Public Disclosure Authorized

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GRANT NUMBER D-947-MZ

Financing Agreement

(Managing Public Resources for Service Delivery Project)

between

REPUBLIC OF MOZAMBIQUE

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D-947-MZ

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF MOZAMBIQUE ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to fifty-six million six hundred thousand Special Drawing Rights (SDR 56,600,000) ("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Payment Dates are February 15 and August 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and to this end, the Recipient, through MEF, shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.02. For purposes of Section 10.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01 The Recipient's Representative is its minister responsible for economy and finance or any successor thereof. The Recipient's National Director of Public Debt Management may, by him or herself, represents the Recipient to sign this Agreement, amendments and/or notices to this Agreement.

5.02. For purposes of Section 11.01 of the General Conditions:

(a) The Recipient's address is:

Ministryof Economy and Finance
Praça da Marinha Popular
Av. 10 de Novembro nº 929
Maputo
Republic of Mozambique; and

(b) The Recipient's Electronic Address is:

Facsimile: (+258) 21313747

5.03. For purposes of Section 11.01 of the General Conditions:

(a) The Association's address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) The Association's Electronic Address is:

Telex:	Facsimile:
248423 (MCI)	(+1) 202 477 6391

AGREED as of the Signature Date.

REPUBLIC OF MOZAMBIQUE

By _____

Authorized Representative

Name: Adriano Maleiane

Title: Min. Econ. Finanças

Date: 25.01.2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By _____

Authorized Representative

Name: Idah Pswarayi-Riddihough

Title: Country Director

Date: January 14, 2022

SCHEDULE 1

Project Description

The objective of the Project is to improve domestic tax management, budget execution, and transparency and accountability in the management of public resources.

The Project consists of the following parts:

Part 1: Strengthening Domestic Tax Management

(a) Provision of support to the Recipient's efforts to broaden tax revenue collections along three main pillars (knowing the taxpayer, facilitating voluntary compliance and enhancing collection of tax debts under litigation and governance of tax appeals), including: (i) carrying out of activities to expand and improve their system, mainly through information cross-checks and integration of databases; (ii) improving the communication with taxpayers (through the publication of tax rules, interpretations, and binding decisions), and expanding online filing and payment of taxes; and (iii) strengthening processes for collecting tax debts under litigation and for tax appeals in a way that is transparent and timely.

(b) Provision of support for broadening the tax base, through sequential and impactful improvements to the taxpayer registry and the phased introduction of online filing and tax payment functionalities, promoting improvements in the integration and interoperability of the different taxpayer databases designed to facilitate the identification of taxpayers and encouraging improved communication with taxpayers, the provision of taxpayer information and services to encourage the adoption of e-filing and e-payment processes by taxpayers.

Part 2: Enhancing Public Expenditure Management and Control

(a) Provision of support for the strengthening of expenditure management and control, creating and building the necessary capacity for these functions, including:

(i) the reinforcement of financial management procedures in public institutions, and the capacity of the DNT to monitor them; establishment of technological capacity for the interchange of information between the public entities and the DNT, and for the establishment of database systems to enable the registration of relevant information and to facilitate the reporting of revenues and expenditures of these institutions;

(ii) the provision of technical assistance, training of staff with public accounting responsibilities, and facilitating the exchange of knowledge and good practices on addressing the challenges in reforming the accounting regulations;

(iii) the provision of support to implement the reforms imposed by the new SISTAFE laws and regulations, through the financing of new equipment, training and capacity building for existing and newly recruited staff, change management initiatives aimed at ensuring the sustainability of the new functionalities, as well as the integration of the current systems used for the debt management into the e-SISTAFE;

(iv) the strengthening of monitoring and evaluation arrangements in order to strengthen feedback loops within the budget process with respect to the quality of service delivery, addressing key weaknesses in this function, including: (A) the enhancing of the quality of information included in plans and budgets; (B) improving the M&E logical framework and the tools and procedures for gathering and analyzing relevant information; (C) the establishment of a system to facilitate the gathering of performance information and making it available for evaluation and analysis; (D) the provision of training and guidance materials to be disseminated for use by government officials in gathering, analyzing and reporting on performance information; and (E)the provision of training and technical knowledge on monitoring methodologies and procedures to facilitate the dissemination of good practices in this area;

