

**PROJECT INFORMATION DOCUMENT (PID)
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC34627

Project Name	Training and Education for Tribunal Administrativo
Region	AFRICA
Country	Mozambique
Sector(s)	Public administration- Financial Sector (100%)
Theme(s)	Public expenditure, financial management and procurement (80%), Other accountability/anti-corruption (15%), Other public sector governance (5%)
Lending Instrument	Lending Instrument
Project ID	P157598
Borrower Name	Ministry of Economy and Finance
Implementing Agency	Tribunal Administrativo
Environment Category	C - Not Required
Date PID Prepared	06-Oct-2015
Estimated Date of Approval	15-Jul-2015
Initiation Note Review Decision	The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Mozambique is located on the east coast of Africa, bordering six countries. With an area of 800,000 square kilometers, the country is richly endowed with natural resources (arable land, forests, fisheries, water and mineral resources).

Despite this wealth, Mozambique is one of the poorest countries in the world with approximately 70% of its 22.9 million people living and working in extreme poverty (<US\$2/day). In 2007, 38% of the population was undernourished and only 42% had access to an improved water source. The country ranks 178 out of 187 in the UNDP's Human Development Index (2013), the lowest in southern Africa. Over 70% of the population live in rural areas and are dependent on subsistence agriculture.

After emerging from a protracted sixteen-year civil war, Mozambique achieved impressive GDP growth rates that averaged approximately 8% between 1993 and 2010, and slightly decreased to 7.4% in 2012. Annual GDP growth is expected to be around 8.5% by 2015. The real GDP per capita almost doubled since 1992, making Mozambique one of the best performing countries over the past two decades among African oil importers.

The country is receiving a significant influx of direct foreign investments (FDI). In 2013 the Center for Investment Promotion approved US\$4.2 billion for 515 projects, with US\$569.7 million relating

to domestic investment and US\$2.2 billion to shareholders and loans. Overall, the industrial sector has generated greater interest by investors, followed by agriculture and agro-industry, transport and communications, services, tourism and hospitality, construction and fisheries

Sectoral and Institutional Context

The Ministry of Economy and Finance is the central government institution in charge of public finances and responsible for donor coordination. It also controls SISTAFE and e-SISTAFE implementation. E-SISTAFE is the government's integrated financial management information system (IFMIS) of the government. The Ministry is organized in directorates, which include the General Inspectorate of Finances (IGF – responsible for internal audit); the National Treasury Directorate; the National Budget Directorate; the Public Accounts Directorate and the National Patrimony Directorate. A new Directorate has been established since 2010 devoted to Social Providence, responsible for the creation and maintenance of a fund aimed ensuring social welfare of women. At the provincial level, the Ministry of Finance is represented in each province by a Provincial Directorate of Planning and Finance. In addition, at provincial level, the provincial directorates of planning and finance are responsible for the overall public financial management within each province.

The Tribunal Administrativo (TA) is constitutionally mandated to audit all public funds in Mozambique. For this purpose, appropriate skills and capacity of auditors in TA are critical input for ensuring TA can deliver on its broad statutory mandate. As Mozambique's FDI and support from cooperating partners continues to increase, oversight over the effective and efficient use, including added transparency in the use of public resources becomes of paramount importance. The TA's audit department is centralized, but a recent law has allowed it open provincial delegations. While recruiting and retaining adequately trained and qualified personnel at central level is a challenge, the effect is multiplied the lower it is on the decentralization scale. The TA has been carrying out audits in different sectors and has been migrating from audits based on quantity or percentage of budget to the more cost-effective risk-based audit. TA has also started carrying out audits in public works, value-for-money as well as environmental audits.

Relationship to CAS/CPS/CPF

The project is fully aligned with the most recently completed CPS for Mozambique, particularly under Governance and Public Sector Management. Given the challenges of weak governance structures and accountability mechanisms, there is ample room for improvement and which the TA will have a fundamental function, not only because of its audit functions, but also because it has the ability to judge as the final step of the audit process, which may result in fines, disciplinary actions, and eventually criminal actions and arrests. More specifically, it will support the capacity of the TA auditors in designing and implementing audit work and training programs which will help the TA in performing its responsibilities in the oversight of public funds. In alignment with the twin goals of the Bank, the operation will be key in helping the TA to provide assurance whether funds are been used for the intended purposes in that, the Mozambique government has a PARPA after which the five-year and annual plans and budgets are based and it is also aligned with the Tribunal Administrativo's approved capacity development plan which resulted from the IDF provided by the Bank.

II. Project Development Objective(s)

Proposed Development Objective(s)

The main objective of this project is to support the creation of capacity in Mozambique's Supreme Audit Institutions (the Mozambican Tribunal Administrativo or TA) to provide its audit staff with internationally-accepted continuous professional auditing education, training and certification.

Key Results

The key results in operation are two fold (i) that the TA develops the capacity to deliver on-going, role-specific, non-certified professional training aimed at enhancing the effectiveness of the organization which will be reflected through the results in improved performance and that (ii) TA Auditors build sufficient professional capability to be able to join a professional accounting and auditing certification program that will lead to a professional qualification.

III. Preliminary Description**Concept Description**

Mozambique suffers from a severe lack of internationally qualified accountants. All the corporate entities in Mozambique, including investments with foreign participation, are affected by a serious shortage of qualified accountants and trained accounting technicians. Estimates are that there are less than 15 fully qualified Mozambican accountants, all of which are in the private sector. Most of the corporate financial statements in the country are therefore prepared by accounting technicians whose level of skill and training is variable. At one extreme, a limited number of accounting technicians have completed training, which has not prepared them nearly at the level of a fully qualified accountant; and at another extreme, many technicians have no formal training. Most of the financial statement audits in the country are primarily carried out by representatives of the 6 international networks. The lack of senior-level local staff within those networks is of concern particularly as regulators lack any capacity to monitor the quality of financial reporting.

TA intends to pursue an education and training program which is initially not as stringent in terms of requirements as international qualifications, but which will progressively prepare the auditors for international qualification certifications. There are significant constraints to obtaining internationally recognized certification such Certified Public Accountant/Chartered Account or their equivalent given (i) inadequate college/university education of auditors to enable a direct entry to a certification program, (ii) costs involved and unavailability of study materials (iii) availability of qualified institutions to provide to such training and accreditation. Therefore, it is important to design and implement training programs which are though aligned with the internationally recognized certifications, but which are initially less stringent in terms of costs, eligibility, understandability, language and Continuing Professional Development (CPD) requirements. Such a program will provide the TA auditors with the necessary tools to become ready for international level certifications.

Supervision resources have been allocated in the form of a BETF.

IV. Safeguard Policies that Might Apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		x	
Natural Habitats OP/BP 4.04		x	
Forests OP/BP 4.36		x	

Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12		x	
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

V. Financing (in USD Million)

Total Project Cost:	0.5	Total Bank Financing:	0
Financing Gap:	0		
Financing Source			Amount
Supreme Audit Institutions Capacity Development Fund			0.5

VI. Contact point

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