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ANNEX 4

of the Commission Implementing Decision on the financing of the multiannual action plan in favour of the Republic of Mozambique for 2024-2025

Action Document for ‘Enhancing Economic Governance for improved Service Delivery and Accountability’

MULTIANNUAL ACTION PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plans of Article 23(2) of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Enhancing Economic Governance for improved Service Delivery and Accountability OPSYS ref: ACT61833
2. Team Europe Initiative	No
3. Zone benefiting from the action	The action shall be carried out in Republic of Mozambique.
4. Programming document	Multi-annual Indicative Programme (MIP) 2021-2027 for the European Union's cooperation with Mozambique
5. Link with relevant MIP(s) objectives / expected results	<p>The proposed Action contributes to Priority area 3-‘Governance, Peace, and a Just Society’, and more specifically to:</p> <p><u>Specific Objective 1</u> – “Strengthened democratic system (transparency, accountability and the rule of law) and economic governance frameworks for a more inclusive and just society in Mozambique”.</p> <p><u>Expected Results</u>: 1) Strengthened capacity of the state and decentralised authorities for more efficient and inclusive planning and budgeting processes for improved quality of service delivery; 2) Public finance management (expenditure and revenue sides) improved at central and decentralised levels to restore fiscal discipline, improve strategic allocation of resources, strengthen budget credibility, and enhance efficient service delivery; 3) Improved debt management and sustainability, natural resource governance and economic diversification to establish conditions for more sustainable, equitable and inclusive growth; 4) Improved transparency and accountability of democratic institutions, including oversight by the parliament and civil society.</p>
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority area 3: Governance, Peace, and a Just Society

7. Sustainable Development Goals (SDGs)	Main SDG: 16. Peace, justice, and strong institutions. The Action will also contribute to SDG 5 (Gender equality), SDG 13 (Climate action) and SDG 17 (Partnerships for the Goals).			
8 a) DAC code(s)	15110 – Public sector policy and administrative management 15111 – Public finances management			
8 b) Main Delivery Channel	Third Country Government (Delegated cooperation) – 13000 United Nations Agency – 41000 Recipient Government – 12000 EU Institutions - 42000			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	NO <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
	Migration @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities1 @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
BUDGET INFORMATION				
12. Amounts concerned	Budget line: 14 020122 Total estimated cost: approximately EUR 12 000 000 Total EU contribution: EUR 12 000 000			
MANAGEMENT AND IMPLEMENTATION				
13. Type of financing	Direct Management through: <ul style="list-style-type: none"> - procurement - grants. Indirect management entrusted entities to be selected in accordance with the criteria set out in section 4.4.3			

1.2 Summary of the Action

<p>The Action seeks to enhance the accountability and the efficiency of the public institutions that are responsible for the: 1) formulation and implementation of the National Budget, through which public services are delivered; and 2) fiscal and macro-economic policies through which sustainable growth and social development are protected and enhanced.</p> <p>Prior EU Public Finance Management (PFM) programs spearheaded efforts to establish a more strategic, systemic and sustainable approach to the PFM reform and to the underlying IT developments with, notably, the elaboration of the PFM Strategy 2024-2034, the Planning and Budgeting roadmap, the IT Master Plan, the revision of General State Accounts or the development of e-SISTAFE modules. This Action aims at consolidating these results. The</p>

1 For more information, please consult: The European Commission inequality marker - Publications Office of the EU (europa.eu) and Inequality Marker – Complementary Guidelines Application of the I-Marker to SSC fiches and Action Documents | Capacity4dev (europa.eu)

Action will help catalyse additional coordinated financing and contribute to set the conditions for an increased use of country mechanisms by development partners, needed to improve fiscal space and safeguarding social expenditures.

The Overall Objective of the Action is to increase coverage and quality of public services, enhance efficiency of public investments and the financial autonomy of the State.

The specific objectives are to:

1. **Enhance the effectiveness and efficiency of the implementation of the PFM Strategy:** the Action will support the implementation of PFM Strategy at central level through the mobilisation of technical assistance to: i) support the capacity of the Ministry of Economy and Finance (MEF) to steer, coordinate and monitor the reform across government, including dissemination and dialogue with stakeholders; ii) provide ‘on demand’ short term and ‘hands on’ expertise to help identify solutions to PFM technical constraints that will arise during the implementation of the Strategy and recommendations of International Financial Institutions in times of crisis;
2. **Contribute to efficient planning and budgeting for service delivery:** the Action will support the MEF and the sector Ministries implement the Planning and Budget reform and the Monitoring and Evaluation reform at subnational levels for improved gender-sensitive planning and budgeting capabilities. It will also reinforce bottom up accountability mechanisms at service delivery levels by facilitating the interaction between service users and service providers, in line with the SISTAFE Law 2022 [Public Finance Management Law];
3. **Support the consolidation and sustainable institutionalisation of the Integrated Information Management System for Public Finance Management (e-SISTAFE).** In line with the IT Master Plan’s sustainable framework for the financing and maintenance of the e-SISTAFE, the Action will focus on its extension to municipalities and on the finalisation and roll out of critical e-SISTAFE modules (e.g. procurement and asset management modules);
4. **Contribute to the mainstreaming of climate action and climate finance:** The Action aims at supporting the MEF to: i) mainstream Climate Action in the macrofiscal framework and medium term expenditure framework, and mobilise Climate Finance; ii) Set the framework for green public procurement; and iii) develop Nationally Determined Contributions (NDC) and the financing and transparency frameworks under the UNFCCC Paris Agreement.

The Action is fully aligned with the MIP Priority 3 ‘*Governance, Peace, and a Just Society*’ and its results and will contribute to the Green Deal Team Europe Initiatives. It will also contribute to EU policy priorities and more particularly to the implementation of the ‘*EU-Africa: Global Gateway Investment Package*’ by supporting the re-establishment of an enabling macro-fiscal environment for public investment, human capital development and private sector operations.

Finally, the Action is also aligned to the EU Gender Action Plan (GAP III)², specifically to its key thematic area of engagement ‘Strengthening economic and social rights and empowering girls and women’. Furthermore, it will also contribute to the Country Level Implementation Plan (CLIP) for Mozambique, 2021-2025.

² Communication from the Commission to the European Parliament, The Council, the European Economic and Social Committee and the Committee of the Regions: A Union of Equality: Gender Equality Strategy 2020-2025. COM (2020) 152 final.

1.3 Zone benefitting from the Action

The Action shall be carried out in Mozambique, country included in the list of ODA recipients.

2 RATIONALE

2.1 Context

Mozambique's macro-economic framework faced challenging years linked to the cumulated impact of crises since the hidden debt scandal in 2016 (e.g. pandemic, internal and international security, climate). Government's response in addressing short-term challenges was effective but the evolution is uncertain.

