

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA

AND

THE REPUBLIC OF MOZAMBIQUE

MILLENNIUM CHALLENGE COMPACT
TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1. GOAL AND OBJECTIVES	1
Section 1.1 Compact Goal.	1
Section 1.2 Project Objectives.	1
ARTICLE 2. FUNDING AND RESOURCES	2
Section 2.1 Program Funding.	2
Section 2.2 Compact Facilitation Funding.....	2
Section 2.3 MCC Funding.	3
Section 2.4 Disbursement.	3
Section 2.5 Interest.....	3
Section 2.6 Country Resources; Budget.	3
Section 2.7 Limitations on the Use of MCC Funding.	4
Section 2.8 Taxes.	4
ARTICLE 3. IMPLEMENTATION	6
Section 3.1 Program Implementation Agreement.....	6
Section 3.2 Country Responsibilities.....	6
Section 3.3 Policy Performance.....	7
Section 3.4 Accuracy of Information.....	7
Section 3.5 Implementation Letters.	7
Section 3.6 Procurement and Grants.....	7
Section 3.7 Records; Accounting; Access.	8
Section 3.8 Audits; Reviews.....	8
ARTICLE 4. COMMUNICATIONS	9
Section 4.1 Communications.	9
Section 4.2 Representatives.	10
Section 4.3 Signatures.....	10
ARTICLE 5. TERMINATION; SUSPENSION; EXPIRATION	10
Section 5.1 Termination; Suspension.	10
Section 5.2 Consequences of Termination, Suspension or Expiration.	11
Section 5.3 Refunds; Violation.	12
Section 5.4 Late Payment Interest.	12
Section 5.5 Survival.....	12
ARTICLE 6. COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW	12
Section 6.1 Annexes.....	12

Section 6.2	Amendments and Modifications.	12
Section 6.3	Definitions; Inconsistencies.	13
Section 6.4	Governing Law.	13
Section 6.5	Additional Instruments.....	13
Section 6.6	References to MCC Website.....	13
Section 6.7	References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination; Country Successors.	13
Section 6.8	MCC Status.....	14
ARTICLE 7.	ENTRY INTO FORCE.....	14
Section 7.1	Domestic Procedures.	14
Section 7.2	Conditions Precedent to Entry into Force.....	14
Section 7.3	Date of Entry into Force.	15
Section 7.4	Compact Term.	15
Section 7.5	Provisional Application.	15
ARTICLE 8.	ADDITIONAL GOVERNMENT UNDERTAKINGS	16
Section 8.1	Developmental Commitments.	16
Section 8.2	Project Sustainability.	16
Section 8.3	Compliance.	17
Annex I:	Program Description	
Annex II:	Multi-Year Financial Plan Summary	
Annex III:	Compact Monitoring & Evaluation Framework	
Annex IV:	Conditions Precedent to Disbursement of Compact Facilitation Funding	
Annex V:	Definitions	
Annex VI:	Tax Exemption Mechanisms	
Annex VII:	Additional Conditions Precedent to Entry into Force	

MILLENNIUM CHALLENGE COMPACT

PREAMBLE

This MILLENNIUM CHALLENGE COMPACT (this “*Compact*”) is between the United States of America (the “*United States*”) and the Republic of Mozambique (“*Mozambique*”). The United States and Mozambique are collectively referred to as the “*Parties*” and each individually as a “*Party*.”

Recalling that the Parties successfully concluded an initial Millennium Challenge Compact (which entered into force on September 22, 2008, and expired by its terms on September 22, 2013) that advanced the progress of Mozambique in achieving lasting economic growth and poverty reduction, demonstrated the strong partnership between the Parties, and was implemented in accordance with the core policies and standards of the Millennium Challenge Corporation (“*MCC*”);

Recognizing that the Parties are committed to the shared goals of promoting economic growth and the elimination of extreme poverty in Mozambique and that assistance under this Compact supports Mozambique’s demonstrated commitment to strengthening good governance, economic freedom and investments in people;

Recalling that Mozambique consulted with its private sector and civil society to determine the priorities for the use of assistance under this Compact and developed and submitted to MCC a proposal for such assistance to achieve lasting economic growth and poverty reduction;

Recognizing that the United States wishes to help Mozambique implement the program described herein to achieve the goal and objectives described herein (as such program description and objectives may be amended or modified from time to time in accordance with the terms of this Compact, the “*Program*”); and

Recognizing that MCC shall serve as an implementing agency for the United States under this Compact.

The Parties hereby agree as follows:

ARTICLE 1.

GOAL AND OBJECTIVES

Section 1.1 Compact Goal. The goal of this Compact is to reduce poverty through economic growth in Mozambique (the “*Compact Goal*”). MCC shall provide assistance in a manner that strengthens good governance, economic freedom, and investments in the people of Mozambique.

Section 1.2 Project Objectives. The Program consists of the three projects described in Annex I (each a “*Project*” and collectively, the “*Projects*”). The objective of each

of the respective Projects (each a “**Project Objective**” and collectively, the “**Project Objectives**”) is:

(a) to reduce the cost of transport in the province of Zambezia and Mozambique (“**CTR Project Objective**”);

(b) to increase agricultural investment as well as the productivity and incomes of smallholder farmers and other value chain actors in Mozambique (“**PRIA Project Objective**”); and

(c) to sustainably increase the productivity and resilience of coastal ecosystems in Mozambique (“**CLCR Project Objective**”).

ARTICLE 2.

FUNDING AND RESOURCES

Section 2.1 Program Funding.

Upon entry into force of this Compact in accordance with Section 7.3, MCC shall grant to Mozambique, under the terms of this Compact, an amount not to exceed Four Hundred Forty-Nine Million Eight Hundred Thousand United States Dollars (US\$449,800,000) (“**Program Funding**”) for use by Mozambique to implement the Program. The multi-year allocation of Program Funding is generally described in Annex II.

Section 2.2 Compact Facilitation Funding.

(a) Upon the signing of this Compact, MCC shall grant to Mozambique, under the terms of this Compact and in addition to the Program Funding described in Section 2.1, an amount not to exceed Fifty Million Two Hundred Thousand United States Dollars (US\$50,200,000) (“**Compact Facilitation Funding**” or “**CFF**”) under Section 609(g) of the Millennium Challenge Act of 2003, as amended (the “**MCA Act**”), for use by Mozambique to facilitate implementation of this Compact, including for the following purposes:

- (i) financial management and procurement activities;
- (ii) administrative support expenses such as staff salaries, rent and associated property improvements, publication costs, costs to hire short-term experts, and the costs of information technology and equipment requirements;
- (iii) monitoring and evaluation activities;
- (iv) feasibility, design, and other project preparatory studies; and
- (v) other activities to facilitate compact implementation as approved by MCC.

The allocation of Compact Facilitation Funding is generally described in Annex II.

(b) In accordance with Section 7.5, this Section 2.2 and other provisions of this Compact applicable to Compact Facilitation Funding shall be effective, for purposes of Compact Facilitation Funding only, as of the date this Compact is signed by the Parties.

(c) Each Disbursement of Compact Facilitation Funding is subject to satisfaction of the conditions precedent to such disbursement as set forth in Annex IV.

(d) If MCC determines that the full amount of Compact Facilitation Funding available under Section 2.2(a) exceeds the amount that reasonably can be utilized for the purposes set forth in Section 2.2(a), MCC, by written notice to Mozambique, may withdraw the excess amount, thereby reducing the amount of Compact Facilitation Funding available under Section 2.2(a) (such excess, the “**Excess CFF Amount**”). In such event, the amount of Compact Facilitation Funding granted under Section 2.2(a) shall be reduced by the Excess CFF Amount, and the United States shall have no further obligations with respect to such Excess CFF Amount.

(e) MCC, at its option by written notice to Mozambique, may elect to grant to Mozambique an amount equal to all or a portion of such Excess CFF Amount as an increase in the Program Funding, and such additional Program Funding shall be subject to the terms and conditions of this Compact applicable to Program Funding.

Section 2.3 MCC Funding. Program Funding and Compact Facilitation Funding are collectively referred to in this Compact as “**MCC Funding**,” which includes any refunds or reimbursements of Program Funding or Compact Facilitation Funding paid by Mozambique in accordance with this Compact.

Section 2.1 Disbursement. In accordance with this Compact and the Program Implementation Agreement, MCC shall disburse MCC Funding for expenditures incurred in furtherance of the Program (each instance, a “**Disbursement**”). Subject to the satisfaction of all applicable conditions precedent, the proceeds of Disbursements shall be made available to Mozambique, at MCC’s sole election, by (a) deposit to one or more bank accounts established by Mozambique and acceptable to MCC (each, a “**Permitted Account**”) or (b) direct payment to a third party as payment for an amount owed by Mozambique for the implementation of the Program. MCC Funding may be expended only for Program expenditures.

Section 2.3 Interest. Mozambique shall pay or transfer to MCC, in accordance with the Program Implementation Agreement, any interest or other earnings that accrue on MCC Funding prior to such funding being used for a Program purpose.

Section 2.4 Country Resources; Budget.

(a) Consistent with the *Guidelines for Country Contributions*, Mozambique shall make a contribution of no less than Thirty-Seven Million Five Hundred Thousand United States Dollars (US\$37,500,000) over the period from the signing of this Compact to the end of the Compact Term toward meeting the Project Objectives (the “**Country Contribution**”). The overall allocation of the Country Contribution is generally described in Annex II, and a more detailed allocation shall be described in the Program Implementation

Agreement, along with additional terms and conditions applicable to the Country Contribution. The Country Contribution shall be subject to any legal requirements in Mozambique for the budgeting and appropriation of such contribution, including approval of Mozambique's annual budget by its legislature. At MCC's request, Mozambique shall provide evidence that it has budgeted and appropriated or otherwise ensured that the Country Contribution shall be made available for Program requirements. During implementation of the Program, the Country Contribution may be modified with MCC approval as provided in the *Guidelines for Country Contributions*, provided that the modified contribution continues to advance the Project Objectives. In addition, Mozambique shall provide all funds and other resources, and shall take all other actions, that are necessary to carry out its responsibilities under this Compact.

(b) Mozambique shall use its best efforts to ensure that all MCC Funding it receives or is projected to receive in each of its fiscal years is fully accounted for and identified in its annual budget for the duration of the Program.

(c) Mozambique shall not reduce the normal and expected resources that it would otherwise budget for the activities contemplated under this Compact. In addition, unless Mozambique discloses otherwise to MCC in writing, MCC Funding shall be in addition to such resources.

Section 2.5 Limitations on the Use of MCC Funding. Mozambique shall ensure that MCC Funding is not used for any purpose that would violate United States law or policy, as specified in this Compact or as further notified to Mozambique in writing, including, but not limited to, the following purposes:

(a) for assistance to, or training of, the military, police, militia, national guard or other quasi-military organization or unit;

(b) for any activity that is likely to cause a substantial loss of United States jobs or a substantial displacement of United States production;

(c) to undertake, fund or otherwise support any activity that is likely to cause a significant environmental, health, or safety hazard, as further described in MCC's Environmental Guidelines and any guidance documents issued in connection with such guidelines (collectively, the "*Environmental Guidelines*"); or

(d) to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations or to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning.

Section 2.6 Taxes.

(a) Mozambique shall ensure that all MCC Funding is free from all taxes, duties, levies, and other similar charges imposed by or in Mozambique (whether at the national, regional, local or other level) (but not fees or charges for services that are generally applicable in Mozambique, reasonable in amount and imposed on a non-discriminatory basis)

(“**Taxes**”). Without limiting the broad scope of the previous sentence, MCC Funding shall be free from any and all (i) tariffs, customs duties, import taxes, export taxes, and other similar charges on any goods, works or services introduced into Mozambique in connection with the Program; (ii) tariffs, customs duties, import taxes, export taxes, and other similar charges on any personal effects, vehicles, equipment, supplies, or other items imported into Mozambique by any personnel (including employees and contractors of MCC and any providers of goods, works, or services to the Program) and their families for their own use, which personnel or providers are present in the country to perform work in connection with the Program and are not citizens or permanent residents of Mozambique; (iii) sales tax, value added tax, excise tax, property transfer tax, and other similar charges on any transactions involving goods, works or services in connection with the Program, (iv) taxes and other similar charges on ownership, possession or use of any property in connection with the Program, and (v) taxes and other similar charges on income, profits, or gross receipts attributable to work performed in connection with the Program, and related social security taxes and other similar charges on all natural or legal persons performing work in connection with the Program, except in the case of clause (v), Mozambique may choose not to extend this exemption to: (1) natural persons who are citizens or permanent residents of Mozambique and (2) legal persons formed under the laws of Mozambique other than MCA-Moçambique (as defined below) and any other entity formed for the purpose of implementing Mozambique’s obligations hereunder.

(b) The mechanisms that Mozambique shall use to implement the tax exemption required by Section 2.8(a) for certain principal Taxes are set forth in Annex VI. Such mechanisms may include exemptions from the payment of Taxes that have been granted in accordance with applicable law or refund or reimbursement of Taxes by Mozambique to MCC, MCA-Moçambique or to the taxpayer. For the avoidance of doubt, the identification (or lack of identification) of Taxes in Annex VI shall in no way limit the scope of the tax-free treatment of MCC Funding required by this Section 2.8. In addition, Mozambique shall from time to time execute and deliver, or cause to be executed and delivered, such other instructions, instruments or documents, and to take or cause to be taken such other actions as MCC may determine is necessary or appropriate to implement the provisions of this Section 2.8.

(c) If a Tax has been paid contrary to the requirements of Section 2.8(a) or Annex VI, Mozambique shall refund promptly to MCC (or to another party as designated by MCC) the amount of such Tax in United States Dollars or the currency of Mozambique within thirty (30) days (or such other period as may be agreed in writing by the Parties) after Mozambique is notified in writing (whether by MCC or MCA-Moçambique) that such Tax has been paid. Failure to refund such amount within the specified time shall result in interest accruing on the unpaid amount in accordance with Section 5.4.

(d) Mozambique shall not apply any MCC Funding, the Country Contribution, any proceeds thereof or any Program Assets to satisfy its obligations under Section 2.8(c).

ARTICLE 3. IMPLEMENTATION

Section 3.1 Program Implementation Agreement. The Parties shall enter into an agreement providing further detail on the implementation arrangements, fiscal accountability and disbursement, and use of MCC Funding and the Country Contribution, among other matters (the “**Program Implementation Agreement**” or “**PIA**”); and Mozambique shall implement the Program in accordance with this Compact, the PIA, and any other Supplemental Agreement.

Section 3.2 Country Responsibilities.

(a) Mozambique has principal responsibility for overseeing and managing the implementation of the Program.

(b) In consultation with MCC, Mozambique hereby designates an entity to be established with administrative, financial, and patrimonial autonomy, created as a public institution through a Decree of the Council of Ministers, as the accountable entity to implement the Program and to exercise and perform Mozambique’s right and obligation to oversee, manage and implement the Program, including without limitation, managing implementation of the Projects and their Activities, allocating resources, and managing procurements. Such entity shall be referred to herein as “**MCA-Moçambique**,” and has the authority to bind Mozambique with regard to all Program activities. Mozambique hereby also designates MCA-Moçambique to exercise and perform Mozambique’s right and obligation to oversee, manage, and implement the activities described in the Amended and Restated Initial Engagement Agreement, dated as of April 20, 2022, by and between Mozambique and MCC (as amended or otherwise modified, the “**CDF Agreement**”). Prior to MCA-Moçambique’s establishment, Mozambique hereby designates Gabinete do Desenvolvimento do Compacto-II (the “**Mozambique Development Team**”), to act on its behalf with respect to the Program and the CDF Agreement, and any reference herein or in the PIA to “MCA-Moçambique” shall be deemed a reference to the Mozambique Development Team until such time as MCA-Moçambique is duly established. The Parties note that Mozambique remains fully responsible for the performance of its obligations and responsibilities under this Compact notwithstanding the designation in this Section 3.2(b), and any provision of this Compact, the PIA or any other Supplemental Agreement obligating MCA-Moçambique to take any action or refrain from taking any action, as the case may be, means Mozambique shall cause MCA-Moçambique to take such action or refrain from taking such action, as the case may be. MCC hereby acknowledges and consents to the designation in this Section 3.2(b).

