 54% in 2003 to 45% in 2009 and
- (ii) to promote fast, sustainable and broad based growth that is expected to be achieved under three pillars (governance, human capital and economic development).

Implementation is annually reviewed through the Joint Reviews mechanism. Consistent improvement in the implementation of the PARPA took place over time, as evidenced by the positive assessments of the last joint review exercises. However challenges remain at several levels. Health is part of the Human Capital pillar of the strategy, a pillar that reported mixed performance in the last JR, as it met the targets for only four out of ten indicators agreed upon. There is need for improved statistics, which should include up-to-date and reliable data which the PARPA and GoM performance reviews can be based upon.

1.1.2. Health Sector Strategic Plan -PESS

The first Sector Wide Health Strategic Plan - the PESS I (or *Plano Estrategico do Sector de Saude* – Health Sector Strategic Plan) - covered a five year period, 2001 to 2005, and put the accent on moving from crisis management to a SWAp, at a time when there was increasing pressure on the system as a result of human resources drains, the challenges of institutional reform and HIV and AIDS and other endemic diseases. The PESS I built on priorities identified by the Government in its PARPA I and in the PES. It aimed at taking the sector beyond reconstruction planning to strategic growth and development, by focusing on internal reorganization and institutional development within the health sector to address issues such as decentralisation, separation of financing and delivery functions, and provincial capacity building in planning and budgeting. It was broadly regarded as an important document but without a sufficient level of detail and analysis to guide priority setting and accountability. Its focus was on improving the quality of health services for the poor, strengthening the pharmaceutical sector, advocacy for health, improving financing and supporting institutional capacity building (in particular in the areas of policy analysis, planning, management and systems administration).

The drafting of a new PESS started in 2005. PESS II – with another 5 year window (2007-2012) – continues the same line of thinking of the first PESS. Its overall focus is on two main areas:

- a) the improvement of the health status of the population and the provision of quality health services, and
- b) on strengthening the capacity of the sector for service delivery.

A total of 20 overall objectives are identified in the document under these two broad headings. For each of these objectives the main strategies and targets are identified. The PESS guides the sector – it indicates direction, objectives and strategies. It also aims at

ensuring that provincial and district levels articulate the means by which these objectives and strategies can be achieved.

The PESS constitutes a tool for monitoring the achievement of targets and indicators. Expected outcomes from the PESS include: Increased access to health services, Consolidation of the Public Health Care (PHC) approach and integrated service delivery, strengthened referral system and continuity of care, Improved quality of services delivered at all levels, improved functioning and performance of health care facilities at all levels of care, guaranteed, adequate and early response to emergencies and epidemics, strengthened community participation approach, promotion of a collaborative approach with other health providers and improved inter-sectoral collaboration.

While the drafting process for the first PESS was very participatory, this has been less the case for PESS II which has been developed largely through an internal process. There are various degrees of reservation among external stakeholders around the PESS II which has been criticized for being too detailed, and for lacking clarity on strategic priorities and choices. The PESS II is also seen as not linking sufficiently with other key strategic documents in the sector such as the recently launched (and ambitious) Human Resource Plan (MoH, 2008), the HIV and AIDS Strategy and Plan, the Multiyear EPI plan. There is concern too that the Plan does not take the financial requirements to meet the MDGs sufficiently into account. Development Partners have been debating about the need to develop a unique plan which brings the different sub plans together and on ways to make this work more efficient and more operational. However, a clear solution has yet to emerge.

In addition, PESS II, which is supposed to guide resource allocation, is too broad and not sufficiently prioritized. It is not a significant improvement on PESS I. It's costing was an important step forward; however it revealed a large shortfall in funding. A problem exacerbated by fragmentation of planning documents.

The MoH has the will to implement the PESS and thanks to sector dialogue structure this is an area where implementation is progressing. The performance is partially satisfactory and the trend shows an area with ongoing improvements.

1.2. Public Financial Management Context

PFM in Mozambique has been subject to regular diagnostic reviews. The most important recent reviews were the PEFA assessments undertaken in 2006 and 2008. These show that significant progress has been made, but that there remain significant weaknesses.

Other relevant assessments have been: IMF ROSC (2008), Country Procurement Assessment Review (2008) and the WB assessment of national systems (to assess the extent to which WB projects can make use of national budget, treasury and procurement systems for their execution).

In addition Tribunal Administrativo (Mozambique's Supreme Audit Institution) produces an annual report on the accounts, which also includes summarized findings of all the audits it has executed over the past year.

PFM has been receiving considerable external support at national level, through the SISTAFE Common Fund (general PFM reform and development of an IFMIS2), and through other common funds and bilateral support programs in support of revenue administration reform, internal and external audit and procurement. Funding occurs mainly via the MoF

and its agencies. At the same time, individual sectors have also received support, particularly those that receive budget support (or basket funding).

At national level a PFM Vision is under development. This should define the longer term vision for PFM and should also address what are the responsibilities of the MoF and the line ministries in this. There are a number of national PFM Reform Programmes that are being implemented in all government units, including in the Health Sector.

Some of these relevant reform programs are:

- Reform in budgeting (with the introduction of program budgeting);
- e-SISTAFE (national integrated financial management information system for budgeting, budget execution, treasury and accounting);
- Implementation of the new procurement legislation; and
- Implementation of the new legislation on internal control and internal audit.

1.3. Public Finance Management in the health sector

The Health sector budget has been following an upward trend, in nominal terms, and as a percentage of GDP and the total budget. This budget includes some funding for HIV/AIDS – although without a programmatic classifier it is difficult to say how much this represents specifically. However, the majority of external funding for HIV/AIDS goes directly to the National AIDS Council or is managed by the donor and is not reflected in the budget below. A major increase of the budget took place in 2007, which can be explained mainly by the increase of funds available to the Ministry of Health at central level as well as by moving funds and other projects on budget).

Table 1: Evolution of the Total Health Budget Over Time

Description (Sector \ Institutions)	CGE	CGE	CGE	State Budget (OE)	State Budget
	2005	2006	2007	2008	2009
	Total Expenditure	Total Expenditure	Total Expenditure	Total Expenditure	Total Expenditure
HEALTH	4,683,391	5,838,999	7,215,081	10,207,398	17,151,413
Health System	4,329,396	5,351,096	6,832,680	9,569,672	16,560,518
Ministry of Health	2,923,644	3,613,625	4,721,663	6,252,483	13,000,747
Provincial Directorate of Health	1,100,472	1,362,958	1,647,053	2,214,185	2,468,958
Provincial Hospitals	0	0	0	217,138	218,315
General Hospitals	0	0	0	126,516	63,914
General Hospitals	0	0	0	0	50,243
Central Hospital of Maputo	197,861	244,173	319,176	502,914	541,581
Other Central Hospitals	107,419	130,340	144,788	235,468	169,623
Psychiatric Hospital	0	0	0	20,968	22,590
General Hospitals	0	0	0	0	24,547
HIV/AIDS	353,995	487,903	382,401	637,726	590,895
National Council to Combat HIV/AIDS	353,995	487,903	382,401	637,726	590,895

Million of MT

The PFM Management in the health sector is generally considered as particularly challenging, mainly because the sector has to deal with many different financing sources: the State Budget, Sector Own Revenues and Programmatic Aid. Currently the sector operates under three different common funds, each with its own rules, however, gradually they are moving towards sector budget support, and other external vertical funds (with varying degree of Government control and execution).

The Health Sector is the sector with the highest array of donor arrangements and donor external financing. This fragmentation places heavy strains on the system, creating significant weaknesses in the quality of financial management and procurement systems. In

recent years there have been some efforts to channel more of these funds through national systems, but the advent of vertical funds is again a challenge.

A number of assessments of the PFM System have been undertaken in recent years. These assessments are usually carried out in the framework of donor financing arrangements, principally (i) donor common funds (PROSAUDE) and (ii) vertical funds such as the Global Fund to Fight AIDS, Tuberculosis and Malaria.

Financial audits of the common funds accounts are undertaken annually by an external auditor (Ernst & Young). The management letters of these audits generally contain an assessment of internal control and compliance issues. Particularly, the 2005 accounts audit was quite negative on the internal control and management provisions at the MoH. In response to this report, an action plan was agreed upon with the donors (and in particular with GF). This action plan contains a number of measures on accounting and procurement that the sector is gradually implementing. This action plan is regularly monitored by Deloitte (financed by GF). In addition MoH is of course also subject to audits by the Internal Audit Unit of the Ministry of Finance (IGF) and to external audits by the Supreme Audit Institution (Tribunal Administrativo). In recent years IGF has focused more on procurement issues and on decentralized units (provinces).

The new sectoral budget support MoU foresees an Annual PFM assessment. This is equivalent to the general PFM assessment foreseen under the General Budget Support MoU, but of course focuses specifically on the Health Sector. A baseline assessment was undertaken in 08\09 and followed an approach which was inspired by the PEFA methodology, adapted to the sector-specific issues. The assessment identified significant weaknesses, both relative to international benchmarks and in relation to the performance of the overall PFM system in Mozambique. Nevertheless, there are signs that improvements are being achieved. Moreover, with the right level of management attention and monitoring and an appropriate deployment of technical support, many of the identified weaknesses could be addressed over the short term (one to two years).

Table 2: Summary of ranking of Health PFM & Procurement Systems, 2008

Indicators		D	C	B	A
A. PFM OUT-TURNS: Credibility of the Budget					
S - 1	Health Sector expenditure out-turn compared to original approved budget				
S - 2	Composition of sector expenditure compared to approved budget				
S - 3	Aggregate health sector user fee collections compared to original approved budget				
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness & Transparency					
S - 5	Classification of the Health Sector budget				
S - 7	Extent of unreported government operations in the Health Sector				
S - 8	Transparency of rules & procedures for Provincial & District Health budgeting				
S -10	Public access to key fiscal information on the health sector				
C. BUDGET CYCLE					
C(i) Policy-based Budgeting					
Sl-12	Multi-year perspective in planning & budgeting for the Health sector				
C(ii) Predictability & Control in Budget Execution					
Sl-13	Transparency of obligations and liabilities for health care user charges				
Sl-16	Predictability in availability of funds for commitment of health expenditures				
Sl-18	Effectiveness of payroll controls in the health sector				
Sl-19 a)	Quality assurance processes in Procurement of Pharmaceuticals				
Sl - 19b)	Price competitiveness in Procurement of Pharmaceuticals				
S - 19c)	Timeliness of Health sector Procurement processes				
Sl - 19d)	Competitiveness & Transparency in Health sector Procurement				
Sl - 19e)	Inventory management in the Health sector				
Sl-20	Effectiveness of internal controls for non-salary expenditure in the Health sector				
Sl-21	Effectiveness of Internal Audit in the Health sector				
C(iii) Accounting, Recording and Reporting					
S - 22	Timeliness and regularity of accounts reconciliation in the health sector				
Sl - 23	Availability of information on resources received by district health facilities				
Sl-24	Quality and timeliness of in-year budget reports for the health sector				
Sl-25	Quality and timeliness of annual financial statements for the health sector				
C(iv) External scrutiny and Audit					
Sl-26	Scope, nature and follow-up of External Audit in the Health sector				

An action plan to strengthen sector management has been prepared and agreed upon in 2009; it consolidates several assessments done at sector level (including recommendations from external audits and the recent PEFA inspired baseline assessment); the same action plan maps out the areas where action is needed to allow for the SBS to be fully implemented.

The diagnostic found that PFM remains weak in the Health Sector and is probably weaker than in many other sectors. It pointed out some particular weaknesses (links between

budgeting and planning, consistency in accounting, off-budget revenues, weak internal control and a general lack of internal audit, weakness in logistical management, incomplete application of procurement legislation, continued use of advance payments system where this can be avoided, etc.). The sectoral PFM Assessment Report was formally submitted to the MoH in March 2009 and after dialogue with partners it was agreed to develop one single 'Consolidated Action Plan' on how to deal with the recommendations made by the financial audits, the PEFA inspired diagnostic and many other studies performed in the sector.

The actions in the Consolidated Action Plan are going to improve the PFM situation and will also partially contribute to remedy to a situation underlined through the Public Expenditure and Financial Accountability (PEFA). The action plan is for example making reference to some PEFA indicators (see 3.3.3 results) as SI-3 and SI 24. Some of the actions¹ that are going to be supported by the project are directly related to the area of budget execution, accounting, report and audit which is one of the 5 parts of the consolidated action plan.

The two other parts that are going to be focussed on are the area of Human Resources² and the area of Audit and Internal Control³.

1.4. Health Sector

1.4.1. Legal and institutional framework

The health system in Mozambique is overseen by the Ministry of Health (MoH), through hospitals, centres and health posts. There exist three levels of organization for the sector namely central, provincial and district levels. In this context, the main legal instruments related to the distribution of competences within the State structure for the Ministry of Health are:

- Presidential Decree n° 11/95 of 29 December – Defines the objectives, attributions and competences of MoH;
- Ministry Diploma n° 94/97, of 22 October – Approves the Statute of MoH; and
- Law 8/2003, of 19 May (“LOLE”) – Establishes the principles and rules applicable to the organization, competences and functioning of local State bodies in the province, district, administrative post and locality.

These three instruments are herewith analyzed.

Presidential Decree n° 11/95 of 29 December – Defines the objectives, attributions and competences of MoH

This legal instrument establishes that MoH is the “Central State body which, according to the principles, objectives and tasks defined by the Government, is responsible for the

¹ Area of budget Execution, accounting, report and audit:

- Financial report is comprehensive, reliable and produced in timely manner : SI-24 of the assesment of the Finance Management and procurment in the sector;
- Strengthening of budgeting procedures and improvment of collection of user fees and other related “Receitas propias/ own revenues”: SI-3 of the assesment of the Finance Management and procurement in the sector.