In 2022, the WB's Debt Sustainability Analysis considered debt to be sustainable 'in a forward-looking way' due to prospective LNG revenues and debt structure. The same year the IMF and the WB resumed an Extended Credit Facility and a Development Policy Operation to support stabilisation efforts. According to the last IMF Review [16/01/2024], the current economic trend looks favourable, and the efforts to reduce and keep inflation under control were successful. In order to protect the economy, the Parliament, following a proposal by Government, adopted the law creating the Sovereign Wealth Fund at the end of 2023 and the regulations in 2024.

While strides have been made in macro-fiscal management, substantial vulnerabilities persist at the macroeconomic level. The increase of the Gini coefficient (from 0.47 in 2008/9 to 0.50 in 2019/20) indicates that growth is non inclusive. It places Mozambique amongst the most unequal countries in sub-saharan Africa and one of the bottom ten countries in the world. Inequality and poverty have a significant gender dimension that the UNDP 2019 Gender Inequality Index Report reflects, placing Mozambique in the 127th position out of 162 countries (63% of female headed households headed by women categorised as poor compared to 52% for male headed households). Challenges stemming from the ongoing reform of the wage bill have created a strain on salary payments, while concurrent pressures on the budget (the impact of natural disasters, and the security and humanitarian demands related to the conflict in Cabo Delgado, debt service obligations, and pensions) have further eroded fiscal space and the government's capability to fund public investments, provide services, and allocate resources for social expenditures.

This confluence of factors has led to the increase of payment arrears [to suppliers; extra hours and benefits of civil servants] and of domestic debt to counter growing fiscal pressures. The reported magnitude of arrears since 2022 in a context of soaring debt levels is a significant fiscal risk.

Mozambique Public Finance Management system presents a significant number of weaknesses. The 'hidden debt scandal' of 2016 highlighted Mozambique's governance challenges and triggered the suspension of budget support. Weak internal controls, scrutiny and oversight as well as inadequate budget coverage and quality of the budgetary documentation contributed to the failure of the PFM system in detecting these risks.

The 2019 Central Public Expenditure and Financial Accountability (PEFA) assessment confirmed vulnerabilities that cut across the entire budget cycle and affect budget credibility, aggregate fiscal discipline, and service delivery. Only 4 indicators reached a B score, while all other 16 indicators only scored C or C+ and 11 falling below basic level of performance, demonstrating the need to consolidate basic PFM functions across the budget cycle.

Following the Maputo Peace Accord 2019, fiscal coordination challenges and PFM weaknesses at local level have emerged following the decentralisation process and undermine efficient service delivery.

The legal framework for the management of public finances was revised, with the approval of the SISTAFE Law and its regulations (2020 and 2021). Its implementation is lagging behind due to limited capacities, lack of sequencing and operational guidance and recurrent crises that divert capacities away from medium term reforms towards short-term emergency management efforts.

The GoM demonstrates strong commitment to carry out PFM diagnostics (Governance, Corruption and Transparency report 2019, Fiscal Transparency Evaluation, 8 PEFA's -Central PEFA with EU support, Health PEFA with Enable's support and 6 subnational PEFA's with WB, AFD and EU support).

With EU and IMF support, the GoM expects to finalise the PFM Strategy in 2024 that has been elevated from a 5 years PFM Plan approved by the MEF to a 10 year PFM Strategy approved by the Council of Ministers. The draft PFM Strategy is relevant as it covers the entire budget cycle, addresses identified weaknesses and seeks a balance between fiscal discipline and efficient service delivery, transparency and accountability. It is also credible, as it is coherent and results oriented, including a hierarchy of results and indicators divided into 7 pillars, 25 measures and a set of reform actions to guide implementation. Acknowledging the State's limited capacities, it also considers a sequenced approach, with the first phase focusing on stabilization, getting the basics right and preparing the next phase. It clarifies monitoring and dialogue mechanisms at technical and strategic levels - internally to the Government as well as with civil society and development partners. This is expected to facilitate Development Partner (DP) coordinated financing as well as to set enabling conditions for an increased use of country mechanisms.

When it comes to the institutional framework, in 2020 the responsibility of the coordination of the PFM reform was transferred from the CEDSIF, Public Institute that keeps the mandate of developing the Integrated Information Management System, to the MEF. This provides an opportunity for the PFM reform not to be conceived as a technical IT issue. Finally, considering exposure to climate shocks, to which Mozambique is increasingly vulnerable³, the MEF is responsible for Climate Financing action to improve resilience and access new sources of finance. The updated Nationally Determined Contribution for 2020-2025 estimated its financial needs to a total of USD 7,6 billion for its implementation.

The European Union is a long-standing supporter of the PFM reform and has become a key stakeholder, as it finances key reforms and co-chairs the Public Finance Management with the IMF.

2.2 Problem Analysis

The Mozambican public finances are going through a deep macro-fiscal crisis that severely reduces the State's financial autonomy, making it difficult to respond to growing service delivery and public investment needs. The discretionary part of the budget that can be allocated to social sectors drastically reduced, requiring to improve the efficiency of public expenditures 'to do more with less'. To this aim, it is imperative to accelerate the implementation of reforms to ensure a well-functioning PFM system. This will help achieve macro-fiscal consolidation and establish the conditions to access innovative sources of finance such as climate finance in the short to medium term, while ensuring prudent management of LNG revenues in the long term. It will also improve budget credibility and value for money of pro-poor expenditures by addressing budget execution bottlenecks, transparency, and accountability that can translate into more inclusive gender and human rights based approaches to basic service delivery. In doing so, a well functioning PFM system would help consolidate conditions for increased use of country mechanisms and increase fiscal space. Yet, overcoming capacity gaps and keeping the implementation of the Strategy on track in a volatile context will require concerted efforts at all levels of government. Building buy-in for reform implementation at all levels, strengthening monitoring and evaluation mechanisms and ensuring expertise to identify hands on solutions in times of crisis will be key to achieve fiscal stability and resilience.

Protecting minimum levels of social expenditures is urgent and requires improving planning and budgeting processes/tools from central down to local level: The macrofiscal crisis has led to an unsustainable fiscal position for social sectors that is expected to remain until the GoM can yield LNG revenues -2030 the earliest-. Fiscal and cash management constraints compromise both, results achieved in the last decade in the coverage and quality of service delivery in the social sectors as well as the positive outlook for the future. Recurrent budgets only cover basic salaries. The lack of maintenance and operating budget has led to the accumulation of payment arrears that impacts significantly service delivery (e.g. arrears with the payment of extra hours for teachers results in an increased pupil/teacher ratio; lack of transport budget means that books do not reach schools; failure to settle bills

³ NDC 2021

results in service delivery units having only intermittent access to electricity). There is no budget for capital investment neither, which means that the State depends on external funds, which do not always consider plans, medium term fiscal frameworks and future recurrent costs necessary to run them thereafter.