(v) enhancing the capacity to both implement and supervise the SISTAFE law, through: (A) for debt management, the preparation of operating manuals for debt management and accompanying training dissemination; (B) knowledge management activities to expose staff to good practices both available within the region and internationally in respect of public financial management; (C) purchase of necessary office equipment and furniture for various departments; and

(vi) provision of support for the strengthening of procurement processes, including: (A) rationalizing the legal and regulatory framework for procurement and expanding its coverage and application across the whole public sector; (B) increasing the independence and financial autonomy of the central procurement agency and enhancing the operational capacity of about 1,500 procurement units; (C) operationalizing the functionalities of the recently developed MPE system and its roll out to government agencies and subnational entities; (D) carrying out of a business process reengineering study and the implementation of the electronic government procurement (eGP) system in line with the options identified in the study; (E) supporting the efficient implementation of the new eGP, including change management and capacity building and measures to ensure security and integrity in its use; (F) strengthening the practices of identifying, recording relevant details and monitoring of the assets, including the acquisition of technological equipment necessary to identify and monitor physical assets, training of government officials with responsibility to

monitor these activities and improving the recording of information on asset values and proceeds of sale in the books of accounts.

(b) Provision of support to Inspector General Finances (IGF) in its role of providing regular and adequate feedback to management on the performance of the internal control systems, including: (i) the preparation of a strategy to guide the institutional strengthening reforms, and to adopt internal audit methodologies that duly reflect international best practices and International auditing standards; (ii) the preparation and dissemination of guidance materials, including an internal audit manual, for internal audit staff, the acquisition of equipment and the provision of training and capacity building ; (C) the enhancing of mechanisms used to monitor the extent to which these recommendations and findings are implemented, capacity building activities for GACI, including the elaboration of risk audit methodologies and their implementation.

(c) Strengthening treasury management, through the provision of incentives for the establishment of a mechanism for approving commitments and the setting of commitment ceilings.

(d) Provision of support for the achievement of results in the implementation of a sound system of intergovernmental fiscal transfers, encouraging the design and implementation of a sound system of intergovernmental fiscal transfers ensuring the adoption of an allocation formula for subnational governments, the allocation of these transfers in accordance with the formula and in a timely manner.

Part 3: Improving Independent External Oversight

(a) Strengthening the institutional capacity of the TA for the institutionalization of measures intended to lay a strong foundation for the increased independence of the TA, including:

(i) The provision of support for enhancing the Technical Assistance effectiveness, covering the core categories of public servants: (A) for auditors, the adoption of performance based audits, focused on public policy outcomes, and provision of training in new skills to keep pace with the planned additional digitalization of public financial management processes; for judges, the provision of technical assistance for establishing the composition, qualifications and experience of the judges, training requirements, and effective processes required to ensure the fulfillment of the CoA mandate; and for the public prosecutors, the provision of support enhancement of their skills and competencies in this respect; (B) provision of support to facilitate knowledge management activities intended to expose TA officials and staff to good practices and knowledge available internationally; (C) the provision of support for the preparation of operational guidelines for the operation of the CoA once it is established,

including advisory services regarding change management and the business processes. As well as any additional requirement for the CoA regarding equipment and other facilities; (D) the strengthening of the legislative scrutiny by the Recipient's national assembly, including the review of the structure and mandate of the committee, its effectiveness carrying out its oversight activities, and its effectiveness carrying out such oversight over subnational levels of government.

(ii) The design and implementation of CAs as a means to strengthen the involvement of citizens in policy and budget decisions, including a CA at the regional level in northern Mozambique.