² with the re-funcionality of the DAF' Financial Department

³ with the implementation of the recommandations made by audits and inspections

application of the Health Policy within the public, private and community spheres” and defines its objectives, which include, amongst others⁴:

- Promote and speed up the resolution of Health problems, through the conception and development of programs aimed at Health promotion and protection, as well as fighting diseases;
- Provide health care to population through the public Health sector;
- Formulate the pharmaceutical policy and oversee its execution according to general guidelines issued by the Government; and promote the development of adequate technologies for the Health Systems.

This instrument also provides that MoH carries out its activities within a number of activity areas⁵: Provision of Health care; Pharmaceuticals; Epidemiologic Research and Surveillance; Training; Environmental Hygiene; Health Surveillance and Control; Primary Health Care; and Labs.

For the undertaking of its tasks MoH is responsible for⁶:

- Managing the Health information system and supply to MPD and MF the necessary data for the National System of Statistical Information;
- Planning the balanced development of the National Health Network and the development of human resources according to its needs;
- Managing of human resources within the public Health sector;
- Manage funds received from the OE, “receitas consignadas” and funds received from the international community;
- Ensure the procurement for the National Health Sector; and
- Ensure maintenance of infrastructures, equipment and material.

Ministerial Diploma n° 94/97, 22 October – Approves MoH’s Statute

The previous MoH’s statutes were defined by the Ministry Diploma n° 35/85, of 14 August, but the changes in the country’s scenario have increased the sector’s responsibilities leading to the approval of new statutes by means of Ministry Diploma n° 94/97, 22 October. This new statutes attempted to fulfil the need to respond to the process of decentralization of services to lower government levels. This diploma establishes seven scopes of activity for MoH namely⁷: Health promotion and preservation; Prevention and treatment of diseases; Pharmaceutical area; Research; Organization and administration; Training; and Inspection.

These areas appear to contrast, though with no apparent negative impact, with the nine activity scopes defined by article 3^o of Decree 11/95. This document establishes MoH’s bodies include its central bodies, provincial directorates of health – including the Health Directorate of the City of Maputo – district directorates of health and directorates of each city. The same instrument refers that the structure and functions of each of these bodies are to be regulated by their respective statutes⁸.

This diploma establishes the structure of MoH’s central bodies which are subordinated to the Minister of Health and/or Secretary General, in issues under his competence or for which

⁴ Presidential Decree n° 11/95 of 29 December, Artº 2º

⁵ Idem, Artº 3º.

⁶ Idem, Artº 4º.

⁷ Diploma Ministerial n° 94/97, de 22 de Outubro, Artº 1º.

⁸ Idem, Artº 2º.

he has been appointed by the Minister to oversee the functions of each of these bodies and their respective subordinate institutions⁹. (see below organization chart of MoH).

MoH's statute establishes that the Ministry operates with the following collective bodies¹⁰

- The **Consultative Committee** (Conselho Consultivo) – which is formed by the Minister of Health, Deputy-Minister, Permanent Secretary (Secretário-Permanente), National Directors and any "other officials or institutions which the Ministry of Health deems appropriate to invite". The Conselho Consultivo meets on a weekly basis.
- The **Steering Committee** (Conselho Coordenador) – is comprised by the Ministry of Health, Deputy-Minister, Secretary-General, General-Inspectors, National Directors, Heads of Central Departments, Directors of Institutions Subordinate to Central Bodies, Health Provincial Directors, Provincial Medical-Chiefs (Médicos-Chefes), Directors of Central Hospitals, and other officials that the Ministry of Health deems appropriate to invite. The Conselho Coordenador meets once a year, in any location of the country.
- The **Hospital Committee** (Conselho Hospitalar) – is a collective body comprised by the Ministry of Health, Deputy-Minister, Secretary-General, National Directors, Heads of Medical Assistance Departments, Health Provincial Directors, and Provincial Médicos-Chefes, Directors of Central and Provincial Hospitals and other officials of the Ministry of Health which the Minister deems appropriate to invite. This collective body meets once a year in any location in the country.

This diploma establishes that permanent or transitory Committees may be created for consultative purposes or the study of specific issues. MoH also has "Juntas de Saúde", bodies which are responsible for the homologation of decisions or decision proposals related to health status of citizens. "Juntas de Saúde" are established at Central, Provincial and District levels and their composition, appointment, distribution of competences and tasks shall be addressed by means of an appropriate regulations approved by the Ministry of Health.

Law 8/2003, of 19 May ("LOLE") – Establishes the principles and rules for the organization, competences and function of local State bodies in the province, district, administrative post and locality.

Regarding MoH's bodies at sub national levels, namely, provincial, district, administrative post and locality this instrument defines their principles and rules for the organization, competences and functioning in the province, district, administrative post and locality.

Local State bodies represent the local administration and exercise competence of decision, execution and control within its respective jurisdictional area. These institutions ensure the undertaking of tasks and economic, social and cultural programs of local and national interests, respecting the Constitution, the deliberations of the Parliament (Assembleia da República) and the decision of the Council of Ministers (Conselho de Ministros) and higher level State bodies. It operates the same way for MoH's local bodies (provincial, district and locality) which exist as a guarantee for the relieving of central services and to bring public services closer to populations, contributing, thus, for more rapid and adequate decisions according to the local reality¹¹.

⁹ Idem, Artº 3º *et seq.*

¹⁰ Idem, Articles 11º – 17º.

¹¹ Law 8/2003, 19 May, Artº 2º.

Local State bodies shall observe the vertical integrated hierarchies¹² and their relationship with central bodies. In addition these bodies will make sure the principles of unity, hierarchy and institutional coordination¹³ are respected.

The authority of the central State authority at provincial level is represented by the Provincial Governor (Governador Provincial) and, amongst other, his competence includes¹⁴:

- Steer the Provincial Government;
- Supervise State administration services in the province;
- Coordinate the Governments' Program, PES and provincial OE's preparation, execution and control;
- Decide on issues related with provincial human resources;
- Create primary services provision units;
- And coordinate activities with provincial directors.

The Provincial Government, coordinated by the Governador Provincial, ensures the execution of the centrally defined government's policy and provincial directorates – including health provincial directorates – are part of its structure. The members of the Provincial Government and provincial directors are centrally defined. The appointment of provincial directors requires a favourable opinion by the “governador provincial” to whom they are subordinate, respecting at the same time the technical and methodological guidelines from central state bodies which supervise their respective sectors and fields of activity. In the context of the undertaking of its activities provincial directors are accountable to the Governador Provincial and must provide information to the Ministry of Health¹⁵.

Local MoH's State bodies shall operate and be structured accordingly to their respective statutes. In general, the model-statutes for provincial directorates and other levels are approved by means of a resolution issued by the Public Function National Council, under the provisions of Decree 5/2000 of 5 March, Article 3, and paragraph 1, c) by proposal of the respective higher level central body. Thus, the Ministry of Health approved the “despacho” of 16 September 1997¹⁶, which after approval by the State Administration Commission, determines the Statute of MOH's Provincial and Local Bodies. The referred “despacho” establishes their areas of activity and a hierarchy similar to that of MoH. It defines its bodies, subordinate institutions, functions and respective levels of hierarchical subordination¹⁷.

With relation to collective bodies this instrument creates the “Conselho Consultivo” and the Provincial Health Steering Committee. The “Conselho Consultivo” only operates within provincial directorates and deliberates upon issues of current management of the DPS. The Provincial Health Steering Committees, on their turn, include the participation of bodies below the provincial level and are aimed at the coordination, planning and control of activities at provincial and local levels.

¹² Idem, Art 3º, para. 2.

¹³ Idem, Art 7º.

¹⁴ Idem, Art 17º.

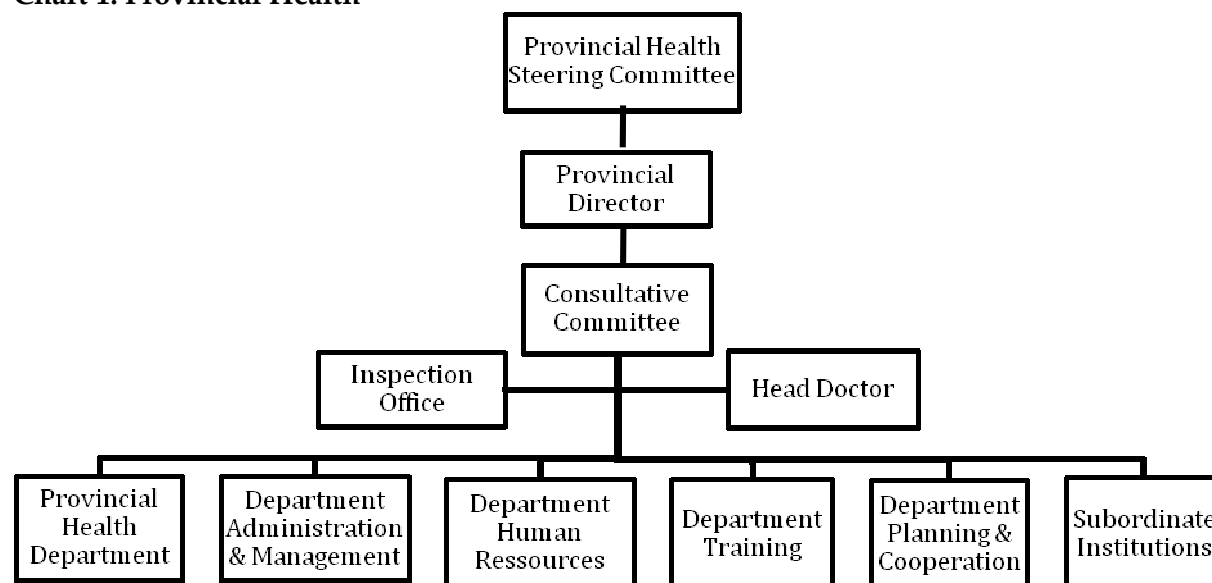
¹⁵ Idem, Arts 27º et 30º.

¹⁶ Published on II Series of BR nº 53, of 31 December 1997.

¹⁷ *Despacho* of 16 September 1997, Articles 1º - 15º.

The provincial chart, despite being variable in certain details from province to province, is, according to “despacho” of 16 September, presented as follows:

Chart 1: Provincial Health



It is important to add that in practice this chart is not a representation of the structure defined by model-statutes. The UGEA, for instance, a unit whose activities are included under the functions of the administration and management department are represented within the provincial chart as an autonomous department in the same hierarchical level with the referred department. The provincial health department seems to be – at provincial level – divided into departments for medical assistance, health promotion and disease control.

The provincial health department is headed by the “Médico-chefe”, who substitutes the provincial director in case the latter is absent¹⁸. The Inspection Office, despite being positioned in the same hierarchical line with the remaining departments, in graphical terms is represented a superior level because it has the responsibility to inspect the remaining bodies. The Provincial Inspector is appointed by the Ministry of Health upon proposal of the Provincial Director¹⁹, to whom he is directly accountable.

At district level, health directorates are only structured into sections of health and administration. The health section is headed by the District “Médico-Chefe”, or, in his absence by a preventive medicine “técnico médico”. In turn the section of administration is headed by the most qualified administrative official within the district directorate²⁰.

¹⁸ Idem, Artº 7, para. 3º.

¹⁹ Idem, Artº 12º.

²⁰ Idem, Artigos 13º - 15.

1.4.2. Organization Chart / anchorage of the project

The institutional Anchorage of the project will be at the DAF of the MoH and more specifically the Financial Department (DF)