Immediate reform actions (2024-2027) are: 1) improve the credibility of the Medium Term Fiscal Framework (e.g. realistic forecasts over 3 years rolling, setting aggregate ceilings, fiscal rules, baseline, etc); 2) Elaborate a Medium Term Budget Framework with baseline vs. new expenditures focusing on high-priority investments and key basic service delivery sectors); 3) Define results oriented 3 years rolling expenditure at subsector level in selected service delivery sectors; and, 4) strengthen intergovernmental fiscal coordination and institutional capacities. Yet, weak capacities and coordination, and lack of alignment across different planning and budget tools are major challenges to ensure efficiency and functional services. Finally, cash management constraints limit the opportunities to enhance transparency, participation and accountability to improve the quality of services [lack of budget prevents holding the ‘*Observatorios*’; oversight role weakened due to steady reduction of budget allocations to the Tribunal Administrativo and local assemblies, etc].

Dependency on ‘ad hoc’ opportunities of external funding leads to a piecemeal approach for the expansion, maintenance and operation of the Integrated Information Management System [IFMIS]: Mozambique counts with an integrated financial management information system [e-SISTAFE] through which the PFM reforms are implemented. It incorporates over 1,700 budget holders and enforces compliance with legislation and regulations, ensures segregation of duties and allows for traceability of all transactions, with payments from the system to suppliers and staff all being made digitally from the Treasury Single Account (TSA). Yet, extending its coverage to municipalities and ensuring the development of new modules are important next steps. To this aim, strengthening the governance architecture of the IT developments and establishing the pre-conditions for digitalisation (connectivity) across the territory as well as ensuring the maintenance of the IT infrastructure will be crucial. In 2019, the GoM decentralised the responsibility to equip and maintain IFMIS hardware from the CEDSIF to budget units has led to uncoordinated and inconsistent developments and lack of sustainability that undermines the efficient management of the State, of its public finances and of accountable service delivery. Acknowledging this, CEDSIF and the MEF are elaborating an IT Master plan to catalyse and coordinate different sources of funding.

Exposure to climate change requires building resilient macrofiscal frameworks: there is need to reduce the impact of climate change hazards on the budget and to access innovative sources of financing to increase fiscal space and contribute to stabilisation efforts. In particular, policies and investments that enhance its resilience to climate change and mitigate the transition risks need to be prioritised, while procuring innovative sources of climate finance such as debt swaps or sources aimed at supporting climate change mitigation and adaptation and at compensating the countries and specific communities that have suffered the most severe effects of climate change (e.g. Loss and Damage Fund). Yet, the MEF’s capacities need to be developed to introduce policy and procedural measures to limit carbon emissions and to limit the effects of Climate Change. Making the climate financing competencies operational will require additional efforts to train and develop internal know how and vision for the Directorate, as well as reinforced coordination with the Ministry of Land and Environment.

The main stakeholders covered by the action are:

The Ministry of Economy and Finance (MEF) is in charge of elaborating, leading and steering the implementation of the PFM Strategy and of re-establishing a macro fiscal enabling environment, including conditions to access new sources of climate financing.

The Centre for the Development of the Financial Information System (CEDSIF), under the MEF’s supervision, is the Public Institute with the mandate to orient and coordinate the modernization of the State’s IFMIS system (e-SISTAFE – *Sistema de Administração Financeira e Económica do Estado*). CEDSIF is responsible for the development and maintenance of e-SISTAFE modules, to promote change management required for the SISTAFE reform; support other state organs and institutions in elaborating complementary IT solutions; and for initial training and certification of the e-SISTAFE users. It is in charge of elaborating the IT Master plan that will guide these efforts.

The Ministry of Education is in charge of the implementation of the Education Sector Strategic Plan 2020-2029 and provincial services. Some of the key challenges identified relate to the shortfall of qualified human resources

both to manage the sector (planning, budgeting) and to deliver quality education (low teacher/pupil ratio); reliance on external support (Fundo de Apoio ao Sector da Educação) for its investment expenditure; lack of effective interministerial coordination; inefficiencies linked to emergency public procurement, etc.

Sub-national levels of government (*Províncias, Autarquias e Distritos*) lack a clear enabling environment to carry out their mandates and ensure efficient fiscal coordination to deliver functional services. While the roll out of the PFM reforms has progressed, macrofiscal constraints prevent these improvements from translating into improved service delivery and increased transparency and participation. Lack of harmonisation of fiscal information and templates also are a challenge in the monitoring and reporting of consolidated information.

The ‘demand side of governance’ -the Supreme Audit Institution (*Tribunal Administrativo*) and civil society, including Women’s Rights Organisations and Organisations of Persons with Disabilities- as right holders will indirectly benefit from the Action that will focus on supporting the ‘supply side of governance’. Coordination is sought with the ongoing EU support to TA, and with the EU Civil Society program.

The final beneficiaries and right holders are Mozambican citizens, and in particular women and children and vulnerable population that will see increased access to public services. In order to ensure greater empowerment of women in PFM, the project will ensure the participation of female officials in the above key government ministries, line agencies, as well as key bodies such the oversight institutions to benefit from the activities delivered by the proposed project.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

Overall Objective of the Action is to increase coverage and quality of public services, enhance efficiency of public investments and the financial autonomy of the State.

The Specific Objectives are to:

1. Enhance the effectiveness and efficiency of the implementation of the PFM Strategy 2024-2034;
2. Enhance efficient and gender sensitive planning and budgeting for service delivery;
3. Support the consolidation and sustainable institutionalisation of the Integrated Information Management System for Public Finance Management (e-SISTAFE), and;
4. Support the mainstreaming of climate action and climate finance in the PFM system.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives are

- 1.1 Contributing to Outcome 1 (or Specific Objective 1): Institutional enabling conditions for reform implementation established with stronger coordination, monitoring capacities and buy in;
- 2.1 Contributing to Outcome 2 (or Specific Objective 2): Enhanced planning, monitoring and coordination of PFM reforms at central level established to protect minimum standards of service delivery;
- 2.2 Contributing to Outcome 2 (or Specific Objective 2): Support to the implementation of Planning and Budgeting System (SPO), the Monitoring and Evaluation System (SMA) and bottom up accountability mechanisms for improved quality of service delivery implemented;
- 3.1 Contributing to Outcome 3 (or Specific Objective 3): Implemented IT Master Plan with a focus on the sustainable roll out of the e-SISTAFE and software developments;
- 4.1 Contributing to Outcome 4 (or Specific Objective 4): Improved capacities to mainstream Climate Action established, together with streamlined approach to procuring Climate Finance.

3.2 Indicative Activities

Indicative Activities relating to Output 1.1 ‘Institutional enabling conditions for reform implementation established with stronger coordination, monitoring capacities and buy in’:

- Provision of Technical Assistance to the MEF and related institutions to enhance leadership, coordination, M&E mechanisms for the implementation of the PFM Strategy 2024-2034;
- Deployment of ‘on demand’ and short notice problem solving practical advisory services to address bottlenecks;

- Support MEF's change management strategy, including the elaboration of a communication strategy and regular dialogue mechanisms on the implementation of the PFM Strategy within the MEF and the public sector, with society at large and with Development Partners.