(iii) Provision of support for activities intended to reduce fiscal risks emanating from State-owned enterprises , and improve their corporate governance, through: (A) the digitalization of monitoring systems, including the establishment of a digital system for IGEPE that would encompass an enhanced database of SOEs, automated/digital reporting mechanisms between SOEs and IGEPE; and implementing data exchange between IGEPE and other databases / registers; (B) provision of tools for improved monitoring and transparency, including developing a monitoring dashboard for the SOE portfolio; automating the consolidation of SOE data for annual IGEPE reports; expanding the publication of information on the SOE sector; and linking such tools with related ones, such as that of debt, fiscal risk monitoring, etc.; and (C) provision of hardware, software, consulting support, and training for IGEPE, as well as awareness raising and capacity development to other stakeholders and SOEs.

Part 4: Project Management

Provision of support to MEF for Project implementation and coordination effectively and efficiently, including recurrent Operational Costs, technical assistance, and capacity building of MEF's monitoring and evaluation Unit.

Part 5: Contingent Emergency Response Component

Provision of immediate response to an Eligible Crisis or Emergency, as needed.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Implementation Team

(a) The Recipient shall maintain at all times during the implementation of the Project, a Project Implementation Team (PIT) within MEF, with mandate, composition and resources acceptable to the Association and defined in the Project Implementation Manual. Overall oversight for the Project will be under the Permanent Secretary, with a Project coordinator (a senior official of MEF), who will lead a team of specialists with assigned roles and functions that include procurement, financial management and environmental and social.

(b) The PIT shall be responsible for day-to-day management of the Project, including: (i) managing the implementation of Project activities; (ii) managing the procurement, financial management, disbursements, and environmental and social aspects; (ii) coordinating the preparation, adjustments, and use of the Project management tools, including any updates to the PIM, Annual Work Plan and Budget, procurement plan, and disbursement projections; (iv) coordinating with key stakeholders on the technical aspects of the Project; (v) monitoring the progress of the Project development objectives and intermediate indicators of the results framework; and (vi) preparing Project reports.

2. Project Technical Group

The Recipient, not later than sixty (60) days after the Effective Date, shall establish and thereafter maintain throughout Project implementation a technical working group to help in the coordination of the technical aspects of Project implementation (PTG), with composition and functions acceptable to the Association and detailed in the PIM, including the provision of support to ensure cohesiveness in the technical implementation of the activities under the Project.

3. Steering Committee

The Recipient shall maintain throughout Project implementation, the existing high level steering committee within MEF (PSC), for the purposes of supporting the Project in resolving issues that may require high-level coordination, and to provide strategic and policy guidance for: (a) planning and implementation; (b) logistics

and advocacy, and (c) social mobilization and communication, all with terms of reference, composition and powers acceptable to the Association and described in the PIM. The PSC shall be led by the Minister of Economy and Finance or his/her representative and additional members will include representatives of the beneficiary institutions. The PSC will meet periodically to track and monitor the progress of the Project.

B Project Implementation Manual

1. The Recipient, not later than thirty (30) days after Effective Date, shall prepare and adopt, in accordance with terms of reference acceptable to the Association a Project implementation manual ("PIM") setting out detailed guidelines, methods and procedures for the implementation of the Project, including: (a) the different roles and responsibilities in the implementation of the Project, including the various mechanisms for ensuring close coordination and collaboration between various Project stakeholders; (b) budget and budgetary control; (c) flow of funds, disbursement procedures and banking arrangements; (d) financial, procurement and accounting procedures; (e) monitoring and evaluation arrangements; (f) the Annual Work Plans and Budget for the first year of Project implementation; (g) the verification protocol i.e., the detailed criteria for the achievement of PBCs and the means by which the same will be verified under the Project; and (h) such other arrangements and procedures as shall be required for the effective implementation of the Project.

2. The Recipient shall carry out the Project in accordance with this Agreement and the PIM. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the provisions of the PIM without prior approval of the Association. In the event of any conflict between the provisions of the PIM and this Agreement, the provisions of this Agreement shall prevail.

C. PBC Verification Arrangements under Parts 1(b), 2(c) and 2(d) of the Project

The Recipient shall:

(a) Not later than ninety (90) days after the Effective Date, hire an independent entity (the "Independent Verification Agent or IVA"), with qualifications, experience and terms of reference satisfactory to the Association, to carry out the verification of the PBCs.