(c) Mozambique shall ensure that any Program Assets or services funded in whole or in part (directly or indirectly) by MCC Funding are used solely in furtherance of this Compact and the Program unless MCC approves otherwise in writing.

(d) Mozambique shall take all necessary or appropriate steps to achieve each of the Project Objectives during the Compact Term (including, without limiting Section 2.6(a), funding all costs that exceed MCC Funding and are required to carry out the terms hereof and achieve such objectives, unless MCC approves otherwise in writing).

(e) Mozambique shall ensure that the Program is implemented, and that Mozambique carries out its obligations hereunder, with due care, efficiency, and diligence in conformity with sound technical, financial, and management practices, and in conformity with this Compact, the Program Implementation Agreement, any other Supplemental Agreement, and the Program Guidelines.

(f) Mozambique shall retain ownership of any Intellectual Property developed, in whole or in part, with MCC Funding. Mozambique hereby grants to the United States a perpetual, irrevocable, royalty-free, worldwide, fully paid license (including the right to assign such license) to practice or have practiced on its behalf (including the right to produce, reproduce, publish, repurpose, use, store, modify, or make available) any portion or portions of such Intellectual Property as MCC sees fit in any medium, now known or hereafter developed, for any purpose whatsoever.

Section 3.3 Policy Performance. In addition to undertaking the specific policy, legal, and regulatory reform commitments identified in Annex I (if any), Mozambique shall seek to maintain and to improve its level of performance under the policy criteria identified in Section 607 of the MCA Act, and the selection criteria and methodology used by MCC.

Section 3.5 Accuracy of Information. Mozambique assures MCC that, as of the date Mozambique signs this Compact, the information provided to MCC by or on behalf of Mozambique in the course of reaching agreement on this Compact is true, correct, and complete in all material respects.

Section 3.6 Implementation Letters. From time to time, MCC may provide guidance to Mozambique in writing on any matters relating to this Compact, MCC Funding, or implementation of the Program. Mozambique shall use such guidance in implementing the Program. The Parties may also issue joint writings to confirm and record their mutual understanding on aspects related to the implementation of this Compact, the PIA or other related agreements, including to record any revisions, exceptions or modifications that are permitted hereunder. All such writings are referred to as “*Implementation Letters*.”

Section 3.7 Procurement and Grants.

(a) Mozambique shall ensure that the procurement of all goods, works, and services to implement the Program shall be in accordance with the *Program Procurement Guidelines*. Accordingly, the Regulation on Contracting of Public Constructions, Provisions of Goods and of Services to the State, and any other laws or regulations of Mozambique regarding procurements shall not apply to procurements to implement the Program. The Program Procurement Guidelines include the following provisions, among others:

(i) open, fair, and competitive procedures must be used in a transparent manner to solicit, award, and administer contracts and to procure goods, works, and services;

(ii) solicitations for goods, works, and services must be based upon a clear and accurate description of the goods, works, and services to be acquired;

(iii) contracts must be awarded only to qualified and eligible contractors that have the capability and willingness to perform the contracts in accordance with their terms on a cost effective and timely basis; and

(iv) no more than a commercially reasonable price, as determined, for example, by a comparison of price quotations and market prices, shall be paid to procure goods, works, and services.

(b) Mozambique shall ensure that any grant issued in furtherance of the Program (each, a “*Grant*”) is awarded, implemented, and managed pursuant to open, fair, and competitive procedures in accordance with the *Program Grant Guidelines*.

Section 3.8 Records; Accounting; Access.

(a) Program Books and Records. Mozambique shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, accounting books, records, documents, and other evidence relating to the Program adequate to show, to MCC’s satisfaction, the use of all MCC Funding, the Country Contribution, and the implementation and results of the Program (“*Compact Records*”). Compact Records must be maintained for at least five (5) years after the end of the Compact Term or for such longer period, if any, required in connection with any litigation, claims, audit findings, or applicable legal requirements. In addition, Mozambique shall furnish or cause to be furnished to MCC, upon its request, originals or copies of such Compact Records.

(b) Accounting. Mozambique shall maintain, and shall use its best efforts to ensure that all Covered Providers maintain, Compact Records in accordance with generally accepted accounting principles prevailing in the United States, or at Mozambique’s option and with MCC’s prior written approval, other accounting standards, such as those set by the International Accounting Standards Board.

(c) Access. Upon MCC’s request, Mozambique, at all reasonable times, shall permit, or cause to be permitted, authorized representatives of MCC, the Inspector General of MCC (“*Inspector General*”), the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of this Compact, and any agents or representatives engaged by MCC or Mozambique to conduct any assessment, review, or evaluation of the Program, the opportunity to audit, review, evaluate, or inspect facilities, assets, and activities funded in whole or in part by MCC Funding or the Country Contribution.

Section 3.9 Audits; Reviews.

(a) Program Audits. Mozambique shall, on at least an annual basis (or on such other intermittent basis as requested by MCC in writing), conduct, or cause to be conducted, financial audits and review engagements of all disbursements of MCC Funding and the Country Contribution. The initial audit shall cover the period from signing of this Compact until the initial audit period end date specified in an audit plan developed and implemented by MCA-Mozambique in accordance with the Audit Guidelines and Program Implementation Agreement (the “*Audit Plan*”). Subsequent audits shall cover each twelve-month period thereafter, through the end of the Compact Term, as well as the 120-day period following the

expiration of the Compact Term. All such audits and review engagements shall be performed in accordance with the *Accountable Entities Guidelines for Contracted Financial Audits* (the “**Audit Guidelines**”) or such other processes and procedures as MCC may direct from time to time. In addition, Mozambique shall ensure that such audits are conducted by an independent auditor approved by MCC and selected in accordance with the Audit Guidelines. Each audit must be completed, and the draft audit report delivered to MCC no later than 120 days after the applicable audit period, or such other period as the Parties may otherwise agree in writing. Any changes to the period to be audited shall be included in the Audit Plan as approved by MCC or as agreed by the Parties in writing.

(b) Audits of Other Entities. Mozambique shall ensure that MCC-financed agreements between it and any Covered Provider state that the Covered Provider is subject to audit in accordance with the Audit Guidelines.

(c) Corrective Actions. Mozambique shall use its best efforts to ensure that each Covered Provider (i) takes, where necessary, appropriate, and timely corrective actions in response to audits, (ii) considers whether the results of the Covered Provider’s audits necessitate adjustment of Mozambique’s records, and (iii) permits independent auditors to have access to its records and financial statements as necessary.

(d) Audit by MCC. MCC shall have the right to arrange for audits of Mozambique’s use of MCC Funding and of the Country Contribution.

(e) Cost of Audits, Reviews or Evaluations. MCC Funding may be used to fund the costs of any audits, reviews or evaluations required under this Compact.

ARTICLE 4.

COMMUNICATIONS

Section 4.1 Communications. Any document or communication required or submitted by either Party to the other under this Compact must be in writing and, except as otherwise approved by MCC, in English. All such documents or communication must be submitted to the address of each Party set forth below or to such other address as may be designated by any Party in a written notice to the other Party.

To the United States:

Millennium Challenge Corporation
Attention: Vice President, Compact Operations
(with a copy to the Vice President and General Counsel)
1099 Fourteenth Street, NW Suite 700
Washington, DC 20005
United States of America
Telephone: +1 (202) 521-3600
Email: VPOperations@mcc.gov (Vice President, Compact Operations)
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

To Mozambique:

Ministry of Economy and Finance
Gabinete do Ministro
Av. Julius Nyerere nº 496, 17º Andar
Maputo, Moçambique
Telephone: + 258 21 350 200

To MCA-Moçambique:

Upon establishment of MCA- Moçambique, MCA- Moçambique will notify the Parties of its contact details.

Section 4.2 Representatives. For all purposes relevant to the implementation of this Compact, Mozambique shall be represented by the individual holding the position of, or acting as, the Minister of Economy and Finance of the Republic of Mozambique, and the United States shall be represented by the individual holding the position of, or acting as, Vice President, Compact Operations of MCC (each of the foregoing, a “***Principal Representative***”). Each Party, by written notice to the other Party, may designate one or more additional representatives of such Party (each, an “***Additional Representative***”) for all purposes relevant to implementation of this Compact except for amending this Compact pursuant to Section 6.2(a). Mozambique hereby designates the Director Executivo of MCA-Moçambique as an Additional Representative for Mozambique. The United States hereby designates MCC’s Deputy Vice President, Department of Compact Operations Africa, and Resident Country Director for Mozambique as Additional Representatives for the United States. A Party may change its Principal Representative to a new representative that holds a position of equal or higher authority upon written notice to the other Party.

Section 4.3 Signatures. Signatures to this Compact and to any amendment to this Compact shall be original signatures appearing on the same page or in an exchange of letters or diplomatic notes.

ARTICLE 5.

TERMINATION; SUSPENSION; EXPIRATION

Section 5.1 Termination; Suspension.

(a) Either Party may terminate this Compact without cause in its entirety by giving the other Party thirty (30) days’ prior written notice. MCC may also terminate MCC Funding without cause in part by giving Mozambique thirty (30) days’ prior written notice.

(b) The United States may, immediately, upon written notice to Mozambique, suspend or terminate this Compact and MCC may, immediately, upon written notice to Mozambique, suspend or terminate MCC Funding, in each case, in whole or in part, and any obligation related thereto, if MCC determines that any circumstance identified by MCC as a basis for suspension or termination (as notified to Mozambique in writing) has occurred, which circumstances include but are not limited to the following:

(i) Mozambique fails to comply with its obligations under this Compact or any other agreement or arrangement entered into by it in connection with this Compact or the Program;

(ii) any statement, affirmation or assurance made or deemed made by Mozambique in this Compact, the Program Implementation Agreement, any other Supplemental Agreement, or in any certificate or other document delivered in connection with this Compact proves to have been incorrect or misleading in any material respect as of the date when made or deemed made;

(iii) an event or series of events has occurred that makes it probable that any of the Project Objectives is not going to be achieved during the Compact Term or that Mozambique is not going to be able to perform its obligations under this Compact;

(iv) a use of MCC Funding or continued implementation of this Compact or the Program violates applicable law or United States Government policy, whether now or hereafter in effect;

(v) Mozambique or any other person or entity receiving MCC Funding or using Program Assets is engaged in activities that are contrary to the national security interests of the United States;

(vi) an act has been committed or an omission or an event has occurred that would render Mozambique ineligible to receive United States economic assistance under Part I of the Foreign Assistance Act of 1961, as amended (22 U.S.C. 2151 *et seq.*), by reason of the application of any provision of such act or any other provision of law; and

(vii) Mozambique has engaged in a pattern of actions inconsistent with the criteria used to determine its eligibility for assistance under the MCA Act.

Section 5.2 Consequences of Termination, Suspension or Expiration.

(a) Upon the suspension or termination, in whole or in part, of this Compact or any MCC Funding, or upon the expiration of this Compact, the provisions of Section 4.2 of the Program Implementation Agreement shall govern the post-suspension, post-termination or post-expiration treatment of MCC Funding, any related Disbursements, and Program Assets. Any portion of this Compact, MCC Funding, the Program Implementation Agreement, or any other Supplemental Agreement that is not suspended or terminated shall remain in full force and effect.

(b) MCC may reinstate any suspended or terminated MCC Funding under this Compact if MCC determines that Mozambique or other relevant person or entity has committed to correct each condition for which MCC Funding was suspended or terminated.

Section 5.3 Refunds; Violation.

(a) If any MCC Funding, any interest or earnings thereon, or any Program Asset is used for any purpose that is in violation of the terms of this Compact, then the United States may require Mozambique to repay to MCC in United States Dollars the value of the misused MCC Funding, interest, earnings, or asset, plus interest thereon in accordance with Section 5.4 within thirty (30) days after Mozambique's receipt of MCC's request for repayment. Mozambique shall not use MCC Funding, the Country Contribution, proceeds thereof or any Program Assets to make such payment.

(b) Notwithstanding any other provision in this Compact or any other agreement to the contrary, the United States' right under Section 5.3(a) to obtain a refund shall continue during the Compact Term and for a period of (i) five (5) years thereafter or (ii) one (1) year after MCC receives actual knowledge of such violation, whichever is later.

Section 5.4 Late Payment Interest. If Mozambique fails to pay any amount under this Compact or the Program Implementation Agreement when due (including amounts under Section 2.8(c) and 5.3(a)), Mozambique shall pay interest on such past due amount. Interest shall accrue on such amount at a rate equal to the then current US Treasury Current Value of Funds Rate, calculated on a daily basis and a 360-day year from the due date of such payment until such amount is paid in full. Any such payment shall first be credited against interest due, and once the interest due amount is extinguished, then payments shall be credited against outstanding principal.

Section 5.5 Survival. Mozambique's responsibilities under this Section and Section 2.7 (Limitations on the Use of MCC Funding), Section 2.8 (Taxes), Section 3.2(f) (Country Responsibilities), Section 3.7 (Records; Accounting; Access), Section 3.8 (Audits; Reviews), Section 5.2 (Consequences of Termination, Suspension or Expiration), Section 5.3 (Refunds; Violation), Section 5.4 (Late Payment Interest), and Section 6.4 (Governing Law) shall survive the expiration, suspension, or termination of this Compact, *provided* that the terms of Section 2.8 shall survive for only 120 days following this Compact's expiration.

ARTICLE 6.

COMPACT ANNEXES; AMENDMENTS; GOVERNING LAW

Section 6.1 Annexes. Each annex to this Compact constitutes an integral part hereof, and references to "Annex" mean an annex to this Compact unless expressly stated otherwise.

Section 6.2 Amendments and Modifications.

(a) The Parties may amend this Compact only by a written agreement. Such agreement shall specify how it enters into force.

(b) Notwithstanding subsection (a), the Parties may by written agreement, which shall enter into force upon signature, modify any Annex to, in particular, but without limitation (i) suspend, terminate or modify any Project or Activity, (ii) change the allocations of funds as set forth in Annex II, (iii) modify the implementation framework

described in Annex I, (iv) add, change or delete any Indicator, Baseline or Target or other information set forth in Annex III in accordance with the M&E Policy, (v) add, modify or delete any condition precedent described in Annex IV or Annex VII, or (vi) modify the mechanisms for exempting MCC Funding from Taxes as set forth in Annex VI; *provided* that, in each case, any such modification (A) is consistent in all material respects with the Project Objectives, (B) does not cause the amount of Program Funding to exceed the aggregate amount specified in Section 2.1 (as may be modified by operation of Section 2.2(e)), (C) does not cause the amount of Compact Facilitation Funding to exceed the aggregate amount specified in Section 2.2(a), (D) does not reduce Mozambique's responsibilities or contribution of resources required under Section 2.6(a), and (E) does not extend the Compact Term.

(c) The Parties understand that any modification of any Annex pursuant to this Section 6.2 may be entered into by the Parties without the need for further action by Mozambique (including any parliamentary action or the satisfaction of any additional domestic requirements).

Section 6.3 Definitions; Inconsistencies.

(a) Capitalized terms used herein shall have the respective meanings given such terms in Annex V.

(b) In the event of any conflict or inconsistency between:

(i) any Annex and any of Articles 1 through 8, such Articles 1 through 8, as applicable, shall prevail; or

(ii) this Compact and any other agreement between the Parties regarding the Program, this Compact shall prevail.

Section 6.4 Governing Law. This Compact is an international agreement and as such shall be governed by international law.

Section 6.5 Additional Instruments. Any reference in this Compact to activities, obligations or rights existing under or in furtherance of this Compact shall include activities, obligations, and rights existing under or in furtherance of any agreement, document or instrument related to this Compact and the Program.

Section 6.6 References to MCC Website. Unless expressly provided otherwise, any reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a document or information available on, or notified by posting on the MCC Website shall be deemed a reference to such document or information as updated or substituted on the MCC Website from time to time.

Section 6.7 References to Laws, Regulations, Policies and Guidelines; References to Compact Expiration and Termination; Country Successors.

(a) Unless expressly provided otherwise, each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to a law, regulation, policy, guideline or similar document shall be construed as a reference to such law,

regulation, policy, guideline or similar document as it may, from time to time, be amended, revised, replaced, or extended, and shall include any law, regulation, policy, guideline or similar document issued under or otherwise applicable or related to such law, regulation, policy, guideline or similar document.

