



REPUBLIC OF MOZAMBIQUE

TECHNICAL ASSISTANCE REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (DECEMBER 2–13, 2019)

January 2023

This report on the Republic of Mozambique was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in February 2020.

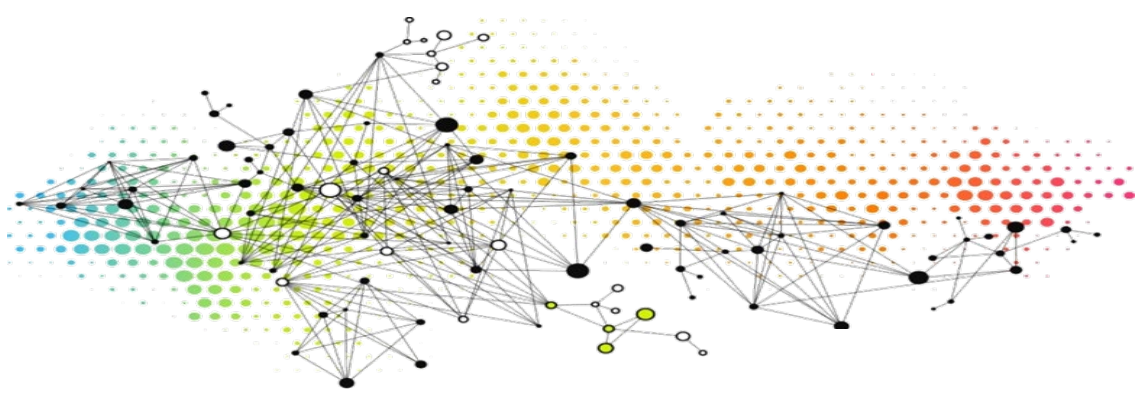
Disclaimer:

This report was prepared in 2020 and the Republic of Mozambique consented to its publication in 2023. The report is being published as it was written at the time.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: <http://www.imf.org>
Price: \$18.00 per printed copy

**International Monetary Fund
Washington, D.C.**



REPUBLIC OF MOZAMBIQUE

FEBRUARY
2020

REPORT ON GOVERNMENT FINANCE STATISTICS MISSION (DECEMBER 2–13, 2019)

Prepared by Djaima Da Costa

The contents of this report constitute technical assistance (TA) recommendations provided by the technical staff of the International Monetary Fund (IMF) to the authorities of Mozambique (the "TA recipient") in response to a request for technical assistance. This report (in whole, in part) or summaries thereof may be disclosed by the IMF to IMF Executive Directors and members of their respective staff, as well as to other agencies or instrumentalities of the TA recipient, and upon their request, to World Bank staff, and other technical assistance providers and donors with legitimate interest, unless the TA recipient specifically objects to such disclosure (see [Operational Guidance for the Dissemination of Capacity Development Information](#) (see available in English only)). Disclosure of this report (in whole or in part) or summaries thereof to parties outside the IMF other than agencies or instrumentalities of the TA recipient, the World Bank, and other technical assistance providers or donors with legitimate interest, shall require the explicit consent of the TA recipient and the IMF's Statistics Department.

CONTENTS

Glossary	3
SUMMARY OF MISSIONS OUTCOMES AND PRIORITY RECOMMENDATIONS	4
DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS	10
A. Coordination of the GFS Compilation Process	12
B. Sectorization and Sources of Fiscal Data	13
C. Identification of Statistical Discrepancies	14
D. Compilation of Annual 2016-2018 GFS	29
E. Fiscal Table Revisions	32
FIGURES	
1. Overall Balance vs. Discrepancies	15
2. Government Revenue	34
3. Government Expenses	34
TABLES	
1. Integrated GRM Financial Balance Sheet	5
2. Priority Recommendations	6
3. Detailed Recommendations/Action Plan	9
4. Discrepancies 2016-2018	14
5. Investments in Nonfinancial Assets	16
6. Leasing of Government Buildings	17
7. Treatment of Leasing	18
8. GCO Deposits Excluding the INSS	19
9. Reconciliation of the 2016-2018 Domestic Debt	22
10. Debts in "Arrears" Recognized, Validated and Paid	24
11. Treatment of "Arrears"	25
12. Treasury Operations	27
13. Statement of Sources and Uses of Cash /Fiscal Table	30
14. Government Spending by Functions of Government – COFOG	31
15. Stock of Financial Assets and Liabilities by Counterparty	32
ANNEXES	
I. Officials and Employees Met During the Mission	36
II. Institutional Structure of General Government	37
III. Detailed Government Revenue – GRM	38
IV. GRM Detailed Government Spending	39
V. Transactions in Assets and Liabilities – GRM	40
VI. Transactions in GRM Financial Assets and Liabilities by Counterparty	41
VII. GRM Fiscal Table - <i>GFSM 1986</i> vs. <i>GFSM 2014</i>	42

Glossary

AFR	IMF African Department
AT	Administrative Tribunal
BM	Bank of Mozambique
CCGFS	Committee for Compiling Public Finance Statistics
CEDSIF	Center for the Development of Financial Information Systems
CGE	Government Financial Report and Statements [Conta Geral do Estado]
CIs	Credit Institutions
COFOG	Classification of the Functions of Government
CSE	Superior Statistical Council
DEEF	Economic and Financial Studies Directorate
DFID	United Kingdom Department for International Development
DNCP	National Directorate of Public Accounting
DNPO	National Directorate of Planning and Budget
DNT	National Treasury Directorate
e-SISTAFE	Electronic Government Financial Administration System
EBU	Extrabudgetary Units
EDDI 2	Enhanced Data Dissemination Initiative 2
GCO	Central Budgetary Government
GDP	Gross Domestic Product
GFS	Government Finance Statistics
GFSM 2014	<i>Government Finance Statistics Manual 2014</i>
GG	General Government or Public Administration
GGR	Risk Management Office
GRM	Government of the Republic of Mozambique
IMF	International Monetary Fund
INE	National Statistics Institute
INSS	National Social Security Institute
LG	Local Government
MEF	Ministry of Economy and Finance, Mozambique
NGC	Net Government Credit
OE	Government Budget
OEF	Other Economic Flows
PSDSG 2011	<i>Public Sector Debt Statistics: A Guide for Compilers and Users 2011</i>
SGIFP	Public Finance Management Information System
STA	International Monetary Fund, Statistics Department
STA	Single Treasury Account
T-Bills	Treasury Bills
T-Bonds	Treasury Bonds
TA	Technical Assistance

SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

- 1. Technical Assistance (TA) Mission objective for Public Finance Statistics (GFS).** A TA mission visited Maputo in the Republic of Mozambique from December 2–3, 2019, to assist the Ministry of Economy and Finance, Mozambique (MEF) to improve the process of compiling and disseminating GFS based on internationally accepted best practices that are appropriate for managing domestic fiscal policy and for ensuring the necessary support of the International Monetary Fund (IMF). This was the final mission in a series of missions funded by the United Kingdom Department for International Development (DFID) under the GFS Module of the Enhanced Data Dissemination Initiative 2 (EDDI 2).
- 2. TA outcome in the DFID.** In the last of this series of TA missions funded by the DFID, the Mozambican authorities, which in the last few years released only the revenue of the Central Government Budget (GCO), began to compile and disseminate the following GCO annual data: (i) detailed public revenue and expenditures; (ii) assets and liabilities transactions; (iii) expenditures according to the Classification of the Functions of Government (COFOG); (iv) the integrated net financial worth balance sheet; and (v) positions of stock and flows of financial assets and liabilities by counterpart.
- 3. Challenges in the process of compiling the GFS of the government of the Republic of Mozambique (GRM).** Despite the significant progress made in compiling the GFS, challenges remain in the compilation process, in particular with regard to data consistency. At the end of FY 2017 and FY 2018, the authorities closed the accounts with discrepancies of roughly 2.5 percent of Gross Domestic Product (GDP). Therefore, the mission set out to review the GCO accounts, thus continuing the work of eliminating the discrepancies begun by the last mission began.
- 4. Discrepancy in FY 2016-2018.** The mission identified the following key causes of the discrepancies: (i) the various sources of data used to produce the Fiscal Table; (ii) the difference in institutional coverage of the fiscal and monetary accounts (above and below the line in the Financial Statement), and (iii) the lack of periodic reconciliation of the data. The GCO accounts for years 2016-2018, presented in accordance with the *Government Finance Statistics Manual 2014* (GFSM 2014), which includes stocks and flows, is presented in Table 1 below, and it highlights the reduction of the discrepancy to levels of less than 1 percent of GDP in the last three years.

Table 1. Integrated GRM Financial Balance Sheet

Unit: millions of meticais

As of December 31		2016				2017				2018		
	Description	Opening Balance	Fiscal Table (Transactions)	OEF	Closing Balance	Fiscal Table (Transactions)	OEF	Closing Balance	Fiscal Table (Transactions)	OEF	Closing Balance	
1.	Revenue		177,652.48			218,072.81			226,126.37			
2.	Expenditure		140,941.60			148,659.00			178,012.60			
NOB	Net operating balance (1-2)		36,710.98			69,413.80			48,113.70			
31.	Net nonfinancial assets		60,171.17			57,188.17			83,754.16			
2M.	Total expenditure (2+31)		201,112.80			205,847.20			261,766.82			
NLB	Loan (+) / Debt (-) net		(23,460.30)			12,225.60			(35,640.45)			
NLBz	Statistical discrepancy (32-33-NLB)		(1,325.40)			3,001.50			690.52			
	Financial net worth:	(266,546.28)	(24,785.69)	(225,644.99)	(516,976.96)	15,225.99	92,255.38	(409,495.59)	(34,949.93)	(23,368.93)	(467,814.45)	
62.	Financial assets	165,956.51	19,058.20		185,014.71	67,618.75	(1.97)	252,631.49	17,339.69	(769.51)	269,201.67	
	Domestic											
6212	Government deposits	34,767.97	6,723.27		41,491.24	29,653.99		71,145.24	(17,432.18)		53,713.06	
6214	Loans	57,012.06	16,361.04		73,373.10	24,657.67		98,030.78	13,879.17		111,909.94	
6215	Securities and investment funds	62,157.32	3,623.95		65,781.27	(3,497.40)		62,283.87	5,286.70	(770.59)	66,799.98	
6218	Other accounts receivable	12,019.16	(7,650.06)		4,369.10	16,804.48	(1.97)	21,171.62	15,606.00	1.08	36,778.70	
63.	Liabilities	432,502.80	43,843.89	225,644.99	701,991.67	52,392.76	(92,257.35)	662,127.08	52,289.62	22,599.42	737,016.12	
	Domestic											
6313	Debt securities (T-bills & T-bonds)	56,322.02	(10,174.79)		46,147.24	18,052.51	(145.75)	64,054.00	13,439.70		77,493.70	
6314	Loans	12,910.84	29,046.96	(395.38)	41,562.41	3,362.43	(2,079.23)	42,845.62	19,037.85		61,883.46	
6318	Other accounts payable – FY ended	270.01	14.11		284.12	473.16		757.28	182.96		940.24	
	External											
6324	Loans	362,999.93	24,957.61	226,040.37	613,997.91	30,504.65	(90,032.37)	554,470.19	19,629.11	22,599.42	596,698.72	
	GDP (Article IV report)		689,213.00			804,463.00			859,019.30			
NLBz	Discrepancy (% of GDP) – before the mission		0.43 %			2.94%			-1.42%			
NLBz	Discrepancy (% of GDP) – after the mission		-0.19%			0.37%			0.08%			

5. Key findings for the GFS 2016-2018 data. The mission found that for net government credit (NGC), the Bank of Mozambique (BM) reports a position of central government deposits, and that it includes the GCO, extrabudgetary units, and the National Social Security Institute (INSS), but that it excludes local governments (autonomous local authorities); while the revenue and expenditures in the Fiscal Table are for the GCO only. In terms of domestic debt, the BM does not capture debts other than the credit institutions (CIs), such as debts in arrears to suppliers. The MEF does not recognize the issuance of Treasury bills used for monetary policy management purposes. In addition, there has been no record of public buildings acquired under leasing contracts, with only the record of the debt associated with them. The accounts payable and receivable, reported by the authorities as treasury operations, explain some of the discrepancy in that they represent incoming and outgoing amounts in banks, and they had the required counterpart.

6. Action plan for implementing the GFSM 2014. A greater commitment should be given to achieving the set of actions identified to improve the process of compiling GFS. The main recommendations the mission left with the authorities are shown in Table 2 below. The complete list of recommendations can be found in the action plan presented in the section entitled Detailed Technical Assessment and Recommendations in this report.