Chart 2: Organization Chart of the Ministry of Health

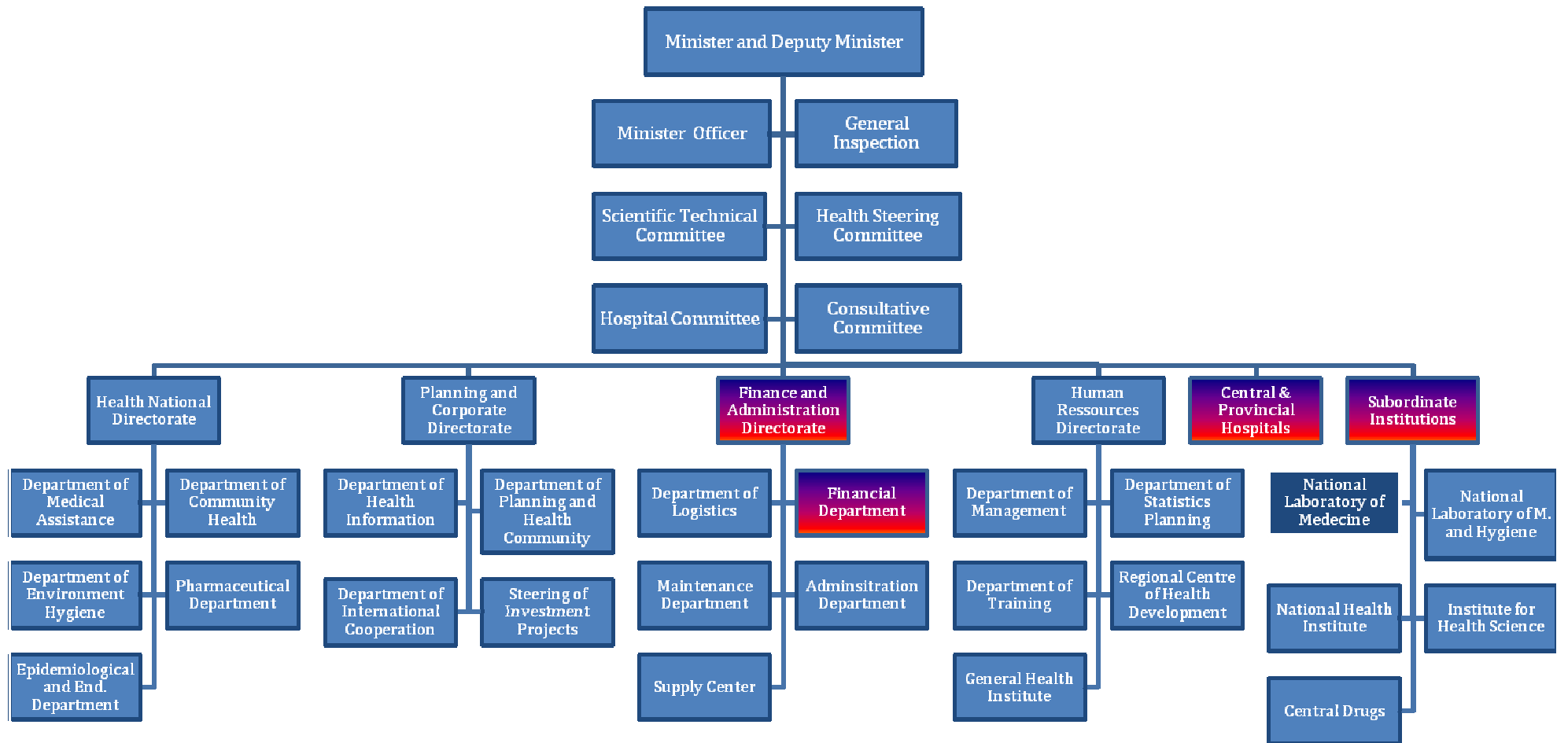
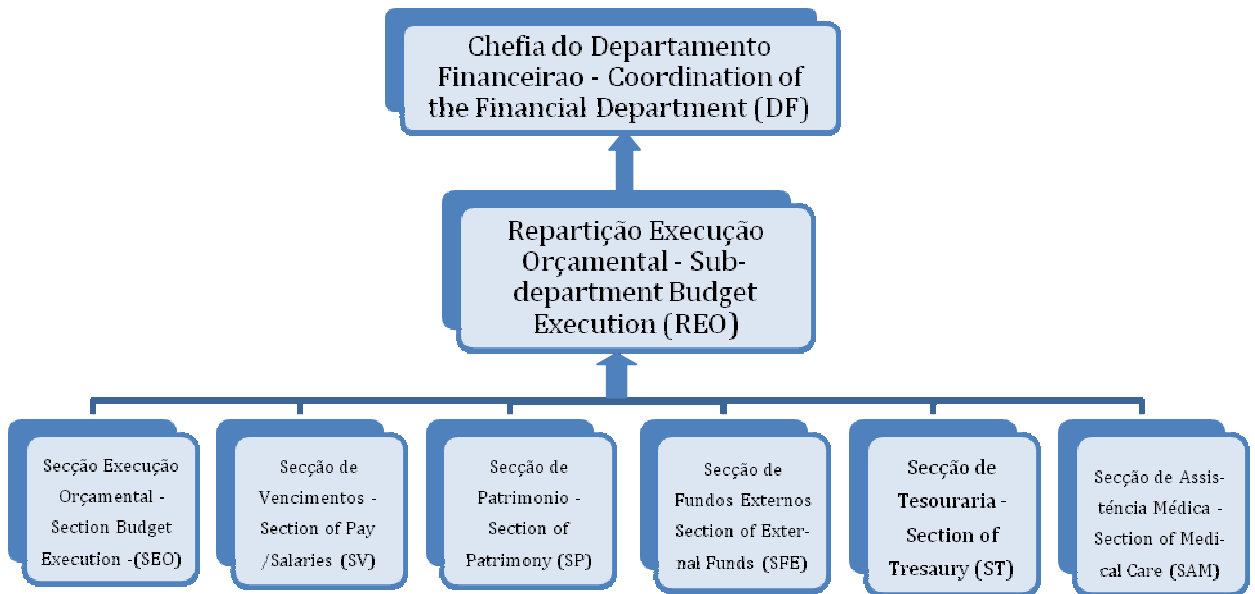
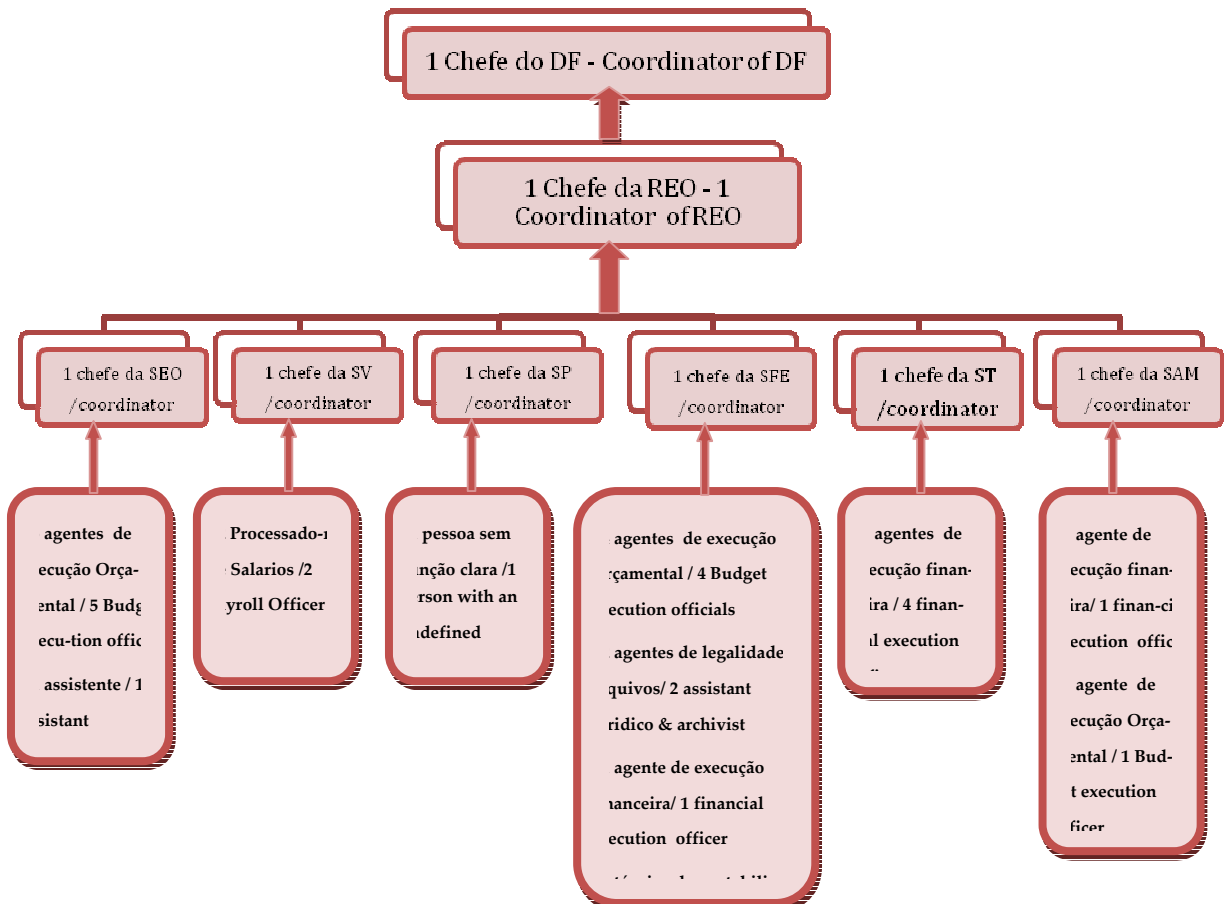


Chart 3: Organization Chart of the present Department of Finances of the MoH



The Human Resources of the department of finances are the following



The mission of the different branch/section of the Financial Department (DF) of DAF is :

1. Guarantee the execution of incomes and expenses of the health sector for the funds mentioned in the state budget, in agreement with established norms.
2. Guarantee treatment and payment of salaries of civil servants and employees, in agreement with established norms.
3. Guarantee the execution of incomes and expenses of external funds in agreement with established norms.
4. To look after the State assets and goods in the sector.
5. Guarantee payment of expenses of the sector in agreement with the norms established by the SISTAFE or the Cooperation Partners.
6. Guarantee the provision of medical assistance abroad when it is not available in the country for state personal that cannot benefit of the National Health System.

2. Strategic Orientations of the Intervention

2.1. Main line of the intervention - principles

Public Financial Management is a cross cutting issue that will allow public sector reform in Mozambique to advance and increase the levels of budget preparation, execution and reporting. The PFM strategy in the country is based on the development of e-SISTAFE and its extension to all public institutions and at all geographic levels. This project is fully aligned with this strategy.

The support will be based on the following principles:

Support the broad framework conditions for coordinated and results-oriented health sector management with a specific focus on financial management issues of strategic importance, where the management and delivery of the concerned services will be strengthened at the operational level and will lead to concrete results in the sector management performance. This project is part of a broader sector support by Belgium and is closely linked with the support to the HR Development Strategy of the sector. The support will focus directly on internal management and internal services delivery related to improving financial performance. This is a shared priority of Mozambique and sector development partners and will have significant impact on poverty reduction.

Support to the sector based on a system-wide perspective that addresses the coordination and linkages between its many actors - key ministries, public sector reform results such as SISTAFE\ e-SISTAFE. There will also be a direct focus on selected actors, namely health sector subordinated institutions and some provincial\central hospitals. This support is expected to attract additional and more aligned support by other donors who may fill up gaps and ultimately reinforce the sector wide approach.

Strengthen not just the supply but also the demand for good governance related to public financial management. Support will be made available at central and provincial levels and extended to the subordinated institutions and hospitals, bodies outside the traditional ministry structure.

1. Build linkages and exploit synergies between the areas supported under the components of the project in terms of processes, themes, . . .
2. Maximize alignment based on actual circumstances in line with the G19²¹ requirements and support the conditions for alignment. Harmonising efforts to reduction poverty. The possibilities for increasingly aligning the Belgium support to Government systems will be pursued continuously during this project. Moreover the support will focus on strengthening management systems and the extension the use of the E SISTAFE in the health sector.
3. Promote the recommendations of the sector studies and diagnostics performed and of the Consolidated Action Plan agreed upon as consequence.

²¹ G19: At the core of the aid effectiveness agenda in Mozambique is a group of 19 donors (included Belgium), known as the Group of 19 (or G19), each of which provides general budget support to the government. The G19 adheres to government procedures and operational cycles as the basis for general budget support.

2.2. Localization of the intervention

The project aims to support the sector on central and decentralized levels (national, province and district). With a direct focus on selected actors (namely health sector subordinated institutions and selected provincial\central hospitals), some activities are going to be implemented in the 6 provinces as shown on the map below.

Map of Mozambique: Localization of the activities



Subordinated institutions

Provincial Hospital

3. Intervention Framework

3.1. Overall Objective

The General Objective of the project is to:

“Strengthen the budgeting and financial management processes of the Finance Department of the Health Ministry”.

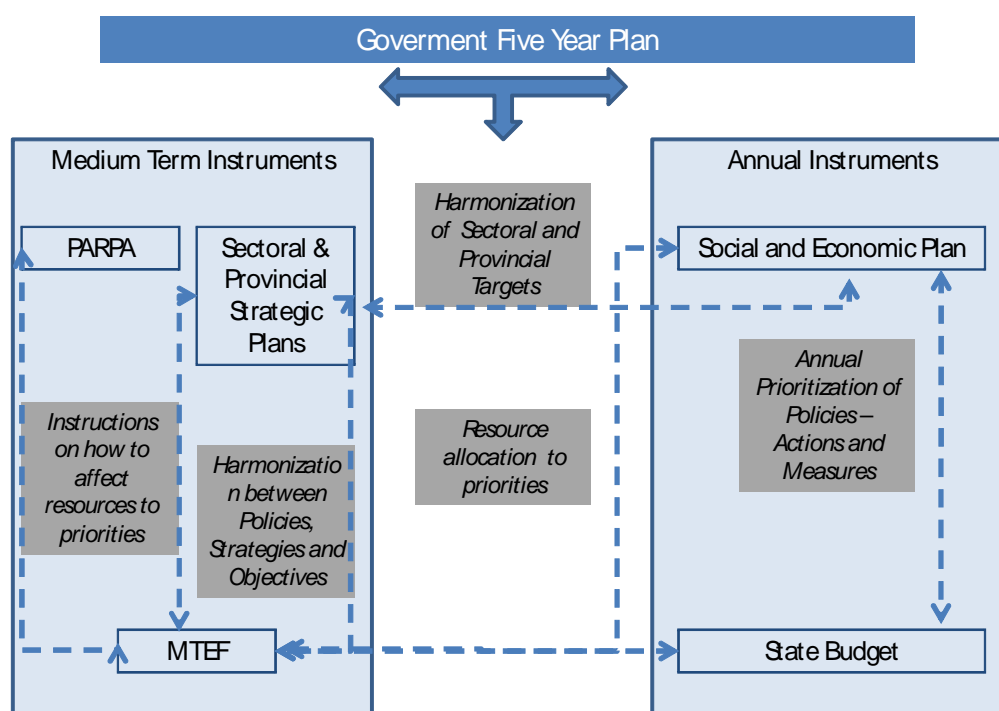
3.2. Specific Objective

The project specific objective is:

“Strengthen the financial management capacities of the health sector at central and provincial level via the extension and the deepening of e-SISTAFE.”

3.3. Expected Results and Activities

According to the Mozambican Constitution, after the general elections, Parliament has to approve a five-year Government Plan (PQG). This plan and the PARPA guide government’s long term planning and are structured along three main pillars, namely: a) governance; b) human capital; and c) economic development. PARPA includes a strategic matrix of key indicators, identified and agreed upon through a joint effort by the government, development partners and civil society. These indicators are fully integrated into and monitored through the annual planning instruments of the Governments’ Economic and Social Plan (PES – see below).