(b) undertake annually, throughout the period of Project implementation, a verification process, in a manner and substance satisfactory to the Association, pursuant to the Verification Protocol agreed with the Association and the provisions of the PIM, to ascertain the achievement/fulfillment of the PBCs during the period under review; and

(c) immediately thereafter, furnish to the Association the corresponding verification reports in form and substance acceptable to the Association.

D. Annual Plans and Budgets

1. The Recipient shall not later than November 30 of each year (except for the first year that shall be furnished to the Association on March 1) prepare and furnish to the Association, a work plan and budget ("Work Plan and Budget"), satisfactory to the Association, which shall include, *inter alia*, the activities to be carried out under the Project and a financing plan for expenditures required for such activities, setting forth the amounts and sources of financing; and (b) thereafter carry out said Work Plan and Budget in accordance with its terms and in a manner acceptable to the Association.

2. The Recipient shall not make or allow to be made any change to the approved Work Plan and Budget without prior approval in writing by the Association.

E. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.

2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:

   (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;

   (b) sufficient funds are available to cover the costs of implementing the ESCP;

   (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and

   (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.

3. Without limitation upon the provisions of paragraph 2 above, if sixty (60) days prior to the Closing Date, the Association determines that there are measures and actions specified in the ESCP which will not be completed by the Closing Date, the Recipient shall: (a) not later than thirty (30) days before the Closing Date, prepare and present to the Association, an action plan satisfactory to the

Association on the outstanding measures and actions, including a timetable and budget allocation for such measures and actions (which action plan shall be deemed to be considered an amendment of the ESCP); and (b) thereafter, carry out said action plan in accordance with its terms and in a manner acceptable to the Association.

4. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

5. The Recipient shall ensure that:

(a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, *inter alia*: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

(b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.

6. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.

7. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

F. Contingent Emergency Response under Part 5 of the Project

1. In order to ensure the proper implementation of contingent emergency response activities under Part 5 of the Project ("Contingent Emergency Response Part"), the Recipient shall ensure that:

   (a) a manual ("CERC Manual") is prepared and adopted in form and substance acceptable to the Association, which shall set forth detailed implementation arrangements for the Contingent Emergency Response Part, including: (i) any structures or institutional arrangements for coordinating and implementing the Contingent Emergency Response Part; (ii) specific activities which may be included in the Contingent Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Contingent Emergency Response Part; (iv) procurement methods and procedures for the Contingent Emergency Response Part; (v) documentation required for withdrawals of Financing amounts to finance Emergency Expenditures; (vi) a description of the environmental and social assessment and management arrangements for the Contingent Emergency Response Part; and (vii) a template Emergency Action Plan;

   (b) the Emergency Action Plan is prepared and adopted in form and substance acceptable to the Association;

   (c) the Emergency Response Part is carried out in accordance with the CERC Manual and the Emergency Action Plan; provided, however, that in the event of any inconsistency between the provisions of the CERC Manual or the Emergency Action Plan and this Agreement, the provisions of this Agreement shall prevail; and

   (d) neither the CERC Manual nor the Emergency Action Plan is amended, suspended, abrogated, repealed or waived without the prior written approval by the Association.

2. The Recipient shall ensure that the structures and arrangements referred to in the CERC Manual are maintained throughout the implementation of the Contingent Emergency Response Part, with adequate staff and resources satisfactory to Association.

3. The Recipient shall ensure that:

   (a) the environmental and social instruments required for the Contingent Emergency Response Part are prepared, disclosed and adopted in

accordance with the CERC Manual and the ESCP, and in form and substance acceptable to the Association; and

(b) the Contingent Emergency Response Part is carried out in accordance with the environmental and social instruments in a manner acceptable to the Association.