Table 2. Priority Recommendations

Target Date	Recommendations	Responsible institutions
April 2020	Committee for Compiling Public Finance Statistics (CCGFS) or the macroeconomic statistics group in the Superior Statistics Council (CSE). Establish a committee or group in the CSE, whose objectives and the responsibilities of the members and data to be shared will be stipulated in a memorandum of understanding signed by the members.	DEEF, DNCP, DNPO, DNT, GGR, BM and INSS
April 2020	Public sector structure and inventory of entities that belong to the sector: (i) validate the sector's structure; (ii) complete the inventory and classify the entities according to the GFSM 2014 for the purpose of compiling macroeconomic statistics (fiscal, monetary and financial statistics, and external and real-sector statistics); and (iii) ratify and publish them on the websites of the MEF, BM and National Statistics Institute (INE).	MEF, BM and INE
April 2020	Deposits in the GCO fiscal table. (i) ensure that the position the BM processes corresponds to the coverage of the fiscal accounts (above the line); (ii) begin to consider only GCO deposits and exclude available cash in the INSS and extrabudgetary units (EBU); (iii) make the required adjustments to income in deposits and ensure that they have the required counterpart above the line.	MEF/DEEF
April 2020	Domestic and external public debt data for the Fiscal Table. (i) Use MEF data to ensure consistency between the debt stocks	DEEF and DNT

Target Date	Recommendations	Responsible institutions
	and flows; and (ii) exclude other economic flows (OEF) of transactions included in the Fiscal Table.	
April 2020	Reconciliation of the domestic and external public debt. (i) Finalize the reconciliation work that began during the mission and document the final result; and (ii) Implement a formal periodic reconciliation process of the flows and stock (by instrument, by face and nominal value and by creditor), including explanations of all the differences identified in the BM and DNT data. Share the result with the members of the CCGFS.	BM and MEF (DNT and DEEF)
April 2020	Treasury bills (T-bills). (i) Adjust the total Treasury bill debt to be recognized in the public sector fiscal and monetary accounts. (ii) The BM should begin to report the total debt of each subsector in the Mozambican public sector: GG = GCO+EBU+INSS+LG as well as the business, financial and nonfinancial sector.	MEF and BM
April 2020	Treasury Operations. Begin to recognize them in the Fiscal Table, ideally using a modified cash approach (considering credit and debit balances).	DEEF
March 2020	2016-2018 Mozambique GFS compiled during the mission: Validate and submit them to the IMF/STA and the INE.	DEEF
August 2020	Fiscal Table revision: Restructure to ensure alignment with international standards (GFSM 2014): Declaration I of government operations.	DNT and DEEF

INTRODUCTION

7. GFS TA mission. A TA mission for GFS visited Maputo, Republic of Mozambique, from December 2 to 13, 2019, to assess progress made regarding the recommendations the previous mission left in late August and early September 2018. This mission was the last one to be conducted for GFS Module of EDDI 2, a five-year initiative financed by the DFID.

8. Objective of the GFS and the EDDI 2 public debt module. The GFS and public debt module focuses on the improvement of GFS in nine selected African countries, including Mozambique. This project's objective is to strengthen GFS in this group of countries in order to foster fiscal transparency and curtail fiscal risks. In this context, the Mozambican authorities expressed their interest in developing their methods of compiling fiscal statistics in accordance with internationally accepted best practices.

9. Mission objective. Assist the MEF in improving the compilation and dissemination of fiscal statistics that are suitable for fiscal policy management and surveillance by the IMF African Department (AFR), based on the guidelines of *GFSM 2014* and *Public Sector Debt Statistics: A Guide for Compilers and Users 2011 (PSDSG 2011)*. AFR was consulted and stressed the necessity of improving the quality of fiscal data and reducing statistical discrepancy to enhance the production of efficient projections.

10. Mission tasks. The mission's terms of reference were as follows: (i) continue the work of identifying the causes of the statistical discrepancies in the 2016-2018 GCO accounts; (ii) evaluate progress made in carrying out the recommendations of the previous mission in the context of the action plan that the *GFSM 2014* aims to implement; and (iii) compile quarterly GFS for the last three years (2016-2018). However, this last point was pending due to a lack of data in Excel format. The authorities were placed in charge of compiling them and submitting them to the IMF by end-January 2020.

11. Mission report structure. Following the executive summary and this introduction, this report presents the key topics addressed and the mission's recommendations for improving the process of compiling the GFS, and for issues of coordinating the resources that affect the exercise of compiling the GFS in the Republic of Mozambique. The list of officials contacted during the mission is found at the end of the report, followed by complementary information in the annexes.

12. Acknowledgments. The mission thanks the authorities, and in particular Dr. Enilde Sarmento, Dr. Chamila Aly and Dr. Domingos Fumo and their respective teams for facilitating this mission. Moreover, the mission also thanks the local IMF office, and in particular Dr. Esther Palacio, IMF Technical Assistance Advisor and Coordinator in Mozambique, for the unwavering technical support provided to the mission.

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

13. Progress in compiling GFS according to the GFSM 2014. No progress was made in terms of actions the last mission left, because the workload has increased at the Economic and Financial Studies Directorate (DEEF) and human resources are insufficient. Accordingly, the action plan left by the last mission is still in effect, and the only steps taken have been to review the texts required to ensure a better understanding of the actions and target dates for completing them.

Table 3. Detailed Recommendations/Action Plan

Priority	Action	Responsible institutions	Target Completion Date
1. COORDINATION OF THE COMPILATION PROCESS			
H	1.1 CCGFS or CSE macroeconomic statistics group. Establish a committee or group in the CSE whose goals and the responsibilities of the members and data to be shared will be specified in a memorandum of understanding signed by the members.	DEEF, DNCP, DNPO, DNT, GGR, BM and INSS	April 2020
L	1.2 Mozambique GFS manual: Document the step-by-step process of compiling the annual and quarterly GFS and ensure the consistency of the process and institutional memory.	DEEF	December 2020
2. INSTITUTIONAL COVERAGE – PUBLIC SECTOR IN MOZAMBIQUE			
H	2.1 Public sector structure and inventory of entities that belong to the sector: (i) validate the sector's structure; (ii) complete the inventory and classify the entities according to the GFSM 2014 [for Mozambique GG, GCO, EBU, LG, INSS and public enterprises] for compiling macroeconomic statistics (fiscal, monetary and financial statistics, and external and real-sector statistics); and (iii) ratify and publish them on the MEF, BM and INE websites.	MEF, BM and INE	April 2020
3. DATA SOURCES AND INFRASTRUCTURE			
L	3.1 Development of SGIFP: (i) Create standardized tables to aggregate and extract in Excel the balances of all the items in the revenue and annual, quarterly and monthly expenditures classifiers; and (ii) Incorporate the GFSM 2014 codes so that the SGIFP will be able to manage GFS automatically.	DEEF and CEDSIF	December 2020
H	3.2 Financial data of the EBUs, INSS and local authorities: Collect the reports and accounts of all the entities in the budgetary system that comprise the government in Mozambique.	BM and MEF (DNT and DEEF)	August 2020

Priority	Action	Responsible institutions	Target Completion Date
4. COMPILATION			
M	4.1 Nonfinancial assets: Evaluate the possibility of whether the inventory of government property could be used to ascertain the value of the stock and change in nonfinancial assets in compiling the GFS.	DNCP, DNPE DNPO, DEEF	December 2020
M	4.2 Treatment of leasing: Begin to record them as follows: (i) record of loan disbursements in the leasing contract as an increase in deposits against the increase in the domestic debt; (ii) recognize the property as a decrease in banks by paying the contractor. The increase in investments in nonfinancial assets is the counterpart.	DNT, DNCP and DNPE	August 2020
M	4.3 Coverage of government deposits. (i) Include the available cash of the local authorities to complete the government; and (ii) begin reporting the totals of each government subsector in Mozambique: GG = GCO+EBU+INSS+LG	BM	August 2020
M	4.4 Composition of deposits. Assess the content of the deposits and record all government financial assets and income recognized of the monetary accounts in the fiscal accounts.	DNCP, DNT and DEEF	August 2020
H	4.5 Periodic reconciliation of deposits. Implement a formal process of periodic reconciliation of stock and flows (by currency and public sector beneficiary), including explanations of all the differences identified between the BM and DNT, and share the result with the other CCGFS members.	BM and MEF (DNT and DEEF)	April 2020
H	4.6 Deposits in the GCO Fiscal Table. (i) ensure that the position the BM ascertained corresponds to the coverage of the fiscal accounts (above the line); (ii) begin considering only GCO deposits (exclude available cash of the INSS and EBUs); (iii) make the required adjustments to the income included in deposits and ensure that they have the proper above-the-line counterpart.	MEF	April 2020
H	4.7 Data on the domestic and external public debt for the Fiscal Table. (i) Use MEF data to ensure consistency between debt stocks and flows; (ii) Exclude the OEFs from the transactions in the Fiscal Table.	DEEF and DNT	April 2020
H	4.8 Reconciliation of the domestic and external public debt. (i) Finalize the reconciliation work begun during the mission and document the final result; and (ii) Implement a formal process for the periodic	BM and MEF (DNT and DEEF)	April 2020

Priority	Action	Responsible institutions	Target Completion Date
	reconciliation of flows and stock (by instrument, face and nominal value, and by creditor), including explanations of all the differences identified in the BM data (NGC and balance of payments) and DNT (detailed tables of the debt), and share the result with the members of the CCGFS.		
H	4.9 Treasury bills. (i) Adjust the total T-bill debt to be recognized in the monetary and fiscal accounts of the public sector; and (ii) the BM should begin to report the total debt of each of the subsectors in the public sector of Mozambique: GG = GCO+EBU+INSS+LG and the business, financial and nonfinancial sector.	MEF and BM	April 2020
H	4.10 Treasury bonds (T-bonds). Present a disaggregated total of treasury securities: (i) detail of T-Bill issuances and (ii) detail of T-bonds.	BM	April 2020
H	4.11 Commercial bank loans. Present the details of total commercial bank loans.	BM	April 2020
M	4.13 Expenditures associated with BM credits. <i>Validate and begin to record expenditures associated with domestic credit published in the monetary accounts.</i>	MEF	August 2020
M	4.14 Debt in arrears. <i>In the domestic debt table, recognize the amount of 5,817.8 million meticals of debt in arrears, recognized and validated by the GRM in end-2019.</i>	DNT	April 2020
H	4.15 Treasury Operations. In the Fiscal Table, begin recognizing, ideally using a modified/commitment cash approach (considering credit and debit balances).	MEF	April 2020
H	4.16 Fiscal years ended. In the Fiscal Table, begin recognizing them in accounts payable below the line, and for the record that is kept on expenditures, above the line.	MEF	April 2020
M	4.17 Data from the e-SISTAFE trial balance: extract the primary fiscal data to begin compiling the GFS.	DEEF	August 2020
H	4.18 Mozambique GFS from 2016-2018 and compiled during the mission: <i>Validate and submit them to the IMF/STA and INE.</i>	DEEF	February 2020
L	4.19 GFS annual and quarterly series 2010-2018: <i>Compile tables 1, 2, 3, 6, 7, 8A and 8B of the GFSM 2014 and submit them to the IMF.</i>	DEEF	December 2020
H	4.20 Fiscal Table revision: Restructure it to ensure that it is aligned with international standards (GFSM 2014): Declaration I of government operations.	DNT and DEEF	August 2020
5. DISSEMINATION			

Priority	Action	Responsible institutions	Target Completion Date
M	5.1 Annual and quarterly GFS: Begin publishing them on the MEF website.		August 2020
M	5.2 Dissemination of the domestic and external public debt. Begin disseminating debt data by maturity, residual value, currency and creditor based on World Bank and IMF data, and on the MEF website.	DEEF	August 2020
Key: High = H Medium = M Low = L			

A. Coordination of the GFS Compilation Process

14. GFS Compilation Committee (CCGFS). The GFS compilation process must be organized with various entities. In this regard, the mission reiterates the recommendation made by previous missions: create a committee (the CCGFS), led by the DEEF, to facilitate the process of compiling GFS. In this committee's structure, for the entities that will be part of it (DEEF, DNCP, DNPO, DNT, GGR and BM), their respective responsibilities and the data to be shared, the mission recommends listing them in a memorandum of understanding signed by the members.

