

Financial Statements

**MINISTRY OF STATE ADMINISTRATION AND PUBLIC
FUNCTION**

**Mozambique Urban Development and Decentralization
Project**

Project NO. P163989

IDA - International Development Association,

Grant NO. D6490-MZ

For the year ended 31 December 2024



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MINISTRY OF STATE ADMINISTRATION AND PUBLIC FUNCTION
MOZAMBIQUE URBAN DEVELOPMENT AND DECENTRALIZATION PROJECT NO. P163989
IDA – INTERNATIONAL DEVELOPMENT ASSOCIATION, GRANT NO. D6490-MZ
FINANCIAL STATEMENTS – FOR THE YEAR ENDED 31 DECEMBER 2024

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Ag.

Financial Statements Approvals

The Management of **Mozambique Urban Development and Decentralization Project N0. P163989** is responsible for the preparation and adequate presentation of the Statement of Receipts and Payments for the year ended 31 December 2024 which include the notes of the statement of receipts and expenditures and a summary of the significant accounting policies and other explanatory notes, described in note 2.

The Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Statement of receipts and payments audited for the year ended 31 December 2024 and the respectively notes set out on pages 6 to 12, have been approved by the Management of the project, on 26 June 2025 and are signed on their behalf by:

The Project Management

A handwritten signature in blue ink, reading "Adelmio Cruz", is written over a horizontal line.

INDEPENDENT AUDITOR'S REPORT

To the Management of

MINISTRY OF STATE ADMINISTRATION AND PUBLIC FUNCTION

MOZAMBIQUE URBAN DEVELOPMENT AND DECENTRALIZATION PROJECT NO. P163989

IDA - INTERNATIONAL DEVELOPMENT ASSOCIATION, GRANT NO. D6490-MZ

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Ministry of State Administration and Public Function - Mozambique Urban Development and Decentralization project NO. P163989, IDA - International Development Association, Grant NO. D6490-MZ "The Project"**, which includes the statement of Receipts and Payments for the year ended 31 December 2024 and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the **Ministry of State Administration and Public Function - Mozambique Urban Development and Decentralization project NO. P163989, IDA - International Development Association, Grant NO. D6490-MZ** are prepared, in all material respects, in accordance with the basis of accounting disclosed on Note 2 of the Financial Statements and Donor requirements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Project in accordance with the ethical requirements that are relevant to our audit of the financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Basis of accounting and restrictions of use

We draw your attention to Note 2 of the Notes to the financial statements, which describes the basis of preparation. The Statement of Receipts and Payments is prepared in order to assist the Project to comply with the provision of financial information, as required in the contract with the donor. As a result, the statement of receipts and payments may not be suitable for other purposes. Our report is intended solely for the Project management and Donors and must not be used or distributed to parties other than the management and Donors. Our opinion is not modified in relation to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with basis of accounting disclosed in Note 2 of the Financial Statements and Donor requirements, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Project's or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Project's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicated to Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provided Management a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated to Management, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

The engagement partner on the audit resulting in this independent auditor's report is Mário Subtil.

ERNST & YOUNG - SOCIEDADE DE CONTABILISTAS E AUDITORES CERTIFICADOS, S.A.

Certified Auditors Firm (Nr. 13/SCA/OCAM/2015)

Represented by:

Mário Rui Delgado Subtil (Certified Auditor Nr. 87/CA/OCAM/2016)

Maputo, 30 June 2025

MINISTRY OF STATE ADMINISTRATION AND PUBLIC FUNCTION
MOZAMBIQUE URBAN DEVELOPMENT AND DECENTRALIZATION PROJECT NO. P163989
IDA – INTERNATIONAL DEVELOPMENT ASSOCIATION, GRANT NO. D6490-MZ
STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 31 DECEMBER 2024
(Expressed In American Dollars)

	Notes	2024	2023
RECEIPTS			
Opening cash balance			
IDA - designated Account DA-A		580.530	127.040
IDA designated Account DA-B1		5.628.145	1.039.907
		<u>6.208.675</u>	<u>1.166.947</u>
Sources of Funds			
Replenishments IDA - designated Account DA-A	3	2.848.685	1.770.160
Replenishments IDA - designated Account DA-B1	4	14.684.748	17.073.801
Direct payments	5	5.674.964	4.360.177
		<u>23.208.397</u>	<u>23.204.138</u>
TOTAL RECEIPTS		<u>29.417.072</u>	<u>24.371.085</u>
Uses of funds by components			
Component 1 - Urban Infrastructure and municipal service		9.095.400	15.373.302
Component 2 - Decentralization Policy reforms and Institutional Development		3.732.869	1.707.628
Component 3 - Project Management		822.617	1.081.480
TOTAL USE OF FUNDS BY COMPONENTS	6	<u>13.650.885</u>	<u>18.162.410</u>
CLOSING BALANCE FOR THE YEAR ENDED	7	<u>15.766.187</u>	<u>6.208.675</u>

Adelino Jaime da Cruz

Project management



Tania Daude

Project financial manager



1. Introductory note

The Government of Mozambique and the International Development Association (IDA) on 4 May 2018 signed an Agreement to provide a Loan of USD 5 472 000 for financing the Preparation of Proposed Mozambique National Urban Development and Decentralization Program.