Source: Ministry of Plan and Development & PARPA

In terms of budgeting, the Medium Term Expenditure Framework is the main tool used to outline the available resource ceilings (revenue and expenditures) for the medium term. The MTEF is a three-year rolling out tool aimed at identifying available revenues and expenditures foreseen in the budget lines, sector policies, programmes and nits which are part of the state budgetary system.

In recognition of the weaknesses in Mozambique's fiduciary accountability the Government has taken measures to improve the system as part of its focus on improving governance. One of the key weaknesses is the **weak link between the PES and the health budget**, a problem which is found in many other sectors as well. A new financial management law has set the basis for modern accounting procedures and procurement reform.

Budgetary institutions have been working on establishing solid links between government policy, resources allocation decisions and final service delivery. Reforms which have contributed to these gains have included the development and rolling out of e-SISTAFE - a new Information Technology (IT) based integrated public financial management system. e-SISTAFE has focused on key areas of public expenditure management (i.e. treasury, accounting and budget). Execution of e-SISTAFE began with the establishment of a single treasury account (the Conta Unica do Tesouro - CUT) from which direct disbursements are made to supply entities,... (see below 5.4.3). In combination with a system which transfers funds several times a day, e-SISTAFE has reportedly speeded up the release of funds to Provincial Departments of Finance (DPPF). All DPPFs and the Ministry of Finance (MF), as well as Line Ministries now use e-SISTAFE.

e-SISTAFE development: key milestones

- ✓ **2002:** Promulgation of a government-wide organic budget law (*Lei do Sistema de Administração Financeira do Estado, SISTAFE*); approval of the model for managing the reforms of public financial management.
- ✓ **2003:** Approval of the procurement manual; recruitment of procurement staff and information technology consultants for software development; initiation of the consolidation of government's accounts in commercial banks.
- ✓ **2004:** Introduction of a virtual electronic Treasury Single Account (e-TSA or *CUT: Conta Única do Tesouro*) by consolidating several treasury bank accounts; execution of the government's financial payments through the e-SISTAFE;
- ✓ **2005:** Use of e-SISTAFE for the centralized execution of line ministries' expenditure at the level of the Ministry of Finance; rollout of the e-SISTAFE on a pilot basis to three ministries (Finance, Planning, and Education); Establishment of a full-fledged CUT and a new chart of accounts.
- ✓ **2006:** Rollout of e-SISTAFE to 22 line-ministries; training programs on the use of e-SISTAFE for the decentralized budget execution; implementation of the pilot version of the budget formulation module.
- ✓ **2007:** Use of the budget formulation module for the preparation of the 2008 draft budget; development of module pilots on asset management, payroll, tax collection and multi-currency CUT; finalization of the e-SISTAFE rollout planned for end-

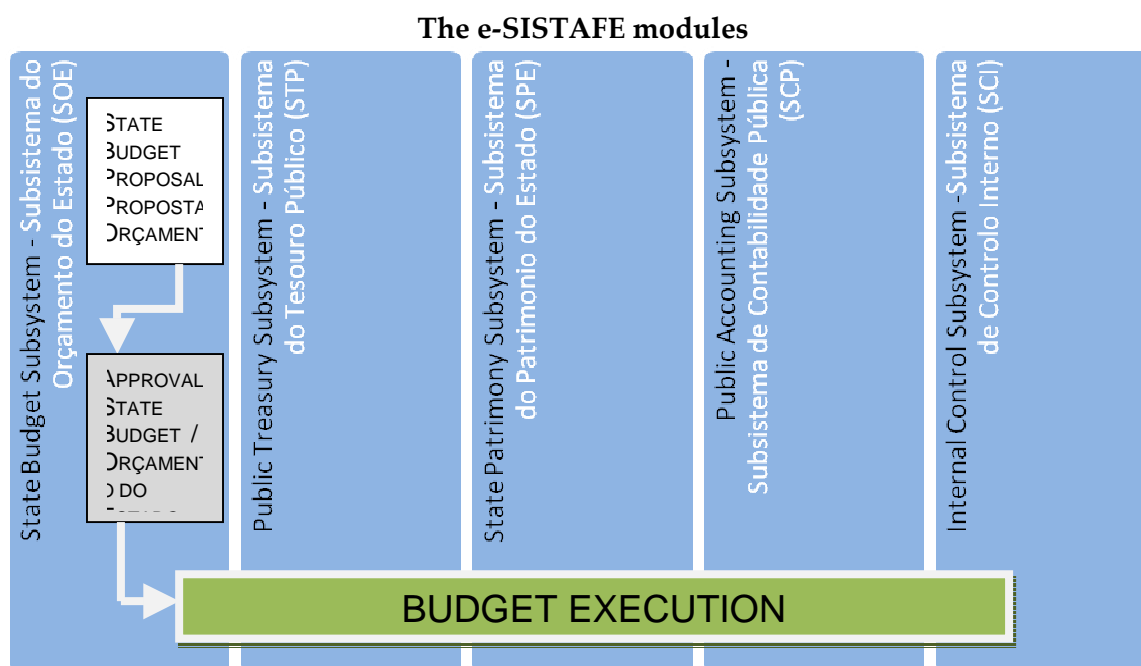
This is the context for the results and activities defined under this project and as detailed below.

The Belgian contribution funds will be used to finance all training and capacity building activities of the project, either delivered by UTRAFE staff or by private companies (after respective procurement process).

3.3.1. Result I: Extension of the use of Direct Budget Execution modality

With the development and introduction of e-SISTAFE by GoM alongside the introduction of other PFM tools such as the CUT (*Conta Unica do Tesouro*) or Single Treasury account, the opportunity for major improvements in financial management has been created.

UTRAFE the technical unit in Ministry of Finance is responsible for rolling out the system and training its users, a roll out plan is being implemented to support this process. Priority is being given to Ministries, Central Level Institutions and Provincial Directorates who in consequence are working using the direct budget execution modalities and abandoning the advancement of funds procedures that was not contributing to a sound financial management.



The health sector is characterized by a high volume of funds, but also by the number of institutions involved in this management process. Therefore it is necessary to improve financial management through making the system available not only to the Central Ministry and Provincial Directorates, but also to the sector subordinated institutions and hospitals. Managers in these subordinated institutions and hospitals will improve their capacity to find a financial explanation to some questions and as a consequence their management and financial planning, execution and reporting will also improve.

This situation will also benefit the financial management in the Ministry at aggregate level and contribute to improving its financial reporting and alleviate the day-to-day management burden. These institutions will contribute to a more timely and accurate execution and reporting.

E-SISTAFE will be extended to subordinated institutions at central level, to provincial hospitals in six selected provinces and in districts to be identified after the needs assessment is conducted. The needs assessment will be prepared to verify if the prerequisites for the installation of the e-SISATFE terminals, as defined by UTRAFE, are met by the receiving institutions. Such prerequisites include (necessarily and without exception): availability of a commercial bank, electricity and communications (including internet).

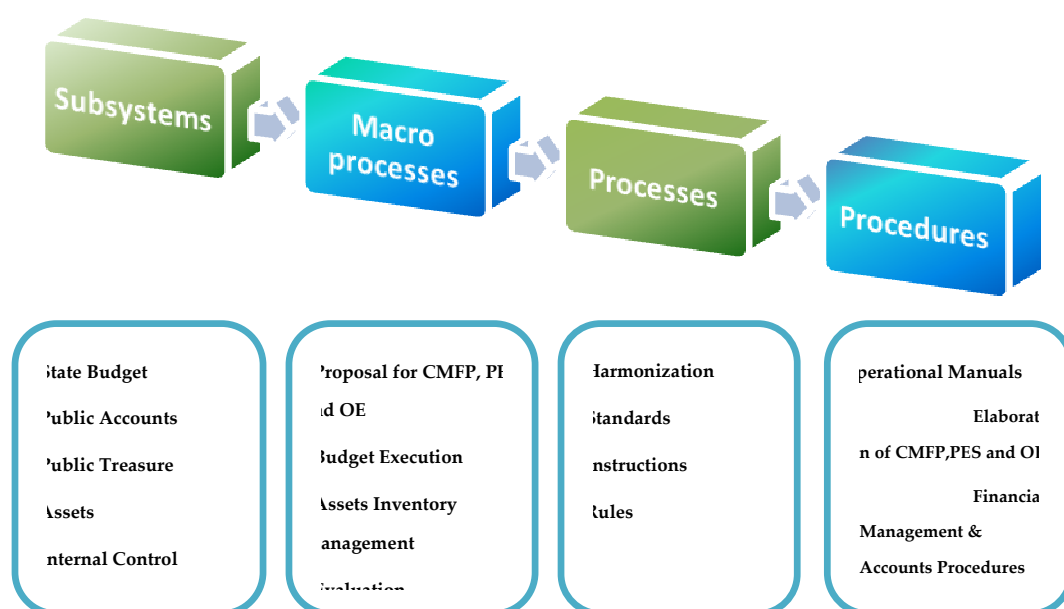
Activities	Progress Indicators	Means of Verification	Assumptions
i. Extension of the use of e-SISTAFE to subordinated institutions at central hospitals;	→ Technology (hardware and software); → Needs assessment	→ Project Action Plan and budgets; → Procurement processes (ToRs	Projects of other donors in the health sector continue and the planned

<ul style="list-style-type: none"> ii. Extension of the use of e-SISTAFE to provincial hospitals; iii. Extension of the use of e-SISTAFE to a selection of districts in same provin-ces as the hospitals selected above; iv. IT needs assessment; v. Procurement of IT; vi. Installation of IT; 	<p>completed and districts identified;</p>	<p>and Tender); → Evaluations to see whether the activities were carried and to assess their quality.</p>	<p>amounts are given as foreseen. The execution of the Action Plan is in progress.</p>
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3.3.2. Result II: Improve the level and quality of the sector financial management

The SISTAFE Law and Regulations was approved in 2002 and replaced the existing public expenditure framework, which was more than 100 years old, in 2004. The new financial management system is more sophisticated and more adjusted to the current public administration needs.

The SISTAFE Framework



SISTAFE is supported by five main subsystems, each with its own particularities. Therefore more technical knowledge and skills are in demand by sector DAF.

The SISTAFE is organized in 5 subsystems:

- **The State Budget Sub-system**, which governs the preparation of the State Budget, the preparation of the budget bill for submission to the Legislature; and the evaluation of the budget submissions of state agencies and institutions.
- **The Public Accounts Sub-system**, which has as its object the production and the maintenance of the records of transactions carried out by state agencies and institutions, and their effects on the State's assets. Amongst other things, it governs the execution of the State budget and the preparation of the State General Account (*Conta Geral do Estado*);
- **The Public Treasury Sub-system**, which governs the process of financial programming, and the management of disbursements and payments in relation to the State Budget and the State treasury position. The subsystem also deals with the preparation of public financial statistics and the management of internal and external public debt.
- **The State Patrimony Sub-system**, which governs the coordination and management of the State's assets, the organization of the information regarding the inventory of State assets and preparation of the respective inventory.
- **The Internal Control Subsystem**, which governs the inspection of the proper use of public resources, the application of accounting rules, and compliance with rules and legal procedures.

e-SISTAFE is the reflection of SISTAFE in an IT platform. Both the functioning of the subsystems and of e-SISTAFE has its rational in the planning and budget cycle key phases.

Key phases of the Planning and Budget Cycle



Financial management can and will be improved with the automatization of procedures through the use of e-SISTAFE. Notwithstanding this immediate gain it is important that the direct system users (the agents who access the system) and indirect users (the managers in coordination and decision making position) also understand what an integrated financial system is and which are its critical elements in order to respond accordingly.

Staffs at the Finance Department level in MoH, at provincial hospitals and Provincial Directorates, and districts need to have a solid understanding of the critical stages of the national planning and budget cycles and understand their role and inputs in it.

Several studies and diagnostics conducted in the sector conclude that the low level of training and a lack of financial management skills are stumbling stones towards further development of the Health Sector. Rotation of staff is also high. There is general lack of understanding of sequence of activities and results required for a good functioning of the sector planning and budget cycle.

It is proposed that a package of training is made available to users and managers: one related to SISTAFE and e-SISTAFE that can be provided by UTRAFE or by UTRAFE certified trainers and another on the financial management key elements (namely, planning, budgeting, procurement, internal control, supervision and monitoring).

Examples of Potential Training Contents

1. PFM Legal and Institutional Framework

- Law No. 9 / 2002 of February 12 approving the system of Financial Administration of the State, commonly known as the "SISTAFE law"
- Decree No. 23/2004, of August 20, which approved the SISTAFE regulations
- Law No. 5 / 92, to May 6, which defines the role of the Administrative Court (TA);
- Law No. 13/97 of 10 July, establishing a system of audit and inspection of public expenditure by the Administrative Court (TA);
- Law No. 8 / 2003 of May 19, the Local Government Act (relating to districts and provinces) and
- Decree No.13/2005, to June 10, Regulation of the Local Government Act.

2. The State Financial Administration Manual

3. The Procurement Regulations

4. What is the MTEF? Why is it useful? How to prepare and monitor?

5. Relationship between procurement and annual plan and budget (including the issues on preparation of procurement plans)

6. The budget cycle in Mozambique

- Elements of the cycle
- Institutions involved and main documents
- Budget and planning calendar
- Basic workings of the e-SISTAFE payment and accounting system
- Recurrent, investment and project expenditure

7. Assessing quality of PFM systems

- Purpose of a PFM system
- Quality criteria and cross-cutting aspects
- Existing assessments: PEFA and ROSC
- Other instruments and ad-hoc studies and publications

8. A closer look at the main documents

- Budget call paper
- State Budget (*Orçamento Geral do Estado*), budget law and classifiers
- Economical and Social Plan (*Plano Económico e Social*)
- Budget execution reports and *Conta Geral do Estado*
- PES Assessment (*Balanço do PES*)
- Medium-Term Expenditure Framework (*Cenário Fiscal de Médio Prazo*)
- Audit report of the Supreme Audit Institution

9. Fiscal decentralisation and deconcentration

10. Linking planning and budgeting: PES, budget, MTEF, planning cycles in the context of sector programmes and integration of pool funds + Integration of and reporting on external assistance.