Indicative Activities relating to Output 2.1 'Enhanced planning, monitoring and coordination of PFM reforms for minimum standards and gender sensitive service delivery';

- Support the elaboration, consolidation and institutionalisation of the Medium term Fiscal Framework and Medium term budget framework in line with the Roadmap/PFM Strategy 2024-2027 and with other development partners;
- Development and implementation of 3-year programme based budgets consistent with the Lei SISTAFE [2022] and Roadmap/PFM Strategy, starting with the education sector and developing standardised procedures, guidelines and training materials, including for quarterly and annual performance monitoring;
- Implement the education 3-year program based budget in a small selection of provinces, districts and municipalities and roll out in line with the Roadmap/PFM Strategy thereafter.

Indicative activities relating to Output 2.2 'Scalable approach to roll out the Planning and Budgeting System (SPO), the Monitoring and Evaluation System (SMA) and bottom up accountability mechanisms for improved quality of service delivery':

- Improve and consolidate capacities to improve planning, budgeting and delivery of education services at provincial, district and municipal levels, including, tentatively the setting up of a cascaded system for training and advisory services to assist in solving common problems at the local level, that will also adopt a gender, Human Rights Based Approach and inclusive perspective;
- Identify and strengthen bottom up accountability mechanisms to improve the quality of service delivery in the education sector tentatively including activities to improve transparency (e.g. publication of sector performance, service delivery quality standards, budgets, etc), citizen's engagement/interactions between service users/providers throughout the budget cycle (e.g. including complaint mechanisms to prevent, control and correct deviations (e.g. absenteeism or misbehaviour, petty corruption, theft or misuse of supplies) with the aim of improving inclusivity;
- Implement accountability mechanisms above in a selection of provinces, districts and municipalities during the first 3 years and develop a roll out strategy/guidelines based on lessons learned.

Indicative activities relating to Output 3.1 'Implemented IT Master Plan with a focus on the sustainable roll out of the e-SISTAFE and software developments':

- Support the consolidation and technological improvements of e-SISTAFE's core modules, as necessary.
- Support the development and roll-out of the outstanding complementary modules of the e-SISTAFE, namely those related to procurement and asset management;
- Support the overall roll-out of the e-SISTAFE system to the municipalities (*autarquias*), introducing the adaptations that may be necessary given their institutional characteristics and mandates.
- Prepare a consolidated proposal for an appropriate, cost-effective financial and institutional framework for the long-term sustainability of the e-SISTAFE system, building on the findings and recommendations of the IT Master Plan (*Plano Diretivo de Tecnologia Informática*) due to be developed in 2024.

Indicative activities relating to Output 4.1 'Improved capacities to mainstream Climate Action established, together with streamlined approach to procuring Climate Finance' and differentiated adaptation and mitigation tracking:

- Support MEF improve policy coordination and develop the Nationally Determined Contributions (NDC) and the financing and transparency frameworks under the UNFCCC Paris Agreement and transition to the enhanced transparency framework;
- Support MEF mainstreaming climate change in the macro-fiscal framework, including forecast and quantification of climate change risks and budgetary impacts;

- Support MEF integrating climate change in the medium-term expenditure framework and annual budget from the planning and budget circulars stage, to execution stage through public investment and e-SISTAFE. This may include carrying out specific assessments and diagnostics in complement of the C-PIMA currently done by the IMF, as relevant;
- Set up the framework and incentives for sustainable/green public procurement (e.g. sustainable procurement strategy and procurement law, operational procedures for climate change responsive and environmentally-friendly public procurement system).

3.3 Mainstreaming

Environmental Protection & Climate Change

The Action includes a Specific Objective dedicated to climate change and climate financing.

Outcomes of the SEA screening (relevant for budget support and strategic-level interventions)

N/A

Outcomes of the EIA (Environmental Impact Assessment) screening

The EIA (Environment Impact Assessment) screening classified the action Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening

The Climate Risk Assessment (CRA) screening concluded that this action is not at risk or at a low risk (no need for further assessment).

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes, this action is labelled as G1, as this Action contributes to the advancement of gender equality and women's empowerment, as follows:

- Specific Objective 2 contributes to address inequalities by: i) improving the planning, budget execution and monitoring processes of basic service delivery in the education sector and; ii) enhance women's participation in citizen's engagement and accountability mechanisms. Their participation in dialogue processes between service users and service providers will contribute to more gender-responsive services. This will help gradually reverse the gender divide in basic literacy that perpetuates economic, social and political inequalities and will seek complementarities with the EU regional program for Economic Governance 'Pro PALOP-TL' (that already supports MEF in gender-responsive budgeting) in setting the foundations for mainstreaming gender into planning processes and for gender budgeting in the long term.
- Specific Objective 4 is aligned to the GoM's strategies, including the Gender, Environment and Climate Change Strategy that aims at ensuring gender equality in the formulation, implementation, monitoring and evaluation of adaptation and mitigation interventions.
- Gender disaggregated data will be collected.
- The Government of Mozambique approved the Gender, Environment and Climate Change Strategy with the main goal to ensure that there is gender equality in the process of formulation, implementation, monitoring and evaluating of adaptation and mitigation interventions.

Human Rights

The Action respects the 5 human rights-based approach principles, notably, respect to all human rights, participation, non discrimination, accountability and transparency, as follows: 1) The Action supports the implementation of the PFM reform in the education sector that is universally accepted as a basic human right; 2) The Action aims at establishing mechanisms to put in practice the principles of Transparency, participation and non-discrimination in the Public Finance Management processes through which public policies are implemented. This will led to a more inclusive and fair planning and budgeting processes, more inclusive public policies and service delivery; 3) The Action aims at reinforcing accountability in the management of public finances at central level through the support to the implementation of the PFM Strategy (Specific Objective 1) and, at local level, through the support to efficient planning and budgeting processes for service delivery in the education sector (Specific Objective 2). In this way, the Action will contribute to restore trust in the State and the social contract. The Action will apply the working principles of the Human Rights Based Approach throughout the design and implementation of the intervention as well as an intersectionality approach.

Disability

As per OECD Disability DAC codes, this action is labelled as D1. Indirectly, the Action will include people living with disabilities by ensuring their participation in the citizen's engagement and accountability processes so that their preferences are voiced and influence budget allocations, workshops, etc.

Reduction of inequalities

The Action supports reduction of inequalities through; i) objective 2 that seeks to respond to growing inequality levels by protecting minimum levels of service delivery and efficiency of public expenditures in key social sectors; ii) Objective 4, which aims at reducing the impacts of climate change that are an aggravating factor of inequality, and reduce available budget for social expenditures.