(b) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a policy, guideline, guidance paper, or similar document shall be construed as a reference to an MCC policy, guideline, guidance paper, or similar document relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

(c) Unless expressly provided otherwise, each reference in this Compact, the PIA, or any other agreement entered into in connection with this Compact, to a ministry of Mozambique shall be construed to include any successor ministry with the relevant subject matter or sector authority.

(d) Each reference in this Compact, the PIA or any other agreement entered into in connection with this Compact, to the Compact's "expiration" refers to the date on which the Compact Term ends if the Compact is not terminated earlier, which in accordance with Section 7.4 is five (5) years after its entry into force. Each reference in any of the aforementioned documents to the Compact's "termination" refers to this Compact ceasing to be in force prior to its expiration in accordance with Section 5.1.

Section 6.8 MCC Status. MCC is a United States government corporation acting on behalf of the United States in the implementation of this Compact. The United States, including MCC, assumes no liability for any claims or loss arising out of activities or omissions under this Compact. Mozambique waives any and all claims against the United States, including MCC, and any current or former officer or employee of the United States, including MCC, for all loss, damage, injury, or death arising out of activities or omissions under this Compact, and agrees that it shall not bring any claim or legal proceeding of any kind against any of the above entities or persons for any such loss, damage, injury, or death. Mozambique agrees that the United States, including MCC, and any current or former officer or employee of the United States, including MCC, shall be immune from the jurisdiction of all courts and tribunals of Mozambique for any claim or loss arising out of activities or omissions under this Compact.

ARTICLE 7.

ENTRY INTO FORCE

Section 7.1 Domestic Procedures. Mozambique shall proceed in a timely manner to complete all of its domestic requirements for this Compact to enter into force. The Parties understand that this Compact, upon entry into force, shall prevail over the laws of Mozambique with the exception of the constitution of Mozambique.

Section 7.2 Conditions Precedent to Entry into Force. Each of the following conditions must be met to MCC's satisfaction before this Compact enters into force:

parties thereto; (a) the Program Implementation Agreement has been signed by the

(b) Mozambique has delivered to MCC:

(i) a letter signed and dated by the Principal Representative (or such other duly authorized representative acceptable to MCC) of Mozambique, confirming that Mozambique has completed its domestic requirements necessary for this Compact to enter into force and that the other conditions precedent to entry into force in this Section 7.2 have been met;

(ii) a signed legal opinion from the Attorney-General (or such other legal representative acceptable to MCC) of Mozambique, in form and substance satisfactory to MCC;

(iii) complete, certified copies of all decrees, legislation, regulations or other governmental documents relating to Mozambique's domestic requirements necessary for this Compact to enter into force, which MCC may post on its website or otherwise make publicly available; and

(iv) evidence that each of the Key Staff of MCA-Mozambique has been engaged.

(c) MCC has determined that after signature of this Compact, Mozambique has not engaged in a pattern of actions inconsistent with the eligibility criteria for MCC Funding; and

(d) The conditions set forth in Annex VII have been satisfied.

Section 7.3 Date of Entry into Force. This Compact shall enter into force on the date of the letter from the United States, acting through MCC, to Mozambique in an exchange of letters confirming that the Parties have completed their respective domestic requirements for entry into force of this Compact and that the conditions precedent to entry into force in Section 7.2 have been met to the United States' satisfaction.

Section 7.4 Compact Term. This Compact shall remain in force for five (5) years after its entry into force, unless terminated earlier under Section 5.1 (the "**Compact Term**").

Section 7.5 Provisional Application. Upon signature of this Compact, and until this Compact has entered into force in accordance with Section 7.3, the Parties shall provisionally apply the terms of this Compact; *provided* that, no MCC Funding, other than Compact Facilitation Funding, shall be made available or disbursed before this Compact enters into force.

ARTICLE 8.
ADDITIONAL GOVERNMENT UNDERTAKINGS

Section 8.1 Developmental Commitments. The Parties acknowledge the differences in developmental approaches between the CLCR Project and the heavy-sands mining industry in Mozambique’s coastal areas. The Parties also acknowledge existing Mozambican laws on environmental protection as laid out in the Environmental Law and the related regulations (*Legislação Ambiental Relevante*), such as the Diploma Ministerial 118 of 2022 (*Directiva de Revisores Especialistas Independentes*), the Mozambican Biodiversity Offset Regulation (*Directiva sobre Contrabalancos da Biodiversidade; Diploma Ministerial n.º 55/2022 de 19 de Maio*), and other relevant laws. Therefore, Mozambique makes the following commitments:

(a) Within the framework of the CLCR Project, which will be implemented by the development partners as described in Annex I, Mozambique undertakes to supervise and execute the implementation of all activities to guarantee good institutional coordination with all involved entities; and

(b) As it relates to the coordination mentioned in Section 8.1(a), Mozambique undertakes to ensure close coordination among the Mozambican departments responsible for issues of Land and Environment, Sea, Inland Waters and Fisheries, and Mineral Resources and Energy, regarding mineral titles in zones where the CLCR Project will be implemented. The Parties will agree on the geographical extent of the zones where the CLCR Project will be implemented and record this agreement in Annex VII of the PIA (as so recorded, the “*CLCR Project Zones*”).

Section 8.2 Project Sustainability. Mozambique shall follow all laws in force in Mozambique and the rules and guidelines adopted by MCC to guarantee the sustainability of the CLCR Project. Specifically, Mozambique commits to:

(a) Follow and comply with the Mozambican laws noted above in Section 8.1, and envisaged for the protection of sensitive ecosystems, such as the mangrove ecosystem, in general, and particularly for those sensitive ecosystems that are the target of an investment under the CLCR Project;

(b) Cooperate, as appropriate, on ongoing social and environmental impact assessments, and, if necessary, undertake and complete additional environmental and social analysis, such as environmental and social management plans, environmental and social audits, resettlement policies required under the terms of Mozambican laws, the Environmental Guidelines, including the IFC Performance Standards, or the World Bank Environmental and Social Guidelines. The Program shall follow the stricter standard provided it remains in compliance with the Compact;

(c) Fulfill the environmental and social mitigation measures identified in Section 8.2(b). In cases where Mozambican laws do not meet the requirements of the Environmental Guidelines, Mozambique will comply with the Environmental Guidelines and the

World Bank Environmental and Social Guidelines. The Program shall follow the stricter standard provided it remains in compliance with the Compact;

(d) Intensify the inspection and monitoring of mining activities in progress in areas close to the mangroves in such a way as to limit the negative interference of such activities in light of the provisions of Mozambican environmental laws. In addition, Mozambique commits to not authorize mineral titles and mining operations in the CLCR Project Zones; and

(e) Apply good practices and international standards embodied in environmental treaties and conventions ratified by Mozambique.

Section 8.3 Compliance. The Parties acknowledge that non-compliance with these obligations may result in the suspension of funding for the CLCR Project in accordance with Section 3.4(b)(ii) of the PIA, or other outcomes.

SIGNATURE PAGE FOLLOWS ON THE NEXT PAGE

IN WITNESS WHEREOF, the undersigned duly authorized by their respective governments have signed this Compact.

Done at Washington, D.C., this 21st day of September 2023, in the English language.

FOR THE UNITED STATES OF AMERICA FOR THE REPUBLIC OF MOZAMBIQUE

/s/

/s/

Name: Alice P. Albright
Title: Chief Executive Officer
Millennium Challenge Corporation

Name: Ernesto Max Elias Tonela
Title: Minister of Economy and Finance
Ministry of Economy and Finance

**SIGNATURE PAGE TO MILLENNIUM CHALLENGE COMPACT
BETWEEN THE UNITED STATES OF AMERICA
AND REPUBLIC OF MOZAMBIQUE**

ANNEX I

PROGRAM DESCRIPTION

This Annex I describes the Program to be funded with MCC Funding and the Country Contribution in Mozambique during the Compact Term.

A. PROGRAM OVERVIEW

1. Background and Consultative Process.

(a) Background.

Mozambique made strides in reducing its overall poverty rates; however, with little industrial transformation and a continued reliance on subsistence agriculture for over 70 percent of the population, the growth has neither been inclusive nor equally distributed across the vast expanse of its territory. Cultural norms, institutional challenges, combined with poor quality public infrastructure, as well as limited economic opportunities, exacerbate gender inequalities that place women and girls in extremely precarious positions. Mozambique, while particularly vulnerable to climate change shocks—as witnessed by increased susceptibility to natural disasters such as cyclones and flooding—is endowed with abundant natural resources well-suited for agricultural production: vast expanses of fertile land, abundant water, a generally favorable climate, Southern African Development Community Customs Union membership, and a favorable position between the Indian Ocean and international borders with six growing economies.

While many of the socio-economic challenges facing Mozambique appear generally similar to those of its peer nations, the country finds itself approaching a critical inflection point as it confronts the opportunity afforded by potentially transformational oil and gas revenues on the horizon, and the real dangers of a destabilizing and growing violent insurgency led by the home-grown Islamic State-Mozambique in the north.

This Compact is an integrated package of investments that are innovative, leveraged, sustainable, and designed to succeed in the Mozambican context. As the third poorest country in the world, Mozambique is at a crossroads. The country, which suffers a brutal past of civil conflict and crippling poverty, also embodies a challenging dichotomy of opportunity. Mozambique, unanimously seated as the latest non-permanent member of the UN Security Council, is entrenched in battle with an Islamic State-affiliated insurgency in the heart of tremendous mineral/gas wealth in the far north, the site of an ongoing US\$60 billion private investment. Mozambique's decision to focus compact investments in the province of Zambezia—the poorest and most populated region—is a much-needed investment in public goods and services to a population of 5 million that less than 40 years ago produced over two-thirds of the national GDP. The Compact will be the largest and most transformational investment in the province since before independence. It also presents a tailored opportunity for the Parties to showcase a socially-inclusive, environmentally-conscious, and locally-driven development strategy that should strengthen the ties between them.

(b) Consultative Process.

While COVID-19 limited compact development and due diligence in 2020-2021, since then, the Parties undertook robust stakeholder outreach, secured political commitments, and designed a

Compact to address resilient transport infrastructure, agriculture investment, and coastal livelihoods—topics that were routinely raised by private and civil society stakeholders in consultations throughout the province. Based upon feedback of local communities—which provided the list of preferred secondary roads and emphasized the need for climate resilience planning throughout—local government leadership helped formulate reform initiatives at the national level that will improve the business enabling environment for agriculture, substantially increase the funding and efficiency in road maintenance, and support conservation efforts for critical habitats along the coast of Zambezia.

2. Description of Program and Beneficiaries.

(a) Program Description.

Through the three Projects set forth below, the Program aims to address the root causes of the following constraints related to:

1. High cost and unreliability of road freight and passenger transport services that inhibits input and output market development—including farm to market linkages—as well as access to basic public services;
2. Agricultural policy, the legal and regulatory framework, and implementation of the existing framework, which inhibit the equitable and efficient functioning of input markets, vertical coordination of value-chains, and input and output market competitiveness; and
3. Agricultural policy, the legal and regulatory framework, which leads to overexploitation of fisheries and depleted economic opportunities for coastal zones.

In alleviating these binding constraints to inclusive economic growth, the Program aims to deliver better connectivity and access, greater economic opportunity, and resilience to extreme weather events.

(b) Intended Beneficiaries.

The Program is projected to benefit 57,400,000 people overall, as detailed in the table below.

Project	Projected Number of Beneficiaries (people)
CTR Project	57,400,000
PRIA Project	1,900,000
CLCR Project	1,500,000
Overall Compact (Note: some individuals may benefit from more than one Project)	57,400,000

B. DESCRIPTION OF PROJECTS

Set forth below is a description of each Project that Mozambique agrees to implement, or cause to be implemented, using MCC Funding and the Country Contribution to advance the applicable

Project Objective. In addition, specific activities to be undertaken within each Project (each, an “*Activity*”), including sub-activities, are also described.

1. Connectivity and Rural Transport Project

(a) Summary of Project and Activities.

The objective of the Connectivity and Rural Transport Project (the *Conectividade e Transporte Rural* Project or, the “*CTR Project*”) is to reduce the cost of transport in the province of Zambezia and throughout Mozambique. The CTR Project seeks to enhance the quality and climate resilience of major routes by improving roads and bridges and reducing deferred maintenance. The CTR Project will also improve access for the rural population to district capitals, main markets, and social services (e.g., markets, schools, and health clinics) in the larger cities via the arterial road network. The CTR Project, therefore, includes a balanced set of investments in arterial routes, including a major bridge, and secondary roads through rural areas to district centers.

(i) Licungo Bridge and Mocuba Bypass Activity.

The Licungo Bridge and Mocuba Bypass Activity is the principal activity under the CTR Project. It is Mozambique’s highest priority transport project in the province of Zambezia and is strongly supported by the National Road Administration (*Administração Nacional das Estradas* or “*ANE*”). MCC Funding will support design and construction of a new major, higher freeboard bridge to carry the traffic using the main national route N1 at a new site across the Licungo River and 16 km of arterial standard road, which will create a bypass of the town of Mocuba.

ANE carried out a preliminary design with support from the European Union, for a new bridge at a site about 5 km downstream of the existing crossing that addresses many of the primary concerns with the existing structure. The new bridge factors in a safety margin over and above the 2015 flood stage by 2.4 meters (m) (a flood considered a 1 in 400-year event) and spans a wider part of the river channel, which allows water a wider area to evacuate during storms. The preliminary design also provides for a 9 m wide roadway (2 X 3.5 m traffic lanes and 2 X 1 m shoulders) with 2 X 1.2 m walkways protected by a raised curb, on either side of the roadway to enhance safety for vehicle and pedestrian traffic.

(ii) Rural Roads Activity.

The Rural Roads Activity will support the improvement of a sub-set of a network of 647 kilometers (km) of arterial and secondary¹ routes to improve access to regional capitals, markets, and social services. Some of the arterial roads require upgrading to paved standard, rehabilitation, or periodic maintenance. The secondary routes would be upgraded to a low volume sealed road standard along with improvements to existing culverts and bridges. The Parties will select the sub-set of these 647 km arterial and secondary routes to be improved following the determination of the final cost of the Licungo Bridge and Mocuba Bypass Activity. The Parties will base their selection on ERR analyses of the proposed interventions together with

¹ Arterial routes are designed to carry longer distance through traffic as well as local traffic demand. These roads provide the access between major towns, cities, border posts, and ports, providing ultimate access to global and major local markets, and providing the means for trade between provinces and cities throughout the country. Secondary routes provide access from the national routes to district centers.

estimates of the extent to which populations will benefit from increased access to social services and markets. Information on proposed interventions is set forth in Annex V of the PIA.

(iii) Policy and Institutional Reforms on Road Maintenance Activity.

The objective of the Policy and Institutional Reforms on Road Maintenance Activity is to improve the reliability and adequacy of funding for road maintenance and build capacity for road asset management at the provincial level, as well as promoting gender equity and social inclusion within the transport sector, specifically enhancing opportunities for women and excluded groups in the road sector.

This Activity envisages the following outcomes by the end of the Compact:

- Increased funds dedicated to road maintenance.
- Increased effectiveness of road sector institutions including (i) adequate resources for the *Fundo de Estradas*, and (ii) ANE with the mandate to plan, procure, implement, and monitor construction and maintenance works.
- An overall improvement in the performance of the classified road network.
- Improved mobility and greater economic empowerment of women and excluded groups in Zambezia.

(A) *Support for improved funding for road maintenance*

This Sub-activity will provide technical assistance to the *Fundo de Estradas*, a public fund for financing the development of road programs, with legal personality and administrative, financial and patrimonial autonomy. The assistance will initially focus on improvements to the existing system for funding road maintenance that will benefit from increased budgetary allocations. Follow-on activities will lay the groundwork for deeper structural reform to enhance the effectiveness of the *Fundo de Estradas* to generate and manage revenue for road maintenance.