15. Macroeconomic statistics group in the Superior Statistics Council (CSE). Once the GFS comprise a subsystem in the national accounts system, *another alternative* would be to create in the CSE a structure that already exists in Mozambique: a group for macroeconomic statistics with the same structure and objectives suggested for the CCGFS. Here it should be noted that today the DEEF is already sharing details of GFS with the INE to provide input for the national accounts, and hence this would be a forum for discussions of the four macroeconomic sectors to ensure the consistency of Mozambican data.

16. Mozambique GFS Manual. The mission repeats the recommendation to develop a GFS compilation manual (a guide) that represents a living set of working instructions used in the process of compiling the GFS, which will be useful for the team's understanding in order to ensure sustainability (create an institutional memory) and consistency in the compilation process.

Target Date	Recommendations	Responsible institutions
April 2020	CCGFS or macroeconomic statistics group in the CSE. Establish a committee or group in the CSE whose members' objectives and responsibilities and data will be shared and listed in a memorandum of understanding signed by the members.	DEEF, DNCP, DNPO, DNT, GGR, BM and INSS

December 2020	Mozambique GFS Manual: Document the process of compiling the annual and quarterly GFS to ensure an institutional memory and consistency in the process.	DEEF
---------------	--	------

B. Sectorization and Sources of Fiscal Data

17. This is ongoing pending the validation of the public sector structure, as well as the inventory and classification of the units in the sector. Consequently, data were not collected from the extrabudgetary units, the local authorities, or social security. This is the starting point in the process of compiling any type of statistic. The mission recommends performing this work in cooperation with all public institutions responsible for compiling macroeconomic statistics in Mozambique to ensure their consistency. The preliminary survey that was conducted in the Mozambique public sector is in Annex I. A structure proposal and preliminary listings of the entities and their respective classifications are found in the annex to the report of the August-September 2018 GFS mission.

18. Obtaining data through the Public Finance Management Information System (SGIFP). As the entity in charge of the process of compiling the GFS, the DEEF already has access to e-SISTAFE to extract primary data on the budget, although there are challenges in extracting from the report trial balances that incorporate the balances of all the accounts that are part of the revenue and expenditure budgetary classifications, which correspond to the position reported in the Government Financial Report and Statement (CGE). The CEDSIF developed the SGIFP, a *Business Intelligence* (BI) platform that creates system reports automatically. In the current development of the above-mentioned platform, the mission recommends creating standardized tables based on revenue and expenditure to facilitate the compilation of the GFS in a first phase and in the future, perhaps to standardize the GFS codes and generate the GFS automatically in SGIFP.

Target Date	Recommendations	Responsible institutions
April 2020	Public sector structure and inventory of entities that belong to the sector: (i) validate the sector's structure; (ii) complete the inventory and classify the entities according to the GFSM 2014 [for Mozambique GG, GCO, EBU, LG, INSS and public enterprises] for compiling macroeconomic statistics (fiscal, monetary and financial statistics, and external and real-sector statistics); and (iii) ratify and publish them on the MEF, BM and the INE websites.	MEF, BM and INE
December 2020	Development of SGIFP: (i) Create standardized tables to aggregate and extract in Excel the balances of all the items in the revenue and annual, quarterly and monthly expenditures classifiers; and (ii) Incorporate the GFSM 2014 codes so that the SGIFP will be able to manage the GFS automatically.	DEEF and CEDSIF

August 2020	Financial data from the EBUs, INSS and local authorities: Collect the reports and accounts of all the entities in the budgetary system that comprise the government in Mozambique.	BM and MEF (DNT and DEEF)
-------------	--	------------------------------

C. Identification of Statistical Discrepancies

19. Revision of the 2016-2018 fiscal accounts. Given the necessity of improving the quality of fiscal data, the mission revised the GCO 2016-2018 data to identify causes of statistical discrepancies and recommend processes for producing fiscal statistics in accordance with more up-to-date international standards. The information below shows the key findings and the results the mission identified.

20. Key causes of discrepancies. (i) The various sources of data used to produce the fiscal table; (ii) the difference in institutional coverage of the fiscal and monetary accounts – above and below the line of the Fiscal Table respectively; and (iii) the lack of periodic reconciliation of the data. These are the key causes of the discrepancies. The discrepancies are primarily in transactions for government assets and liabilities. The listing of the transactions that are used to identify the discrepancies is in Table 4 below, and the detail of each transaction is reported in the rest of this section.

21. Discrepancies before and after adjusting the Fiscal Table. Figure 1 below demonstrates the magnitudes in the variations of discrepancies identified in accordance with international standards, before and after adjustments are made in the Fiscal Table with the transactions listed in Table 4. As Table 1 shows, Figure 1 reports adjustments in the accounts of about 8.6 billion meticaïs in 2016, 15.3 billion in 2017 and 21.9 billion in 2018, representing reductions in discrepancies to levels below 1 percent of GDP in the last three years. Moreover, the adjustments that were made in the GFS in accordance with the GFSM 2014 identified a greater overall total compared to the GFS that were compiled according to the GFSM 1986, due to the reclassification of investment revenue and expenditures as part of financial or nonfinancial assets.

22. Integrity of the GFS. The identification of the discrepancies certifies only that the fiscal data used are duly classified according to the GFSM 2014. It is the responsibility of the authorities to ensure the integrity of the accounts so that the Fiscal Table captures all GCO transactions that are to be incorporated into the above-mentioned table in accordance with the double-entry accounting rule. The mission believes that there must be periodic and fundamental reconciliation to ensure that the Fiscal Table is capturing most if not all GCO transactions.

Table 4. Discrepancies 2016-2018

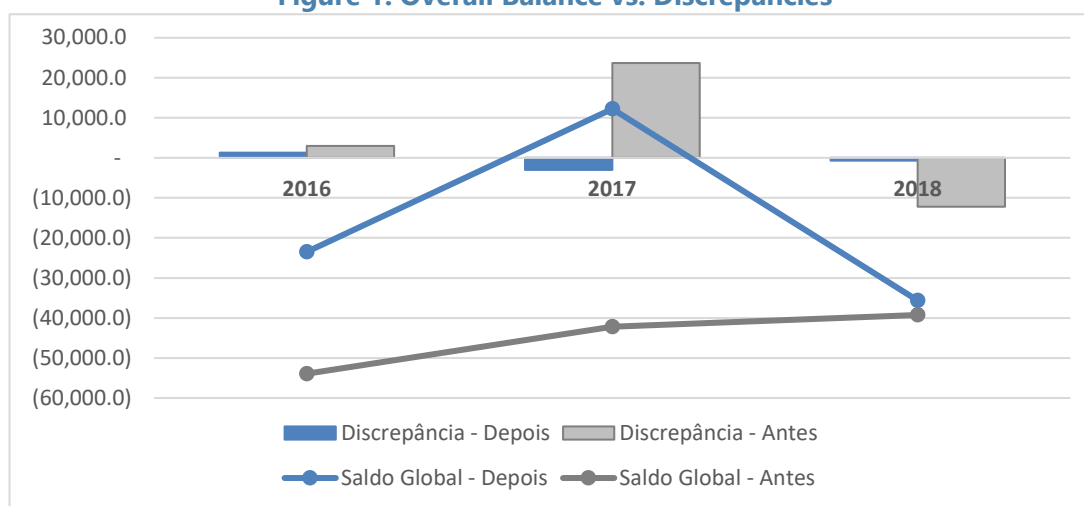
Unit: millions of meticaïs

	Fiscal Table	Description	Record	2016	2017	2018
i	Investment in nonfinancial assets	Investment expenditure financed with external funds	↑			5,207.8
			↑			

		Leasing of public buildings		54.3	15.2	11,279.5
ii	GCO deposits	National Social Security Institute (INSS)	↓	(4,361.6)	(2,899.6)	(8,691.2)
		T-bills used for monetary policy (including interest received)	↓	(13,659.4)	(64,199.8)	(24,527.7)
		Other regularizations	↓	(152.0)	(117.3)	(1,230.1)
iii	Net domestic debt	Treasury Securities (T-bills used for monetary policy including interest paid and T-bonds)	↓	(10,274.0)	(72,724.4)	(14,052.3)
		Commercial bank loans	↓	(6,673.7)	(165.8)	(1,518.8)
		Portuguese line of credit	↓	(18,434.4)	(16,164.6)	(12,680.3)
		Arrears	↑			6,764.1
		Other regularizations	↓	(1,490.0)	(103.7)	3,048.5
		Other economic flows	↑	403.4	4,688.2	(489.4)
iv	Other accounts payable and receivable	"Treasury Operations"	↑	7,396.8	(16,987.1)	(15,604.4)
		Fiscal years ended	↑	14.1	472.2	183.0

Source: MEF and BM

Figure 1. Overall Balance vs. Discrepancies



i. Investment in Nonfinancial Assets

1.1 Investment expenditure financed with external funds

23. Government investment projects financed with external funds. The mission believes that some of the inexplicable discrepancy may be in investments in nonfinancial assets. Currently

the authorities assume for investment expenditure that 100 percent of disbursements must be external financing (common funds and other funds via/outside the Single Treasury Account (STA)) and 100 percent of grants. Therefore, determining the amount of disbursements actually used has been a challenge due to the lack of timely information on investment projects. This generates potential discrepancies that not all disbursements have been used and remain available in banks. Hence, we have an increase in expenditure with no counterpart in banks.

24. Analysis of this item's consistency in the 2014-2018 Fiscal Table. The mission observed that the above-mentioned requirement is applied only in the Fiscal Tables for the years 2017 and 2018 (see Table 5), prepared by the authorities. Even though the mission agrees with the methodology, it is important to ensure that the methodology that is used is consistent, and first and foremost, that efforts are made to obtain actual investment expenditures.

Table 5. Investments in Nonfinancial Assets

Unit: millions of meticaís

From the Fiscal Table	2014	2015	2016	2017	2018
Grants – CGE	24,106.4	18,677.4	14,842.8	16,302.1	17,671.7
Investment Projects(Ext. Financing) – CGE	32,459.3	23,252.9	23,020.5	17,760.8	21,749.3
Total	56,565.7	41,930.3	37,863.3	34,062.9	39,421.0
Investments – Fiscal Table (Ext. Financing)	41,661.7	21,400.4	36,861.8	34,062.9	39,421.0
Difference	14,904.0	20,529.9	1,001.5	-	-

Source: CGE and 2014-2018 Fiscal Tables

1.2 Leasing of government buildings

25. Leasing of government buildings. In 2018 the authorities assumed the amount of 11.3 billion meticaís (see Table 6 below) with reference to bank financing for leasing public buildings, the value of which was reconciled with financial institutions and the amount of the BM debt was updated. According to the authorities, disbursement associated with this debt has been recorded in the domestic debt stock, but there has been no recognition of government buildings in government financial worth. This is a source of discrepancy in the Fiscal Table.

Table 6. Leasing of Government Buildings

Unit: millions of meticaís

Leasing	2016		2017		2018	
	Issue	Stock	Issue	Stock	Issue	Stock
Total	54.3	6,385.8	15.2	6,110.8	11,279.5	17,038.5
Leasing (M.A.E.F.Pub)	-	15.4	-	7.8	-	-
Leasing (MITUR)	-	15.4	-	7.9	-	-
Leasing TA	-	287.5	-	159.4	-	27.5
Leasing Min. of Energy	9.5	346.4	15.2	288.5	-	190.5
Leasing Admin. Tribunal	44.7	967.6	-	900.7	-	804.5
CNAQ – Cons. Nac. Aval. Q. En. Sup	-	87.2	-	80.1	-	70.1
Leasing Multi-Serviços	-	4,579.6	-	4,579.6	-	4,579.6
Leasing Ministry of Justice	-	86.8	-	86.8	-	86.8
Leasing Min. of Ag. and Food Security	-	-	-	-	6,590.3	6,590.3
Leasing MEF	-	-	-	-	4,689.2	4,689.2

Source: DNT (Detailed statements of the domestic debt)

26. Treatment of leasing of government buildings. The entry of leasing of government buildings requires two records. Since the mission did not have access to the lease contracts and did not know the contract terms (including payment of interest and commissions), for the sake of simplicity, but assuming that the ownership of the buildings at the end of the contract is the government, according to the GFSM 2014, using the cash approach, the authorities should prepare the following records: public debt contracted via leasing contracts and recognition of government buildings in government property. As Table 7 below illustrates: (i) the government contracts loans under leasing contracts, which assumes an increase in the domestic debt – loans, against an increase in deposits; (ii) the second record is for the property, which represents the payment to the contractor, and thus this requires an increase in the acquisition of nonfinancial assets (31) against a reduction in deposits (32).