Democracy

The Action aims at improving Public Finance Management, which is at the core of the social contract between the state and society and through which public policies are implemented. Specific Objective 1 supports the implementation of the PFM Strategy that covers the entire budget cycle, including the planning, execution, reporting and oversight institutions and that builds on the principles of transparency, participation, non discrimination and accountability. In this context, the Action seeks to reinforce transparency at central and local levels as well as it goes a step forward by seeking to enhance accountability mechanisms and participatory processes at central level -linked to the implementation of the PFM Strategy- and at local level where the services are delivered. This is the first entry point for interaction between citizens and the state, for reinforcing local governance considering the decentralisation process and for showing tangible results for the citizen, leaving no one behind. Service delivery and digitalisation in the management of public finances are key entry points to improve governance and accountability to show concrete results for the citizen. Finally, education is key for effective democratic institutions.

Conflict sensitivity, peace and resilience

In the medium to long term, improved coverage and quality of public services alongside enhanced efficiency and effectiveness of public investments should serve to strengthen equal and fair access to economic opportunities and public services thus reducing distrust and discontent, and strengthening cohesion. In the short to medium term, a strengthened PFM system should permit enhanced resource allocations and more effective execution of budgets within the established programme of support to peace and conflict resolution in the province of Cabo Delgado.

Disaster Risk Reduction

Mainstreaming of climate change in strategic planning, budgeting and implementation will be one key activities of the Action, both at central and provincial level, given that Mozambique is prone to climate related disasters.

Other considerations if relevant

The fight against corruption and fraud will also be mainstreamed.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures

Political	Pre- and post-elections: The run up to the 2024 elections delays the finalisation of the PFM Strategy 2024-2034 and approval by the Council of Ministers in 2024.	M	H	Dialogue: participate as PFM cochair and supporter of the Strategy in the MEF's Task Force. Elevate dialogue as needed to the IMF Extended Credit Facility and in bilateral EU-GoM dialogue. Action design: 1) 'Preparatory phase' after the elections and Decision is adopted (2025) to support the the Task Force socialise the PFM Strategy internally to ensure a critical mass of buy in intermediate management levels and ensure readiness for implementation when contracting is completed. Task Force to prepare a presentation of the Strategy to the new leadership when it takes office; 2) Diversify implementers outside GoM to mitigate risks.
	Post-electoral reshufflings lead to a loss of momentum and/or of leadership/ownership of the PFM Strategy that could jeopardise implementation.	M	H	
	Uncertainty over the scope and timing of decentralisation policies creates overlaps and changes in mandates	H	M	Action design: 1) Preparation phase to take stock and adjust priorities/sequencing as needed; 2) flexibility within individual contracts; 3) iterative and adaptive program management and monitoring for timely corrective actions.
Public Finance Management/ accountability	Risk of reduced oversight with the revision of the Law 14/2004 governing the Tribunal Administrativo.	H	H	Policy Dialogue pursue dialogue in the External Audit platform (PLACOR) on engagement with GoM, AR, and TA and CSO to monitor the evolution of the discussions. Action design: the focus is on implementation the PFM Strategy and its M&E and reporting functions, which strengthen sound public management and transparency and inclusiveness, reducing this fiduciary risks.
	Sovereign Wealth Fund regulations are vague including fiscal rules.	M	M	Policy dialogue : pursue coordination with the PFM, Macro groups and with CSOs on SWF and fiscal rules.
External shocks [Climate change, Security...]	Emergencies linked to climate change events or deterioration of the security and impact on the macrofiscal situation, budget (needed expenditures and delays in LNG projects) and on political priorities. May divert resources and focus from medium term reforms to emergency management.	H	H	Policy dialogue: 1) engagement on the need to make parliament approval mandatory for in year budet revisions to respect fiscal rules and protect minimum levels of basic services; 2) monitor implementation of a gradual approach in the PFM reform with prioritising in the short term stabilisation efforts and ensuring responsiveness through iterative monitoring.
Macrofiscal risks	Delays in defining and/ or implementing the GoM macro-fiscal recovery plan lead to the	H	H	Policy dialogue: 1) Engage with the GoM and with DP to support stabilisation efforts, debt sustainability and possible restructurings; 2) EU to continue active

	materialisation of major risks (debt unsustainability, insolvency, failure to pay salaries and recurrent costs, lack of resources for social basic services) that can lead to instability and undermine the Action			involvement with the GoM, and partners regarding the magnitude of the fiscal crisis, set a new baseline and identify feasible options in the budget and in DPs programs to protect minimum levels of social expenditures; 3) a follow up of these discussions adopt corrective measures to the EU portfolio as needed and agreed.
Local governance, local planning, budgeting and accountability processes	Barriers to participatory processes and accountability mechanisms (high numbers of students dropouts, child labour and household responsibilities, resistance)	M	M	Coordination within the EU Portfolio: 1) ensure operational coordination between the Action that supports the supply side of governance and the EU Civil society project that supports the demand side; 2) ensure coordination with EU support to the education sector to set conditions to facilitate women's and persons with disabilities participation in service user's groups to identify gender-sensitive measures to improve the quality of basic education and reduce girl's dropouts.
	A gender-neutral problem analysis could reinforce existing gender inequalities	M	M	Gender based approaches are introduced in planning and budgeting in line with GoM's reforms Gender sensitive monitoring using sex disaggregated data
Operational	Delays in finalisation of the GoM PFM Reform Strategy Limited GoM implementation capacities further weakened with possible shocks/emergencies	L	M	Action design: 1) regular monitoring to adjust Action Plans as needed; 2) Adopt a 'basics right first' approach in the prioritisation of actions; 3) Harmonise and streamline EU support to reduce transaction costs as much as possible, including by aligning to M&E mechanism for the Strategy as much as possible and joining existing programs.

Lessons Learnt: Lessons from the EU's long- experience with Public Finance Management in Mozambique are:

1. Recalibrate priorities: there is need to adjust the focus and priorities of the PFM reform and of the EU Program based on changing realities and findings from PFM diagnostics and assessments. This includes ensuring that basic PFM functions and financial compliance are consolidated and stabilisation efforts pursued, before supporting the move towards more sophisticated reforms.

2. Finalise the Strategic documents: since 2019, the PFM reform lacked a strategic document to guide reform efforts, which led to a piecemeal approach to reform and fragmented, inconsistent and uncoordinated requests for DP support by different directorates/institutions. Finalising the PFM Strategy 2024-2034 and the IT Master plan is key to guide GoM's reform efforts in a context of scarce resources and to align and coordinate DPs support accordingly. This document will help provide a roadmap for the reform, ensuring consistency and sustainability of EU support, catalysing additional resources and serving as a roadmap for the incoming leadership.