(B) *Support for implementation of road asset management in Zambezia*

This Sub-activity will provide technical assistance to ANE nationally and at ANE's office in the province of Zambezia to improve ANE's performance in road asset management. Improvements in road asset management in Zambezia will serve as an example of good practice for the other provinces in Mozambique. This Sub-activity will provide technical assistance to ANE to support:

- Stakeholder participation in road management, ensuring women's meaningful participation;
- Using level of service agreements to improve the performance of the road network;
- Updating road and bridge inventories and condition assessments;
- Preparation of annual maintenance plans;
- Updating standard bidding documents for road maintenance;
- Quality control of maintenance works;
- More inclusive employment in road maintenance contracts;
- Increased adherence to environmental and social safeguards and health and safety standards during construction works;
- Integration of provincial and central management systems;
- Structured support by ANE to district councils; and
- Integrating climate considerations into road management programs and policies.

(C) *Improved women's mobility*

Women face various challenges in accessing and benefiting from transport services. Therefore, this Sub-activity will support a three-pronged approach to manage the three most pressing needs. The first component will seek to improve gender-based violence prevention and response in the transport sector by conducting gender-based violence assessments in the province of Zambezia among relevant stakeholders and groups; implementing public awareness campaigns and advocacy against gender-based violence and sexual harassment in public spaces; and advocating for the expansion of legal protections against sexual harassment in public spaces, including transport. All three of these sub-components are critical to the overall success of this Sub-activity. The second component will improve women's economic empowerment by supporting a pilot transport scheme of women transport service providers. This component will commence with a methodology to support women's empowerment and decision-making at the household level, followed by skills and business training, which may include the provision of motorcycles or bicycles, and supported with an advertisement campaign to promote the newly established businesses. The third component of this Sub-activity will improve inclusiveness and gender-responsiveness of the transport sector's governance and management by conducting institutional gender assessments of the Ministry of Transport, ANE, and the *Fundo de Estradas*, along with the development, harmonization, and implementation of corresponding gender strategies. Furthermore, a community governance assessment in the transport sector will be conducted. Based on these findings, a community consultation mechanism will be designed. This governance component will take on a top-down and bottom-up approach to supporting spaces for community participation in transport governance and decision-making.

(b) Environmental and Social Mitigation Measures.

The overall classification of the CTR Project is Category A according to MCC's Environmental Guidelines, based on the highest rating of the two project activities, as described below.

The Licungo Bridge and Mocuba Bypass Activity is classified as Category A due to the greenfield status of the proposed site, the overall size and nature of the intervention, and the limited provincial experience with this type of new construction. Seven of the International Finance Corporation's ("*IFC's*") eight Performance Standards ("*PS*") are applicable to the Activity, the exception being PS 7, Indigenous People. ANE previously contracted several studies along with the afore-mentioned preliminary design for the Licungo Bridge and the Mocuba bypass, including an environmental and social impact assessment ("*ESIA*"), environmental and social management plan ("*ESMP*"), and a preliminary resettlement action plan ("*RAP*"), all dated 2021.

The Parties anticipate negative impacts related to complex construction activities as well as work in and around the river for the duration of the disturbance (3.5 years scheduled construction time with potential for longer if extreme weather events occur). The Licungo Bridge is in a more urbanized location and will require more attention to resettlement and traffic management. As a greenfield site, the new bridge has the potential for longer term environmental and social impacts from urbanization, thus land use planning will be built into the resettlement planning activities, to help community leaders plan for development in a way that protects valued resources and is forward-looking in terms of future infrastructure needs. Mozambique will update the ESIA, RAP, and ESMP to ensure conformance with the Environmental Guidelines, the *Gender Policy*, and the *Counter-Trafficking in Persons Policy*, and will ensure the relevant findings are incorporated in the design and eventual implementation.

The Rural Roads Activity is classified as Category B, as the expected activities are standard and none of the negative impacts are likely to have greater than moderate significance. For the entire road network, the expected interventions are common and have been carried out in various parts of the province and the northern region over many decades. Seven of the IFC's eight PSs are applicable to the Activity, the exception being PS 7, Indigenous People. Mozambique will produce and implement the ESIA and RAPs based on which and how many of the candidate roads are ultimately selected. Each road investment intervention will have an appropriate ESMP based on international good practice.

For both activities, MCA-Mozambique will supervise resettlement and livelihoods restoration in compliance with IFC PS5. To avoid and minimize displacement, MCA-Mozambique will utilize a corridor of impact approach (rather than clearance of the complete right of way) when working on existing roads. MCA-Mozambique's consultants and contractors on the CTR Project will have full-time dedicated health and safety specialists to ensure that site-specific ESMPs are followed. Additionally, MCA-Mozambique will consider new biodiversity offsetting legislation in force in Mozambique in the ESIA and will potentially pilot the new legislation in interventions under the CTR Project.

(c) Gender and Social Inclusion.

To address women's mobility barriers, the CTR Project includes a three-pronged Improved Women's Mobility Sub-activity, described above.

The ESIA conducted by ANE indicates that the construction of the Licungo Bridge has the potential to improve income generation opportunities for women and youth, initially through the Project's construction jobs and afterward, through enhanced access to the sale of agricultural and livestock products.

The CTR Project may present social and gender-related risks to women, children, and communities near project sites, mainly in terms of sexual harassment, gender-based violence, and trafficking in persons (particularly sex trafficking). Construction works may involve a large influx of male workers who may engage in harmful behaviors, especially toward women and children. The initial trafficking in persons assessment identified that forced labor is a risk in the CTR Project and highlighted the risks that improving roads can support existing trafficking corridors and tendencies. Road safety is also of significant concern in Mozambique and will need to be further assessed in the proposed roads, both for motorized and non-motorized road users. The Licungo Bridge ESIA conducted by ANE also identifies the increase in gender-based violence by affluent workers in the region and increased prostitution, early marriages, and unplanned pregnancies. Therefore, the CTR Project will mitigate these risks through a holistic approach, including awareness raising among communities and with construction workers/employees, setting up effective reporting and response mechanisms, conducting strong oversight during implementation, and working with relevant government and non-governmental institutions. The Project will also explore the use of digital platforms to monitor compliance and report safety incidents.

Finally, the CTR Project also includes efforts to improve women's and youth's employment through the road construction, rehabilitation, and maintenance interventions. These efforts will consist of resources for skills training, job orientation, mentorship, and support in establishing associations to compete for maintenance contracts.

(d) Donor Coordination.

MCC is in regular contact and coordination with the World Bank, the European Union, the African Development Bank, and Japanese development agencies as related to general donor coordination in the transport space. No direct co-funding partnerships are envisaged with other donors at this time, but the CTR Project will complement and build on other donor initiatives in the province of Zambezia.

(e) USAID.

United States Agency for International Development (“*USAID*”) is not expected to be involved in any design, implementation, and monitoring of the programs and activities funded under the Compact. However, there will be complementarity with initiatives supported by USAID, for example a Ministry of Health project working with local transporters to improve distribution of supplies to remote districts. USAID has been supportive of the projected secondary roads due to critically limited transport linkages necessary for current agriculture projects in Nampula and Zambezia provinces while directly supporting smallholder farmers, market linkages, and nutrition programming.

(f) Sustainability.

The Parties identified a concern that the trends in road maintenance funding and execution had shown a serious deterioration over recent years in Mozambique. This represents a threat to the sustained delivery of benefit from capital investments in roads, as it may result in early deterioration of the road assets constructed. The Parties therefore considered measures to assist Mozambique in reversing the deterioration in the funding and delivery of road maintenance as part of the policy and institutional reform activity. These measures are included in the CTR Project.

The Policy and Institutional Reforms on Road Maintenance Activity will support the assessment of ANE’s current bridge management systems and ANE will receive further assistance in this area where necessary. In addition, a sustainable funding structure for the Licungo Bridge and Mocuba Bypass to support operations and maintenance will be evaluated together with ANE.

Incorporating climate change considerations into the bridge and road design will also help ensure that the CTR Project’s investments will last over time as extreme weather events become more frequent and severe. The Project’s aim is to apply international best practices in climate resilient designs (including local efforts of the World Bank) that can be piloted and hopefully applied in future donor projects in the transportation sector across the country to improve the overall sustainability of the network.

(g) Policy, Legal, and Regulatory Reforms.

In order to implement and sustain the Activities contemplated under the CTR Project, Mozambique commits to, in form and substance satisfactory to MCC:

- increase by an order of 50% the allocation of maintenance funding to *Fundo de Estradas* to improve the number of kilometers of classified roads ANE is able to serve with routine and periodic maintenance;
- develop in collaboration with MCC a robust package of reforms and supporting technical assistance investments to enhance the effectiveness and autonomy of the *Fundo de*

Estradas to generate and manage revenue for road maintenance and for ANE and other road authorities to utilize such revenue in the most effective manner; and

- explore and report on opportunities to enhance the capacity of ANE to assess and integrate climate resiliency measures into operation, design, and maintenance measures, including climate resiliency measures to be piloted as part of the CTR Project, aiming to support ANE’s capacity to incorporate enhanced climate resilient design codes and approaches developed under the CTR Project.

2. Promoting Reform and Investment in Agriculture Project

(a) Summary of Project and Activities.

The objective of the Promoting Reform and Investment in Agriculture Project (the “**PRIA Project**”) is to increase agricultural investment as well as the productivity and incomes of smallholder farmers and other value chain actors in Mozambique. The Project will address this objective through two Activities, set forth below. There is an opportunity for using the ZCAP Activity (defined below) to pilot the reforms supported by the PREFIA Activity (defined below). This opportunity is outlined following the ZCAP Activity description.

(i) The Reforms Package for Taxation of Agricultural Investment Activity.

The Reforms Package for Taxation of Agricultural Investment Activity (the *Pacote de reformas da fiscalidade ao investimento agrícola* Activity or, the “**PREFIA Activity**”) aims to increase the attractiveness for investment in the agriculture sector by carrying out four dimensions of policy and institutional reform:

- *Policy and Regulation*: Creating the proper environment to promote agribusiness investment while also enhancing the tax revenue capacity of Mozambique.
- *Capacity Building*: Supporting improved administrative and governance capacity to implement proposed reforms.
- *Systems, Processes and Technology*: Implementing new approaches to address the current constraints to expanding the tax base and streamlining payments for users.
- *Awareness Campaigns*: Promoting reform measures among Mozambican agribusiness investors and to potential foreign investors.

The Parties have developed a suite of policy reform recommendations and technical assistance scopes of work in coordination with the Mozambique Ministry of Industry and Commerce, Ministry of Agriculture and Rural Development and the Ministry of Economy and Finance and its Tax Authority. These measures will increase the ease and decrease the cost of doing business in the agriculture sector at a national level. The foreseen outcomes of the combination of these measures are an improved tax code for agricultural taxpayers and improved VAT policies in the sector. These measures are aligned with Mozambique’s Package for Economic Acceleration adopted in December 2022, which focuses on improving the national investment framework to benefit the predominance of Mozambique’s population. This Activity will support the development, approval, and implementation of one or more tax policy reforms and technical assistance interventions as set forth in Annex VI to the PIA.

(ii) The Zambezia Commercial Aggregator Platform Activity.

The Zambezia Commercial Aggregator Platform Activity (the “**ZCAP Activity**”) broadly aims to increase agricultural investment, productivity, and incomes of smallholder farmers and other value chain actors in the province of Zambezia by using results-based financing (i.e., success payments) and technical assistance to enable and entice aggregators to integrate smallholder farmers into their value chains. Currently, local aggregators such as commercial farms, processors, warehousemen and traders, often are reluctant to integrate smallholder farmers into their operations, including providing smallholder farmers with key inputs (e.g., seeds, fertilizer, technical assistance) and purchasing their outputs, stranding smallholder farmers outside of formal markets. The Parties have reason to believe that aggregators, with the support of the ZCAP Activity, are willing to supply improved inputs and technical assistance to an expanded number of smallholder farmers and to aggregate the resulting agriculture production, and hence contribute to increasing productivity and incomes.

The ZCAP Activity is designed to change the existing equilibrium and to enable and encourage aggregators and smallholder farmers to build the trust and gain the experience necessary to work together better and more sustainably and integrate markets. The ZCAP Activity seeks to create formal arrangements with a number of aggregators and smallholder farmers, prioritizing women farmers where possible, and will seek progressive cost-share among aggregators according to their capacity to transition their commitment to this inclusive business model.

In addition to the results-based financing, the ZCAP Activity will provide technical assistance that aggregators and smallholder farmers may need. Smallholder farmer households will receive technical assistance in the productive use of inputs, effective contracting, and support under the Gender Action Learning System (described below) to redress power imbalances and strengthen economic motivation for respecting contracts and reinvesting in productive agricultural endeavors. This Activity will also provide transaction assistance and capacity building support to aggregators and lenders to facilitate their access to finance for additional aggregator investments.

Modality: The ZCAP Activity’s results-based financing and technical assistance components are intended to be integrated and therefore will be implemented by a facility manager funded by the ZCAP Activity. This facility manager may also create an appropriate information technology platform to support the implementation of the ZCAP Activity that can be used for traceability and verification. The facility manager will advise MCA-Moçambique on the validity of requests for results-based financing based on the achievement of pre-defined milestones and metrics. MCA-Moçambique will also conduct spot checks to further verify the achievement of the pre-defined milestones and metrics. The planned results-based financing during the first growing season will be larger in amount and oriented towards outputs (such as fertilizers, seeds, etc.), while during the remaining three seasons, the payment amounts will be reduced and oriented toward outcomes (such as yield increases, productivity gains, etc.). Concurrently, the facility manager will employ the Gender Action Learning System for the estimated 8,000 households that are within the ZCAP Activity aggregation network.

Leverage: The ZCAP Activity’s approach will competitively incentivize aggregators to provide productivity and income boosting inputs, extension services and market opportunities to smallholder farmers. The competitive approach to selecting aggregators will seek to draw out additional co-funding from the aggregators receiving grants to increase ownership of the model.

(A) *Gender Action Learning System Sub-activity*

The gender action learning system (“**Gender Action Learning System**”), initially developed by International Fund for Agricultural Development, uses participatory adult learning methods in order to empower women, youth and men in financial planning and proactively addressing bottlenecks and gender inequalities within households, communities and within value chains. To address the gender-specific barriers that smallholder female farmers face, this Sub-activity will provide inputs and will implement the Gender Action Learning System to maximize household benefits of the commercial arrangements and redress pre-existing power imbalances. The Gender Action Learning System will be adapted to the technical details of the ZCAP Activity and will be targeted at around one third of all participating households of contract arrangements with aggregators. In coordination with seasonal agricultural activities, this Sub-activity will finance a series of workshops whereby households will (a) co-develop economic goals, (b) identify barriers to achievement of those goals, and (c) plan measures to overcome social and cultural barriers that limit women’s ability to effectively contribute to commercial agriculture vis-à-vis ZCAP Activity arrangements.

Opportunities for Activity Synergy within the PRIA Project: The ZCAP Activity offers an opportunity for piloting and testing some of the reforms supported by the PREFIA Activity. The ZCAP Activity will be limited to the province of Zambezia and will reach both aggregators and smallholders with both a technical assistance arm and a mechanism for recording transactions.

(b) Environmental and Social Mitigation Measures.

The first activity of the PRIA Project, the PREFIA Activity, is not expected to result in any significant environmental or social impacts and can be classified as Category C.

The second activity, the ZCAP Activity, is a grant facility and, as such, is classified as Category D. Commercial investments in agricultural production, processing and marketing have the potential to generate significant changes in agricultural practice. While such changes can provide significant social and environmental benefits, they can also further the deterioration of the province of Zambezia’s vulnerable ecosystems if not managed appropriately.

A preliminary Environmental and Social Assessment (“**ESA**”) was commissioned for both Activities². Risks derived from potential land use change have been identified. They are associated with potential conversion, loss, degradation, and fragmentation of natural ecosystems and forests, the introduction of invasive non-native species leading to reduction in water availability and biodiversity, increased pests and pesticide use, and crop specialization. Climate change risks have also been considered and opportunities to integrate adaptation and mitigation opportunities have been identified in the initial project design, based on principles of climate smart agricultural methods.

Once completed, the ESA will be used to guide the development of an environmental and social management system (“**ESMS**”) that will be integrated in the grant operations manual to ensure

² The ESA is considered preliminary as the analysis is considering the policy, legal, and administrative framework, baseline conditions, and the potential environmental and social risks and mitigation measures based on an initial understanding of potential interventions. The assessment is primarily a screening and scoping assessment to identify key risks following the IFC PSs. Additional assessment of critical issues may be required during the proposal review period, as more information on proposed interventions becomes available.

that the potential impacts of all the investments considered for receiving support from the ZCAP Activity grant facility are adequately assessed and mitigated. Approval will depend on compliance with the IFC PSs, a satisfactory counter-trafficking in persons assessment, and optimization of the investment's direct and indirect social and environmental benefits. Given the sensitivity of the province of Zambezia's landscape with its extensive forests and wetlands, specialized facility staff will be required to ensure impacts, mitigation measures, and benefits are correctly characterized and defined.