27. Suitable record of buildings in government property. In paying contractors, if there is only a reduction in deposits without a counterpart, as the second record above suggests, this record may create an imbalance in the accounts. Even though the GCO has no equity accounting, the record of transactions at the financial and budget level should be duly captured and recorded in the accounting. However, the authorities now have an inventory of government property that can be used to ascertain the value of the stock and the change in nonfinancial assets for the GFS. Therefore, the record of government buildings in leasing contracts would require the record of buildings in the inventory of government property.

Table 7. Treatment of Leasing

Unit: millions of meticals

From the Financial Balance Sheet in the GRM (December 31)	2017				2018		
	Opening Balance	Transactions (Fiscal Table)	OEF	Closing Balance	Transactions (Fiscal Table)	OEF	Closing Balance
1. Revenue							
2. Expenditure							
NOB. Net operating balance (1-2)							
31. Net nonfinancial assets – Property revenue		15.2			11,279.5		
2M. Total expenditure (2+31)		15.2			11,279.5		
NLB. Loan (+) / Debt (-) net		(15.2)			(11,279.5)		
Net financial assets:	(6,385.8)	(15.2)		(6,401.1)	(11,279.5)		(17,680.6)
32. Financial assets		(290.3)		(290.3)	(351.8)		(642.1)
Government deposits – Amortization		(290.3)		(290.3)	(351.8)		(642.1)
Government deposits – Amortization		15.2		15.2	11,279.5		11,294.7
Government deposits – Amortization		(15.2)		(15.2)	(11,279.5)		(11,294.7)
33. Liabilities	6,385.8	(275.1)		6,110.8	10,927.7		17,038.5
Leasing – Amortization	6,385.8	(290.3)		6,095.5	(351.8)		5,743.7
Leasing – Revenue from debt		15.2		15.2	11,279.5		11,294.7

Recognition of the building and debt
Amortization of debt

Target Date	Recommendations	Responsible institutions
December 2020	Nonfinancial assets: Evaluate the possibility of using the inventory of government property to determine the value of the stock and the change in nonfinancial assets in compiling the GFS.	DNCP, DNPE DNPO, DEEF
August 2020	Treatment of leasing: Begin recording as follows: (i) record the disbursement of loans under the lease contract as an increase in deposits against an increase in the domestic debt; (ii) recognize the building by the reduction in banks, by payment of the contractor. (This is the counterpart to the increase in investments in nonfinancial assets.	DNT, DNCP and DNPE

ii. Central Budgetary Government Deposits

28. GCO deposits in the Fiscal Table. The position of deposits in the last four years, reported by the BM, is in the following table. The mission attempted to understand: (i) the composition of deposits reported by the BM; and (ii) the institutional coverage of the deposits.

Table 8. GCO Deposits Excluding the INSS

Unit: millions of meticaís

	2015	2016	2017	2018	
i) Deposits – Stock	61,882.5	86,474.8	183,110.8	197,667.5	a = [b+c+d+f+g]
Securities T-bills	13,138.4	26,559.0	84,981.7	108,427.8	[b]
Interest T-bills	554.6	793.4	6,570.5	7,652.1	[c]
Deposits	44,664.4	55,366.8	87,850.5	76,682.8	[d]
INSS portion	9,989.8	14,351.4	17,251.0	25,942.2	[e]
Earmarked deposits	93.4	475.9	545.7	2,972.5	[f]
Other Regularizations	3,431.8	3,279.8	3,162.5	1,932.4	[g]
ii) Total – Stock (Exc. INSS, T-bills and other regularizations)	34,768.0	41,491.2	71,145.2	53,713.1	[d-e+f]
iii) Total- Flows (Exc. INSS, T-bills and other regularizations)		6,723.3	29,654.0	(17,432.2)	

Source: BM (NGC)

29. Composition of deposits. Deposits are more common financial assets. According to paragraph 7.15 of the GFSM 2014, “financial assets are resources that normally provide the right for the owner of the asset (the creditor) to receive funds or other resources from another unit as a liability.” In this regard, government financial assets are all demand or term deposits, regardless of purpose (earmarking,) or origin of funds (payment of taxes, income, issuance of T-bills used or not used, others). However, in the case of Mozambique:

- a) **Treasury bills:** The authorities maintain that deposits from issuances of T-bills for monetary policy should not be part of total deposits since they constitute a debt only after they are used (greater detail on the treatment of this debt instrument is presented later in this report). However, the MEF considers the interest from these deposits. Assuming that the unused securities are not government domestic debt, the deposits from these issues should not be considered a government financial asset, nor should the interest on the T-bills that these deposits generate.
- b) **Earmarked resources:** Another adjustment made in deposits to compile the fiscal accounts with which the mission disagrees is the exclusion from earmarked resources except for fiscal year 2017, the only year in the last four when the above-mentioned adjustment was not made.
- c) **Other regularizations:** These are government earnings recorded in the monetary accounts generated by the commitment approach the BM uses. Since these regularizations impact the financial asset, they generate a discrepancy in the Fiscal Table because there is no counterpart in the record above the line in income. This issue is also observed for interest, which according to paragraph 5.107 of the GFSM 2014, is a category of income (revenue that the owners of some types of financial assets received,

including deposits), because they are not duly recorded. The mission highly recommends adopting this modified cash on hand approach to capture this type of government income, which the MEF is unable to capture on a pure cash basis.

30. Institutional coverage of deposits. The BM presents as available government cash the total of central government deposits (GCO and extrabudgetary units) and the INSS, excluding local government. According to paragraph 2.58 of the GFSM 2014, the central government includes all resident public entities that perform government functions as their principal activity. Thus, public entities that are part of the central government are: (i) entities that are part of GCO, (ii) extrabudgetary units; (iv) regional government; (iv) local government; and (v) social security. To be considered central government deposits as a whole, the BM should begin including available cash of the local authorities as well. In addition, the mission recommends reporting the totals of each government subsector as the international standards recommend.

31. Difference in institutional coverages in the monetary and fiscal accounts. Just as the BM reports deposits, the MEF presents it as part of financing in Fiscal Table, but the Fiscal Table covers the central budgetary government. This difference in coverage of the monetary and fiscal accounts generates a discrepancy since “above the line” revenue and expenditure have less coverage than “below the line” transactions in banks. Therefore, the mission sought to identify the amount of corresponding deposits in the INSS and EBUs. The authorities supply the annual INSS balances, and the listing of the EBU is pending, in order to ascertain the amount in this subsector of the government.

32. Discrepancies generated by the amount of deposits in the fiscal accounts. (i) differences in the institutional coverage of the monetary and fiscal accounts; (ii) differences in the record of monetary and fiscal accounts, which results in not recognizing income generated in the monetary sector; (iii) the nonrecognition of some T-bill liabilities in the BM by the MEF are the factor that creates a discrepancy in deposits. The mission recommends work to conduct a detailed analysis of the content of deposits the BM reports in order to ensure the proper treatment of the financial asset in MEF government accounting.

33. Amount of deposits assumed in the 2016-2018 Fiscal Table. Taking this into account according to the approach of available cash in use, the mission considered the entire amount the BM reported as deposits, excluding incoming amounts from T-bill issues and interest, since these securities are not considered government debt. “Other regularizations” were also excluded which, using a commitment approach, should be considered government income. Moreover, regarding the matter of coverage, the amount of INSS deposits were not considered in order to maintain consistency with the above the line.

Target Date	Recommendations	Responsible institutions
August 2020	Coverage of government deposits. (i) Include available cash of the local authorities to complete the government; and (ii) begin reporting the totals of each government subsector in Mozambique: GG = GCO+EBU+INSS+LG.	BM
August 2020	Composition of deposits. Evaluate the content of deposits and record all government financial assets and income recognized in the monetary accounts in fiscal accounts.	DNCP, DNT and DEEF
April 2020	Periodic reconciliation of deposits. Implement a formal periodic reconciliation process of stocks and flows (by currency and by public sector beneficiary), including explanations of all the differences identified between the BM and DNT, and share the result with the other CCGFS members.	BM and MEF (DNT and DEEF)
April 2020	Deposits in the GCO Fiscal Table. (i) ensure that the position the BM ascertained matches the coverage of the fiscal accounts (above the line); (ii) begin considering only GCO deposits (exclude available cash of the INSS and EBUs); and (iii) make the required adjustment to the income included in deposits and ensure that they have the proper above-the-line counterpart entry.	MEF

iii. Domestic Debt

34. Domestic debt. During the mission the work began of reconciling the 2018 domestic debt the BM and MEF reported with the support of senior managers from both public institutions. The provisional result of this work is presented in the following table. The authorities are still responsible for continuing the work included in reconciliations of previous years. The mission recommended preparing a reconciliation report to ensure an institutional memory.

3.1 Treasury Bonds

35. Treasury bonds (T-bonds). There is a significant difference in the positions reported by the MEF and BM. The BM presents an aggregated total of Treasury securities that includes (T-bills and T-bonds). The information as reported fails to facilitate the reconciliation with the position the MEF presented. However, the MEF obtains data from the Mozambique Stock Exchange. The BM ascertains its data from the national banking system, and it remains responsible for reporting the T-bond position separately from T-bills. In this context, the mission considered the MEF data as more reliable for the purpose of compiling the Fiscal Table and recommended reconciliation work between the BM and MEF.

Table 9. Reconciliation of the 2016-2018 domestic debt

	Domestic debt – Stocks	MEF				BM			
		2015	2016	2017	2018	2015	2016	2017	2018
a	Total	69,232.9	87,709.6	106,899.6	139,377.2	85,154.5	127,947.6	215,398.4	250,639.6
	Securities	56,322.0	46,147.2	64,199.7	74,943.1	65,992.2	65,274.4	152,047.1	176,469.3
	T-bonds (BM and CIs)	32,847.0	34,334.9	42,565.7	53,985.9	30,665.0	30,796.0	39,566.0	54,606.0
	T-bills	23,475.0	11,812.3	21,634.1	20,957.2	35,327.2	34,478.4	112,481.1	121,863.3
	Loans	12,910.8	41,562.4	42,699.9	64,434.1	17,255.4	58,459.2	55,029.4	68,523.5
	Central Bank	0.0	30,028.1	29,882.3	33,812.8	0.0	29,976.1	27,693.4	31,876.0
	Local currency (LC)	0.0	15,766.1	15,620.4	19,550.8	0.0	15,722.1	15,902.7	19,595.8
	Foreign currency (FC)	0.0	14,261.9	14,261.9	14,261.9	0.0	14,254.0	11,790.7	12,280.2
	Commercial banks	12,910.8	11,534.3	12,817.6	30,621.3	17,255.4	28,483.1	27,336.0	36,647.5
	LC – Loans (leasings+Reest.)	12,910.8	11,534.3	12,817.6	23,857.2	4,707.5	10,048.7	11,171.4	23,967.2
	LC – Supplier arrears				6,764.1	0.0	0.0	0.0	0.0
	FC – Portuguese line of credit	0.0	0.0	0.0	0.0	12,547.9	18,434.4	16,164.6	12,680.3
	Other accounts payable	0.0	0.0	0.0	0.0	1,906.9	4,214.0	8,321.9	5,646.8
	Interest on loans	0.0	0.0	0.0	0.0	452.0	1,269.2	5,273.4	5,646.8
	Other Regularizations – CIs					1,454.8	2,944.8	3,048.5	0.0
b	Differences – (Total of adjustments):	50.2	445.6	2,670.6	2,670.6	-15,921.7	-40,238.0	-108,498.8	-111,262.4
(i)	Securities								
	T-bonds (BM and CIs)					2,182.0	3,538.9	2,999.7	-620.1
	T-bills					-11,852.2	-22,666.0	-90,847.0	-100,906.1
(ii)	Loans – Central Bank								
	LC					0.0	44.0	-282.3	-45.0
	FC (Exchange rate)					0.0	8.0	2,471.2	1,981.8
(iii)	Loans – Commercial banks								
	LC – Loans (leasings+Reest.)					8,203.3	1,485.6	1,646.1	-110.0
	LC – Supplier arrears								6,764.1
	Portuguese line of credit					-12,547.9	-18,434.4	-16,164.6	-12,680.3
(iv)	Other accounts payable								
	Interest on loans					-452.0	-1,269.2	-5,273.4	-5,646.8
	Other Regularizations – CIs					-1,454.8	-2,944.8	-3,048.5	0.0
(v)	Other Econ. Flows – (Cancelations/exchange)	50.2	445.6	2,670.6	2,670.6	50.2	445.6	2,670.6	2,670.6
c = a+b	Adjusted domestic debt	69,283.0	88,155.2	109,570.2	142,047.7	69,283.0	88,155.2	109,570.2	142,047.7
d	Flows – Transactions		18,872.2	21,415.0	32,477.6		18,872.1	21,415.0	32,477.5

3.2 Treasury bills (T-bills)

36. Amount of T-bills recognized in the fiscal accounts. The domestic debt stock reported by the MEF recognizes only as T-bills the amount of the issue that was actually used by the National Treasury, and this is used for fiscal policy purposes. The amount of T-bills issued for monetary policy purposes is not considered part of the government debt stock at the MEF level. However, it is the BM's responsibility to produce reports including information on the position of the amount of "T-bills used." This concept is not recognized for the purpose of disseminating Mozambique's monetary accounts. The position of government deposits and credits, reported by the BM, includes all the flows that generate the issuance of T-bills during the year. According to the BM: (i) there is no debt service associated with the portion of T-bills not used by the government; (ii) there have been no guidelines from the MEF nor is there any agreement between the MEF and the BM for issuing T-bills used for monetary policy purposes; and (iii) the MEF is unaware at this time that the above-mentioned issues of T-bills are done by the BM. However, the deposits from these issues generate interest for the government. In addition, the position of the NGC in the Fiscal Table prepared by the MEF has taken the total of T-bills issued into account.