3. Redynamise Leadership and policy dialogue: after the stop of budget support and recurrent emergencies, the absence of a PFM Strategic Plan led to a reduction of GoM's and DPs attention to the PFM reform and a fragmentation and slow down of policy dialogue that only continued in an ad hoc manner at technical and subsector levels. The PFM strategy and IT master plan will help redynamise internal change management strategy and policy dialogue with civil society (including Women's Rights Organisations and Organisations of Persons with Disabilities) and the DPs.

4. Shift from input towards results orientated and system strengthening approaches: with project aid, attention on the PFM reform reduced, resulting in a significant slow down of PFM dialogue, fragmentation of reform actions

and DPs projects, weakly coordinated activities and a stronger focus on fiduciary controls over policy results. Attention focused on the IT side of the reform - ad hoc demands for equipments-, on ad hoc trainings and study tours that were not sustained by any underlying strategy to ensure efficiency, institutional sustainability and system strengthening. Acknowledging these challenges, in 2020 the EU Program was reoriented to spearhead efforts to move towards a system strengthening and results oriented approach with the elaboration of the PFM Strategy and the IT master plan. This 'legacy' is being used as a new baseline for this Action and future DPs programs.

5. Gradual approach and capacity development: In Mozambique, reforms tend to be launched at once through legislation, manuals and IT developments to all public sector institution and without transition. Yet, PFM reform is complex and requires a gradual approach that considers existing capacities and strong change management strategy. Understaffing, turnover, limited number of qualified staff (e.g. a little share of the MEF's staff has an economic or public finance background) and low productivity are major implementation challenges. Sustainable capacity development strategies that consider institutional strengthening (e.g functional reviews, civil service, legislative works etc), organisational development (e.g. internal/external communication strategy to ensure buy in or horizontal/vertical coordination mechanisms, organisational reengineering, etc) and individual capacity development (e.g. tailored national training programs and systems) are crucial for long-term success.

6. Adaptive management: flexible program design and adaptive management are necessary to adjust to crises and changing priorities effectively. This requires prioritising continuous engagement and regular light monitoring and engagement, over too heavy formal coordination and monitoring platforms, especially in times of crisis and volatility.

7. Reduce transaction costs: in the context of weak capacities aggravated by emergency management, measures should be taken to reduce transaction costs for the government, such as coordinating programs with other development partners and aligning monitoring mechanisms.

8. Leverage comparative advantage: Leveraging the comparative advantages of different stakeholders and DPs is necessary to ensure synergies in strengthening PFM reform efforts.

These lessons underscore the importance of strategic planning, stakeholder engagement, capacity development at institutional, organisation and individual levels, as well as the need for adaptive management in the implementation of the PFM programs in support to PFM reforms in Mozambique.

3.5 The Intervention Logic

If GoM has swift access to technical assistance to reinforce its coordination capacities to drive the pace of the reform and to swiftly address implementation challenges; **If** there is an active communication and dialogue strategy on PFM within the public sector, with society and development partners; **If** at central level the Medium Term Fiscal Framework and Medium Term Budget are institutionalised and 3-year program budget is rolled out in the education sector considering gender inclusive approaches in line with GoMs reforms and tools; **If** subnational capacities for planning, budgeting and service delivery in the education sector are developed and that bottom up accountability mechanisms to enhance the quality of service delivery are established; **If** the above is sustained by the consolidation, technological refinement and roll out of the e-SISTAFE in line with the IT Master Plan; and, **If** capacity development support and advisory services are provided to the MEF to mainstream climate change in the macrofiscal framework, in the medium term expenditure framework and annual budget,

And assuming that the macro-fiscal situation is stabilised during 2024 and 2025; no major political crisis or natural disasters result in severe difficulties in reform implementation; consensus is maintained on the need to protect minimum levels of service delivery in times of crisis; technical ownership of the reform is reinforced and backed up by stronger political leadership to steer a whole of the government reform; decisions on decentralisation process do not create major disruptions;

Then, enabling conditions for reform implementation will be reinforced, with stronger institutional coordination, monitoring capacities and buy in; PFM reforms to ensure minimum levels of basic services will be better planned, monitored and coordinated at central level, and the Planning and Budgeting System (SPO), Monitoring and Evaluation System (SMA) and bottom-up accountability mechanisms for improved quality of service delivery will be rolled out in the education sector; the IT Master Plan will be implemented with a focus on the sustainable roll out of the e-SISTAFE and software developments; and climate action will be gradually mainstreamed, taking into account a gender and inclusive perspective, with a consistent approach to procuring climate finance.

And then, the Action will contribute to increase the coverage and quality of public services, efficiency of public investments and the financial autonomy of the State;

Because sound public finance management and an Integrated Information System are key to implement GoM's stabilisation strategy and protect minimum levels of service delivery, and because there is ownership and growing recognition of the urgency by GoM and DPs. Moreover, if the implementation of the PFM Strategy is on track, it will improve the efficiency of planning and budgeting for service delivery, while financial autonomy will also be enhanced through effective mainstreaming of climate action and climate finance and, ultimately, the consolidation of the conditions for an increased use of country mechanisms by development partners.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