(c) Gender and Social Inclusion.

Through the ZCAP Activity, the PRIA Project will seek to address the needs and opportunities of both women and youth. It will have as targets that: 40 percent of the smallholder farmer beneficiaries will be women and 30 percent of the smallholder farmer beneficiaries will be youth. The ZCAP Activity will support this effort by implementing the Gender Action Learning System through the Sub-activity discussed above. To accomplish this, the ZCAP Activity's technical assistance to aggregators and smallholder farmers will provide support with inclusive business plans for aggregators, results-based financing, extension services and provision of inputs (such as seeds and fertilizer) to smallholder farmers, implementation of the Gender Action Learning System, and gender-based violence risk mitigation. The Gender Action Learning System has been successfully implemented with Mozambique's farmers in past projects. Based on this earlier success, the PRIA Project expects to improve women's participation in managing household income, production, and assets, as well as reduce gender-based violence, raise awareness of gender inequality and improve the allocation of chores within the household. Without this effort, the ZCAP Activity would continue replicating the gender disparities in Mozambique's agricultural sector. Moving forward, the ZCAP Activity will explore the use of digital platforms to enhance the impact of interventions, especially on women smallholder farmers and youth (for example, to improve access to extension services and coordination with aggregators). The initial trafficking in persons assessment identified trafficking in persons risks related to family farming, therefore, the PRIA Project will seek to further assess this risk and address it appropriately, focusing more on the risks of forced child labor.

(d) Donor Coordination.

MCC has engaged closely with the World Bank, the IMF, the European Union, and the United Kingdom's Foreign, Commonwealth and Development Office ("**FCDO**") on the PRIA Project. The World Bank is an active investor in Mozambique's agriculture extension services, technical assistance, and market linkages. The IMF is leading efforts on tax reforms as the lead donor institution related to public financial management. The United Kingdom's FCDO is engaged in the development of an aggregator-led approach to increasing agriculture productivity, which is similar to the ZCAP Activity, and FCDO is also implementing the Taxing Efficiently for Developing Inclusively Program focused on providing the Ministry of Economy and Finance's tax policy team with capacity building support complementary to PREFIA's approach; the support includes the analysis of the tax system, on-demand tax policy analysis, the creation of a tax revenue database, and a fiscal system diagnosis and, therefore, offers both organizations an opportunity to leverage each other's programming. The Parties are active members of several donor working groups related directly to the targeted interventions found in the PRIA Project.

(e) USAID.

USAID has been an exceptional partner with MCC in the development and coordination of tax reforms and smallholder farmer initiatives alike. USAID has three sizeable on-going agriculture investments in the province of Zambezia and will continue to coordinate efforts and facilitate lessons-learned with MCC going forward. USAID is also funding work on improving public financial management practices at the Ministry of Economy and Finance and the Tax Authority and has provided ample research and insight into the design of the PREFIA Activity to ensure it is as integrated and effective as possible.

(f) Sustainability.

The PREFIA Activity seeks to make key legislative fiscal reforms to improve the investment climate during the Compact and sustain it after the Compact ends. The ZCAP Activity is focused on changing the existing equilibrium in the agriculture sector by (i) enabling and enticing aggregators, as market makers, to effectively integrate smallholder farmers into their value chains and increase their productivity, and (ii) establishing the trust and experience between aggregators and smallholder farmers necessary to continue to work together effectively and sustainably after the Compact ends.

(g) Policy, Legal, and Regulatory Reforms.

The overall objective of the PRIA Project is to expand inclusive investment in the agriculture sector by addressing key policies and refining approaches to enable private investors to better work with smallholder farmers. The PRIA Project is therefore heavily predicated on the implementation of several fiscal policy reforms. Mozambique intends to use the PRIA Project to support the earliest stages of its flagship reforms to ensure that all proposed tax reforms meet IMF requirements of budget neutrality.

3. Coastal Livelihoods and Climate Resilience Project

(a) Summary of Project and Activities.

The objective of the US\$100 million Coastal Livelihoods and Climate Resilience Project (the “**CLCR Project**”) is to increase ecosystem productivity through sustainable increases in fish and shellfish harvests and through non-extractive benefits from sustainable ecosystems, such as carbon credits and coastal protection benefits. The CLCR Project, which directly links to the agriculture-focused binding constraint, is a targeted response to the damaging pressures applied by a rapidly-expanding coastal population for which over-fishing, destruction of mangroves and seagrasses, heavy-sands mining, and other exploitive activities combine to deplete natural ecosystem buffers, fish stocks, and local livelihoods. The CLCR Project innovatively adapts MCC’s program partnership modality to the unique opportunities present in the province of Zambezia’s coast of Mozambique. To support holistic sustainable management of livelihood and resilience issues, the Parties worked together to design and launch a partnership solicitation that drew in noteworthy local and international interest and, as a result, taps into existing expertise and relationships in Mozambique while leveraging additional and significant cost-share (US\$44 million).

The CLCR Project has two Activities. These Activities are closely linked and will have complementary workstreams, targets, and implementation models. Each Activity will be led by a grantee selected through a competitive grantee selection process. Both Activities will address

needs for improvements to natural resource management, sustainable livelihoods, and healthy and productive ecosystems.

Both Activities will support the building of a network of protected areas, the selective establishment of no-catch zones, and the strengthening of the natural nurseries of fish/crustacean populations through significant seagrass/mangrove reforestation campaigns. Both Activities will support exploration of improvements in the monitoring of artisanal fishing, research on the heavily exploited shrimp and mangrove crab value chains, promotion of participatory management and sustainable fishing practices, targeting youth in specific areas to broaden their opportunities and reduce the attraction of violent extremism, and mitigation of the social impact of the upcoming Mozambican ban on beach seines anticipated in 2024. Strong and systematic institutional coordination is required so that the anticipated outcomes are achieved.

(i) The Coastal Livelihoods Activity.

This Activity will help local communities better manage their fisheries through modernization of practice, improvement to fishing gear, improved supply-chain, and governance of local areas (establishment of no-catch zones to replenish stocks). The competitively-selected partner, ProAzul, with a proven track record supporting local communities to better manage their fisheries through changes in fishing gear and governance of local areas, will lead the livelihoods component and guide efforts with the Ministry of Sea, Inland Waters, and Fisheries, to promote a holistic, inclusive, and cost-effective fisheries and habitat management intervention that will increase ecosystem productivity, maximize sustainable livelihoods benefits, and mitigate climate change effects on fisheries and the coastal ecosystem in general.

(ii) The Climate Resilience Activity.

This Activity will protect and restore critical habitats through co-management with local communities, conservation and creation of protected areas, reforestation initiatives, and through carbon finance opportunities. The competitively-selected partner for this Activity, BIOFUND, a locally established and internationally-recognized foundation leading conservation efforts in Mozambique, will lead the climate resilience initiative together with partners Conservation International, World Wildlife Fund, Gorongosa National Park, Terra Firma, and other renowned implementers. The Climate Resilience Activity will strengthen community management of critical coastal ecosystems, promote new conservation and reforestation practices, expand marine protected areas, and work to reverse the collapsing coastal ecosystems so that Mozambique is able to comply with its own laws and its international commitments. BIOFUND will work with Mozambique to put more land under conservation (Mozambique has targets of increasing marine protected areas from 2% to 10% of territorial waters within the next decade) while also taking an aggressive stance on leveraging the unique opportunity of bringing the value of carbon credits to the individual land holder.

(b) Environmental and Social Mitigation Measures.

The CLCR Project is a Category D according to MCC's Environmental Guidelines because both partner organizations (BIOFUND and ProAzul) will be financial intermediaries, using Compact funds to provide sub-grants through sub-partners and other grantees. While the objectives of this Project will be defined by the cooperation agreements or program partnership agreements that will be signed with the partners, the interventions will be carried out using the partner on-granting mechanisms ESMS, supplemented with the requirement to ensure consistency with the

IFC PSs and the environmental requirements of Mozambique.

With regards to the IFC PS, most of the interventions envisioned will enhance, restore or maintain critical habitats and ecosystem services consistent with IFC PS 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources. The Project should expand the number and range of protected areas according to Mozambican law. It will also do this while enhancing local communities' tenure over terrestrial and marine resources, reducing the impact of the "tragedy of the commons," and promoting co-management of such areas to enhance ecosystems services and productivity.

Some of the interventions proposed by the partners will require ESIA's, such as the proposed gray/green pilot program for prawn, aquaculture and crab-fattening integrating constructed pens among mangroves, to sustain both the habitat, enhance aquaculture productivity while maintaining the coastal protection associated with mangroves stands. The Environmental Guidelines' requirements will be integrated into the design and development of the interventions. IFC PS 5 will not be triggered as these interventions will be conducted on communal and state lands on a voluntary basis.

(c) Gender and Social Inclusion.

The CLCR Project presents exciting opportunities to support women and youth in the fisheries sector, both from an income generation focus and from participation in decision-making in the fisheries sector. Selected partners will integrate methodologies to support women's empowerment and decision-making at the household and community level. The Project will support institutional strengthening of the Ministry of Fisheries from a gender and social inclusion perspective. The CLCR Project will benefit from gender and social inclusion analyses to understand better how gender, age, socioeconomic status, and other social norms create barriers and influence opportunities for women, youth, or other marginalized social groups. These analyses will also guide the Project's efforts to support fisheries with an inclusive and gender-responsive approach, promoting women's economic empowerment and participation in the fisheries management committees. The analyses will also assess and propose mitigation measures for potential risks to women and vulnerable groups, including issues related to land ownership. The analyses will be designed to include, learn from, and influence diverse members of communities, provincial and district government, the private sector, and staff of the implementing agencies. These analyses will also explore gender and social risks, including the risk of sexual exploitation and other forms of gender-based violence that women face in the fisheries sector. The CLCR Project will shape ongoing attention to gender and inclusion through follow-up studies, public communications, support to Mozambique, and intensive work with communities. The CLCR Project will also build upon the initial trafficking in persons assessment to identify trafficking risks. Of particular concern are the young boys impacted by the planned beach seine removal program, which may put these boys at risk of traffickers or further exploitation.

(d) Donor Coordination.

MCC has been working in close coordination with both the World Bank and the European Union as both donors have been active in the fisheries and blue economy sector in Mozambique. The European Union is in the process of developing its next round of funding for fisheries support for 30 million Euros, projected to start in January 2024. MCC and the European Union have been coordinating efforts as the European Union also intends that its funding be implemented by one

of the partners in the CLCR Project, ProAzul. Similarly, the World Bank has started developing its next phase of blue economy funding and has been coordinating this effort with MCC, as it will work with both partners in the CLCR Project.

Additionally, the Norwegian government in collaboration with the Food and Agriculture Organization has recently established a Blue Economy Working Group for donors active in the sector, of which MCC is a participant.

(e) USAID.

The CLCR Project builds on efforts that USAID already has started in the north of Mozambique, largely focused on Nampula and Cabo Delgado. The USAID Resilient Coastal Communities grant is a five-year, US\$25 million project aimed at improving the resilience of coastal communities and ecosystems, engaging young people to increase their productive participation in sustainable natural resource management and building sustainable food and fisheries systems, and climate-resilient, diversified, and economically viable livelihoods. MCC has been working closely with USAID from the start and plans to build on the results and share learnings.

(f) Sustainability.

The entire CLCR Project is built around sustainably enhancing ecosystem productivity, human benefits from that productivity, and climate management.

- A partnership approach was used to leverage and build on activities of partners with long-term presence in Mozambique, utilizing their expertise, financial resources, and country presence to expand into underserved areas.
- The creation of a network of protected areas, linked with improved community-led management between protected areas will lead to long-term sustainable offtake based on agreed restrictions (who can fish, where and when, using which practices).
- Innovative financial mechanisms, such as carbon markets, will provide a long-term source of income to communities and the government far after the end of the CLCR Project. This will create cash flows to:
 - encourage communities to provide continued support to improved fisheries management and protected areas and to respect the use of sustainable fishing practices identified in co-management plans;
 - enable Mozambique and service providers to continue to engage with communities in a true co-management approach; to manage protected areas; to enforce restrictions in and outside of protected areas; and
 - sustain ongoing support by partner agencies within the context of the co-management areas to enable them to continue to work with local communities as a conduit with local government agencies as well as carbon credit markets.
- Improvements in non-fishing value chains will provide alternatives to fishing for thousands, leading to a reduction in pressure on marine ecosystems.

- Youth will learn about the benefits of combining protection of biodiversity and sustainable fishing at an early age and will provide the next generation of community leadership to maintain and expand upon this process.
- Institutional and individual capacity built during the Project will support all activities into the future.

(g) Policy, Legal, and Regulatory Reforms.

Mozambique's legal framework provides a comprehensive legal foundation for support to biodiversity and sustainable coastal livelihoods. Recent legislation also criminalizes and establishes prison sentences for a wide range of environmental crimes. This reflects society's (and Mozambique's) growing concerns about environmental damage and the way it is negatively affecting lives and livelihoods. However, with limited enforcement and poorly resourced government agencies, many of these laws are still not fully implemented as envisioned. This speaks to the need to support local communities, government agencies and organizations closer to the resource to be equipped to implement the legal framework. The CLCR Project will support institutional capacity to implement and build on the legal matrix governing the sector: Regulations for Marine Fishing (REPMAR), Marine Spatial Planning, Conservation Law and New Land Policy (2022), Law of the Sea (2019), Biodiversity Offsets (2021), and the Ministry of Fisheries Gender Strategy, 2015-2019.

C. IMPLEMENTATION FRAMEWORK

1. MCA-Moçambique

(a) Independence and Autonomy.

MCA-Moçambique will be established as a public institution with distinct legal personality and administrative, financial, and patrimonial autonomy including full powers of financial and administrative management of its funds and assets within the meaning of Law n° 14/2020 of 23 December (the SISTAFE Law) and the regulations made thereunder notwithstanding anything to the contrary in the SISTAFE Law. Therefore, MCA-Moçambique shall have the ability, without consultation with, or the consent or approval of, any other party, to: (i) enter into contracts in its own name, (ii) sue and be sued, (iii) establish bank accounts with financial institutions in its own name and hold MCC Funding and the Country Contribution in those accounts, (iv) expend MCC Funding and the Country Contribution, (v) engage contractors, consultants and/or grantees, including, without limitation, procurement and fiscal agents, and (vi) competitively engage one or more auditors to conduct audits of its accounts. The governance of MCA-Moçambique shall be set forth in more detail in the constitutive documents and internal regulations of MCA-Moçambique, which must be in form and substance satisfactory to MCC and in accordance with any related MCC policies.

MCA-Moçambique will be permitted to: (a) arrange for any foreign personnel (either individual consultants or personnel of firms) providing goods, works or services under the Compact along with their family to be provided promptly with any necessary entry or work visas, and any such visas will be exempt from any fees or costs payable to Mozambique; and (b) provide the foreign personnel (either individual consultants or personnel of firms) providing goods, works or services under the Compact with work permits and such other documents as shall be necessary to

enable the foreign personnel to perform services and to remain in Mozambique for the duration of the Compact, without the need to exit the country for any period in the interim.

Foreign staff of MCA-Moçambique who are not residents in Mozambique at the time of their hiring are guaranteed the right to transfer their salaries or remuneration outside Mozambique without any restrictions.

MCA-Moçambique shall be governed and managed by a board of directors (the “**Board of Directors**”) and an operations unit (the “**Operations Unit**”).

(b) Board of Directors.