37. Characteristics of T-bills in Mozambique. T-bills are government financing and monetary intervention instruments issued by the BM as part of monetary policy measures to finance temporary government Treasury cash shortfalls. They originate with the seasonality of fiscal revenue or potential delayed disbursements from cooperation partners. The legal regime for T-bills is established by Decree No. 22/2004 of July 7, which delegates to the MEF the authority to set by ministerial order the maximum amount of T-bills to be used during the fiscal year. The amounts of T-bills recognized by the MEF as a T-bill debt in the last three years is within the maximum limits set by budget law. Thus, as such the BM presents the T-bill debt, implying that part of the T-bill issue was done without statutory support.

38. Recognition of T-bill debt. The GFSM 2014 defines as debt all liabilities that require payment of interest and/or principal by the debtor to a creditor at future dates. The manual does not differentiate the treatment of securities, whether their maturity is short or long term, used or not used, for fiscal or monetary purposes. In addition, the legislation allows the authorities to issue T-bills for fiscal and monetary purposes, but it is not clear how this debt will be assumed by the government or the rest of the public sector (in this case the BM).

39. T-bills that the MEF does not use do not constitute GCO debt. As the Mozambican authorities currently report the data, the recognition of the amount of T-bills used for monetary policy purposes is unclear. Since there is no debt service from the issue of these T-bills, and given the terms under which they are issued and the definition established in the GFSM 2014, it is believed that this obligation should not be presented as a part of GCO debt; however, there is no doubt that this amount represents public sector debt. Given this fact, the mission recommends reaching a consensus as to how this debt should be recognized in the public sector monetary and fiscal accounts by the MEF and the BM.

3.2 Loans

40. Loans. In the BM loan positions that are reconciled, there are only insignificant differences generated by the exchange rates that are used. For commercial bank loans there are significant differences in the positions of both institutions, especially in 2015. BM recognition of the Portuguese line of credit explains some of the difference. This line is not GCO debt, so that the difference is due to the coverage of the monetary and fiscal accounts. For the rest of the difference in loans, it is suspected that it is also a problem of institutional coverage. The mission used the MEF position to produce the Fiscal Table, and it presents the detail of loans and analyzes consistency between stocks and flows. The BM recommends presenting the detail of commercial bank loans in order to recognize it with the MEF position and present the debt according to each subsector in the public sector.

3.3 Arrears

41. Debts not captured by the NGC. Debts of suppliers in arrears are debts recognized in the domestic debt stock reported by the MEF but not captured by the BM, naturally because they are not national bank debts. In 2017 the Mozambican authorities conducted a survey of the debts of government institutions with various suppliers in the period from 2007 to 2016. The amount of about 29.8 billion meticaïs was identified, 19.8 billion meticaïs of which were approved by the Administrative Tribunal (AT), while 9.9 billion meticaïs were not approved by the AT.

Table 10. Debts in “Arrears” Recognized, Validated and Paid

Unit: millions of meticaïs

	Debt Recognized vs. Validated			Debt Paid			Debt to be Paid
	With AT approval	Without AT approval	Total	Cash	Securities	Total	Total
	[a]	[b]	[c=(a+b)]	[d]	[e]	[f=(d+e)]	[g=(f-c)]
Recognized:							
2007-2016	19,826.1	9,939.7	29,765.8				
Validated:							
2018	7,441.0	5,678.1	13,119.0	6,623.5		6,623.5	6,495.6
2019				1,823.9*	3,602.1	5,426.0	1,069.6
2019			5,817.8				6,887.3
Not validated:			10,829.0				

*One million meticaïs is scheduled to be paid by the end of the year. As of the end of the mission there was no information on the actual payment of the above-mentioned amount.

Source: DNT

42. Process of regularizing arrears. According to the Strategy for Paying the Government Debt to Suppliers, launched by the authorities in July 2018, the regularization process assumes that there are three points at which the government accounts are adjusted: (i) when the debt is

recognized and validated, which thus updates the debt stock; (ii) the associated record of expenditure by processing extrabudgetary expenditure; and (iii) the record of payments (automatic mode in e-SISTAFE). There are provisions of various types of regularizing arrears in the Government Budget (OE), including issuances of government debt securities.

43. Payment of arrears. Notwithstanding the determination up to 2016, the above-mentioned regularization strategy began to be implemented in 2018, when 13.119 billion meticaïs were validated for payment. As of end-2019, the GRM validated an additional 5.82 billion meticaïs. Table 10 presents the amounts paid up to the date of the mission.

Treatment of arrears. The government's relations with its suppliers generates a public expenditure based on a commitment: (i) when the authorities validate the arrears, the expenditure must be recognized according to its type (operating or investment expense), and a debt in "accounts payable" is the counterpart; (ii) at the time of payment, a reduction in deposits is recorded against a reduction in "accounts payable." For the securitized debt, the mission recommends increasing securities against a decrease in "accounts payable" (see Table 11 below).

44. Recognition of the debt of arrears prior to payment. According to the CEDSIF, there is a functionality in e-SISTAFE that enters expenses to be paid and checks arrears. However, since this is considered an extrabudgetary expense, it does not observe the double-entry rule and the debt record remains pending; thus the payment of this debt generates a discrepancy in the accounts. The following table presents the treatment recommended for the 13.119 billion meticaïs, a debt that was recognized and validated in 2018, as well as their respective payments. The recording of this debt as an expense in 2018 has an impact on the year's overall balance, and payments made in 2018 and 2019 should be recorded as transactions at the financial level with an impact on government financial worth.

45. The mission recommends recording arrears on the commitment basis. Notwithstanding the fact that the authorities use cash basis,¹ the mission recommends recording arrears as is done using a commitment approach to ensure greater control over this debt. The Fiscal Table that was prepared during the mission considers that the arrears expense that is paid by September is recorded as the strategy requires. The information is confirmed by the authorities and thus the remainder to be paid is recorded as part of the liabilities at end-2018.

Table 11. Treatment of "Arrears"

Unit: millions of meticaïs

Figures in millions of meticaïs/ December 31	2018				2019		
	Opening Balance	Transactions	OEF	Closing Balance	Transactions	OEF	Closing Balance
1. Revenue							

¹ On the cash basis, expenses are recognized only when paid and revenue when it is received, regardless of when this was done or collected or of the existence of a payment or reception commitment respectively. Thus, this regime does not include "accounts payable or receivable."

2. Expense		13,119.0		5,817.8	
NOB. Net operating balance (1-2)		(13,119.0)		(5,817.8)	
31. Net nonfinancial assets					
2M. Total expenditure (2+31)		13,119.0		5,817.8	
NLB. Lending (+) / Net borrowing (-)		(13,119.0)		(5,817.8)	
Net financial worth:		(13,119.0)	(13,119.0)	(5,817.8)	(18,936.8)
32. Financial assets		(6,623.5)	(6,623.5)	(1,823.9)	(8,447.3)
Government deposits		(6,623.5)	(6,623.5)	(1,823.9)	(8,447.3)
33. Liabilities		6,495.6	6,495.6	3,993.9	10,489.5
Suppliers payable		13,119.0	13,119.0	2,215.7	15,334.73
Suppliers to be paid (<i>Cash</i>)		(6,623.5)	(6,623.5)	(1,823.9)	(8,447.3)
Debt securities (Issue)				3,602.1	3,602.1
Debt recognition					
Payment of the debt					

3.4 Other regularizations of the domestic debt

46. **Other regularizations in credits reported by the BM.** The credits reported in the monetary accounts present other regularizations that the MEF is to validate as mentioned in the case of deposits. Therefore, these regularizations require a counterpart in expenditure; otherwise they generate discrepancies.

3.5 Other Economic Flows

47. **Other Economic Flows (OEF).** These are changes in the volume or value of assets or liabilities that are not generated by transactions (paragraph 3.31 of the GFSM 2014). These OEFs are not transactions because they do not meet one or more features of transactions. For example, when the amount of an asset is expressed in foreign currency, the currency may change as a result of alterations in the exchange rate, or the value of an asset may change with the passage of time. There are two main categories of OEFs, described as “gains and losses” and “other changes in the volume of assets and liabilities.” If the transactions in NGC credits have been ascertained by measuring the difference in the stock from one year to the next, it is important to ensure that the OEFs, i.e. the cancelations of certain debts and adjustments attributable to exchange losses and gains, have been properly adjusted in accordance with the positions for the transactions in the Fiscal Table.

Target Date	Recommendations	Responsible institutions
April 2020	Domestic and external public debt data for the Fiscal Table. (i) Use MEF data to ensure consistency between the debt stock and flows; (ii) Exclude the OEFs from the transactions in the Fiscal Table.	DEEF and DNT

April 2020	Reconciliation of the domestic and external public debt. (i) Finalize the reconciliation work begun during the mission and document the final result; and (ii) Implement a formal periodic reconciliation process of flows and stock (by instrument, face and nominal value, and by creditor) including explanations of all the differences identified in the BM data (NGC and balance of payments) and DNT (detailed debt statements), and share the result.	BM and MEF (DNT and DEEF)
April 2020	Treasury bills. (i) Reach a consensus on the total Treasury-bill debt to be recognized in the public sector fiscal and monetary accounts; and (ii) The BM should begin to report the total debt of the subsectors in the public sector of Mozambique: GG = GCO+EBU+INSS+LG, as well as the business, financial and nonfinancial sector.	MEF and BM
April 2020	Treasury bonds (T-bonds). Present a disaggregated total of treasury securities: (i) detail of T-BILL issuances and (ii) detail of T-bonds.	BM
April 2020	Commercial bank loans. Present the details of total commercial bank loans.	BM
August 2020	Expenditures associated with BM credits. Validate and begin to record expenditures associated with domestic credit published in the monetary accounts.	MEF
April 2020	Debt of arrears. In the domestic map statement, recognize the amount of 5,817.8 million meticaís of debt of arrears, recognized and validated by the GRM in end-2019.	DNT
August 2020	Dissemination of the domestic and external public debt. Begin disseminating debt data by maturity, residual value, currency and creditor based on World Bank and IMF data, and on the MEF website.	DEEF

iv. Other Accounts Payable and Receivable

4.1 Treasury Operations

48. Suspense accounts and regularization of transactions. Revenue items such as taxes, grants, social contributions, sales of goods and services; and on the expenditure side, remunerations, goods and services, interest, transfers, subsidies and other expenses, normally have a counterpart in available cash, and thus the Mozambican authorities have a set of transactions that do not have definitive accounting entries. They are pending due to various factors such as: lack of available cash in banks; lack of a budget in the system; or unknown details of transactions in banks. The above-mentioned set of transactions is named "Treasury Operations," and the totals in 2015-2018 are presented in the following table.