By benefiting from this capacity building actions, staff knowledge on the PFM legal framework and technicalities will be consolidated (SISTAFE and e-SISTAFE). Furthermore public servants' management skills will be improved with supporting management skills, which will allow them to prepare better each of the planning and budget cycle stages.

Activities	Progress Indicators	Means of Verification	Assumptions
i. Training in the current use of e-SISTAFE at central and provincial levels; ii. Development of training packages (ToRs): public financial management including planning, budgeting, procurement, supervision and monitoring, and	→ Deepening of current use of e-SISTAFE at central and provincial levels; → Capacity building of staff in public financial management including planning, budgeting, procurement, supervision and monitoring, and other related topics.	→ Project Action Plan and budgets; → Procurement processes (ToRs and Tender); → Evaluations to see whether the activities were carried and to assess their quality.	To organise the procurement as quick as possible in the beginning of the project, to allow the implementation of the related activities.

<p>other related topics; iii. Delivery of training (central and provincial level).</p>	<p>→ Move from advancement of funds to direct budget execution.</p>		
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3.3.3. Result III: Improve the implementation of the Consolidated Action Plan

3.3.3.1. Action Plan / Activities

A Health Sector PFM and Procurement Baseline Diagnostic Study, a PEFA inspired assessment, has been carried in 2008, a requisite foreseen in the new sector MoU for SBS. It demonstrates that the assessment identified significant weaknesses, both relative to international benchmarks and in relation to the performance of the overall PFM system in Mozambique. Nevertheless, there are signs that improvements are being made. Moreover, with the right level of management attention and monitoring and an appropriate deployment of technical support, many of the identified weaknesses could be addressed over the short term (one to two years).

Summary of Actions detailed in the Action Plan

PLANNING, BUDGETING AND EXTERNAL AID MANAGEMENT

1. Introduction of a harmonized and useful Classification by Programs
2. Improvement of consistency between CFMP and OE and PES
3. Improvement of investment resources' allocation procedures
4. Planning of Own Revenues' collection estimates

BUDGET EXECUTION, ACCOUNTING, REPORT AND AUDIT

5. *Comprehensive, reliable and timely Financial Reporting*
6. Operational and Comprehensive Internal Control
7. Follow-up of External Audits (TA) recommendations
8. *Strengthening of procedures for budgeting and collection of fees charged to health users and other related own revenues*
9. Closing of Common Funds' bank accounts and integration within the OE (new MoU and Sector Budget Support)

PROCUREMENT, INVENTORY AND ASSET MANAGEMENT

10. Improvement (timing) of Procurement timeliness
11. Quality of inventory and asset management

HUMAN RESOURCES

12. Integration of Payrolls of civil servants (OE) and employees under short term contracts
13. *"Re- functionality" of DAF's Financial Department*

AUDIT AND INTERNAL CONTROL

14. *Implement Recommendations made by Audits and Inspections (IGF, TA and External Private Audits and Monitoring)*

An action plan to strengthen sector management has been prepared and agreed upon in 2009 (details above); it consolidates several assessments done at sector level (including recommendations from external audits and the recent PEFA inspired baseline assessment); the same action plan maps out the areas where action is needed to allow for the SBS to be fully implemented.

The actions highlighted in “blue” in the table above are the ones selected by Finance Department to be supported by the project. Consultancy services will become available to the Finance Department to implement such actions and, if needed, the training contents of Result II will also be changed to accommodate specific issues arising from the actions implementation.

In 3.3.3.2 until 3.3.3.4 the activities of the Consolidated Action Plan²² of the MoH are listed:

²² MINISTÉRIO DA SAÚDE (2009), Plano de Acção Consolidado -Contributo para o desenvolvimento operacional do nível dos Sistemas de Gestão Internos nas áreas de Planificação, Finanças & Aquisições, Recursos Humanos e Auditoria & Controlo Interno, Maputo.

3.3.3.2. Action Plan : Area of Budget Execution, accounting, report and audit

I. Action	<i>FINANCIAL REPORT IS COMPREHENSIVE, RELIABLE AND PRODUCED IN A TIMELY MANNER</i>				
II. Reference	Indicator SI-24 of the Assessment of the Finance Management and Procurement in the Sector.				
III. Situation	An efficient budget execution follow up should be based on a consolidated quarterly financial report which includes budgetary allowances, payments and expenses paid per each source of resources. Currently, timeliness, content and quality are defective and compromise the assessment of the sector budget execution levels. In addition, the link between budget execution reporting and reporting of activities shall be reinforced.				
ACTIVITIES	DIRECTORATE	RESPONSIBLE	PRIORITY	DEADLINE	RESOURCES
Strengthen the link between Planning, Budgeting and Execution processes.	DPC & DAF	DPC & DAF	Medium Term	n progress. Finalization expected by 31-12-10	
Introduce within the Financial Report an informative map containing a budgetary allowances column referent to OE + PROSAÚDE resources.	DAF	DAF	Long Term	31-01-10	
Review the necessary level of detail for reporting execution of CFs.	DAF	DAF	Long Term	31-12-10	TA is necessary
Oracle: definition of the chart of accounts' system and reporting formats.	DPC, DAF and other Directorates	DAF	Medium and Long Term	In progress. Reporting Formats to be finalized by 31-12-10	TA is necessary
Strengthen budget execution report according to execution of activities (PES Vs <i>Balanço do PES</i> Vs Budget).	DAF & DPC	DAF	Long Term	31-12-10	TA is necessary
Institutionalize and strengthen an internal financial reporting mechanism including the analysis of execution reports \ balance of activities prepared in parallel by certain Cost Centres in order to check what may be included within <u>Sector's Budget Execution</u>	DPC & DAF	DAF	Long Term	31-12-11	TA is necessary

<u>Report.</u>					
Initiate dialogue on MoH's specific reporting needs: dialogue on the improvement of system details and use of available classifiers and \or development of a macro for the sector.	DPC & DAF to initiate dialogue with MdF \ UTRAFE	DAF	Long Term	31-12-11	
Dialogue on classifiers and harmonization of different instruments: CFMP, PES and other.	DPC & DAF to initiate dialogue with MPD e MoF	DAF	Long Term	31-12-11	
Collection of information needs and level of necessary details: Parties of MoU and Vertical Funds.	DAF with Partners collaboration	DAF	Long Term	31-12-09	TA is necessary

I. Action	<i>STRENGTHENING OF BUDGETING PROCEDURES AND IMPROVEMENT OF COLLECTION OF USER FEES AND OTHER RELATED RECEITAS PRÓPRIAS.</i>					
II. Reference	Indicator SI-3 of the Assessment of the Finance Management and Procurement in the Sector.					
III. Situation	As to estimates and actual collections of user fees (<i>receitas próprias</i>) for the Health Sector, the standard for collections has been extremely erratic on the course of the previous three years. For the sector as a whole, collections represented 96.8 % of budgeted collections estimated in 2005, almost 260 % of budgeted collections in 2006 and 85.6 % of revenues collected in 2007.					
	ACTIVITIES	Directorate	Responsible	Priority	Deadline	Resources
	Attempt to include more reliable budgeting methods for estimating charges in 2012.	DPC & DAF	DPC	Long Term	31-07-11	Internal + TA is required to support the effort

3.3.3.3. Action Plan : Area of Human Resources

I. Action	<i>REFUNCTIONALISATION OF DAF'S FINANCIAL DEPARTMENT</i>				
II. Reference	Refunctionalisation Study.				
III. Situation	The study undertook a detailed analysis of the organic and functional situation of DAF's Financial Department and various constraints were identified in terms of organic structure, staff complement and respective functions and procedures for the management of flow of funds. Considering the high rotation of personnel within DAF and the introduction of Oracle Financials, it becomes necessary to follow up recommendations made by the study, in order to reorganize and strengthen DAF's internal functioning and ensure that the personnel allocated have the necessary skills for its full operation.				
ACTIVITIES	DIRECTORAT E	RESPONSIBLE	PRIORITY	DEADLINE	RESOURCES
Review Organic Structure proposed in the Refunctionalization Study and finalizes the Organic Structure envisaged by DAF.	DAF	DAF	Medium Term	31-12-09	TA is necessary
Approval and implementation of the new Organic Structure: Approve the organizational chart Describe the hierarchical & proceedings chain within DAF Define ToRs for each DF Section Define ToRs or Professional Profiles for the necessary positions in each Section Listing of existing personnel and verification of their applicability against the necessary profiles Hiring of additional personnel needed.	DAF	DAF	Long Term	During 2010 (dates for each sub activity to be defined on a later moment)	TA is necessary and with additional Resources for Hiring of personnel
Listing of Training Needs	DAF	DAF	Medium Term	31-10-09	TA is necessary
Preparation of Training Plan	DAF	DAF	Medium Term	31-10-09	TA is necessary
Preparation of DAF's Internal Regulation	DAF	DAF(depending	Medium Term	31-10-09	TA is necessary

Preparation\Updating of DAF's Internal Operational Manual: Circuit of documents Decisions and approvals Definition of forms and working models Internal Control Lists	DAF	on 1 st Activity) DAF	Long Term	During 2010 (dates for each sub activity to be defined on a later moment)	TA is necessary
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3.3.3.4. Action Plan : Area of Audit and Internal Control

I. Action	<i>IMPLEMENT ANNUAL RECOMMENDATIONS ADDRESSED TO MoH, CMAM OR DPS FOLLOWING TO ANY AUDITS OR INSPECTIONS (IGF, TA AND PRIVATE EXTERNAL AUDITS AND MONITORING)</i>				
II. Reference	Audit Recommendations Follow-up Reports – DPS Niassa, Maputo and Central Services <i>(NB: These Follow-up Maps shall not stop existing and shall be regarded as an attachment to this Plan).</i>				
III. Situation	There is no internal and regular mechanism for the monitoring and evaluation of the implementation of recommendations made and it is necessary that the Internal Control Unit (under control of General Health Inspectorate (<i>Inspecção Geral de Saúde</i>)) takes over the implementation of recommendations and the enactment of notes memos procedures with instructions on how to correct and/or improve any situation detected. Recognizing that the Recommendations' Summary and Follow-up Maps shall be maintained and managed by the Internal Control Unit in collaboration with the sector's institution or department to whom the recommendations were addressed. Existing maps insofar include proceedings issues as well as issues related to decisions on management and definition of sector policies and such issues shall be expurgated from maps.				
ACTIVITIES	Directorate	Responsible	Priority	Deadline	Resources
Work with DPS of Niassa, Maputo and Central Services in order to "expurgate" policy level issues (action, implementation and decision level) from Follow-up Maps.	General Health Inspectorate	Internal Control Unit	Long Term	31-01-10	Internal
Initiate dialogue with IGF and <i>Tribunal Administrativo</i> in order to check if any audits and inspections were	General Health Inspectorate	Internal Control Unit	Medium Term	31-07-10	Internal

carried out without central level awareness and the listing of respective recommendations.					
At target institutions, sections or directorates' level: Send applicable Map of Recommendations with the suggested action Indicate Deadline for action and carry out monitoring.	General Health Inspectorate	Internal Control Unit	Medium Term	31-07-10	Internal
Analyze operational issues and recommendations in order to check which are of systemic nature and can be adjusted to the management system: Changing or adding provisions to Internal Operations Manual Issuing Orientation Notes.	General Health Inspectorate	Internal Control Unit	Medium Term	31-07-10	TA is necessary
Ensure that a section or department in each of the institutions is formally held accountable for internal follow up of implementation of recommendations.	MoH's DAF in coordination with the Directorate of the institution submitted to audit or inspection	Internal Control Unit of MoH's DAF and the person responsible for the institution	Medium Term	31-10-10	Internal

3.3.3.5. Activities/ Deadlines and progress indicators

It must be noted that the implementation of the deadlines foreseen in the Consolidated Action Plan is delayed and in some cases without registering no changes since the approval of the plan.

Activities	Progress Indicators	Means of Verification	Assumptions
i. Implementation of the activities of the Consolidated Action Plan for Strengthening Management Systems.	→ Actions resolved and removed from Consolidated Action Plan.	→ Project Action Plan and budgets; → Procurement processes (ToRs and Tender); → Evaluations to see whether the activities were carried and to assess their quality.	To organise the procurement as quick as possible in the beginning of the project, to allow the implementation of the related activities.

A point of the situation will be done in the beginning of the project to plan the activities (listed above) to be supported by the project.

3.4. Indicators and Means of Verification

Please consult the previous section and the Logical Framework in Annex 1 for additional details.

3.5. Beneficiaries

3.5.1. Direct Beneficiaries - Central Level & Provincial Level

The direct beneficiaries will be the users (staff) of the institutions who are going to receive the equipment and the training. By making funds available directly to these executing units their management capacity and response level will increase.

MoH is also a direct beneficiary as its administrative burden will reduce and its reporting capacity will increase.

3.5.2. Indirect Beneficiaries

The population in general should benefit indirectly through a better functioning Public Health Sector.

4. Financial Planning

4.1. Human Resources

Human resources at the representation level in Mozambique and at headquarters level in Brussels will be used to monitor and follow up on the project. The DAF in MoH is committed to add any extra human resources needed for the successful implementation of the project. This is a commitment expressed for both central and provincial levels. These resources are budgeted under other funds. The terms of reference are in annex 7.3.

4.2. Material Resources

IT-materials and communication facilities will be made available to the subordinated institutions of MoH at central level and to the hospital at provincial level. MoH will make available the office space required for the establishment of the e-SISTAFE units, transportation within the provinces and support in any project logistics. Space for training will also be made available by the sector.