The Board of Directors shall have ultimate responsibility for the oversight, direction, and decisions of MCA-Moçambique, as well as the overall implementation of the Program. The Board of Directors shall comprise 11 voting members and 2 non-voting members. As of the date hereof, the voting members of the Board of Directors shall include the following representatives:

Voting:

- Minister of Economy and Finance (Chair)
- Minister of Public Works, Housing, and Water Resources
- Minister of Land and Environment
- Minister of Sea, Inland Waters, and Fisheries
- Minister of Agriculture and Rural Development
- Minister of Gender, Children, and Social Action
- Governor of the Province of Zambezia
- Private Sector
- Private Sector
- Civil Society
- Civil Society

Non-voting observers:

- The Director Executivo of MCA-Moçambique
- MCC’s resident country director in Mozambique

Alternates:

- Deputies/designates to the above.

The number and composition of voting members may be changed through amendments to and in accordance with MCA-Moçambique’s constitutive documents and internal regulations with MCC’s approval. The non-government members shall be selected in accordance with the Governance Guidelines. In addition, MCC’s resident country director in Mozambique shall serve as an observer of the Board of Directors.

(c) Operations Unit.

The Operations Unit consists of the employees of MCA-Moçambique who have responsibility for the day-to-day activities and operation of the Program and for assisting the Board of Directors with implementing the Program. The Operations Unit shall be led by an executive

team comprising Director Executivo and the directors and officers as decided between the Parties, and further staffed with additional employees to support the executive team and enable the Operations Unit to execute its role and responsibilities. All employees of the Operations Unit shall be selected through an open, competitive, and non-discriminatory recruitment and selection process (or its equivalent).

2. Implementing Entities.

Subject to the terms and conditions of this Compact, the Program Implementation Agreement, and any Supplemental Agreement entered into in connection with this Compact, Mozambique intends to engage one or more governmental entities of Mozambique to assist with implementing one or more Projects or Activities (or a component thereof) (each, an “***Implementing Entity***”). The engagement of any Implementing Entity shall be subject to review and approval by MCC. Mozambique shall ensure that the roles and responsibilities of each Implementing Entity and other appropriate terms are set forth in an agreement, in form and substance satisfactory to MCC (each an “***Implementing Entity Agreement***”).

3. Fiscal Agent and Procurement Agent.

Unless MCC approves otherwise in writing, Mozambique shall engage a firm with expertise in financial management and reporting to serve as fiscal agent (the “***Fiscal Agent***”), and an individual or firm with expertise in public procurement and contract management to serve as procurement agent (the “***Procurement Agent***”). It is expected that the Fiscal Agent and Procurement Agent, respectively, shall assist Mozambique to ensure that all Program-related financial management activities and procurements are conducted in strict compliance with the principles, rules, and procedures set out in this Compact, the Program Guidelines, and related procedures or guidance. The duties of the Fiscal Agent and Procurement Agent, respectively, shall include those set forth in the Program Implementation Agreement, as well as those set forth in the respective agreements, each in form and substance satisfactory to MCC, entered into between Mozambique and each agent.

ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY

A multi-year financial plan summary (“*Multi-Year Financial Plan Summary*”) for the Program is attached to this Annex II as Exhibit A. By such time as specified in the Program Implementation Agreement, Mozambique shall adopt, subject to MCC approval, a multi-year financial plan that includes, in addition to the multi-year summary of estimated MCC Funding and the Country Contribution, the annual and quarterly funding requirements for the Program (including administrative costs) and for each Project, projected both on a commitment and cash requirement basis.

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**EXHIBIT A TO ANNEX II
MULTI-YEAR FINANCIAL PLAN SUMMARY**

	US\$						
	CFF	Year 1	Year 2	Year 3	Year 4	Year 5	Total
1. Transport & Rural Connectivity	\$ 24,500,000	\$ 47,061,000	\$ 60,444,000	\$ 80,220,000	\$ 40,047,000	\$ 58,228,000	\$ 310,500,000
1.1 Licungo Bridge + Mocuba Bypass	\$ 17,060,000	\$ 32,293,000	\$ 34,592,000	\$ 58,841,000	\$ 24,621,000	\$ 33,594,000	\$ 201,001,000
1.2 Rural Roads	\$ 2,440,000	\$ 9,793,000	\$ 21,192,000	\$ 17,036,000	\$ 11,269,000	\$ 21,769,000	\$ 83,499,000
1.3 PIR – Maintenance & Access to Women and Youth	\$ 2,000,000	\$ 2,575,000	\$ 2,260,000	\$ 1,943,000	\$ 1,757,000	\$ 465,000	\$ 11,000,000
1.4 CTR Program Management Office	\$ 3,000,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 15,000,000
2. Promoting Reform and Investment in Agriculture	\$ 4,500,000	\$ 5,213,000	\$ 5,617,000	\$ 5,164,000	\$ 4,640,000	\$ 4,866,000	\$ 30,000,000
2.1 Reforms Package for Taxation of Agricultural Investments	\$ 4,000,000	\$ 2,500,000	\$ 2,500,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 15,000,000
2.2 Zambezia Commercial Aggregator Platform Activity	\$ 500,000	\$ 2,713,000	\$ 3,117,000	\$ 3,164,000	\$ 2,640,000	\$ 2,866,000	\$ 15,000,000
3. Coastal Livelihoods & Climate Resilience	\$ 9,000,000	\$ 27,000,000	\$ 19,600,000	\$ 17,800,000	\$ 14,700,000	\$ 11,900,000	\$ 100,000,000
3.1 Partnership Climate Resilience (BioFund)	\$ 5,100,000	\$ 18,300,000	\$ 11,000,000	\$ 9,000,000	\$ 7,200,000	\$ 5,700,000	\$ 56,300,000
3.2 Partnership Coastal Livelihoods (ProAzul)	\$ 3,900,000	\$ 8,700,000	\$ 8,600,000	\$ 8,800,000	\$ 7,500,000	\$ 6,200,000	\$ 43,700,000
4. Monitoring & Evaluation	\$ 500,000	\$ 2,490,000	\$ 590,000	\$ 1,290,000	\$ 840,000	\$ 1,290,000	\$ 7,000,000
4.1 Monitoring & Evaluation	\$ 500,000	\$ 2,490,000	\$ 590,000	\$ 1,290,000	\$ 840,000	\$ 1,290,000	\$ 7,000,000
5. Program Administration	\$ 11,700,000	\$ 7,900,000	\$ 8,060,000	\$ 8,150,000	\$ 8,250,000	\$ 8,440,000	\$ 52,500,000
5.1 MCA Mozambique Administrative Expenses	\$ 8,500,000	\$ 5,500,000	\$ 5,660,000	\$ 5,750,000	\$ 5,850,000	\$ 6,000,000	\$ 37,260,000
5.2 Procurement Agent	\$ 1,550,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 7,300,000
5.3 Fiscal Agent	\$ 1,550,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 1,150,000	\$ 7,300,000
5.4 Audit	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 140,000	\$ 640,000
Total MCC Funding	\$ 50,200,000	\$ 89,664,000	\$ 94,311,000	\$ 112,624,000	\$ 68,477,000	\$ 84,724,000	\$ 500,000,000
Total GRM Contribution	\$ 5,000,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 7,500,000	\$ 2,500,000	\$ 37,500,000
Grand Total Compact Program Investment	\$ 55,200,000	\$ 97,164,000	\$ 101,811,000	\$ 120,124,000	\$ 75,977,000	\$ 87,224,000	\$ 537,500,000

ANNEX III

COMPACT MONITORING & EVALUATION FRAMEWORK

This Annex III outlines the monitoring and evaluation (“*M&E*”) framework for this Compact, which shall be further elaborated in an M&E plan (“*M&E Plan*”). The actual structure and content of the M&E Plan, which may differ from those specified in this Annex III, shall be agreed to by the Parties in accordance with the *Policy for Monitoring and Evaluation of Compact and Threshold Programs* (the “*M&E Policy*”). The M&E Plan may be modified from time to time as described in the M&E Policy without requiring an amendment to this Annex III. The M&E Plan shall be posted publicly on the MCC Website and updated as necessary.

1. Objective

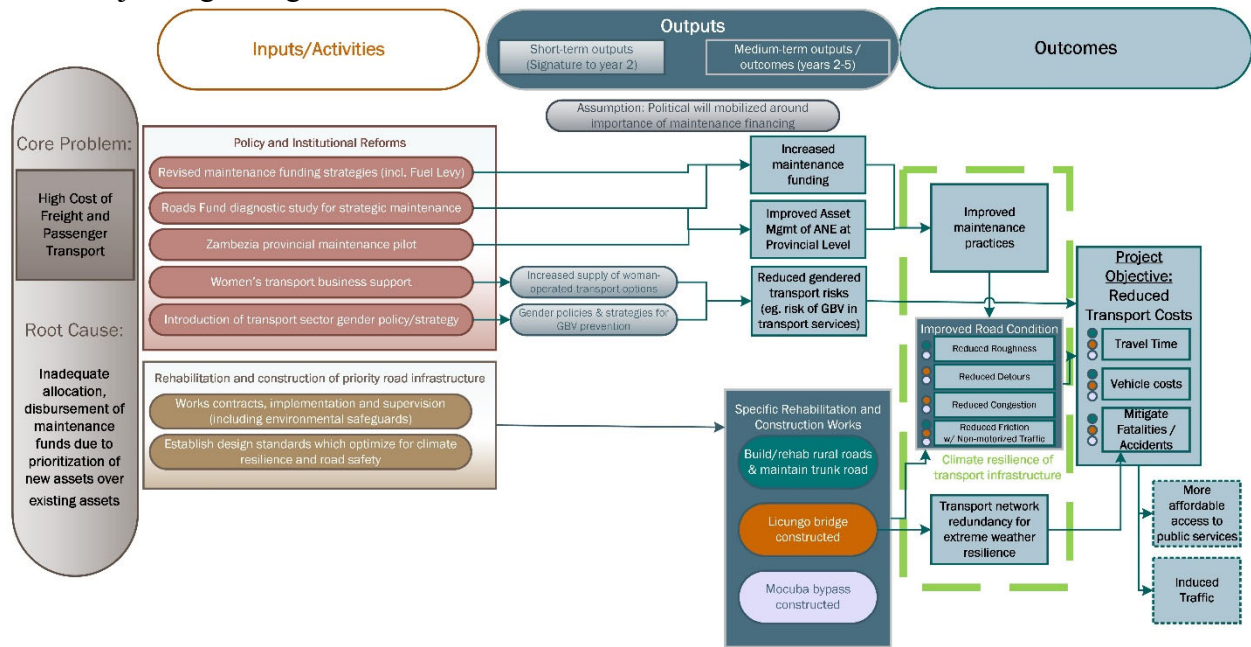
MCC and Mozambique shall formulate and agree to, and Mozambique shall implement or cause to be implemented, an M&E Plan that explains in detail how and what MCC and MCA-Mozambique shall (i) monitor to determine whether the Projects are on track to achieve their intended results (“*Monitoring Component*”), and (ii) evaluate the achievement of intended results for accountability and learning (“*Evaluation Component*”). The M&E Plan shall summarize all Indicators that must be reported to MCC on a regular basis, as well as the Indicators and complementary data to be collected for evaluation of the Program. The M&E Plan shall also include any M&E requirements that MCA-Mozambique must meet in order to receive Disbursements and shall serve as a communication tool so that MCA-Mozambique staff and other stakeholders clearly understand the project objectives and Targets that MCA-Mozambique is responsible for achieving. The results of M&E activities, measured by monitoring data and evaluations, shall be made publicly available on the website of MCA-Mozambique and on the MCC Website.

2. Project Logic Diagrams

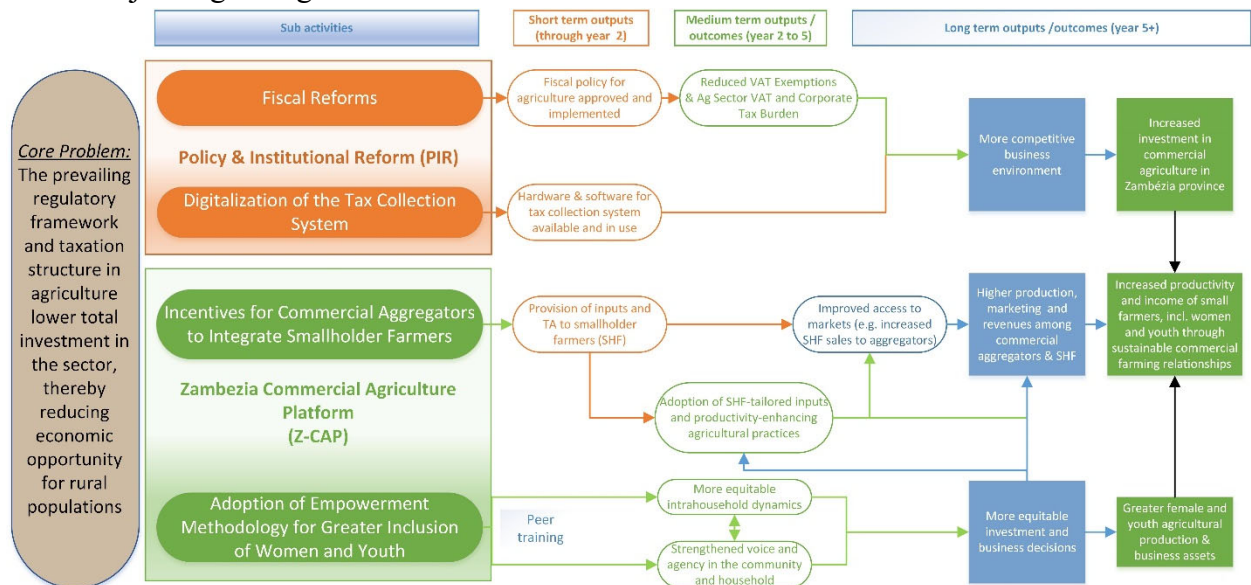
The M&E approach for each Project is built on the project logic diagram, which illustrates the cause-and-effect theory of how a Project’s interventions work together to achieve the Project Objective and details key intermediate results expected along the way. The project logic diagram provides a graphical representation of the Project as described in Section B of Annex I of this Compact and of the impacts targeted by the Project as described below in the section titled *Projected Economic Benefits and Beneficiaries*.

The project logic diagrams for the Program are as follows:

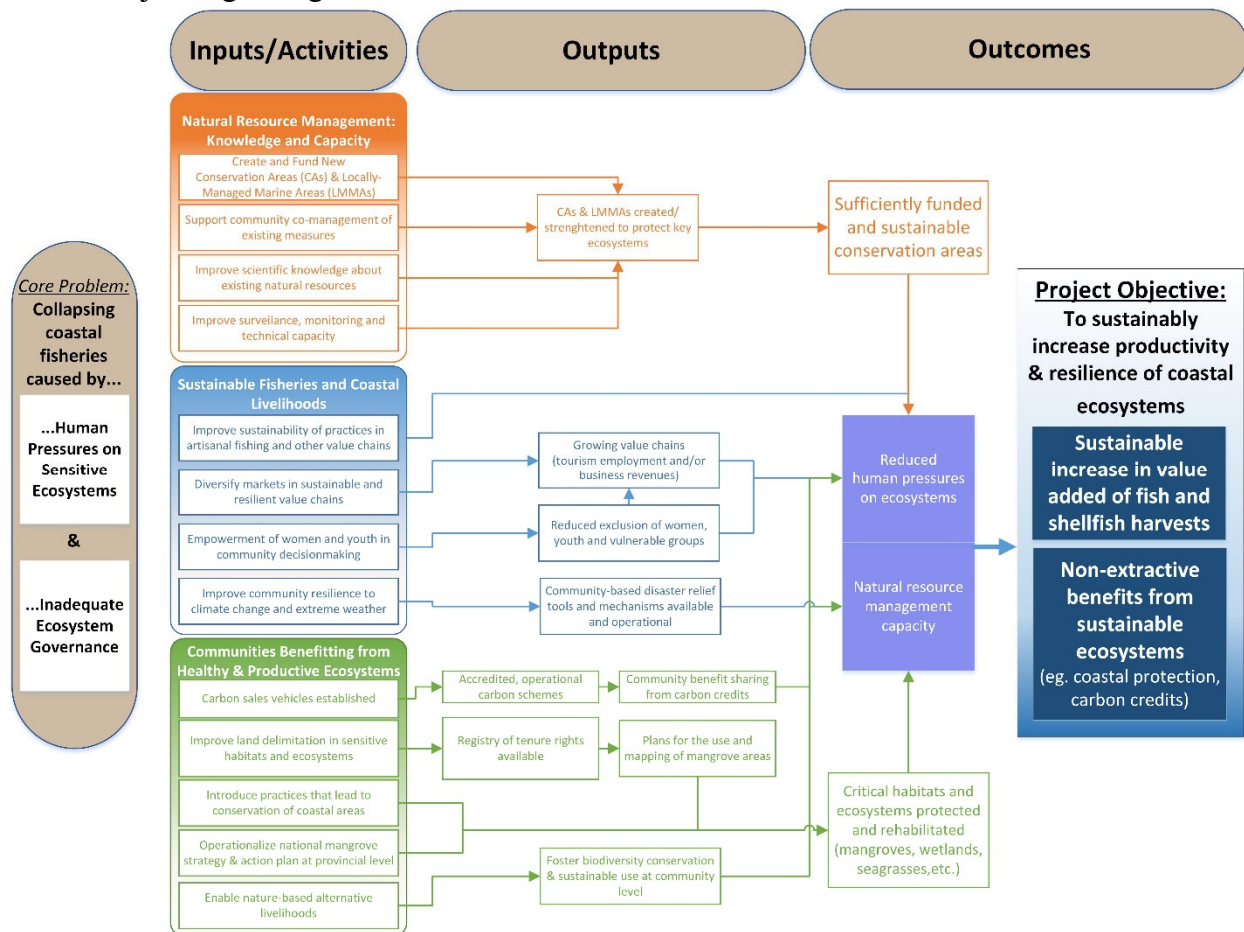
CTR Project logic diagram:



PRIA Project logic diagram:



CLCR Project logic diagram:



3. Projected Economic Benefits and Beneficiaries

The economic analysis of compact programs aligns with the theory reflected in the project logic diagrams. It consists of a cost-benefit analysis, which is summarized by an estimated economic rate of return (“*ERR*”), and a beneficiary analysis. The economic analysis informs the Indicators for each Project and is summarized below.