Table 12. Treasury Operations

Stock	2015	2016	2017	2018
Debit/Revenue	(8,018.7)	(621.8)	(17,608.9)	(33,213.3)
Of which: Fiscal years ended	270.0	270.0	270.0	270.0
Credit/Expense	5,376.7	8,284.3	6,523.4	6,093.3

Total	(13,395.3)	(8,906.2)	(24,132.4)	(39,306.6)
Flows				
Debit/Revenue		7,396.8	(16,987.1)	(15,604.4)
Credit/Expense		2,907.7	(1,760.9)	(430.1)
Total		10,304.5	(18,748.0)	(16,034.5)

Source: I-4 Statements of CGEs

49. Definition of Treasury Operations. As provided in subparagraphs f) of article 47 and h) of article 48, both Law No. 9/2002 of February 12, which creates the Government Financial Administration System (SISTAFE), Treasury Operations are “advances and their regularizations.” According to article 2 of the MEF Regulation on Treasury Operations, approved by Ministerial Order No. 124/2008 of December 30, Treasury Operations are incoming and outgoing funds of the Single Treasury Account (STA) that cannot be charged to the Government Budget (OE), and they refer to movements of funds of third parties for which the Treasury is responsible (T-Bills), as well as the transfer of funds for the decentralized execution of the Government Budget and T-bills. Included in Treasury Operations are movements of funds charged to the Government Budget that, when realized, cannot be recorded in the Government Budget immediately using budgetary classifiers.

50. Incoming funds – Treasury Operations. As established in No. 1 of article 3 of the above-mentioned regulation, entries of funds in the STA by this avenue are made in the DNT and the Provincial Economy and Finance Directorates through the BM and/or commercial banks with government cash functions to address the following situations: (i) revenue collected from third parties where the Treasury is responsible for paying expenditures not posted in the Government Budget; (ii) collection of balances ascertained at the end of each fiscal year; (iii) accounting record of counterpart of advances made for Treasury Operations to pay expenses charged to the Government Budget. Therefore, this entry is intended to receive suspense deposits of amounts not chargeable to the Government Budget whose payments are contingent on the revenue arriving beforehand.

51. Outgoing Funds – Treasury Operations. According to No. 1 of article 4 of the same regulation, the purpose is to deal with: (i) expenses not chargeable to the Government Budget, the payment of which is contingent on the revenue arriving beforehand; and (ii) urgent expenses that are exceptional in nature, with substantiated grounds and that can be charged to the Government Budget. According to the authorities, in this item extrabudgetary expenses are recorded that have not been yet recorded as an expense, but that have not been paid either. For these cases, under the cash approach the government currently uses, these extrabudgetary expenses should not be included in the Fiscal Table to avoid creating a discrepancy. Using a commitment approach, the accounting system should have the ability to recognize these transactions in expenses and revenue, even if they do not yet merit their due treatment in the financial balance sheet, so that they are awaiting payment in items of accounts payable and receivable.

52. Discrepancies created by Treasury Operations. Based on the provisions of the law, the recording and control in e-SISTAFE, the mission believes that: (i) Treasury Operations are

anticipated to record an expense or revenue in the budgetary balance sheet until the financial balance sheet is prepared to record the transactions and vice versa; (ii) these operations represent accounts payable and/or receivable that the Fiscal Table does not include below the line. Thus, based on the dual-entry accounting rule, accounts such as fiscal years ended or entered in banks for which the transaction details are unknown so that the proper entry above the line cannot be made and there is no counterpart below the line, which generates discrepancies.

53. Record of Treasury Operations. In a cash approach, which the authorities use, all transactions that generate activity in banks, in the case of Mozambique incoming funds (debit balance) in Treasury Operations should be considered below the line in the Fiscal Table as accounts receivable; otherwise they generate discrepancies. In a commitment system or even in a modified cash system, both incoming and outgoing funds in Treasury Operations should be included in the Fiscal Table.

4.2 Fiscal years ended

54. Fiscal years ended. They have been recorded as part of expense, but they represent credits recognized by the GCO, the payment of which is pending. As we reported in the Treasury Operations, the fiscal years ended do not have a below-the-line counterpart either, and thus they generate discrepancies. The mission recommends reclassifying them according to the nature of the expense above the line, and add the total amount as part of accounts payable below the line.

Target Date	Recommendations	Responsible institutions
April 2020	Treasury Operations. Begin to recognize them in the Fiscal Table, ideally using a modified cash approach (considering credit and debit balances).	MEF
April 2020	Fiscal years ended. Begin recognition in the Fiscal Table as part of accounts payable below the line and in the record kept for expenses above the line.	MEF

D. Compilation of Annual 2016-2018 GFS

55. Result of the compilation of annual 2016-2018 GFS. Based on the detailed analysis of the accounts, the exercise of compiling the 2016-2018 GFS was repeated, and the results are summarized in Table 1 above, which presents the 2016-2018 GRM Integrated Financial Balance Sheet. More detailed information for the compilation exercise is illustrated in the other tables that follow and in Annexes III-VII of this report. In this regard, the mission recommends: (i) formal validation by the authorities and submission to the IMF to be included in the GFS database; (ii) submission to the Mozambique National Statistics Institute (INE) which, according to the

DEEF, is waiting for the data to compile 2018 GDP; and (iii) replication of the GFS compilation exercise on a quarterly basis.

56. Fiscal data used to compile GFS extracted from the CGE. The data for compiling the GFS are obtained from the CGE, which reports the information in summary form, taken from PDF format documents and converted to Excel manually. This method of compiling GFS carries risks because the compilation exercise is subject to repeating possible errors made in the CGE compilation process. Moreover, a more detailed reclassification of some of the items is not possible. For compiling the GFS, the mission recommends using primary data extracted from the integrated systems trial balances (for Mozambique, from the e-SISTAFE).

Table 13. Statement of Sources and Uses of Cash /Fiscal Table

Unit: millions of meticals

		2016	2017	2018
1	Government revenue	177,652.5	218,072.8	226,126.4
2	Government expenses	140,941.6	148,659.0	178,012.6
NOB	Net Operating Balance (1-2)	36,710.9	69,143.8	48,113.7
31	Nonfinancial assets (NFAs)	60,171.2	57,188.2	83,754.2
2M	Government expenses (2+31)	201,112.8	205,847.2	261,766.8
NLB	Net Lending (+) / Borrowing (-) (NOB-31)	(23,460.3)	12,225.6	(35,640.4)
32	Acquisition of financial assets	19,058.2	67,618.9	17,339.7
33	Net incurrence of liabilities	43,843.9	52,391.8	52,289.6
NLBz	Statistical discrepancy (32-33-NLB)	1,325.4	-3,001.6	-690.5
	GDP (Data source: Article IV Report)	689,213.0	804,463.0	859,019.3
NLBz	Statistical discrepancy (percent of GDP) – After the mission	0.19%	-0.37%	-0.08%

57. Government revenue transactions 2016-2018. In general, revenue has been stable over the last three years, at roughly 26 percent of GDP. Therefore, some findings about revenue follow:

- a) **“Other taxes”** account for 5 percent of total revenue. This high amount can be explained or reclassified correctly if the details of the revenue are available;
- b) Although there are **social security contributions** in revenue, the level of government expenditures on social security benefits is unclear. Therefore, the mission believes that some social contributions were classified incorrectly or the social benefits are classified incorrectly, so that these items must be revisited;
- c) The high amount of **dividends** in 2017 needs to be explained to ensure that it is not considered a “super dividend;” if it is, it should be reclassified below the line in “securities and holdings in investment funds;”
- d) There is no record of **interest received**, yet the amount of loans granted in financial assets is significant.

58. Transactions in government spending 2016-2018. Like revenue, government spending in the last three years was stable at about 20 percent of GDP. The mission believes that the social contribution and social benefit items need to be revised. Moreover, subsidies as they are reported cannot be classified as paid to the public and private or other sectors of the economy. The item “fiscal years ended” needs to be properly detailed to make correct classification possible. The COFOG the authorities adopted is aligned with international standards, and the data compiled during the mission are presented in Table 14 below. However, there are some inconsistencies in interest reported in expenditures of an economic type compared to those reported in the expenses by functions, as well as investment expenses (nonfinancial assets). For consistency’s sake, the mission used the data reported in expenditures by type.

Table 14. Government Spending by Functions of Government – COFOG

Unit: millions of meticaís

		2016	2017	2018
7	GRAND TOTAL	201,112.8	205,3847.2	261,766.8
701	General public services	59,333.7	65,578.7	81,241.4
702	Defense	7,825.9	8,304.1	11,855.2
703	Security and public safety	18,698.4	25,342.3	24,830.1
704	Economic matters	31,395.5	24,870.1	47,576.9
705	Environmental protection	1,296.7	2,237.3	3,724.1
706	Housing and community services	9,256.9	9,086.49	9,520.7
707	Health	19,466.6	19,498.5	23,073.2
708	Recreation, culture and religion	1,410.2	1,229.7	1,284.5
709	Education	44,146.3	49,091.8	52,042.2
710	Social protection	8,282.6	4,413.6	6,618.4

59. Transactions in nonfinancial assets. Available fiscal data report only acquisitions of buildings and infrastructure, and insignificant amounts in other fixed assets. The mission believes that it is highly unlikely that over the last three years the authorities did not acquire any machinery or equipment, that there were no transactions that affected the stock of inventories, or that Mozambique has no nonproduced assets. The CGE presents the inventory of government property and hence the mission recommends examining the possibility of bringing value to the stock, or at least the changes in this asset to the GFS.

60. Stock and transactions in financial assets and liabilities. As mentioned earlier in this report, the main concerns are government deposits, completing the reconciliation work that is now pending, and a methodology to be determined for the process of compiling the GFS or the Fiscal Table. Capital holdings of businesses and disposals in 2017 need to be reviewed for a better understanding of what took place that year. In general, the liability data is consistent, so that the main concerns are in the amounts of debt securities and external lending.

61. Financial assets and liabilities by counterparty. The stock of assets and liabilities by counterparty is in the table below. More detailed information about the holders of securities and loans would show greater transparency of asset and liability transactions by counterparty. In

addition, the data received for these purposes do not separate the assets and liabilities of financial and nonfinancial corporations.

Table 15. Stock of Financial Assets and Liabilities by Counterparty

Unit: millions of meticals

	December 31	2016	2017	2018
682	Financial assets [=62]	185,014.7	252,631.5	269,201.7
6821	Domestic debtors [=621]	185,014.7	252,631.5	269,201.7
68212	Central Bank	28,092.5	58,336.1	35,730.7
68213	Depository corporations, except the Central Bank	14,803.3	14,857.7	19,231.5
68215	Nonfinancial corporations	139,424.4	178,193.6	212,193.2
68216	Families and nonprofit institutions	2,694.6	1,244.2	2,046.2
6822	External debtors [=622]	0.0	0.0	0.0
683	Liabilities [=63]	701,991.7	662,127.1	737,016.1
6831	Domestic creditors [=631]	87,993.8	107,655.9	140,317.4
68312	Central Bank	34,528.1	34,528.1	38,458.5
68313	Depository corporations, except the Central Bank	52,525.5	72,371.5	101,574.8
68315	Nonfinancial corporations	940.2	756.3	284.1
6832	External creditors [=632]	613,997.9	554,470.2	596,698.7
68327	International organizations	270,080.0	244,267.8	263,060.6
68328	Financial corporations that are not international organizations	90,089.0	80,920.7	85,626.5
68329	Other nonresidents	253,828.9	229,281.7	248,011.6

Target Date	Recommendations	Responsible institutions
August 2020	Data from the e-SISTAFE trial balance: extract the primary fiscal data to begin compiling the GFS.	DEEF
February 2020	Mozambique GFS from 2016-2018 compiled during the mission: Validate and submit to the IMF/STA and INE.	DEEF
December 2020	GFS annual and quarterly series 2010-2018: Compile tables 1, 2, 3, 6, 7, 8A and 8B of the GFSM 2014 and submit them to the IMF.	DEEF
August 2020	Annual and quarterly GFS: Begin publishing them on the MEF website.	DEEF