4.3. Financial Resources

The total budget available for the projects is of 1.000.000€ one million for a period of 18 months. Around 17% of total amount will be used under BTC's own management (régie)²³, or 19% included budget reserve. This includes any additional studies, consultancy/technical assistance required, project audits, monitoring and follow-up, final evaluations.

Régie (= BTC's Own Management)	190.000,00	19,0%
Financial Cooperation	810.000,00	81,0%
Total (€)	1.000.000,00	100,0%

The Mozambican contribution for the project will be given in human resources, material resources and tax exemptions for project operations.

²³ Régie: means using the belgian systems (BTC's Own Management: under BTC control)

Activities			Execution Modality	Total Budget (€)	%	Year 1	Year 2	Year 3
A		The financial management capacities of the health sector at central and provincial level are strengthened via the extension and the deepening of e-SISTAFE		790.000,00	79,0%	65.000,00	705.000,00	20.000,00
A01		Extension of use of Direct Budget Execution modality		295.000,00	29,5%	65.000,00	230.000,00	0,00
A	01	01 Needs assessment	Co-management	19.000,00		5.000,00	14.000,00	0,00
A	01	02 Installation of e-SISTAFE in Science Health Institute	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	03 Installation of e-SISTAFE in Regional Sanitary Development Centre	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	04 Installation of e-SISTAFE in CMAM (Central Store of Medicines and Medical Articles)	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	05 Installation of e-SISTAFE in CA (Provision Centre)	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	06 Installation of e-SISTAFE in Central Hospital of Beira	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	07 Installation of e-SISTAFE in Provincial Hospital of Nampula	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Quelimane	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Pemba	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Inhambane	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Lichinga	Co-management	24.000,00		6.000,00	18.000,00	0,00
A	01	08 Installation of e-SISTAFE in Districts (of Provinces above)	Co-management	36.000,00		0,00	36.000,00	0,00
A02		Improve the level and quality of the sector financial management		335.000,00	33,5%	0,00	335.000,00	0,00
A	02	01 Training of e-SISTAFE users \ agents at central level	Co-management	25.000,00		0,00	25.000,00	0,00
A	02	02 Training of e-SISTAFE users \ agents at provincial level	Co-management	40.000,00		0,00	40.000,00	0,00
A	02	03 Training \ Capacity Building in Financial Management at Central level	Co-management	70.000,00		0,00	70.000,00	0,00
A	02	04 Training \ Capacity Building in Financial Management at Provincial level	Co-management	70.000,00		0,00	70.000,00	0,00
A	02	05 Training \ Capacity Building in Supervision and M&E at Central level	Co-management	60.000,00		0,00	60.000,00	0,00
A	02	06 Training \ Capacity Building in Supervision and M&E at Provincial level	Co-management	70.000,00		0,00	70.000,00	0,00
A03		Improve the implementation of the Consolidated Action Plan		160.000,00	16,0%	0,00	140.000,00	20.000,00
A	03	01 Support to Comprehensive, reliable and timely Financial Reporting	Co-management	160.000,00		0,00	140.000,00	20.000,00
A	03	02 Strengthening of procedures for budgeting and collection of fees charged to health users and other related own revenues						
A	03	03 Support to Refuncionalization of DAF's Financial Department						
A	03	04 Support to Implement Recommendations made by Audits and Inspections (IGF, TA and External Private Audits and Monitoring)						
X		Budget Reserve (5% max of total activities)		35.000,00	3,5%	0,00	28.000,00	7.000,00
X01		Budget Reserve		35.000,00		0,00	28.000,00	7.000,00
X	01	01 Budget Reserve	Co-management	20.000,00		0,00	16.000,00	4.000,00
X	01	02 Budget Reserve	Régie	15.000,00		0,00	12.000,00	3.000,00
Z		General Means		175.000,00	17,5%	13.500,00	148.000,00	13.500,00
Z01		General Means		175.000,00		13.500,00	148.000,00	13.500,00
Z	01	01 Audit	Régie	20.000,00		0,00	20.000,00	0,00
Z	01	02 Evaluation	Régie	30.000,00		0,00	30.000,00	0,00

Z	01	03	Follow-up	Régie	14.000,00		0,00	14.000,00	0,00
Z	01	04	Studies, Consultancy and other related activities	Régie	30.000,00		0,00	30.000,00	0,00
Z	01	05	TA-Consultancy + funcionamento	Régie	81.000,00		13.500,00	54.000,00	13.500,00
Total					1.000.000,00	100,0%	78.500,00	881.000,00	40.500,00

5. Implementation Modalities

5.1. Legal framework and administrative responsibilities

The legal framework for the project is described by the Specific Agreement, signed between the Belgian Minister for Development and the Mozambican Ministry of Foreign Affairs. The Technical and Financial File is attached to this Specific Agreement.

Public tendering follows Mozambican laws and regulations for expenditure which falls within the “financial cooperation” budget lines with the no-objection of the Co-Authorising Officer (BTC Resident Representative) at each phase of every procurement and for disbursement.

Items charged to the budget lines managed by BTC (own-management) will follow the Belgian laws and regulations.

5.2. Management modalities

The project will be implemented in co-management (financial cooperation) for the 3 results of the project.

To support on one side the day-to-day management of the project and on the other side the DAF, a technical assistant (TA) will be recruited. (see annex 7.3. Terms of Reference).

The Mozambican party designates:

- The DAF director of the Ministry of Health as the **Project Director**.
- The Permanent Secretary of the MoH as the **Authorising Officer** responsible for approving expenditure chargeable to the budget of the project

The Belgian party designates:

- The BTC as the Belgian entity responsible for the follow-up and implementation of the project.
- The BTC representative for Mozambique will be the Co-Authorising Officer responsible for the transfer of funds to MoH and for providing a no-objection for the expenditures chargeable to the Belgian contribution of the budget of the Project.
- The BTC representative for Mozambique will be the Authorising Officer responsible for “Regie” funds. The DGDC will take all institutional, administrative and budgeting measures towards BTC, permitting the latter to implement the project.

5.3. Implementation and follow-up structures

5.3.1. Steering Committee

A joint local consultative body (JLCB), also called steering committee (SC), will be created for the project, at project start-up.

The Steering Committee (SC) represents the highest management level of the project and is responsible for providing the necessary strategic guidance to all project implementers and stakeholders. It supports the Project Direction in view of achieving the program’s results and objectives.

The Steering Committee consists of the following members:

- The Permanent Secretary as the representative of the Ministry of Health, chairman of the Steering Committee;
- A representative of the Ministry of Foreign Affairs and Cooperation (MINEC) of Mozambique;
- The National director of the Directorate of Planning and Cooperation of the Ministry of Health (MoH/DPC);
- The National Director of Budget (DNO) as the representative of the Ministry of Finance ;
- The BTC representative for Mozambique.

Decisions will be taken on consensus between the 5 members.

A Representative of UTRAFE will be invited to the meeting as observer.

The steering committee can invite any relevant person involved in the project to attend the meeting as an informer or an observer.

All JLCB members can designate a delegate for the steering committee in case they are not able to attend the meeting. However the delegate needs to be fully mandated in order to represent the absent member.

Within the limitations imposed by the Specific Agreement of the project, the Steering Committee shall lay down its own internal rules and take its decisions by consensus of its members.

The Project Direction (=DAF) will attend the Steering Committee meetings to report to and advise the committee but will not participate in the decision-making.

The SC will assume the following responsibilities and is mandated to:

- Appraise the state of progress of the project program (including budget monitoring reports and bank account statement) and the achievement of its results in view of reaching the Specific Objective;
- Approve the activity and financial progress reports prepared by the Project Direction (=DAF).
- Approve the budget follow-up report and planning of activities submitted by the Project Direction;
- Provide general guidance to the project implementation. If necessary, it will review and modify Project Results, Activities and budget reallocation providing that such modifications do not alter the project's overall and specific objectives nor the overall budget;
- Approve modifications to specific objective indicators and result indicators.
- If necessary, seek approval of both Governments for modifications to the validity of the project's Specific Agreement, changes to Specific objectives, and the project overall budget;
- Approve the Terms of Reference of the evaluation missions
- Appraise and approve (if relevant and when appropriate) the recommendations of evaluation missions;

- Approve the final report and the final closure of the program;
- Call for internal and external audits and appraise and approve their recommendations.
- Ensure synergy with other donor's projects;

The steering committee meets at the onset of the project and at least on a six-monthly basis until the closure of the project. The steering committee can meet at the initiative of any member.

The secretariat of the steering committee will be assured by the Project Direction. Minutes of the Steering Committee meetings shall be taken and sent to all members at the latest one week after the meeting. The minutes will be duly signed by all members.

5.3.2. Project Direction

The Project Direction (=DAF) assisted by the consultant (see under 7.3) will assume the daily management (technical and financial follow up) of the project. The unit's responsibilities are the following:

- To organize, coordinate and supervise the execution of the project activities in accordance with the approved project work plans;
- Submit quarterly financial reports to BTC according to the defined format (see below);
- Compile the operational and financial reports according to the agreed formats and submit budgeted work plans for the following six months period for consideration by the Steering Committee;
- Initiate and supervise the tendering process to ensure it is executed according to the appropriate procedures;
- Assume the role of secretariat of the SC (secretariat, agenda, documents, minutes; dissemination of minutes);
- Assure good management of the project resources (material, financial and human);
- Recruit the personnel necessary to execute the project.
- To deal with any problem of the TFF.
- To propose adjustment and modifications of project activities and results

5.4. Financial management and responsibilities

5.4.1. Principles

As stated in the Specific Agreement, the project will be implemented in co-management i.e. the Permanent Secretary of the MoH will be the authorising officer while the BTC Resident Representative will be the co-authorising officer through a mechanism of no-objection of the programme

The DAF director of the MoH will be the project director and the technical assistant appointed by BTC will be project co-director. Together they will form the project management and they will be jointly responsible for technical, administrative, budgetary and accounting management of the programme.

The management of funds and will respect the following principles:

- Efficiency;
- Economy;
- Transparency;
- Respect of the Mozambican legal framework.

BTC will perform audits on the management of these funds (see below 5.10).

A small part of the budget (the “regie” lines – own management) will be managed directly by BTC as mentioned in the previous chapter. This budget serves for general means (consultancy, studies, small equipment, running costs, follow-up and backstopping, evaluation and audit of the project).

5.4.2. Expenses and budget

The expenditures have to be useful and opportune. The expenditures should be in line with the approved budget lines and work plans. BTC reserves the right to consider the expense as ineligible, not justified, or not respecting the obligations arisen by the TFF. In this case, the value of the expenditure will be deducted from the next (second) instalment to the MoH and BTC will address a letter of explanation to the MoH. In the event of the second instalment is not paid or is insufficient to cover these amounts then the MoH will be asked to reimburse BTC.

The eligible costs are the ones that meet the following criteria:

- They are necessary to the project;
- They are foreseen in the budget and in the action plan of the project;
- They were effectively incurred, booked in the partner’s accounting;
- They are identifiable and controllable;
- They are supported by original supporting documents.

5.4.3. Mechanism of the Financial flow of the cooperation partners contribution

(1) As soon as appropriate, the contributions of the Cooperation Partners directed to PROSAUDE will be deposited in line with the Sectoral PES Cash Plan (MoH) in the FOREX Account at the BM in the name of MoF (USD or Euros).

Deposit in the transitory account in Multi Currency, of funds transferred from the FOREX Account upon instruction of the DAF and coded either as internal or external funds on the basis of the specification by the donors (see above).

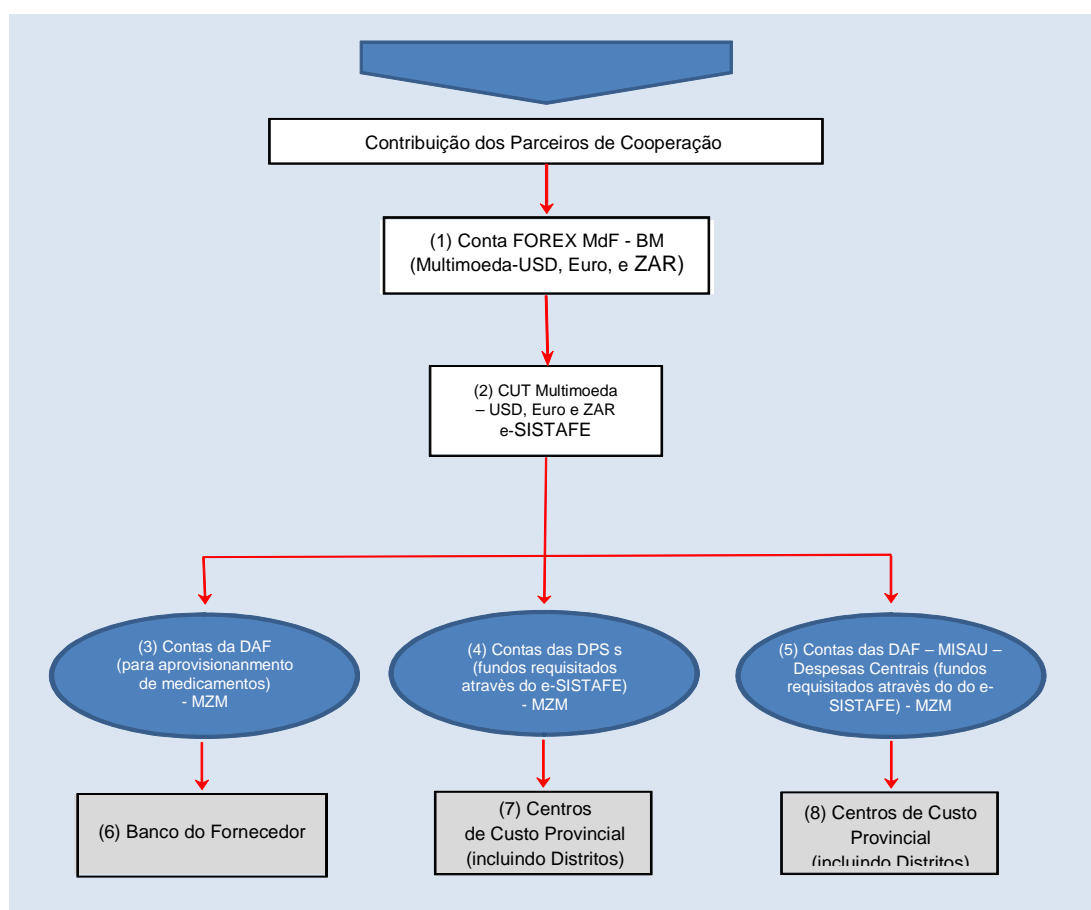
(2) Deposit in the Single Treasury Account (CUT) in Multi Currency of funds transferred periodically from the FOREX Account on instruction of the DAF and through an Overall PROSAUDE Cash Plan for direct execution by the central bodies (through the DAF) and by the provincial bodies via e-SISTAFE.