3.1. Projected Economic Benefits

Cost-Benefit Analysis (“*CBA*”) is completed to determine whether project costs are justified by the estimated economic benefits that can be directly attributed to the Project. The underlying economic logic of the CBA model(s) follow(s) the project logic diagrams depicted above. Additionally, several of the variables included in the model become key Indicators to monitor the Project(s) and evaluate whether each Project achieved its objective as set forth in Section 1.2 of this Compact, as well as determining its cost effectiveness. Each model includes estimated benefits and the total estimated costs to reach those intended benefits, whether costs are incurred by MCC, Mozambique, another donor, or another entity. These are typically examined over a 20-year period, unless noted otherwise.

The table below provides a summary of the estimated ERRs for the Projects. The text following the table describes the general methodology and logic of the CBA model(s), as well as the key benefit streams, costs, assumptions, risks, etc. for each of the calculated ERRs.

Project/Activity	Estimated Economic Rates of Return
Overall Compact	14.7
Connectivity and Rural Transport Project	12.6
Activity 1: Licungo Bridge + Mocuba Bypass	10.7*
Activity 2: Rural Roads	11.9†
Activity 3: PIR – Maintenance and Access to Women and Youth	13.5
Promoting Reform and Investment in Agriculture Project	19.9
Activity 1: PREFIA	21.1
Activity 2: ZCAP	17.1
Coastal Livelihoods and Climate Resilience Project	17.7

* Calculated over a 40-year time horizon.

† ERR and net present value estimates for the Rural Roads Activity are based on the aggregate net benefits from a large basket of potential investments that have been pre-screened for compliance with MCC investment criteria. Net benefits and net present value are scaled down based on the Multi-Year Financial Plan Summary in Annex II. Specific investments will be selected prior to entry-into-force of the Compact and the activity-level ERR estimate will be correspondingly updated.

The Connectivity and Rural Transport Project

The Licungo Bridge Activity is expected to construct a new bridge over the Licungo river to the south of the city of Mocuba, as well as a bypass road to facilitate access to this new bridge. The new bridge is expected to avert negative outcomes that would occur if the current bridge, located inside the city of Mocuba, were to go out of service. These negative outcomes would primarily include (i) diversion of heavy freight through traffic along an international detour through Malawi, (ii) diversion of more local through traffic along a national detour to the north of Mocuba (when this route is not also out of service), (iii) diversion of local traffic to boat passage across the Licungo river, and (iv) cancellation of trips across the Licungo river. These negative outcomes

would result in increased vehicle operating costs and increased travel times for diverted motorized and non-motorized traffic, as well as loss of the value of cancelled trips.

Forecast effects of the current bridge going out-of-service are primarily based on effects that occurred when the current bridge went temporarily out of service in 2015, origin-destination survey responses, traffic surveys, market surveys, and freight transport firm and other stakeholder interviews. The forecast probability that the current bridge is out-of-service in any given year is based on expert opinion of MCC's due diligence consultants, who expect substantially higher risk of total or embankment failure going forward due to structural defects resulting from increased bridge age and traffic, as well as increased hydrological risks due to climate change effects. The ERR forecast is very sensitive to the probability of current bridge failure, which is highly uncertain.

The Rural Roads Activity is expected to result in improved road surfaces, reducing vehicle operating costs and facilitating time-savings due to increased average speeds. Project benefits are expected to accrue both to users of the road for trips that would occur in absence of this Activity (current traffic level plus "normal" traffic growth), as well as to users of the road for trips expected to occur due to reduced transport costs resulting from this Activity ("generated" traffic growth). Secondary benefit streams, including road safety, reduced cargo spoilage and reduced local pollution (e.g., dust) will be incorporated into the models prior to entry-into-force of the Compact.

The Policy, Institutional Reform, and Capacity Building Activity is expected to increase the availability of funding for, and improve the planning and execution of, periodic and routine maintenance of Mozambique's national road network. These improved road maintenance standards are expected to improve road conditions and in turn reduce road user vehicle operating and travel time costs. These effects are modelled using HDM-4's strategy analysis module, which forecasts the effects of improved maintenance standards on approximately 90 road section types that are representative of Mozambique's network. This Activity also includes the women's mobility sub-activity that is expected to reduce gender-based violence and harassment on public transport. These benefits will be explicitly modelled prior to entry-into-force of the Compact.

The Promoting Reform and Investment in Agriculture Project

The PREFIA Activity aims to improve market efficiency and competitiveness through implementation of revenue-neutral fiscal reforms, including (i) reduction of the statutory agricultural corporate income tax ("*CIT*") from 32% to 10%, and (ii) an offsetting VAT revenue increase of 2.15%, achieved through increased collections resulting from reduction to the number of exemptions and zero-rates in the VAT structure. The agricultural CIT reduction is expected to gradually increase agricultural foreign direct investment, leading to increased Mozambican GDP. The corresponding VAT increase is expected to reduce GDP, although more modestly, an effect partially offset by economic efficiency gains resulting from the reduction to exemptions and zero-

rates in the VAT structure.³ A product-by-product input-output table was derived to estimate revenue effects of changes to the VAT structure, as well as the distributional effects of proposed VAT reforms.

While the PREFIA Activity's ERR of 21.1% indicates high potential to generate economic returns exceeding the 10% hurdle rate, this Activity is an innovative pilot with substantial risks such that the ERR forecast is highly uncertain. The ERR is particularly sensitive to the size of the agricultural foreign direct investment increase resulting from the CIT rate reduction, the effect of agricultural foreign direct investment on GDP, and the ramp-up rate of the CIT reduction effect. In addition, if the CIT rate reduction were to be implemented temporarily rather than permanently, the reduction would not be expected to affect foreign direct investment, implying near complete failure of the reform.

The ZCAP Activity aims to apply results-based financing and technical assistance to build stronger, sustainable commercial relationships between aggregators and smallholder farmers. These relationships are expected to facilitate reliable smallholder farmer access to input and output markets and extension services, leading to increased adoption of basic inputs (seeds and fertilizer) and improved cultivation techniques, and in turn increased smallholder farmer agricultural productivity and incomes. Weather-related productivity shocks are assumed to occur every three years and smallholder farmer dropout rates are assumed to start very high and attenuate over time. The Gender Action Learning System investment component is assumed to reduce women farmers' dropout rates. Additional effects of Gender Action Learning System on women farmers' productivity and gender-based violence will be modelled prior to entry-into-force of the Compact.

While the ZCAP Activity's ERR of 17.1% indicates high potential to generate economic returns exceeding the 10% hurdle rate, this Activity is an innovative pilot with substantial risks such that the ERR forecast is highly uncertain. The ERR is particularly sensitive to the size of the yield increase resulting from the investment, the average cost of the input package and the smallholder farmer dropout rate. The Parties will focus on identifying opportunities to bolster performance along these dimensions during design work prior to entry-into-force of the Compact.

The Coastal Livelihoods and Climate Resilience Project

The Coastal Livelihoods and Climate Resilience Project addresses the policy, legal, and regulatory framework of the Mozambican fisheries sector and the resulting destruction of fish stocks while simultaneously addressing the region's climate vulnerability. Better fisheries regulation and participatory management measures are aimed at restoring and conserving the marine breeding grounds, while conservation activities and mangrove planting both increase the size and security

³ Mozambique PRFA Methodology (2022), Klemm and Van Parys (2009), Awunyo-Vito and Sackey (2018), and Ereno (2021)

of key fish habitats and nurseries while simultaneously providing storm surge protection benefits and carbon sequestration.

The theory of change model for this Project states, in part, that sustainable fisheries, diversification of livelihoods, and improvements to resilience against climate-related damages will result in the following Project outcomes: increased ecosystem productivity; increases in sustainable yields and marketable values of fish and shellfish harvests; protection from loss of life and property; and new revenue streams from increased tourism and sale of carbon credits.

The CLCR Project ERR is preliminarily estimated at 17.7% and will be subject to change as activity designs and feasibility studies are completed prior to entry-into-force of the Compact. The Project-level cannot be disaggregated at this time, as costs and benefits are not neatly aligned with either specific project partners or components and are organized by categories like personnel and capital expenditures, as opposed to costs related to specific benefit streams.

Key benefit streams included in the cost-benefit model include value added in fish production from improved fisheries management and no-take zones; value added in fish production from mangrove recovery and expansion; value added in shrimp production from mangrove recovery and expansion; avoided loss of property from storm damage; and carbon credit sales on the voluntary market.

Key assumptions in the model include the estimated value of property losses averted per hectare of mangrove, the number of hectares of mangrove replanted by the project, the percentage of artisanal fish captures affected by improved fisheries management activities, and the percentage of carbon sales successfully executing on the voluntary market. These parameters have been singled out for sensitivity analysis, utilizing both “pessimistic” and “optimistic” values based on the literature and expert opinion. The sensitivity analysis suggests the project is robust to changes in these parameters, with the ERR remaining above the hurdle in all cases.

Current results suggest that the ERR will be above the hurdle rate and only significant changes would put the project at risk of falling below 10%. Additionally, the model has been peer reviewed in terms of methods for calculating benefit streams, though assessment and refinement of exact model structure and parameters, including coastal protection values – a key benefit driver, is ongoing. Until this parameter is more fully refined, the model utilizes an extremely conservative estimation in order to calculate related benefits. Another round of more detailed CBA modeling will be performed as design and feasibility studies are completed following compact signing. These studies are currently projected to be completed prior to entry-into-force of the Compact.

3.2. Projected Program Beneficiaries

The M&E Plan shall also document the analysis conducted to identify the persons or entities expected to benefit from the Program. Beneficiary analysis is an extension of the CBA and seeks to disaggregate the total benefits to determine specifically which segments of society will benefit

from the Projects and Activities. MCC considers beneficiaries of Projects and Activities to be those people who experience better standards of living as a result of the Project or Activity (as the case may be) through higher real incomes.⁴ For definitional purposes, it is important to note that not all MCC project participants are necessarily project beneficiaries. The expected beneficiaries of this Compact over 20 years (unless noted otherwise) are shown in the following table. The text below the table provides a description of the beneficiaries.

Project/Activity	Estimated Beneficiaries
<i>Connectivity and Rural Transport Project</i>	57,400,000
<i>Promoting Reform and Investment in Agriculture Project</i>	1,900,000
<i>Coastal Livelihoods and Climate Resilience Project</i>	1,500,000
<i>Overall Compact*</i>	57,400,000

* The CLCR and PRIA Project beneficiaries are also expected to benefit from the CTR Project. Therefore, the total number of beneficiaries is equal to the number of CTR Project beneficiaries.

Connectivity and Rural Transport Project

The Licungo Bridge investment is expected to directly benefit 372,000 direct users. In addition to these unique users who directly benefit, reduced transportation costs related to the investment are expected to indirectly benefit roughly 13.3 million individuals living to the north and east of the Licungo river through reduced cost of transported goods and services. The number of road users who benefit from the Rural Roads Activity will depend on the exact segments chosen and the extent to which there is overlap between unique users of the chosen segments.

According to MCC's Guidelines for Economic and Beneficiary Analysis, the road maintenance Policy, Institutional Reform and Capacity Building Activity fits the criteria for a national-scale investment and, therefore, the entire population of the country—assessed at the 20th year of the time-horizon for the analysis—should be considered to benefit. This would include roughly 57.4 million individuals, according to UN World Population Prospects forecasts.⁵

⁴ As used in this Compact, the term “beneficiary” has the meaning described in the *Guidelines for Economic and Beneficiary Analysis*.

⁵ United Nations, Department of Economic and Social Affairs, Population Division (2022). World Population Prospects 2022, Online Edition.

Promoting Reform and Investment in Agriculture Project

The ZCAP Activity is expected to benefit roughly 34,600 smallholder farmers and 148,000 individuals in total.⁶ The PREFIA Activity is a fiscal reform that is expected to result in substantial transfers between individuals. Roughly 7.5 million individuals are expected to experience a gain in welfare as a result of the investment, while 5.7 million are expected to experience a loss. The table above reflects the net number of people expected to benefit, or 1.8 million.

Coastal Livelihoods and Climate Resilience Project

Individuals benefiting from this project are assumed to include all people living within 15 km of the Mozambican coastline where the fisheries management interventions and mangrove restoration will occur. Individuals within 15 km of the coast are most likely to utilize the mangroves and fishing grounds for livelihood purposes, and also are most likely to benefit from the storm protection benefits. The aggregated CLCR Project beneficiary count in the table above was calculated using GIS mapping and population data.

4. Monitoring Component

As defined in the M&E Policy, monitoring is the continuous, systematic collection of data on specified Indicators to measure progress toward project objectives and the achievement of intermediate results along the way. The Monitoring Component of the M&E Plan summarizes the monitoring strategy to monitor progress toward achieving the results of this Compact, which requires identifying the (i) Indicators, (ii) definitions of the Indicators, (iii) Baselines and Targets, (iv) sources and methods for data collection, (v) frequency for data collection, (vi) reporting requirements, including the party or parties responsible for collecting, analyzing, and reporting relevant data, along with the process and timeline for reporting on each Indicator to MCC, and (vii) approach to assessing and ensuring data quality. It should be noted that some Indicators continue to be tracked after the Compact Term as necessary.

4.1. Indicators. The M&E Plan shall measure the results of the Program using quantitative or qualitative variables that provide a simple and reliable means to measure achievement of targeted results (“*Indicators*”).

4.1.1. Definitions.

The M&E Plan shall establish definitions for every Indicator. Indicator definitions should be operationally precise, such that they can be consistently measured across time and by different data collectors. There should be no ambiguity about what is being measured, how to calculate it, what or who the sample is, or how to interpret the results.

⁶ Note that MCC considers all household members of an individual who benefits from an investment to also benefit from that investment.

4.1.2. Baselines.

The M&E Plan shall document baselines for every Indicator (each a, “**Baseline**”). An Indicator’s Baseline should be established prior to the start of the corresponding Project, Activity and/or sub-activity. Baselines demonstrate that the problem can be specified in measurable terms and thus are a pre-requisite for adequate intervention design. Mozambique shall collect Baselines on the selected Indicators or verify already collected Baselines where applicable.

4.1.3. Targets.

The M&E Plan shall document for each Indicator the expected value and the expected time by which the corresponding result shall be achieved (“**Target**”).

4.1.4. Disaggregation of Indicators.

The M&E Plan shall indicate which Indicators shall be disaggregated by sex, income level, age, and other relevant subgroups to the extent practical and applicable.