E. Fiscal Table Revisions

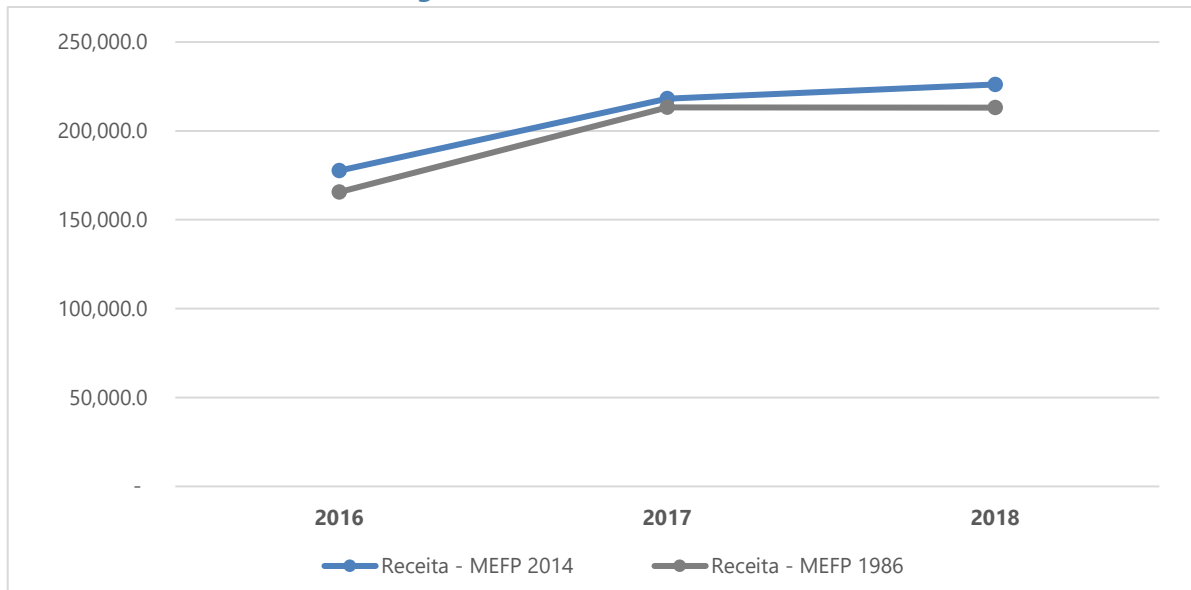
62. Align the Fiscal Table with the most up-to-date international standards. The Mozambican authorities use the Fiscal Table compiled using the GFSM 1986 as a main fiscal instrument. Annex VII reports the data in the various methodologies (GFSM 1984 vs. GFSM 2014) for a better understanding of the difference in methodologies. The mission reiterated that the Fiscal Table format recommended by the most up-to-date international methodology (GFSM

2014) reports greater revenue, fewer expenditures, and consequently a more favorable overall balance for the authorities. In addition, it differentiates financing transactions related to the other transactions more easily, which thus facilitates policy decisions for debt, as well as decisions for strengthening collection for financing a certain type of expenditures (for example, operating or investment expenditures). This also provides for a rapid comparison of fiscal policies adopted in Mozambique compared to the other countries in the region and the rest of the world.

i. Government revenue

63. Government revenue in the Fiscal Table. The authorities consider disposals of government property and holdings as revenue; according to the GFSM 2014, they are part of "*investment in nonfinancial assets*" and "*acquisition in financial assets*" respectively (see paragraphs 8.28 and 9.47-9.49 of the GFSM 2014). Furthermore, the authorities record grants separately from revenue. A grant is a type of government revenue according to the GFSM 2014 that does not constitute a discrepancy in the Fiscal Table, but reclassifying it according to the GFSM 2014 results in revenue greater than that presented in the Fiscal Table produced by the authorities (see Figure 2 below). Hence, the mission reiterates its past recommendation to revise this in the Fiscal Table.

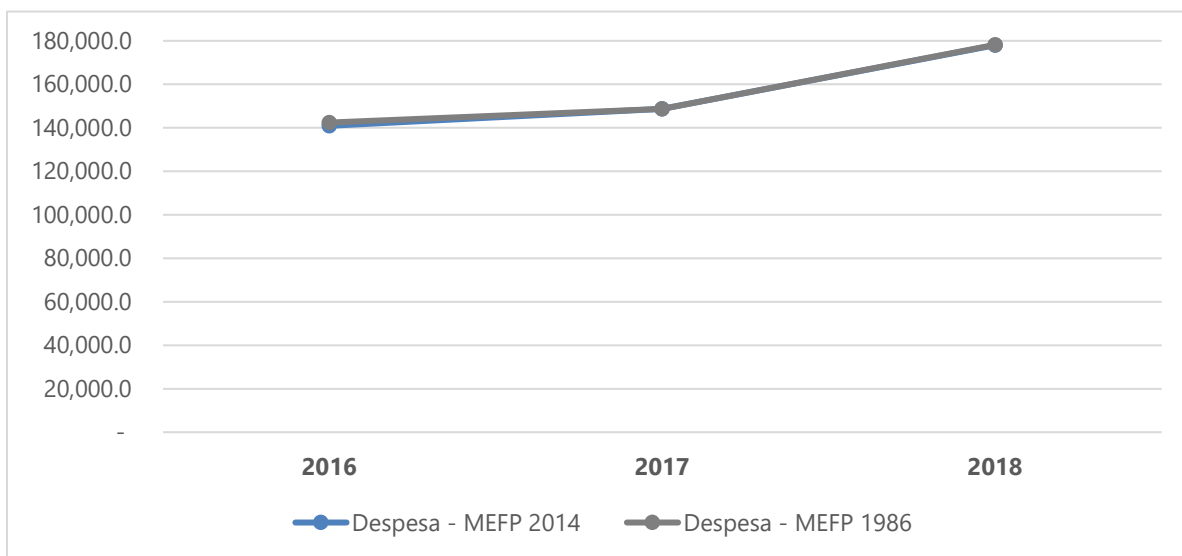
Figure 2. Government revenue



ii. Government expenses

64. Government expenses in the Fiscal Table. The mission recommends reclassifying “capital expense” which the authorities currently present as being part of total expenses in the “investment in nonfinancial assets” or “investment expense” item. This reclassification is conducive to identifying a lower expense and considering the increased revenue (as we saw in the previous paragraph) it leads to a current and overall balance that is more favorable for the government. The following figure shows that the expenses for the years 2016-2018, compiled according to the 2014, are slightly below those in the Fiscal Table according to the GFSM 1986 methodology.

Figure 3. Government Expenses



iii. Acquisition of nonfinancial assets

65. There is currently no item entitled acquisition of nonfinancial assets in the Fiscal Table of the Mozambican authorities, even though the components are part of it. The mission recommends adding to this item all investment expenditures, the disposal of government property, and capital spending recorded as part of current expenditures.

iv. Financial assets and liabilities

66. Nor are there financial assets as an aggregate currently in the Fiscal Table adopted by the Mozambican authorities. However, some components are above and below the line. Thus, the mission recommends beginning to report this item that should include government deposits currently recorded as part of the NGC. Moreover, add to this aggregate other assets reported above the line such as: onlending agreements, holdings in the capital of government-owned corporations and investee companies, Treasury loans, financial investments of the Institute for the Management of Government Holdings (IGEPE), and other accounts receivable. The mission suggests presenting these items before liabilities and just after the overall balance.

67. For liabilities, the mission recommends presenting net obligations in accordance with the debt instruments. Detail in terms of disbursement and amortization may be useful supplementary information presented as a memorandum item.

68. Add the items of other accounts payable and receivable to the Fiscal Table. The fiscal years ended and Treasury Operations are items that would be classified in this aggregate reported as part of financial assets and/or liabilities.

Target Date	Recommendations	Responsible institutions
August 2020	<i>Fiscal Table restructuring:</i> Restructure it to ensure that it is in line with international standards: Declaration I—Government Operations, in the GFSM 2014.	DNT and DEEF

Annex I. Officials and Employees Met During the Mission

Name	Institution	Title
Domingos Lambo	MEF	Permanent Secretary
Enilde Sarmento	MEF/DEEF	Deputy Director
Chamila Aly	MEF/DNT	Deputy Director
Domingos Fumo	BM/DER	Deputy Director
Sebastião Dimene	MEF/DNPO	Deputy Director
Paulo Vilanculos	MEF/DNCP	Department Head
Sebastião Dimene	MEF/DNPO	Deputy Director
Aquino Chilundo	BM/DER	Technician
Ângelo Ferreira	MEF/DEEF	Technician
Isidora Nhauche	BM/DER	Technician
José Chalufu	CEDSIF	Technician
Marcos A. Cossa	CEDSIF	Technician
Pradipa Aunvattal	MEF/DEEF	Technician
Rosário Betho	MEF/DEEF	Technician
Yasmien Ribeiro	MEF/DNPO	Technician
Ari Aisen	IMF Mozambique	Resident Representative
Esther Palacio	IMF Mozambique	Advisor and Coordinator of Technical Assistance

Annex II. Institutional Structure of General Government

Mozambique (688)

Units of the General Government of Mozambique

(The preliminary lists of public institutions are available in the report of the last mission)

Subsector 1. Budgetary central government

- 1.1 Five sovereign bodies: President of the Republic, Assembly of the Republic, Government (21 ministries and about 70 entities, agencies, commissions and public services, the courts and the Constitutional Council).

Subsector 2. Extrabudgetary units/entities

- 2.1 80 public institutes
2.2 12 public funds

Subsector 3. Social Security

- 3.1 National Social Security Institute of Mozambique (INSS)

Subsector 4. State government

Not applicable

Subsector 5. Local government

- 5.1 11 Provinces
5.2 10 Districts
5.3 53 Autonomous local authorities/municipalities (corresponding to cities and towns)

Data Coverage

Data in the central government tables cover the operations of subsector 1 and part of the data on budgetary execution for subsectors 2 and 5. Social security data is not available at present. Data on local governments pertaining to self-generated resources and the execution thereof are not available. A provisional time series for GFS covering 2009 to 2018 is available.

Accounting Practices

- F1. Bases of recording:** The data are reported on a modified cash basis and are obtained from budgetary execution.
- F2. Validation or complementary period:** Not applicable
- F3. Valuation of assets and liabilities:** Nonfinancial assets are evaluated at historic cost and other financial assets and liabilities at nominal value.

Plan for Implementation of the GFSM 2001/2014 Complete the GFS Module of the Project EDDI 2 financed by the DFID of the United Kingdom. However, there are still many challenges in the process of compiling GFS in Mozambique. Another result of TA from the DFID is that the authorities have an action plan that serves as a guide in the process of implementing the GFSM 2014.

Annex III. Detailed Government Revenue - GRM

Unit: millions of meticaís

	December 31	2016	2017	2018
1	Revenue	177,652.5	218,072.8	226,126.4
11	Taxes	152,789.0	186,498.5	191,992.6
111	Taxes on income, profit and capital gains	63,547.9	96,597.0	89,988.5
1111	Individuals	26,822.3	29,668.2	33,052.0
1112	Businesses	36,725.6	66,928.8	56,936.5
113	Taxes on property	9.5	9.8	121.1
114	Taxes on goods and services	65,735.6	65,431.2	75,681.5
1141	Taxes on aggregated value	48,300.9	45,485.5	55,449.8
1142	Special consumption taxes	15,181.4	14,620.0	14,704.1
1144	Taxes on specific services	482.5	527.9	632.8
1145	Taxes on the use of merchandise and permission to use it or carrying out activities	154.9	384.9	1,103.1
1146	Other taxes on goods and services	1,615.9	4,412.9	3,791.7
115	Taxes on commerce and international transactions (customs and other import duties)	12,663.5	12,031.8	14,927.4
116	Other taxes	10,833.5	12,428.6	11,274.1
12	Social contributions	3,332.9	5,493.7	7,278.8
121	Contributions to social security (contributions from civil servants)	605.0	473.2	61.1
122	Other social contributions (contributions from civil servants)	2,728.0	5,020.4	7,217.7
13	Grants	14,839.8	16,302.1	17,671.7
132	From international organizations	14,839.8	16,302.1	17,671.7
1321	Current	1,047.5	20.0	1.1
1322	Capital	13,792.3	16,282.1	17,670.6
14	Other Revenue	6,689.8	9,778.5	9,183.2
141	Property income	4,484.9	6,361.2	5,308.2
1412	Dividend	1,914.6	4,133.3	228.0
1415	Rental income	2,570.3	2,227.8	5,080.1
142	Sales of goods and services	2,083.4	3,161.3	3,694.9
144	Transfers not classified elsewhere (Current)	121.5	256.0	180.2