4. Activities under the Contingency Emergency Response Part shall be undertaken only after an Eligible Crisis or Emergency has occurred.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

2. Except as may otherwise be explicitly required or permitted under this Agreement or as may be explicitly requested by the Association, in sharing any information, report or document related to the activities described in Schedule 1 of this Agreement, the Recipient shall ensure that such information, report or document does not include Personal Data.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Parts 1(a), 2(a),2(b), 3 and 4 of the Project	43,865,000	100%

(2) Goods, works, Non-consulting Services, Consultant Services, Training, Operating Costs and Intergovernmental Fiscal Transfers for PBCs under Parts 1(b), 2(c) and 2(d) of the Project.	12,735,000	53%
(3) Emergency Expenditures under Part 5 of the Project	0	
TOTAL AMOUNT	56,600,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for:

   (a) payments made prior to the Signature Date, except withdrawals up to an aggregate amount not to exceed SDR 2,547,000 for payments made up to twelve months before the Signature Date, for Eligible Expenditures under Category (2); and

   (b) for Emergency Expenditures under Category (3), unless and until all of the following conditions have been met in respect of said expenditures: (i) that the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to withdraw Financing amounts under Category (3); and (ii) the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and the Recipient has adopted the CERC Manual and Emergency Action Plan, in form and substance acceptable to the Association.

2. With respect to the PBCs related to Category (2), the Recipient may request withdrawals of the Financing when the relevant expenditures have been incurred, but prior to the PBCs having been met, provided that the Recipient shall: (a) meet such PBCs no later than the Closing Date; and (b) submit to the Association evidence satisfactory to the Association of such PBCs having been met no later than the Disbursement Deadline Date.

3. Notwithstanding the foregoing, if the Association determines in its sole discretion that one or both of the PBCs set forth in Schedule 3 to this Agreement has/have not been achieved, or were no longer achievable, by the respective PBC

deadline and/or the Closing Date, the Association may, at any time, by notice to the Recipient, decide, at its sole discretion, to:

(a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Allocated Amounts for such PBC which, in the opinion of the Association, corresponds to the extent of achievement of said PBC, provided that the same be scalable, in accordance with the formulae set out with respect to such PBC in Schedule 3 to this Agreement; and/or

(b) withhold all or a portion of the proceeds of the Financing corresponding to the Allocated Amounts for the unmet PBCs until such PBCs is/are, in the opinion of the Association, satisfactorily achieved; and/or

(c) cancel all or a portion of the proceeds of the Financing corresponding to the Allocated Amounts then allocated to unmet PBCs.

4. The Closing Date is March 31, 2026.

SCHEDULE 3

Performance-Based Conditions and Allocated Amounts under Parts 1(b), 2(c) and 2(d) of the Project

Performance-Based Conditions	*2023	*2024	*2025	*2026
1. Broadening tax base through enhanced integration of taxpayer registry and automating tax filing and payment *(Baseline: Tax systems and databases are not integrated; Limited functionality of online taxpayer portal)*	E-tributação system expanded so that the following taxes are operational throughout the country: SISA, Tax on Successions and Donations, Tax on National Reconstruction, Vehicles Tax	Online filing and payment operational for the following Taxes operational and Integration and interoperability between E-tributação system and Electronic Single Window	Interoperability between E-Tributação and National Identity Card database; and 20% of taxpayers who file and pay taxes do so online	20% of taxpayers who file and pay taxes do so online
Allocated Amounts (Expressed in SDRs)	1,768,750 (*USD 2,500,000*)	2,830,000 (*USD4,000,000*)	2,830,000 (*USD4,000,000*)	1,768,750 (USD 2,500,000)
2. Strengthening treasury functions *(Baseline: Treasury management financial tools to record the commitments in due time misaligned, incomplete, and focused on cash rationing)*	(1) Legal disposition approved to establish CMC (Cash Management Committee); and (2) Revised Guidelines and Methodologies for 2022 budget preparation approved to include procurement and	(1) Consolidated treasury budget and cash flow plan of 2023 prepared by DNT at central level and approved by CMC by Jan 30th; and (2) 60 % of commitments are in compliance with the CMC's decisions	(1) Commitment ceilings released monthly; and (2) 65 % of commitments are in compliance with the CMC's decisions	(1) Commitment ceilings released quarterly and 70 % of commitments are in compliance with the CMC's decisions