(3) Transfer to the drugs procurement account via e-SISTAFE. This account is managed by the DAF. Management includes letters of credit, oversight of payment to suppliers, and oversight of transactions and balances.

(4) Direct execution by the DPSs through e-SISTAFE, respecting the budget tables which have been approved and are available in the system. E-SISTAFE is not available at

district level, for which reason the funds come to the latter by transfer by the DPS, in keeping with the financial programming in the system.

- (5) Direct execution by the DAF and DPSs through e-SISTAFE, respecting the budget tables which have been approved and are available in the system. The funds may be transferred to the bank account of the DAF (procedure referred to as an *Advance Payment*) or directly to the account of the beneficiary (procedure referred to as the *Direct Route*). e-SISTAFE is not available at central cost centre level, for which reason the funds come to the latter by transfer by the DAF, in keeping with the financial programming in the system.
- (6) Bank used by the drugs supplier, the payments for which take place in line with the contractual conditions and upon presentation of documentary evidence to the BM. The payments are made through the letter of credit mechanism.
- (7) Deposit of funds in the account of the subordinated institutions upon instruction of the DPS through e-SISTAFE, whether by *Advance Payment* or by *Direct Route*.
- (8) Deposit of funds in the account of the Cost Centers upon instruction of the DAF, through e-SISTAFE, whether by *Advance Payment* or by *Direct Route*.



5.4.4. Cash management

5.4.4.1. Account identification

For the budget under “Financial Cooperation”, the MoH shall require an identification number in the “Single Treasury Account” (CUT) system through which project funds will be channelled from the Belgian Contribution.

The single treasury account works as a virtual account in the Bank of Mozambique²⁴ (BM) and replaces all commercial bank accounts previously used by the MoH.

The MoH has its own CUT for revenue and expenditure which is managed through E-SISTAFE.

5.4.4.2. Cash call: First transfer

After the signing of the CMO (execution agreement), MoH through BTC can introduce a cash call of 400.000€.

This cash call will be supplemented with:

- A signed detailed financial and operational planning covering the full project duration
- A Confirmation of the bank account details.
- Evidence that the funds are on-budget

5.4.4.3. Cash call: Second transfer

Based on approved financial reports by the JLCB on the utilisation of the first transfer and the justification of at least 60% thereof, MoH will request BTC for the second transfer of funds (the outstanding balance of the amount in “financial cooperation”).

The following will be required for BTC to validate and approve the second transfer:

- The letter requesting the transfer;
- The approved updated financial and operational planning;
- An updated budget follow-up bringing to the fore that more than 60% of funds have been used;

The fact that the quarterly reporting package was effectively submitted and complete.²⁵

This cash call will be requested by the MoH; checked and validated by BTC.

Should there be unjustified expenses then BTC will impose its right to reduce the amount transferred as stipulated in 5.4.2.

BTC commits itself to transfer the funds within the 30 days following the date of receipt of the fully documented request. However should additional information be required then this transfer could be delayed. BTC will address a letter to the partner specifying what is required.

Payment will be postponed until the cash call is introduced in due form.

²⁴ BM is the Central Bank of Mozambique

²⁵ Actual practice: 3 quarterly reports are emitted each year (Jan till June emitted in August; July-Sept; Oct-Dez).

5.4.5. Financial Reporting

5.4.5.1. Accounting

The accounting of the project must be elaborated and approved following the MOH accounting system. The accounting must be signed by the Authorising Officer and the head of DAF of MOH and sent to the Co-authorising Officer (BTC representative).

The following must be forwarded by the project to the BTC Resident Representative:

- Electronic account files.
- Certified copies of Bank statements and signed cash statements.
- Certified copies of all supporting documents.

The format of the quarterly accounting return should enable BTC to monitor output performance related to project's specific objective and expected results. Expenditures in the report must be grouped in accordance with the budget lines of the original detailed budget (See page 43).

5.4.5.2. Quarterly Financial Reporting

On quarterly basis the MoH will submit the following documents to BTC :

- The quarterly financial reports²⁶ including the list of incomes and expenses in the previous quarter and cash flow reports (bank account statements²⁷ with the project details);
- The quarterly budget follow-up;
- The list of the main commitments.

These reports must be submitted at the latest 60 days after the end of the quarter.

BTC may ask the MoH for additional information on the report content and/or additional documents which will be sent within 15 days following the request.

The financial reports could be in MZN (Mozambique Metical). In that case, and to draw up the reports, the effective expenses will be converted into Euro with a conversion method approved by BTC at the start of the project.²⁸ In these financial reports, the expenses will be presented in their original currency and in Euros.

Probative²⁹ supporting documents justifying the expenses (invoices, detailed account, payment attests), bookkeeping, respecting the international standards will be kept by the MoH. Those files will be archived in chronological order and should be accessible to BTC and the external auditors for a period of five (5)³⁰ from the date of the first payment/spending. The MoH allows BTC to access the supporting documents anytime.

The reports will be structured to allow the comparison between the objectives, the results foreseen or obtained, and the funds effectively used.

²⁶ Actual practice: 3 quarterly reports are emitted each year (Jan till June emitted in August; July-Sept; Oct-Dez)

²⁷ from E-SISTAFE

²⁸ The conversion will be done by the treasury and the method to calculate it shall be communicate to be approved at the start of the project

²⁹ force probante (<http://iate.europa.eu/>)

³⁰ The Mozambican law foresee to keep all this documentation during a period of 5 years

5.4.6. Management of funds under Regie

All the funds under REGIE shall be managed under the BTC internal rules and regulations. The management of these funds is under the responsibility of BTC Mozambique. (see 5.4.1 and 4.3)

5.5. Reporting

The project will be monitored and reported using the current procedures or formats of the DAF of the MoH. However, reporting should be project-specific: on the project activities and finances.

At project level, this reporting includes:

- Quarterly financial reports (see above chapter 5.4.5.)
- Operational and financial progress reports for the Steering Committee. These reports will have an annex referring to the logical framework (indicators). The budget follow-up and the updated planning (see point 5.4.4.3) reports will be done based on the budget structure as given in chapter 4.
- Final report. The final financial report must be submitted (under the final report) at the latest three (3) months after the end of the project activities implemented by the partner.

These reports will be sent to all members of the Steering Committee at least one week before the Steering Committee takes places.

5.6. Modification of the TFF

The present TFF may be amended by mutual consent of the parties. Careful consideration must be given not to change the present TFF in a way that would unnecessarily change the outcome objectives and indicators of the intervention as originally agreed between the parties.

A formal agreement by the Belgian government is needed for the following:

- modification of the total Belgian financial contribution;
- modification of the Specific Objectives of the intervention.

The request of the above modifications has to be approved and motivated by the Steering Committee. The exchange of letters requesting these modifications shall be prepared by the Mozambican partners and should be addressed to the Belgian Embassy.

The following changes to the TFF can be approved by the Steering Committee:

- the program results and activities and their respective budgets;
- the specific objective indicators and result indicators;
- the composition and responsibilities of the Steering Committee;
- the mechanism to change the TFF.

The Project Direction cannot change the content of the TFF

5.7. Procurement

The project will use the procurement cell “Unidade Gestora Executora das Aquisições” (UGEA) under the finance and administrative direction of the MoH.

The Mozambican procurement legislation will be used for funds in Financial Cooperation.

The BTC Resident Representative will give his no-objection during each phase of every procurement, and at disbursement phase. The no-objection is compulsory above the threshold of 5.000€.

BTC will use Belgian legislation for all the expenses in own management.

To ascertain the transparency of procurement, the members of the Steering Committee will have access to all administrative, financial or technical documents regarding the procurement for the project.

All tender documents will be duly archived and if necessary made available to audits.

BTC involvement in procurement

MoH will ask the BTC Resident Representative for a no-objection on the following procurement steps:

- Before publication of tenders (technical specifications/ terms of reference)
- At tender awarding
- At the provisional and final appraisal/ acceptance of the works, services or deliveries.

The BTC Resident Representatives' (RR) will provide his agreement in compliance with the BTC's internal regulations on delegation of financial authority.

5.8. Taxes and Duties

MOH will pay all taxes and duties levied on the purchase of goods and services as foreseen by Mozambican legislation where necessary. This is considered as part of the Mozambican contribution to the program.

5.9. Monitoring and evaluation

The DAF of the MoH will monitor and evaluate the project using their own procedures based on the logical framework. In addition to this, follow-up missions from BTC (internal or external personnel) will be performed during the course of the project. These missions can coincide with and contribute to the Steering Committee.

At the end of the project, an external final evaluation of the project will take place. This evaluation mission will perform a check of compliance with results listed in the TFF, assess whether the specific objective was achieved capitalize the project's lessons learned.

5.10.Audit

The MOH will share with BTC the reports from regular Mozambican Government audits on the funds of the project

BTC will deploy an independent, certified auditor to audit the dedicated project accounts at the end of the project. BTC will write the Terms of Reference of the audits. The external auditor will be an internationally recognized audit firm selected by BTC. The audit reports will be submitted to the Steering Committee who will decide on the necessary measures to be taken, if needed. This external audit will focus on:

- The compliance, ex-post, between payments and the work realised, based on the supporting documents, kept by the partner;
- The respect of the public procurement rules of Mozambican Government;
- The correct use of funds;
- The completeness, reliability, timeliness, of the financial reporting received by BTC.

The partner shall set-up an action plan based on the audit recommendations to allow him to remedy the noticed weaknesses.

One or the other party could initiate other audits at any time.

If possible, the audit ordered by BTC and the one done by the MOH will be carried out at the same moment.

5.11.Closure of the project

Equipment purchased using the 'Financial Cooperation' budget lines will be the property of the relevant institution throughout the project and beyond.

The Steering Committee will agree upon the re-allocation of the balance of funds remaining on the project account.

The final financial report must be submitted in the next three (3) months after the end of project activities and in any case, at least three (3) months before the end of the Specific Agreement.

After the end of the Specific Agreement, no expenditure will be authorized except if related to commitments entered into before the end of Specific Agreement and who are acted by the Steering Committee.

Amounts managed in BTC own management and not used at the end of the project, as well as the balance of the financial contribution not sent on project bank accounts will fall in cancellation at the end of the project.

6. Horizontal cross-cutting themes

6.1. Environment

The activities in the project will have limited impact on the environment.

6.2. Gender

6.2.1. Preliminary remarks

Mozambique disposes of a national gender strategy. Progress on the implementation of this national gender strategy has been stated in the 'Country questionnaire for the 15th year review and appraisal of the implementation of the Beijing platform of action'.

"There are efforts to integrate a gender dimension in the plans and strategies at sectoral level, as well as the data collection at the level of some of the sectoral Management Information Systems, such as health and education.

*There are gradually also more systematic efforts to integrate a gender dimension in the conventional data collection instruments."*³¹

There is a legal context³² which allows a positive discrimination.

The affirmative action is not institutionalized nor generally being practiced in Mozambique. There are some institutions that deliberately request certain positions go to women to fulfil specific targets.

6.2.2. Gender and the Health sector

Health sector priorities in Mozambique are outlined in the following documents:

- The health sector strategic plan 2001-2005 (2010)
- PESS I (Plano Estratégico do sector Saude)
- PESS II (2008-2012)
- Annual Health Sector Social Economic Plan (Plano Económico e Social- Sector Saúde)
- Annual Operational Plan (Plano Operacional Annual)
- PARPA (2006-2009)
- Health Sector Performance Assessment Framework (Health Sector PAF)
- Health Sector Social economic Plan (Health PES)

These documents have separate gender sections or gender paragraphs, but mainstreaming is relative absent: an attention for health/gender/HIV/AIDS is given in the Pillar II of the PARPA; the health and HIV/AIDS indicators can be found in the PARPA II Policy Matrix; the priority targets and indicators are in the Health Sector PAF; through Health PES, there is a yearly update of Health Sector PAF.

Objectives with reference to gender and health are strong focus on maternal mortality and HIV/AIDS among pregnant women and those in reproductive age.

³¹ COUNTRY QUESTIONNAIRE FOR THE FIFTEENTH-YEAR REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE BEIJING PLATFORM OF ACTION (BPFA+ 15), p. 6 – Integrating gender-responsive budgeting into the aid effectiveness agenda, Mozambique Country Report, Antwerp, July 2008, N. Holvoet & L. Inberg

³² Mozambican Constitution: Art. 35; Art. 36; Art. 39; Art. 122.

Only following relevant reference has been found regarding **planning and budgeting**:

- integration of gender issues in plans and budgets in all sectors (general gender process indicator in the PARPA II Policy Matrix & Performance Assessment Framework)
- the SADC Protocol on Gender and Development provides that State Parties shall ensure gender responsive budgeting at the micro and macro levels including tracking; monitoring and evaluation.