Results	Results chain (@): Main expected results	Indicators (@):	Baselines (2023)	Targets (2028)	Sources of data	Assumptions
Impact	Increase coverage and quality of public services, enhance efficiency of public investments and the financial autonomy of the State.	(i) PEFA Pillar II Indicator Scores ⁴ (PI-4 to PI-9, Transparency) (ii) PEFA PI-1 & PI-3 Scores (Budget Credibility) (iii) PEFA PI-2 Score (Expenditure Composition Outturn) (iv) PEFA PI-11 Score (Public Investment) (i) Primary Education Completion Rate; Lower Secondary Net Enrolment Rate ⁵ disaggregated by sex and disabilities)	(i) 1.33 (2019) (ii) 2 (2019) ⁶ (iii) 2.5 (2019) (iv) 1 (2019) (v) 46% (2020) 56.9% (2020)	(i) >2; (ii) >3; (iii) 3 (B) (iv) 2.5; (v) 50%; 58%;	(i) National PEFA (ii) PESOE & CGE (iii) PESOE & CGE (iv) World Bank WDI.	<i>Not applicable</i>
Outcome 1 (SO1)	Enhance the effectiveness and efficiency of the implementation of the PFM Strategy 2024-2034	% of planned annual outputs of PFM Reform strategy completed as planned; % execution of budgeted expenditure for PFM Reform strategy	Pending	>80% (both)	Annual reports of PFM Reform Strategy (PFMRS)	Macro-fiscal situation stabilised during 2024 & 2025; No major political crisis or natural disasters resulting in severe difficulties in Reform implementation.
Outcome 2 (SO2)	Enhance efficient and gender sensitive planning and budgeting for service delivery;	SPO system rolled out; Key service delivery inputs (e.g. school books) provided on time with particular focus in worse off districts; Mechanisms for inputs by users, including women/ girls and persons with disabilities, in education planning and delivery implemented.	Pending	Annual targets to be established	Annual reports of PFMRS; Reports by Education institutions	Training/capacity building in SPO use not undermined by high staff turnover. User accountability mechanisms supported and respected by political leaders
Outcome 3 (SO3)	Support the consolidation and sustainable institutionalisation of the Integrated Information Management System for Public Finance Management (e-SISTAFE)	e-SISTAFE system fully rolled out and maintained; Long-term Financing Plan approved and implemented through legislation/ protocols	Pending	Annual targets to be established	PFMRS Annual Reports; Annual reports of CEDSIF's IT master plan	e-SISTAFE users prioritise operations and maintenance requirements in line with long-term financing plan
Outcome 4 (SO4)	Support the mainstreaming of climate action and climate finance in the PFM system	Climate financing consistent with Nationally Determined Contributions (NDC) International/domestic NDC Actions implemented disaggregated by finance for Adaption / for Mitigation. A, B and C + scores on PEFA climate module	Pending	7 Climate PEFA indicators with A, B and C+ scores	NDC implementation reports; PEFA Climate module scores.	GoM Ministries and Agencies collaborate effectively to introduce Climate Actions; Climate Finance submissions dealt with fairly and efficiently.
Output 1 related to Outcome 1	Institutional enabling conditions for reform implementation established with stronger coordination, monitoring capacities and buy in;	Formal Coordination structure for PFMRS established and functional; High quality Annual Plans and 6 monthly and Annual Reports for PFMRS	Systems/ reports established in 2025	Clear annual quality improvements	PFMRS Annual Plans & Annual Reports; Annual reports of EU TA	MEF gives priority to establishment of effective coordination and monitoring structures for PFMRS
Output 2 related to Outcome 2	Enhanced planning, monitoring and coordination of PFM reforms at central level established to protect minimum standards and gender sensitive service delivery	Medium-term Budget Framework (MTBF) for Education established; Minimum service delivery standards defined with mechanisms for budget protection	Pending	Annual targets to be established	UNICEF Annual Reports on SO2; Annual reports of PFMRS	Strategy for development of MTBF adopted by DNPO/ MEF and implemented effectively
Output 3 related to Outcome 2	Support to the implementation of Planning and Budgeting System (SPO), the Monitoring and Evaluation System (SMA) including bottom up accountability mechanisms for improved quality of service delivery implemented;	% of Education District Services using SPO/ SMA Module in line with Lei SISTAFE 2022 % of Districts applying information mechanisms for general public	Pending	Annual targets to be established	UNICEF Annual Reports on SO2; Annual reports of PFMRS	Staffing of District Health & Education Services management staff remains adequate; Decentralisation processes do not create major disruptions.

Output 4 related to Outcome 3	Implemented IT Master Plan with a focus on the sustainable roll out of the e-SISTAFE and software developments;	% e-SISTAFE modules consolidated, finalised and rolled out as planned	Pending	Annual targets to be established	PFMRS Annual Reports; Annual reports of CEDSIF's IT master plan	EU financial support to CEDSIF leverages necessary levels of supplementary support from other DPs.
Output 5 related to Outcome 4	Improved capacities and procedures to mainstream Climate Action established, together with streamlined approach to procuring Climate Finance	Climate Change Unit in MEF established and functional; Decrees & Guidelines issued to mainstream Climate actions specified in NDC Report Climate finance procurement procedures formalised	2024 - Unit established and Climate Actions integrated in PFMRS	Annual targets for adoption of Decrees & Guidelines	PFMRS monthly & Annual Reports; Annual reports of ENABEL	MEF gives priority to effective functioning of Climate Change Unit

⁴ Where multiple PEFA indicator scores are proposed, the alphabetic scoring is converted to numbers and then averaged, with D=1, D+=1.5, C=2, C+=2.5, B=3, B+=3.5, A=4: thus the maximum score would be 4.

⁵ The 2022 World Bank Public Expenditure Review for Mozambique identifies that the Primary Completion rate and the Secondary Participation rate 'stand out as areas of weakness in education when benchmarked against structural peers'; these are also good outcome level indicators for education, the most significant service delivery sector in Mozambique in terms of the scale of expenditure.

⁶ The PEFA Scores for Budget Credibility may be calculated on an annual basis from budgetary data (PESOE) and accounting data (CGE); it is therefore proposed to calculate on an annual basis the Baseline numbers for 2023, and the performance indicators for subsequent years.

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a financing agreement with the Republic of Mozambique.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures ⁷.

4.4.1 Direct Management (Grants)

Grants: (direct management)

(a) Purpose of the grant(s)

The grant's purpose is to achieve the Specific Objective 3 'Support the consolidation and sustainable institutionalisation of the Integrated Information Management System for Public Finance Management (e-SISTAFE)'. The grant will aim at supporting the implementation of the IT Master Plan and sustainability plan, with a particular focus on the roll out of the e-SISTAFE, software developments and related trainings.

(b) Type of applicants targeted

Criteria to select the entity are:

- Public entity with the legal mandate, experience, competencies and capacities to develop, maintain and expand the Republic of Mozambique's Integrated Information System for Public Finance Management;
- Mandate to train and develop tools, guidelines and methodologies for users across the public sector.
- Presence across the territory
- Experience implementing projects funded by development partners;
- Proved technical, administrative and financial capacity

(c) Justification of a direct grant

Under the responsibility of the Commission's authorising officer responsible, the grant may be awarded without a call for proposals to the *Centro de Desenvolvimento de Sistemas de Informação de Finanças (CEDSIF IP)*.

⁷ www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

Under the responsibility of the Commission's authorising officer responsible, the recourse to an award of a grant without a call for proposals is justified in line with Article 195(1)(c) of the Financial Regulation as follows: i) the CEDSIF is in a legal monopoly situation: the Council of Minister's Decree 67/2019 turns CEDSIF into the Public Institute with the legal mandate to develop the Integrated Information System for Public Finance Management in Mozambique under the supervision of the Ministry of Economy and Finance; ii) It is also in a factual monopoly as CEDSIF is the Public Institute that has developed the Integrated Information System and will be responsible for the implementation of the IT Master Plan for the Public Finance Management in Mozambique.

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4.4.2 Direct Management (Procurement)

Activities related to the Specific Objectives 1 'Enhance the effectiveness and efficiency of the implementation of the PFM Strategy 2024-2034' detailed in section 3 – Description of the Action and related output 1.1- Institutional enabling conditions for reform implementation established with stronger coordination, monitoring capacities and buy in will be achieved through procurement under Direct Management.