The Government of Mozambique and the IDA - International Development Association on 30 April 2020 signed a Grant Agreement of SDR 85.7 million equivalent of USD 117 million to finance the Mozambique Urban Development and Decentralization project. The Project became effective on 8 October 2021 under the IDA Loan number D649-MZ.

The Mozambique Urban Development and Decentralization Project, aims to Strengthen institutional performance and provide better infrastructure and basic services to local entities. The project is supporting 22 municipalities in four provinces (Gaza, Niassa, Zambezia and Sofala). The project has a duration of 6 years.

The project composed by the following components:

- **Component 1: Urban Infrastructure and Services Delivery**

The Project is structured in three sub-components:

- I. Municipal performance Grants (MPG) to the 22 municipalities in provinces of Gaza (Município da Cidade de Chibuto, Município da Cidade de Chokwe, Município da Vila da Macia, Município da Vila da Praia de Bilene, Município da Vila de Mandlakaze e Município da Cidade de Xai-xai), Sofala (Município da Cidade da Beira, Município da Cidade de Dondo, Município da Vila de Gorongosa, Município da Vila de Marromeu e Município da Vila de Nhamatanda), Zambezia (Município da Vila de Alto Molocue, Município da Cidade de Mocuba, Município da Cidade de Gurne, Município da Vila de Milange, Município da Cidade de Quelimane e Município da Vila da Maganja da Costa) and Niassa (Município da Cidade de Cuamba, Município da Vila de Mandimba, Município da Vila de Marrupa, Município da Cidade de Lichinga e Município da Vila de Metangula) to finance works, assets and institutional strengthening activities that lead to improvements urban infrastructure and basic services;
- II. Maximizing Finance for Urban Development that will provide funds to any of the 53 municipal councils in Mozambique that can demonstrate viable projects to complement, attract or leverage private sector investment to improve urban infrastructure and provision of basic services that are economically and environmentally and socially sustainable and sensitive to the impacts of climate change.
- III. Technical assistance Urban Infrastructure and Basic Services where the objective of this component is to improve the institutional capacity of municipalities participating in central urban management functions.

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• **Component 2: Decentralization Policy Reforms and Institutional Development**

The objective of this component is to improve the resources, performance and accountability of municipalities' provinces and districts.

- a) Support for the overall leadership of the decentralization reform process - Based on the impetus created by the constitutional amendment, this subcomponent will support the Ministry of State Administration and Public Function (MAEFP), the Ministry of Economy and Finance (MEF) and the National Association of Municipalities of Mozambique (ANAMM) in leadership, advocating and coordinating decentralization reforms - through a combination of technical assistance and capacity building;
- b) Institutional Strengthening of Local Entities in Public Finance Management and Local Governance - The project will support the government in creating a comprehensive supply- oriented capacity building strategy and mechanisms to assist and empower provinces, districts and municipalities in human and financial resource management and to develop comprehensive change training and management programs in collaboration with (ISAP), as well as launching these training packages for the main public administration and governance positions at the local level (local administrators, members of municipal assemblies, etc.).

• **Component 3: Project Management**

This component will finance project implementation management costs, including technical studies, project implementation unit staff and its operational costs.

2. Accounting policies

a) Basis of accounting

The financial statements have been prepared on a cash basis. Under this basis of accounting, receipts are recognized when replenishment in cash and payments are recorded in the period in which the respective cash payment is made.

b) Currency

The currency of the most transactions is American Dollars, which is the functional currency used by project in its operations. For the preparation of these financial statements, transactions in different currencies from the Meticals are translated to American Dollar at the exchange rate ruling at transaction date. Any exchange conversion difference is recognized as income or expenses.

c) Equipment

Acquisitions of equipment and materials are recorded as current expenditure of the project on the date of payment. However, Management maintains a detailed inventory of all non-consumable equipment.



MINISTRY OF STATE ADMINISTRATION AND PUBLIC FUNCTION
 MOZAMBIQUE URBAN DEVELOPMENT AND DECENTRALIZATION PROJECT NO. P163989
 IDA – INTERNATIONAL DEVELOPMENT ASSOCIATION, GRANT NO. D6490-MZ
 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024
 (Amounts expressed in American Dollars)

d) Replenishments and direct payments

The disbursements of the funds, made available by the IDA, are carried out by direct transfers or by requests for payments sent to the designated accounts located in Bank of Mozambique.