6.2.3. Propositions for action

A gender based training needs assessments (GBTNA) in order to formulate training programs responding to specific gaps (qualitative approach, empowerment) can be done. It will lead to improve an equal participation of women and men in training programs (qualitative approach, reducing inequalities).

In this case, it means an Assessment of the gender gaps in the health sector / financial functions (quantitative and qualitative approach of gender segregation of public servants related to their occupation -horizontal segregation- and function -vertical segregation- for the departments of the institutions concerned by the project. Findings of this assessment can be used as a basis for a) training needs, b) capacity building practices and/or c) human resource policy in order to strengthen women at higher positions.

One result will be capacity building regarding financial management for women (empowerment).

Even the “Specific objective” was formulated in neutral terms ‘financial management capacities of the health sector’, a reflection will be held regarding the indicators that can be used in the future. For example the number of e-SISTAFE users (agents) trained; can we integrate quota; assess who are these users/agents/trainers; what about the technical skills, do women and men dispose of different skills, do they need other training; is a specific provisions for women regarding training of public financial management, planning, budgeting, procurement, supervision and monitoring; could gender sensitive training packages be useful;...

It is also recommended to align with national gender strategy, through contacts with the concerned ministry, to identify if there is any focal point gender at the ministry³³, ...

6.3. Social economy

The activities in the project will have limited specific impact on social economy.

³³ The institutional context regarding the gender machinery concerns the Ministry of Women & Social Welfare Coordination with the National Directorate of Women and more specifically 2 departements:

- Department of Gender & Development
- Department of Women & Family

6.4. HIV / AIDS

HIV/AIDS prevalence in Mozambique is among the highest in the world. The PARPA is the GoM Poverty Reduction Strategy and the second update version covering the period between 2005 and 2009 was aligned with Government Five-Year Plan for the same period. HIV/AIDS is a cross cutting issue in the PARPA and related processes.

A specific strategy for HIV/AIDS called PEN (National Strategic Plan) exists at the sector level. PEN II covers the 2005-2009 periods and includes a chapter Strategy that established the areas of focus deemed relevant in the combat against HIV/AIDS. It also provided practical guidelines for the provision of support to initiatives and programmes of action to be undertaken at all levels among others. The aim of PEN was to ensure participation as broad as possible in HIV/AIDS activities to contain the rapid progression of the disease and significantly reduce the rates of incidence. PEN objectives have been formulated with a 5-year timeline but the evolution of the most important objectives spans over a period of 10 years. The last draft of PEN III was published end 2009. It covers a 5 years period (2010-2014). PEN III is developed around 4 strategic components: Reduction of risk and vulnerability; Prevention; Treatment and Care; and Mitigation of Consequences.

The CNCS (Conselho Nacional de combate ao HIV/AIDS) is the coordination body and action platform in the sector. It is also supported by a Common Fund (CF) established in addition to other health sector support modalities. CNCS receives funding from various donors (World Bank, Global Fund, bilateral, multilateral and others) to implement strategies and activities through local agencies which respond to the National Strategic Plan to address HIV/AIDS for 2005-2009 (PEN II). As a component of the overall strategy, CNCS transfer funds to different agencies (international and local NGOs, CBOs, public sector, etc.) to carry out the HIV/AIDS prevention and mitigation activities at the grassroots and local levels.

E-SISTAFE and a software parallel named PHC are in use in the institutions for Financial Management purposes. E-SISTAFE is only used at central level while PHC is used both at central and provincial levels. The execution of funds is done through direct budget execution for all funds On Budget and On CUT with a few exceptions. Most of payment controls including arrears are done using the e-SISTAFE system at central level. There is also use of the procedure for incorporating expenditure incurred and not accounted for at the end of the year. No specific system for the control of arrears exists.

Despite the fact that the CF mechanism has been established and that all the active partners in the sector adhere to it, CNCS has problems in managing the CF. CNCS must concurrently strengthen its capacity to financially, administratively and programmatically manage the HIV/AIDS resources. Another issue is the strengthening of systems which is the basis for the success of the strategy (PEN). The HIV/AIDS sector wants also to use the e-Sistafe more broadly and has to afford the same challenges as the health sector:

- Provide information on allocation and disbursements of funds to sector that promote predictability of medium-term flow of funds and take others to do the same;
- Work with sector to make sure that results are available and that systems for capturing such results are properly established, managed and used: Budget support is results-based approach and its effectiveness is measured in terms of outputs and outcomes;

- Promote the use of national system instead of parallel reporting and accounting systems;
- ...

This justifies why this trans-cutting sector can globally benefit from the results 2 and 3 of the project through the improvements of institutions to improve the PFM Area. They can be associated to several trainings (central & provincial level) or use the tailor-made training modules because they have to face the same problems as the health sector in public finance management. Some outputs from result 3, as to have the use of a template to produce a comprehensive financial report is another example.

7. Annexes

7.1. Logical Framework

General Objective	Progress Indicators	Means of Verification	Assumptions
Strengthen the budgeting and financial management processes of the Finance Department of the Health Ministry.	<ul style="list-style-type: none"> → Strengthening of financial management capacities of the health sector at central and provincial level (including a selection of districts to be identified); → Increase the level of sector expenditure being executed using SISTAFE \ e-SISTAFE (direct execution of funds as opposed to advancement of funds). 	<ul style="list-style-type: none"> → Funds spent more efficiently (time and purpose); → Central: e-SISTAFE terminals made available to Central level subordinated institutions and respective users duly trained; → Provincial: e-SISTAFE terminals made available to Provincial and Central Hospitals and respective users duly trained; → Districts: Districts with conditions for receiving e-SISTAFE identified; e-SISTAFE terminals made available and respective users duly trained; 	Project approved in 2010 and implemented in 2011.
Specific Objective	Progress Indicators	Means of Verification	Assumptions
The financial management capacities of the health sector at central and provincial level are strengthened via the extension and the deepening of e-SISTAFE.	<ul style="list-style-type: none"> → Provide sector with a financial management system and capacity building to successfully manage their institutions; → Subordinated institutions (CDSR, ICS, CAM and CMAM) and provincial \ central hospitals (Nampula, Zambézia, Sofala, Niassa, Pemba and Inhambane) with direct budget execution. 	Monitoring of the level of 2011 budget execution in these institutions.	To organise the procurement as quick as possible in the beginning of the project, to allow the implementation of the related activities.
Results	Progress Indicators	Means of Verification	Assumptions

<p>Results I: Extension of the use of Direct Budget Execution modality;</p> <p>Results II: Improve the level and quality of the sector financial management;</p> <p>Results III: Improve the implementation of the Consolidated Action Plan.</p>	<p>→ E-SISTAFE terminals acquired and installed fulfilling UTRAFE requirements.</p> <p>→ e-SISTAFE users (agents) trained in the use of the system by UTRAFE.</p> <p>→ Staff duly trained and with the technical skills required to improve financial management acquired.</p> <p>→ Specific actions under the responsibility of DAF in the Consolidated Action Plan duly implemented.</p>	<p>→ Monitoring of project Action Plan;</p> <p>→ Procurement processes performed on schedule and on budget;</p> <p>→ Number of Staff trained and training evaluations performed (pre and post training);</p> <p>→ Number of Actions resolved in the Consolidated Action Plan.</p>	<p>To organise the procurement as quick as possible in the beginning of the project, to allow the implementation of the related activities.</p>
Activities	Progress Indicators	Means of Verification	Assumptions
<p>For Result I</p> <p>i. Extension of the use of e-SISTAFE to subordinated and provincial\central hospitals;</p> <p>ii. IT needs assessment;</p> <p>iii. Procurement of IT;</p> <p>iv. Installation of IT;</p>	<p>→ Technology (hardware and software);</p>	<p>→ Project Action Plan and budgets;</p> <p>→ Procurement processes (ToRs and Tender);</p> <p>→ Evaluations to see whether the activities were carried and to assess their quality.</p>	<p>To organise the procurement as quick as possible in the beginning of the project, to allow the implementation of the related activities.</p>

<p>For Result II</p> <p>i. Training in the current use of e-SISTAFE at central and provincial levels;</p> <p>ii. Development of training packages (ToRs): public financial management including planning, budgeting, procurement, supervision and monitoring, and other related topics;</p> <p>iii. Delivery of training (central and provincial level).</p>	<p>→ Deepening of current use of e-SISTAFE at central and provincial levels;</p> <p>→ Capacity building of staff in public financial management including planning, budgeting, procurement, supervision and monitoring, and other related topics.</p> <p>→ Move from advancement of funds to direct budget execution.</p>		
<p>For Result III</p> <p>i. Implementation of the activities of the Consolidated Action Plan for Strengthening Management Systems.</p>	<p>→ Actions resolved and removed from Consolidated Action Plan.</p>		

7.2. Implementation Calendar

Activities			Year 1				Year 2				Year 3			
			1	2	3	4	1	2	3	4	1	2	3	4
A		The financial management capacities of the health sector at central and provincial level are strengthened via the extension and the deepening of e-SISTAFE												
A01		Extension of use of Direct Budget Execution modality												
A	01	01 Needs assessment												
A	01	02 Installation of e-SISTAFE in Science Health Institute												
A	01	03 Installation of e-SISTAFE in Regional Sanitary Development Centre												
A	01	04 Installation of e-SISTAFE in CMAM (Central Store of Medicines and Medical Articles)												
A	01	05 Installation of e-SISTAFE in CA (Provision Centre)												
A	01	06 Installation of e-SISTAFE in Central Hospital of Beira												
A	01	07 Installation of e-SISTAFE in Provincial Hospital of Nampula												
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Quelimane												
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Pemba												
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Inhambane												
A	01	08 Installation of e-SISTAFE in Provincial Hospital of Lichinga												
A	01	08 Installation of e-SISTAFE in Districts (of Provinces above)												
A02		Improve the level and quality of the sector financial management												
A	02	01 Training of e-SISTAFE users \ agents at central level												
A	02	02 Training of e-SISTAFE users \ agents at provincial level												
A	02	03 Training \ Capacity Building in Financial Management at Central level												
A	02	04 Training \ Capacity Building in Financial Management at Provincial level												
A	02	05 Training \ Capacity Building in Supervision and M&E at Central level												
A	02	06 Training \ Capacity Building in Supervision and M&E at Provincial level												
A03		Improve the implementation of the Consolidated Action Plan												
A	03	01 Support to Comprehensive, reliable and timely Financial Reporting												
A	03	02 Strengthening of procedures for budgeting and collection of fees charged to health users and other related own revenues												
A	03	03 Support to Refuncionalization of DAF's Financial Department												
A	03	04 Support to Implement Recommendations made by Audits and Inspections (IGF, TA and External Private Audits and Monitoring)												

Activities			Year 1	Year 2	Year 3
X		Budget Reserve (5% max of total activities)			
X01		Budget Reserve			
X	01	01 Budget Reserve			
Z		General Means			
Z01		General Means			
Z	01	01 Audit			
Z	01	02 Evaluation			
Z	01	03 Follow-up			
Z	01	04 Studies, Consultancy and other related activities			
Z	01	05 TA (Consultancy) + operating cost			

7.3. Terms of Reference for the consultancy: Technical Assistance

Location: Maputo, Mozambique

Duration of the consultancy: 18 months

Starting date: January 2011

Context:

The Belgian Development Cooperation has contributed to reinforce the public finance management process in Mozambique since several years. A bilateral agreement to support the SISTAFE Common Fund was signed end 2006 (General Budget Support) on one side, and Belgium was also supporting the Health Sector.

The last Belgo-Mozambican Partner Committee, agreed to allocate € 1 million to capacity building initiative in the Ministry of Health, more specifically in support of financial management, budgeting and planning in the Finance Department.

The Belgian Technical Cooperation is in charge with the implementation of the Belgian support: "Strengthening of the budgetary and financial Management processes at the administration and finance department of the ministry of Health", and therefore wishes to contract a consultant to reinforce the DAF to reach their targets.

The project will provide technical input through consultancy to DAF to address challenges related to various aspects of the results that are foreseen in the project and to strength the capacity of the DAF-DF.

The consultant will provide technical input to the ongoing work of the DAF with the extension of the use of the SISTAFE on the provincial and district level and the subordinated institutions.

- Facilitate the work of the department of finances;
- Provide technical advice to the DAF with regards to implementation of the SISTAFE on provincial and district level;
- Assist the DAF in their negotiation with UTRAFE for the training and installation of the equipment for the use of SISTAFE in the different provinces;
- Provide technical support to DAF to speeded up the implementation of the SISTAFE (procurement, training, complementary studies, ...);
- Advice the DAF in assessing current staff, determining where additional staff is needed and the capacity that has to be developed to ensure an optimal functioning of the e-SISTAFE;
- Assisting in planning the actions foreseen in the action plan and financed by the project;
- Strengthening operational capacity to produce the reports foreseen in the project and to align them to the format ;
- Follow-up and identified risk factors of not respecting the duration of the implementation and collaborate with the DAF to identify possible mitigation actions.
- Advice and support the DAF in

- Analyse with the DAF the constraints to implement the e-SISTAFE on the district level, and how to do it efficiently and plan a broader implementation of it (resources, timing, ...);
- Analyses capacity building needs (specific training, R&D, ...) with the Mozambican partner (different level) and helps to build the institutional capacity in the public sector for the extension of e-SISTAFE. Plan and advice them along the implementation process.
- ...

Qualifications :

- A masters degree in economics/ finances or an equivalent experience
- At least 7 years of experience in project management, and as adviser
- A thorough experience in development contexts (such as Mozambique)
- Experience in Public Finance Management
- Experience in capacity building in development contexts
- At least 5 years of overseas experience, of which a part in Africa. Knowledge of the country of Mozambique is an advantage ;
- A proven capacity for training of adults;
- Team spirit and communication skills with colleagues and project partners of different social levels.
- Knowledge of common IT-applications
- Good Knowledge of Portuguese
- Knowledge of English or French