4.4.3 Indirect Management with an entrusted entity

4.4.3.1 Specific Objective 2 'Enhance efficient and gender sensitive planning and budgeting for service delivery'

A part of this Action may be implemented in indirect management with an entrusted entity, which will be selected by the Commission's services using the following criteria:

- Expertise analysing social policy financing and expenditure
- Proven Experience in supporting the Government of Mozambique improve planning and budgeting processes
- Established presence in Mozambique, in Maputo and at provincial level
- Demonstrated capacity to coordinate with various stakeholders
- Administrative and logistical capacity

This implementation entails the activities related to the Specific Objective 2. Enhance efficient planning and budgeting for service delivery in the education sector described in Section 3- Description of the Action

4.4.3.2 Specific Objective 4 'Support the mainstreaming of climate action and climate finance in the PFM system'

This Action may be implemented in indirect management with an entrusted entity, which will be selected by the Commission's services using the following criteria:

- Proven technical competencies in climate change;
- Proven experience in Green Climate Fund and procurement of climate finance;
- Experience in providing advisory services and institutional capacity building;
- Capacity to coordinate with various stakeholders;
- Demonstrated administrative and financial capacity.

This implementation entails the activities related to the Specific Objective 4. Support the mainstreaming of climate action and climate finance in its PFM system, described in section 3- Description of the Action

4.4.4 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

The change to an indirect management mode (indirect management with an entrusted entity) may be envisaged for the implementation of specific objectives 1 and 3. Entrusted entities will be selected by the Commission's services using the following criteria:

- Experience with supporting the Government of Mozambique develop and implement PFM reforms and Integrated Information Management System;
- Experience with capacity development of Government, including developing tools, guidelines and methodologies for users across the public sector and deploying ‘on demand’ and short notice technical advisory services;
- Technical, financial and administrative capacity.

The implementation by this entity entails Specific objectives 1 ‘Enhance the effectiveness and efficiency of the implementation of the PFM Strategy 2024-2034’ and Specific Objective 3 ‘Support the consolidation and sustainable institutionalisation of the Integrated Information Management system for Public Finance Management’, related outputs and indicative activities as described in section 3.

4.5. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall subject to the following provisions.

The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6. Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)
Implementation modalities – cf. Section 4	
Specific Objective 1- Enhance the effectiveness and efficiency of the implementation of the PFM Strategy 2024-2034 (cf. section 4.4.3) composed of Procurement (direct management)	1 800 000
Specific Objective 2- ‘Enhance efficient planning and budgeting for service delivery (cf. section 4.4.3) composed of Indirect management with entrusted entity 1	4 000 000
Specific Objective 3- Support the consolidation and sustainable institutionalisation of the Integrated Information Management System for Public Finance Management -e-SISTAFE- (cf. Section 4.4.1) composed of direct management (Grant)	3 800 000
Specific Objective 4- Support the mainstreaming of climate action and climate finance in its PFM system (cf. Section 4.4.3) composed of indirect management with entrusted entity 2.	2 000 000
Contingencies	200 000
Evaluation –	200 000
Audit –	
Totals	12 000 000

4.7 Organisational Set-up and Responsibilities

Steering Committees will be established after the signature of the contracts as needed and shall meet once a year for oversight and overall coordination and monitoring of the program implementation. At Action level, follow up will be aligned to the Ministry of Economy and Finance and development’s partners annual monitoring meeting of the implementation of the PFM Strategy, as defined in the PFM Strategy 2024-2034.

Considering the volatility of the context, priority will be given to continuous dialogue, monitoring and engagement to ensure light, responsive and adaptive management and make sure implementation is on track. To this aim, task forces will ensure operational coordination for the technical dialogue on the planning and design of specific activities and their prioritisation in the annual action plans and joint monitoring of the activities. They will coordinate closely with the broader dialogue and coordination platforms (in the framework of the Development Partners Coordination, DCP), namely the PFM Working Group and its subgroups, amongst others.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action and may sign or enter into joint declarations or statements, for the purpose of enhancing the visibility of the EU and its contribution to this action and ensuring effective coordination.

4.8 Pre-conditions [Only for project modality]

N/A

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partners' responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix. Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights-based approach and gender equality and rights of persons with disabilities.

Roles and responsibilities for data collection, analysis and monitoring:

- Each implementing entity (and their sub-delegated partners, sub-implementing agents) will be responsible for data collection, analysis and monitoring of the respective project activities. They may draft a monitoring plan (with data collection methods and tools. Alignment to the regular reporting of the implementation of the PFM Strategy and national M&E systems will be ensured as much as possible to reduce transaction costs.
- The Steering Committee and Task forces may organise, through the implementers of the Action, joint mission to monitor progress in useful time in the budget cycle. The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the EU for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews
- As stated in section 4.7, the Task forces will coordinate daily activities, share data, discuss activities progress and the degree of achievement of programme's outputs. Besides periodical technical and financial reporting to the Commission, the results will be presented annually to the Steering Committee for further discussion and strategic orientation.

5.2 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission. It will be carried out for accountability reasons as well as learning purposes for follow-up projects. The Commission shall inform the implementing partner at least one month in advance of the dates envisaged for the evaluation missions. The implementing partner

shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities. Entrusted entities may also mobilise an evaluation following their own procedures.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments. In addition, the evaluation shall assess the intervention's impact on the socioeconomically disadvantaged individuals, households or groups. It should also assess to what extent the action has taken into account the human rights-based approaches, and how it contributed to gender equality and women's empowerment and disability inclusion. Expertise on inequalities, human rights, disability and gender equality will be ensured in the evaluation teams.

Evaluation services may be contracted under Framework Contract if to be contracted by the Commission.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

In line with the 2022 “[Communicating and Raising EU Visibility: Guidance for External Actions](#)”, it will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

Appendix 1 REPORTING IN OPSYS

A Primary Intervention (project/programme) is a coherent set of activities and results structured in a logical framework aiming at delivering development change or progress. Identifying the level of the primary intervention will allow for:

Articulating Actions or Contracts according to an expected chain of results and therefore allowing them to ensure efficient monitoring and reporting of performance;

Differentiating these Actions or Contracts from those that do not produce direct reportable development results, defined as support entities (i.e. audits, evaluations);

Having a complete and exhaustive mapping of all results-bearing Actions and Contracts.

Primary Interventions are identified during the design of each action by the responsible service (Delegation or Headquarters operational Unit).

The level of the Primary Intervention chosen can be modified (directly in OPSYS) and the modification does not constitute an amendment of the action document.

The intervention level for the present Action identifies as (tick one of the 4 following options);

Option 1: Action level		
<input type="checkbox"/>	Single action	Present action: all contracts in the present action
Option 2: Group of actions level		
<input type="checkbox"/>	Group of actions	Actions reference (CRIS#/OPSYS#):
Option 3: Contract level		
<input checked="" type="checkbox"/>	Single Contract 1	Direct management (procurement)
<input checked="" type="checkbox"/>	Single Contract 2	Contribution agreement with entity 1
<input checked="" type="checkbox"/>	Single Contract 3	Grant with CEDSIF
<input checked="" type="checkbox"/>	Single Contract 4	Contribution agreement with entity 2