3. Replenishment to designated Account DA-BI

The replenishments composed as follows:

	2024	2023
WA 1319 DA-B1 IV TRI23	619.465	-
WA 1355 DA-B1 IFR I24	533.691	-
WA 1374 DA-B1 III TRI24	832.551	-
WA 1391 DA - B1 III24	862.978	-
WA 1048 DA A DEZ 2023	-	72.960
WA 1080 DA JAN2023	-	53.894
WA 1146 DA FEV2023	-	102.804
WA 1105 2023 DA-B1	-	167.072
WA 1185 ABR 2023	-	1.000.000
WA 1262 ABR JUN 2023	-	180.056
WA 1314 JULY SEP 23	-	193.374
	<u>2.848.685</u>	<u>1.770.160</u>

4. Replenishment to designated Account DA-A1

The replenishments composed as follows:

	2024	2023
WA 1318 DA-A1 IV 23	7.834.971	-
WA 1356 DA-A1 IFR I24	6.849.777	-
WA 1180 DA A1 ABR2023	-	15.000.000
WA 1261 ABR JUN 2023	-	659.324
WA 1315 JULY SEP 23	-	1.414.511
Intermediate bank charges	-	(34)
	<u>14.684.748</u>	<u>17.073.801</u>

5. Direct payments

The direct payments composed as follows:

	2024	2023
Direct payments DA-A	5.674.964	1.979.965
Direct payments DA-BI	-	2.525.027
Unpaid amount to be regularised in the following period	-	(144.815)
	<u>5.674.964</u>	<u>4.360.177</u>

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MINISTRY OF STATE ADMINISTRATION AND PUBLIC FUNCTION
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 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024
 (Amounts expressed in American Dollars)

6. Uses of funds for the year ended by components

The uses of funds for the year ended by components refers to the payments of the consultancy's services, purchase of goods and non-consulting service, as follows:

Componente / Actividades	2024
(1) Urban Infrastructure and municipal service	
Consulting services and services	9.095.400
(2) Decentralization Policy reforms and Institutional Development	
Consulting services	3.732.869
(3) Project Management	
Goods, non-consulting services, consulting services	822.616
Total project payments for the year ended	13.650.885

7. Closing balance for the year ended

The surplus for the year corresponds to the remain balances at the designated accounts located at Bank of Mozambique, as follows:

	2024	2023
IDA Designated Account DA A	365.106	580.530
IDA Designated Account DA B1	15.401.051	5.628.145
Other	30	-
	15.766.187	6.208.675

8. Taxes

The tax authorities can review the tax position of the Project during a period of 5 years, which could result in different interpretations or non-compliance with tax legislation relating to employee's tax giving rise to corrections of an amount, which it is not possible to determine. However, the Management expects to have complied with all its fiscal obligations, thus it does not expect any material claims as related to its financial statements.

9. Subsequent events

After the reporting period, until the date on which the financial statements were authorised for issuance, there have been no favourable or unfavourable events for the project that affect these financial statements or require disclosure therein.

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ANNEX 1 - CUMULATIVE STATEMENT OF RECEIPTS AND PAYMENTS BY COMPONENTS

	2024	2023
RECEIPTS		
Opening cash balance		
IDA - designated Account DA-A		127.040
IDA designated Account DA-B1		1.039.907
Advanced to Municipalities		3.953.563
Other		(199)
		5.120.311
Sources of Funds		
Replenishments IDA - designated Account DA-A	5.751.646	3.542.140
Replenishments IDA - designated Account DA-B1	37.911.596	20.979.789
Direct payments	19.067.957	10.981.922
	62.731.199	35.503.851
TOTAL RECEIPTS	62.731.199	40.624.162
Uses of funds by components		
Component 1 - Urban Infrastructure and municipal service	34.174.724	25.089.041
Component 2 - Decentralization Policy reforms and Institutional Development	7.604.707	3.875.164
Component 3 - Project Management	5.236.477	5.451.282
Other	(50.896)	-
TOTAL USE OF FUNDS BY COMPONENTS	46.965.912	34.415.487
CUMULATIVE CLOSING BALANCE	15.766.187	6.208.675

Adelino Jaime da Cruz

Project management

Adelino Cruz

Tania Daude

Project financial manager

Tania Daude

ANNEX 2 - CUMULATIVE STATEMENT OF RECEIPTS AND PAYMENTS BY CATEGORY

	2024	2023
RECEIPTS		
Opening cash balance		
IDA - designated Account DA-A		127.040
IDA designated Account DA-B1		1.039.907
Advanced to Municipalities		3.953.563
Other		(199)
		5.120.311
Sources of Funds		
Replenishments IDA - designated Account DA-A	5.751.646	3.542.140
Replenishments IDA - designated Account DA-B1	37.911.596	20.979.789
Direct payments	19.067.957	10.981.922
	62.731.199	35.503.851
TOTAL RECEIPTS	62.731.199	40.624.162
Uses of funds by category		
Category 1 -Goods, works, non-consulting services, consulting services and operational costs- DA A	17.150.917	12.196.739
Category 1-Goods, works, non-consulting services, consulting services and operational costs - DA B1	9.484.956	6.030.394
Category 2-Performance Grant Part 1 (a)of the Project (Advances to Municipalities)	20.380.035	10.722.146
Category 3- MFDU Grants for part 1 (b) of the Project	-	5.466.208
Other	(50.896)	-
TOTAL USE OF FUNDS BY CATEGORY	46.965.012	34.415.487
CUMULATIVE COMPONENTS CLOSING BALANCE	15.766.187	6.208.675

Adelino Jaime da Cruz

Project management



Tania Daude

Project financial manager



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