Annex IV. GRM Detailed Government Spending

Unit: millions of meticaís

December 31		2016	2017	2018
2	Expenditure	140,941.6	148,659.0	178,012.6
21	Remuneration of employees	77,842.6	85,088.8	96,464.8
211	Wages	77,842.6	85,088.8	96,464.8
212	Social contributions	0.0	0.0	0.0
22	Goods and service	22,969.0	22,015.2	28,702.9
23	Consumption of fixed capital	N/A	N/A	N/A
24	Interest	16,308.9	18,109.1	27,250.4
241	Nonresidents	8,589.8	9,340.0	10,314.0
242	Residents not in the central government	7,719.1	8,769.0	16,936.4
25	Subsidies (Private companies)	2,011.4	2,049.6	913.9
26	Grants	5,915.1	4,910.6	6,244.3
262	International organizations (Current)	2,257.1	734.8	1,009.9
263	Other central government units (Current)	3,658.1	4,175.8	5,234.4
27	Social benefits	15,161.5	15,003.3	17,302.6
272	Social assistance benefits	5,056.5	4,482.5	6,404.3
273	Social benefits from employers	10,105.0	10,520.8	10,898.3
282	Transfers not classified elsewhere (Current)	733.0	1,482.5	1,133.8

Annex V. Transactions in Assets and Liabilities - GRM

Unit: millions of meticaís

December 31		2016	2017	2018
31	Net acquisition of nonfinancial assets	60,171.2	57,188.2	83,754.2
311	Fixed assets	60,171.2	57,188.2	83,754.2
3111	Buildings and infrastructure(acquisitions)	60,097.2	57,131.7	83,638.0
3112	Machinery and equipment	0.0	0.0	0.0
3113	Other fixed assets	73.9	56.4	116.1
312	Inventories	0.0	0.0	0.0
313	Valuables	0.0	0.0	0.0
314	Nonproduced assets	0.0	0.0	0.0
32	Net acquisition of financial assets	19,058.2	67,618.7	17,339.7
321	Domestic debtors	19,058.2	67,618.7	17,339.7
3212	Currency and deposits	6,723.3	29,654.0	-17,432.2
3213	Debt securities	0.0	0.0	0.0
3214	Loans	16,361.0	24,657.8	13,879.2
3215	Securities and holdings in investment funds	3,624.0	-3,497.4	5,286.7
3218	Other accounts receivable	-7,650.1	16,804.5	15,606.0
322	External debtors	0.0	0.0	0.0
33	Net liabilities	43,843.9	52,392.7	52,289.6
331	Domestic creditors	18,886.3	21,887.1	32,660.5
3312	Currency and deposits	0.0	0.0	0.0
3313	Debt securities	-10,174.8	18,052.5	13,439.7
3314	Loans	29,047.0	3,362.4	19,037.8
3318	Other accounts payable	14.1	472.2	183.0
332	External creditors	24,957.6	30,504.7	19,629.1
3322	Currency and deposits	0.0	0.0	0.0
3323	Debt securities	0.0	0.0	0.0
3324	Loans	24,957.6	30,504.7	19,629.1

Annex VI. Transactions in GRM Financial Assets and Liabilities by Counterparty

Unit: millions of meticaís

December 31		2016	2017	2018
82	Acquisition net of financial assets (=32)	19,058.2	67,618.9	17,339.7
821	Domestic debtors (=321)	19,058.2	67,618.9	17,339.7
8212	Central Bank	4,047.5	30,302.7	-20,648.5
8213	Depository corporations, except the Central Bank	2,962.7	-806.1	3,221.3
8215	Nonfinancial corporations	12,085.3	38,145.4	34,770.2
8216	Families and nonprofit institutions	-37.3	-24.2	-3.4
822	External debtors (=322)	0.0	0.0	0.0
83	Net liabilities (=33)	43,843.9	52,391.8	52,289.6
831	Domestic creditors (=331)	18,886.3	21,887.1	32,660.5
8312	Central Bank	31,528.1	0.0	3,930.5
8313	Depository corporations, except the Central Bank	-12,641.8	21,415.0	28,547.1
8315	Nonfinancial corporations	14.1	472.2	183.0
832	External creditors (=332)	24,957.6	30,504.7	19,629.1
8327	International organizations	11,643.1	8,084.4	10,663.3
8328	Financial corporations that are not international organizations	3,677.9	3,988.3	1,108.5
8329	Other nonresidents	9,636.6	18,431.9	7,857.3

Annex VII. GRM Fiscal Table - GFSM 1986 vs. GFSM 2014

				(Valores em Milhões de Meticais)				
EFP		2016	2017	2018	2018	2017	2016	Mapa Fiscal
1	Receita Total e Donativos	177,652.5	218,072.7	226,126.4				
	Receita do Estado	166,285.0	213,222.8	213,032.2	213,032.2	213,222.8	165,595.3	Receita do Estado
	Excluído "Alienação do Património do Estado" e considerado em investimento (31)	-71.3	-98.4	-58.5				
	Excluído "Participações do Estado" incluído em ativos financeiros (32)	-3,401.1	-11,353.9	-4,519.0	252,292.0	255,384.6	219,522.9	Despesa Total e Empréstimos Líquidos
	Donativos	14,839.8	16,302.1	17,671.7				
2M	Despesa Total	201,112.8	205,847.2	261,766.8	178,187.3	148,724.7	142,420.0	1. Despesa Corrente
2	Despesa Corrente	140,941.6	148,659.0	178,012.6	72,358.5	57,136.5	60,645.3	2. Despesa de Investimento
	Total da Despesa na CGE	141,086.8	148,813.8	178,187.3	13,924.3	25,834.6	13,467.4	3. Empréstimos Líquidos
	Excluído "Despesas de capital" e considerado em investimento (31)	-145.2	-154.8	-174.7				
					-12,178.1	23,688.8	2,990.2	4. Outras Despesas (+) / Receitas (-) » Discrepância Estatística
31	Ativos não financeiros líquidos	60,171.2	57,188.2	83,754.2				
	Assume 100% uso do financiamento externo (Fundos Comuns e Outros Fundos via/fora CUT)	59,900.5	56,919.8	72,241.5	17,671.7	16,302.1	14,842.8	Donativos
	Leasings de edifícios públicos	54.2	15.2	11,279.5				
	Despesa de Capital	145.2	154.8	174.7				
	Alienação do Património do Estado	71.3	98.4	58.5				
NLB	Saldo Global	-23,460.3	12,225.4	-35,640.4	-21,588.1	-25,859.7	-39,084.8	Saldo Global após donativos
32	Ativos Financeiros	19,058.2	67,618.8	17,339.7	19,629.1	35,399.3	25,584.8	Financiamento Externo
	Depósitos Contas monetárias - Exclui INSS e BT	6,723.3	29,654.0	-17,432.2	34,821.3	43,359.7	36,937.9	Empréstimos
	Acordos de Retrocessão	16,361.0	9,572.6	13,879.2	-15,192.2	-7,960.5	-11,353.1	Amortização
	Participações no Capital de Empresas Públicas: Mapa I-2 da CGE	222.9	233.8	767.7				
	Participações do Estado	3,401.1	11,353.9	4,519.0	26,595.6	-9,539.5	13,500.0	Crédito Interno Líquido
	Contas a pagar (+)/receber(-): Mapa I-4 da CGE: Operações de Tesouraria	-7,396.8	16,987.1	15,604.4				
	Contas a pagar (+)/receber(-) - Créditos do Tesouro & Aplicações Financeiras do IGEPE: Mapa I-2	-253.3	-182.6	1.6	-24,636.6	0.0	0.0	Outras Operações
					-13,357.1	0.0	0.0	Fornecedores
					-11,279.5	0.0	0.0	Leasings de edifícios públicos
33	Passivos	43,843.9	52,391.8	52,289.6				
	Dívida Interna Líquida	18,872.2	21,415.0	32,477.6				
	Exercícios Findos	14.1	472.2	183.0				
	Dívida Externa Líquida	24,957.6	30,504.7	19,629.1				
	Desembolso - Inclui "onlending"	36,310.7	38,465.1	34,821.3				
	Amortização	11,353.1	7,960.5	15,192.2				
NLBz	Discrepância Estatística	1,325.4	-3,001.6	-690.5				
	PIB nominal (milhões de Meticais)	689,213.0	804,463.0	859,019.3	859,019.0	804,463.0	689,213.0	PIB nominal (milhões de Meticais)
	Discrepância % PIB	0.19%	-0.37%	-0.08%	-1.42%	2.94%	0.43%	Discrepância % PIB

Fonte: Cálculos da missão

Fonte: MEF

Notes - Fiscal Table		
Items	Current Fiscal Table	Proposed change
Government revenue	Fiscal revenue, nonfiscal revenue, earmarked revenue and own revenue.	Maintain the current classification.
	Capital revenue includes disposals of government property and government holdings.	(i) "Disposals of government property." Reclassify as "investment in nonfinancial assets" and (ii) "government holdings" as acquisition of financial assets."
Total expenditure and net lending; & Total expenditure without net lending	This is total current expenditure, investment expenditure and other expenditures (+) / revenue (-); with/without net lending added.	According to international standards, financing should be presented separately from expenses and revenue. When "net lending" is taken below the line, as part of financial assets, the "Total expenditure and net loans" aggregate is no longer necessary. "Total expenditure without net loans" is presented as the sum of "current expenditure" plus "investment expenditure."
1. Current expenditure	Staff expenditure, social contribution, goods and services. Interest, current transfers, subsidies and other current expenditure.	Maintain the current classification.
	Fiscal years ended.	Reclassify according to type of above-the-line and below-the-line expenditure and add the amount as part of accounts payable.
	Capital expenditure.	Exclude this from current expenditure and reclassify as part of investment in nonfinancial assets or investment expenditure.
Current balance	This is total government revenue, which includes part of the investment, minus current expenses, that currently include part of capital expenditure.	Maintain the presentation of this balance, but the mission suggests naming it "Net Operational Result" after revenue and expenditures are adjusted to exclude investments.
2. Investment expense	This is total government investment made with domestic and external funds, including external grants for this purpose.	Add the disposal of government property and capital expenditures recorded as part of current expenses and begin naming this item acquisition of nonfinancial assets.
3. Net lending	This is the total of onlending loans and financial stabilization operations and holdings.	Onlending loans are financial assets and are part of financing, so they should be presented below the line and should not impact the "overall balance."
4. Other expenses (+) / Revenue (-)	This item is the residual – commonly known as the "closing line" or "statistical discrepancies." As presented, it has an impact on government spending that thus affects the overall balance, even when the discrepancy is caused by items in financing (below the line).	The mission recommends taking it below the line since this line probably incorporates transactions that represent government credits or debits, so that it makes more sense to classify them below the line in financing.
Overall balance before grants	This is the difference between total revenue and spending, excluding grants.	Maintain the presentation of this balance, but the mission suggests presenting it as a memorandum item.

Notes - Fiscal Table		
Items	Current Fiscal Table	Proposed change
Grants	Total grants received in the year.	Include them as part of government revenue.
Overall balance after grants	This is the difference between total revenue and expenses, including grants.	Maintain the presentation of this balance. However, the GFSM 2014 calls this just overall balance, which will make sense if the overall balance is not considered before grants.
External financing	This is the difference between disbursements and the amortization of external loans.	Maintain the current classification, but add total domestic financing incorporated into the NGC and begin using the term "liabilities." It is considered the net total of the debt (loans minus amortizations) in accordance with debt instruments. Total disbursements and amortizations can be presented as a memorandum item.
Other operations	Suppliers, leasing, net privatizations and other expenses.	The mission recommends presenting this above the line according to its type: expenses or investment in nonfinancial assets.
Net Government Credit (NGC)	NGC = Government deposits – Domestic debt.	For greater transparency, we recommend presenting government deposits in disaggregated form (financial assets, plus other assets reported above the line) and domestic debt (as part of liabilities, also including external financing).
Financial assets	This aggregate does not exist currently in the Fiscal Table the Mozambican authorities submitted. However, the subitems are part of the Fiscal Table, some above and some below the line.	Aggregate in this item government deposits which are currently recorded as part of the NGC. To this aggregate also add other assets reported above the line such as: onlending agreements, government holdings and other accounts receivable. The mission suggests presenting this item before liabilities and just after the overall balance.
Accounts payable (+)/receivable(-)	This item is not currently in the Fiscal Table the Mozambican authorities presented.	The cash system does not envisage "accounts payable and receivable." Considering the assumption of compiling the Fiscal Table using the modified cash approach, the mission recommends taking all amounts of "accounts payable and receivable" of which the authorities are aware. In this item the mission recommends adding "treasury operations" and "arrears" to the total of "fiscal years ended." When they are accounts receivable, present them as part of financial assets; when they are accounts payable, present them as part of liabilities.
Primary balance	This balance is the result of government accounts excluding interest.	Maintain the presentation of this balance; however, the mission suggests presenting it as a memorandum item.