Performance-Based Conditions	***2023**	**•2024**	**•2025**	**•2026**
	commitment plans of sector ministries			
Allocated Amounts (Expressed in SDRs)	1,550,000 (*USD2,000,000*)	1,768,750 (*USD2,500,000*)	1,768,750 (*USD2,500,000*)	1,550,000 (*USD2,000,000*)
3. Improving Inter-governmental Fiscal Transfer System (*Baseline: Transfers to provinces, districts and municipalities are neither transparent nor predictable nor need-based*)	Transfer system distribution formulae (provinces and municipalities) revised and published	100% of amount of fiscal transfers to the four provinces with the highest poverty rates (provinces and municipalities) conforms to established formula and allocated in time	100% of amount of fiscal transfers to the four provinces with the highest poverty rates (provinces and municipalities) conforms to established formulae and allocated in time	100% of amount of fiscal transfers to the four provinces with the highest poverty rates (provinces and municipalities) conforms to established formula and allocated in time
Allocated Amounts (Expressed in SDRs)	2,122,500 (*USD3,000,000*)	2,122,500 (*USD3,000,000*)	2,122,500 (*USD3,000,000*)	2,122,500 (*USD3,000,000*)

Unless the context of the respective PBC otherwise require, these dates are provided for indicative verification purposes. Whenever feasible and in accordance with their terms, the PBCs can be met in advance or carried forward and met later.

APPENDIX

Definitions

1. "Allocated Amounts" means the amount allocated to each individual PBC or determined for each PBC pursuant to the respective formula set forth in Schedule 3 to this Agreement, as such amount might be increased, reallocated and/or cancelled (whether partially or in its entirety) by the Association, from time to time as the case may be, in accordance with the provisions of Section III.B.2 of Schedule 2 to this Agreement.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

3. "CAs" means citizen assemblies, composed of a randomly selected panel of citizens, broadly representative of the population, who deliberate on an issue of public importance and come up with decisions or a set of recommendations for the government.

4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

5. "CERC Manual" means the manual referred to in Section I.F of Schedule 2 to this Agreement, as such manual may be updated from time to time with the agreement of the Association, and which is an integral part of the PIM.

6. "CMC" means the Recipient's cash management committee within MEF.

7. "CoA" means courts of accounts.

8. "Contingent Emergency Response Part" means any activity or activities to be carried out under Part 5 of the Project to respond to an Eligible Crisis or Emergency.

9. "DNT" means the Recipient National Directorate of the Treasury within MEF.

10. "Emergency Action Plan" means the plan referred to in Section I.F detailing the activities, budget, implementation plan, and monitoring and evaluation arrangements, to respond to the Eligible Crisis or Emergency.

11. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

12. "Emergency Expenditures" means any of the eligible expenditures set forth in the CERC Manual referred to in Section I.F of Schedule 2 to this Agreement and required for the Contingent Emergency Response Part.

13. "Environmental and Social Commitment Plan" or "ESCP" means the environmental and social commitment plan for the Project, dated November 15, 2021 as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.

14. "Environmental and Social Standards" or "ESSs" means, collectively: (i) "Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts"; (ii) "Environmental and Social Standard 2: Labor and Working Conditions"; (iii) "Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management"; (iv) "Environmental and Social Standard 4: Community Health and Safety"; (v) "Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement"; (vi) "Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources"; (vii) "Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities"; (viii) "Environmental and Social Standard 8: Cultural Heritage"; (ix) "Environmental and Social Standard 9: Financial Intermediaries"; (x) "Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure"; effective on October 1, 2018, as published by the Association.

15. "e-SISTAFE" means Integrated Financial Management Information System, electronic system used by the Recipient for managing the expenditure of public sector administration.

16. "GACI" means *Gabinete de Auditoria e Controlo Interno,* Internal Audit Office.

17. "General Conditions" means the "International Development Association General Conditions for IDA Financing, Investment Project Financing", dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021.

18. "IGEPE" means the Recipient's Institute for the Management of State Holdings.

19. "Independent Verification Agency" means the agency or agencies in charge of verifying the achievement of the PBCs, as referred to in Section I.C of Schedule 2 to this Agreement.

20. "Inter-governmental Fiscal Transfers" means an allocation of financial resources made by the central government to a subnational entity (provinces, districts and municipalites) consistent with the applicable legislation on fiscal decentralization (*Regime Financeiro e Patrimonial dos Órgãos de Governação Descentralizada Provincial - Lei n.º 16/2019 e Regime financeiro, orçamental e patrimonial das autarquias locais e o Sistema Tributário Autárquico - Lei Lei n.º 1/2008),* based on a formula to improve equitable distribution of resources across subnational entities and to support their effective operation, all in a manner acceptable to the Association and in accordance with the specifications set forth in the PIM.

21. "MEF" means *Ministério de Economia e Finanças,* the Recipient's ministry of economy and finance.

22. "MPE" means *módulo do património do estado,* module of asset management.

23. "MSME" means micro, small, and medium enterprises located in the Recipient's territory.

24. "Operating Costs" means incremental costs incurred under the Project on account of: (i) salaries and local travel expenditures for temporary staff (excluding civil servants); (ii) local travel expenditures, including *per-diem*, for regular staff; (iii) office rental, maintenance and utility charges, communication costs, office supplies and consumables, vehicle rental, insurance, maintenance and fuel; (iv) operation and maintenance of office and IT equipment, bank charges, translation services; (v) expenses related to Project management, including consultant recruitment for technical support, fiduciary and M&E management, Project audits and expenses required for mid-term and end-Project reviews; (vi) fees charged by the IVA; (vii) costs of conducting meetings and workshops; and (viii) other miscellaneous costs directly associated with the Project implementation all based on the costs included in the Annual Work Plans and Budget.

25. "PBC" means performance-based condition referred to in Schedule 3 to this Agreement with respect to Parts 1(b), 2(c) and 2(d) of the Project.

26. "Personal Data" means any information relating to an identified or identifiable individual. An identifiable individual is one who can be identified by reasonable means, directly or indirectly, by reference to an attribute or combination of attributes within the data, or combination of the data with other available information. Attributes that can be used to identify an identifiable individual include, but are not limited to, name, identification number, location data, online

identifier, metadata and factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of an individual.

27. "Project Implementation Team" means the Project implementation team within MEF referred to in Section I.A.1 of Schedule 2 to this Agreement.

28. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated November 2020.

29. "Project Implementation Manual" and "PIM" means the manual prepared by the Recipient for Project implementation and referred to in Section I.B of Schedule 2 to this Agreement.

30. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

31. "SISA" means the property transfer taxes charged on transfers of real estate, excluding the land, which is owned by the State.

32. "SISTAFE" means *Sistema de Administração Financeira do Estado*, the Recipient's State Financial Administration System aimed at ensuring an efficient and transparent use of public funds.

33. "Taxes" means the following taxes: value added tax (VAT), corporate income tax (ISPC), personal income tax (IRPC), simplified tax for small contributors (IRPS), mining production tax, oil production tax, surface tax, and oil yield tax.

34. "Training" means the reasonable costs associated with training under the Project, based on the relevant Annual Work Plan and Budget, and attributable to study tours, training courses, seminars, workshops and other training activities, not included under service providers' contracts, including costs of training materials, space and equipment rental, travel, accommodation and per diem costs of trainees and trainers, trainers' fees, and other training related miscellaneous costs.

35. "Verification Protocol" means the PBCs verification protocol agreed between the Recipient and the Association and included in the PIM, for purposes of: (i) defining the PBC terms and requirements; (ii) listing the documentary evidence to be provided in support thereof; and (iii) providing the verification procedures and responsibilities to certify compliance with/achievement of each PBC, as such verification protocol may be revised, updated or supplemented from time to time with the mutual agreement of the Recipient and the Association.

36. "Work Plan and Budget" means the work plan and budget acceptable to the Association referred to in Section I.D of Schedule 2 to this Agreement, as said work plan and budget may be modified from time to time with the written agreement of the Association.