4.1.5. Indicator Levels.

The M&E Plan shall include Indicators at the following levels: outcome, output, process, and risk/assumption, as defined in the M&E Policy.

4.1.6. Common Indicators.

MCC’s Common Indicators (as described in the M&E Policy) shall also be included as relevant. Additional guidance on Indicator reporting is contained in the *Guidance on Common Indicators*.

4.1.7. Modifications of Indicators and Targets.

Subject to prior written approval from MCC and in accordance with the M&E Policy, Mozambique may add or retire Indicators or refine the definitions, Targets, or other aspects of existing Indicators.

4.1.8. Indicator Tracking Table.

MCA-Mozambique must report to MCC on monitoring Indicators in the M&E Plan on a quarterly basis using an Indicator Tracking Table (“**ITT**”) in the form provided by MCC. No changes to Indicators, Baselines or Targets may be made in the ITT until the changes have been approved in accordance with the M&E Policy. Additional guidance on indicator reporting is contained in the *QDRP Guidance* and the *Guidance on the Indicator Tracking Table*.

The M&E Plan shall contain the monitoring Indicators listed in Table(s) 1.1, 1.2 and 1.3.

5. Evaluation Component

While good program monitoring is necessary for program management, it is not sufficient for assessing the achievement of intended results. MCC therefore requires the use of evaluation as a complementary tool to better understand the effectiveness of its programs. As defined in the M&E Policy, evaluation is the objective, systematic assessment of a program’s design, implementation, and results. MCC is committed to making its evaluations as rigorous as warranted in order to understand the causal impacts of its programs on the expected outcomes.

5.1. Independent Evaluations. Every Project must undergo a comprehensive, independent evaluation in accordance with the M&E Policy. The Evaluation Component of the M&E Plan shall describe the purpose of the evaluation, methodology, timeline, required MCC approvals, and the process for collection and analysis of data for each evaluation. All independent evaluations must be designed and implemented by independent, third-party evaluators.

For each independent evaluation, MCA-Moçambique (or, after the Compact Term, such other entity of Mozambique designated to support post-program M&E activities) is expected to review and provide feedback to independent evaluators on the evaluation materials and reports in order to ensure proposed evaluation activities are feasible, and final evaluation products are technically and factually accurate. The results of all evaluations shall be made publicly available in accordance with the M&E Policy.

The following evaluations are planned for the Program:

Connectivity and Rural Transport (CTR) Project Evaluation

Evaluation Questions:

Question 1: Was the Project implemented according to plan (in terms of quantity and quality of outputs)?

Question 2: Did the Project achieve its stated objective of reduced transport costs in Zambezia? Why or why not?

- See indicator(s) associated with the objective statement in the indicator table below. The timeframe for measuring the achievement of the objective will be four years after the Compact concludes, which is expected to occur in 2030; results would therefore be measured in 2034 in such a scenario.

Evaluation Methodology: This is likely to be a performance evaluation that will assess the determinants of overall transport costs in the targeted corridors. The methodology for evaluating the CTR Project will primarily use modeling, based on the HDM-4 model. In addition, the evaluation will consider mixed methods approaches to evaluating policy reform results, which will largely rely on a pre-post methodology. The evaluation will explore the adequacy of road maintenance, the cost of transport for road users, and the changes to women's mobility.

Promoting Reform and Investment in Agriculture (PRIA) Project Evaluation

Evaluation Questions:

Question 1: Was the Project implemented according to plan (in terms of quantity and quality of outputs)?

Question 2: Did the Project achieve its stated objective of increasing investment, productivity, and incomes of Mozambique’s agricultural sector? Why or why not?

- See indicator(s) associated with the objective statement in the indicator table below.

Evaluation Methodology: While the use of results-based financing may allow for some more interesting triangulation of the impacts of the ZCAP Activity interventions on smallholder farmers and their households as well as commercial aggregators, the most likely evaluation approach will involve collecting baseline data on communities in question (it is unlikely that a true baseline of smallholder farmers would be feasible, though a baseline of selected aggregators is being explored), followed by an endline survey shortly after completion of the Compact’s term. It may be worthwhile to explore the survival and progression of aggregators and their supply chain/outgrowers further into the post-Compact term, but the precise timing has not yet been discussed. Finally, given the importance of taxation and fiscal questions to the Project’s expected benefits, it will also be important for the evaluation to conduct some form of fiscal incidence exercise to determine whether the approach to tax reform evaluated during the due diligence phase was eventually adopted and whether the expected outcomes were finally observed in Mozambique’s taxation and investment data. Finally, while it does not appear that rigorous evaluation of the Gender Action Learning System methodology will be feasible, it will certainly be important to understand more about both the method of implementation finally deployed for the Gender Action Learning System and understanding what its expected outcomes are, as this will be essential to conducting a high-quality evaluation.

Coastal Livelihoods and Climate Resiliency (CLCR) Project Evaluation

Evaluation Questions:

Question 1: Was the Project implemented according to plan (in terms of quantity and quality of outputs)?

Question 2: Did the Project achieve its stated objective of increased ecosystem productivity via sustainable increase in value added of fish and shellfish harvests and non-extractive benefits from sustainable ecosystems? Why or why not?

- See indicator(s) associated with the objective statement in the indicator table below.

Evaluation Methodology: The CLCR Project’s evaluation will likely be both institutionally complex, in that tight coordination with selected partners as well as sub-grantees/partners will be essential to both understand the planned and realized activities as well as to coordinate on access to participant communities/households/organizations for any necessary surveys and data collection. The evaluation will most likely be a pre-post evaluation, likely with important modelling exercises to better understand the expected and realized ecosystem impacts of key interventions. Many of the proposed activities may not be easily evaluated for their impacts and will likely be more helpfully evaluated for implementation fidelity/quality.

To facilitate the evaluations, Mozambique shall share with MCC any necessary data, documentation, or other information required to assess the achievement of results targeted by the Program. All such information provided by Mozambique for evaluation purposes shall be de-identified and/or generalized in reporting, such that sensitive details shall not be made public. More detailed information on required data sources to be provided by Mozambique shall be set forth in the M&E Plan.

6. Data Quality Reviews.

Data Quality Reviews (“**DQR**”) are a mechanism to review and analyze the quality and utility of performance information. They cover all data reported in the ITT, and all primary sources that feed into that reporting. DQRs may be conducted internally by MCA-Moçambique and MCC M&E staff, or by a third-party. DQRs should review data against the following standards: accuracy, consistency, timeliness and transparency. The frequency and timing of DQRs must be set forth in the M&E Plan; however, in addition to a pre-implementation DQR, at least one DQR is required during implementation, and MCC may request a DQR at any time. DQRs should be timed to occur once the ITT reflects several quarters of reporting but early enough in the Compact Term that meaningful remedial measures (if any) may be taken depending on the results of the review.

7. Other Components of the M&E Plan.

In addition to the monitoring and evaluation components, the M&E Plan shall include the following components:

7.1. Implementation and Management of M&E.

7.1.1. Review and Modification of the M&E Plan.

This section describes the approach to ensuring the M&E Plan is kept as current as possible, including how often the M&E Plan is expected to be reviewed and modified in accordance with the M&E Policy. All major modifications and the justifications therefor are documented in an annex to the M&E Plan and must be submitted to and approved by MCA-Moçambique’s Board of Directors. All M&E Plan modifications, whether major or minor, proposed by MCA-Moçambique must be submitted to MCC for prior written approval.

7.1.2. Post Compact Responsibilities.

Evaluation activities under the M&E Plan are expected to continue beyond the end of the Compact Term and MCA-Moçambique shall identify the individuals and organizations within Mozambique that shall support these activities through completion, which will include the National Directorate for Monitoring and Evaluation of the Ministry of Economy and Finance. This section describes the M&E responsibilities of MCA-Moçambique during the Program’s closure period and of MCC, Mozambique, and any other relevant entities after the Program has ended.

7.2. **Budget.** The budget for implementing the proposed M&E activities for the term of the Program is set forth in Annex II to this Compact. The M&E budget does not include costs for the salaries of the M&E staff in the MCA-Moçambique or field visits, both of which are included in the administrative budget of the Program, but does include capacity building for the National Directorate for Monitoring and Evaluation of the Ministry of Economy and Finance.

8. Responsibility for Developing the M&E Plan.

Responsibility for developing the M&E Plan lies with the M&E Director of MCA-Moçambique with support and input from MCC’s M&E and economic staff. MCA-Moçambique leadership and sector leads, stakeholders of Mozambique, the MCC Resident Country Mission in Mozambique, and other MCA-Moçambique and MCC staff (such as cross-cutting leads) shall assist with the development of the M&E Plan. MCC and MCA-Moçambique Project/Activity leads are expected to (i) guide the selection of Indicators for results that do not yet have an associated Indicator, (ii) support the refinement of indicator information, and (iii) review the Baseline and Target for each Indicator.

9. Approval and Implementation of the M&E Plan.

The approval and implementation of the M&E Plan, as modified from time to time, shall be in accordance with the Program Implementation Agreement, any other relevant Supplemental Agreement and the M&E Policy and associated guidance documents. The M&E Plan may undergo peer review within MCC before the beginning of the formal approval process.

Tables 1.1, 1.2, and 1.3: Project Indicators

The table below lists the preliminary set of monitoring and evaluation Indicators linked to each result in the project logic diagrams. Indicators that can be reported on at least an annual basis shall be included in quarterly monitoring indicator reports, while Indicators that require survey data or a longer time period to track shall be included in evaluation reports.

Table 1.1: Connectivity and Rural Transport Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
PROJECT OBJECTIVE: Reduced transport costs in Zambezia						
Reduced transport costs, including travel time, vehicle costs,	Kilometers of secondary and rural roads completed at project end	The length of roads in kilometers on which construction of new roads or reconstruction, rehabilitation, resurfacing, or upgrading of existing roads is complete (certificates handed over and approved).	Kilometers	0 (2022)	142.5 (2030)	Y

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
mitigate fatalities/accidents	New bridge completed over the Licungo River	The length of bridge in meters on which Compact investment is complete (certificates handed over and approved)	Meters	0 (TBD)	1,818 ⁷	Y
	Total transportation cost savings (Secondary and Rural Roads)	Total (undiscounted) cumulative cost savings for operating a vehicle on the road as a result of the Compact, as modelled by HDM-4, and expressed in monetized form.	2022 US Dollars	0 (2023)	265 million ⁸ (2048)	N
	Total transportation cost savings (Licungo Bridge & Mocuba Bypass)	Total (undiscounted) cumulative cost savings for bridge users as a result of the Compact, as modelled by MCC, and expressed in monetized form.	2022 US Dollars	0 (2023)	2.495 billion (2068)	N
Outcome Indicators						
Improved maintenance practices	Completion of study on Zambezia maintenance practices	Date on which a study is completed identifying key gaps in existing maintenance practices in Zambezia	Date	TBD (TBD)	TBD	N
	Time during which the Licungo River crossing does not have an operable bridge crossing	Average number of days per year in which there is not a viable bridge for passenger and cargo transport vehicles to cross the Licungo River	Days/year	12.1 (avg. 2012-2022)	0 (2030)	N
	Roads condition data completed exhaustively for Zambezia	Date on which road condition data is completed for all primary and secondary roads in Zambezia	Date	TBD (TBD)	TBD	N
	Road traffic fatalities	The number of road traffic fatalities per year on roads constructed, rehabilitated, improved, or maintained with Compact funding.	Number	TBD (TBD)	TBD	N
	Average daily road users	The average number of road users per day, averaged over different times (day and night) and over different	Number	TBD (TBD)	TBD	N

⁷ Measured between abutment ends, according to EU-funded feasibility study.

⁸ Baseline and target indicators are estimated based on the basket of potential roads being scaled down to a feasible basket based on current estimated budgets for rehabilitations.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
Reduced transport costs, including travel time, vehicle costs, mitigate fatalities/accidents		seasons to arrive at an annualized daily average.				
	Travel speed	Average actual speed of a vehicle travelling the full road segment, including any time stopped by congestion, traffic lights, and/or traffic control people.	Kilometers per hour	TBD (TBD)	TBD	N
	Trip purpose – business	Percent of road users travelling for business (work or commuting to/from work) (numerator) divided by the total number of road users travelling (denominator).	Percentage	TBD (TBD)	TBD	N
	Trip purpose – leisure	Number of road users travelling for leisure (visiting family/friends, entertainment) (numerator) out of the total number of road users travelling (denominator), expressed as a percentage.	Percentage	TBD (TBD)	TBD	N
	Cargo weight	Average weight, measured in kilograms, of cargo being transported in a vehicle using the road.	Kilograms	TBD (TBD)	TBD	N
	Cargo value	Average value in US Dollars of cargo being transported in a vehicle using the road.	US Dollars	TBD (TBD)	TBD	N
	Cost of transportation	The estimated cost of using the road in USD per kilometer, disaggregated by vehicle type.	US Dollars/Kilometer	TBD (TBD)	TBD	N
	Average vehicle weights	Average weight of an unloaded vehicle, in metric tons, disaggregated by vehicle type	Metric tons	TBD (TBD)	TBD	N
	Reduced detours	TBD	TBD	TBD (TBD)	TBD	N
Reduced congestion	TBD	TBD	TBD (TBD)	TBD	N	
Reduced friction with non-motorized traffic	TBD	TBD	TBD (TBD)	TBD	N	

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
Improved road condition	Road network roughness	The share of the road network that falls into country-defined categories of road roughness (for example: bad (IRI>8), poor (6<IRI<8), fair (4<IRI<6), and good (IRI<4)). Road roughness will be measured in terms of the International Roughness Index (IRI).	Percentage	TBD (TBD)	TBD	N
	International Roughness Index on rehabilitated secondary and rural roads ⁹	The measure of the roughness of the road surface, in meters of height per kilometer of distance traveled.	Meters per kilometer	10.2 (2023)	3.1 (2032)	N
	Annual average daily traffic on the Licungo Bridge	The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average.	Vehicles/day	Cars 918 Pickup 392 Minibus 287 Bus 42 2 Axle Truck 503 3 Axle Truck 72 Articulated Truck 133 Motorcycle 11,995 Bicycle 3,330 Pedestrian 10,389 (2022)	Cars 1,461 Pickup 624 Minibus 366 Bus 48 2 Axle Truck 745 3 Axle Truck 151 Articulated Truck 229 Motorcycle 19,097 Bicycle 4,059 Pedestrian 12,664 (2032)	N
	Annual average daily traffic on rehabilitated secondary and rural roads ¹⁰	The average number and type of vehicles per day, averaged over different times (day and night) and over different seasons to arrive at an annualized daily average.	Vehicles/day	Bus 19.3 Truck – Heavy 5+ axles 78.5 Truck – Heavy ¾ axles 24.3 Truck – Medium 83.6 Truck – Light/Small 41.2 Pickup 89.0 Minibus 72.2 Motorcycle 348.6 Cars 162.1 Bicycles 378.0 Pedestrians 532.8 (2022)	Bus 45.4 Truck – Heavy 5+ axles 185.5 Truck – Heavy ¾ axles 57.2 Truck – Medium 193.9 Truck – Light/Small 95.5 Pickup 207.2 Minibus 171.1 Motorcycle 746.8 Cars 380.5 Bicycles 493.8 Pedestrians 385.4 (2032)	N

⁹ Baseline and target indicators are estimated based on the basket of potential roads, weighted according to length of the road segment.

¹⁰ Baseline and target indicators are estimated based on the basket of potential roads, weighted according to a segment's estimated investment cost.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
Reduced gendered transport risks (e.g., risk of gender-based violence in transport services)	Incidence of reported harassment in public/collective transport	N/A	Qualitative	N/A	Decrease expected (no specific target)	N
Increased supply of woman-operated transport options	Gender-ratio of road users (disaggregated by passengers and drivers)	Degree to which transportation users are able to effectively access woman-operated taxis	Qualitative	N/A	Increase expected (no specific target)	N
Climate resilience of transport infrastructure	TBD	TBD	TBD	TBD (TBD)	TBD	N
Transport network redundancy for extreme weather resilience	First date on which two vehicle bridges are available over the Licungo River	First date on which two vehicle bridges are available over the Licungo River	Date	N/A	Compact End Date	N
Output Indicators						
Increased maintenance funding	Percentage of annual maintenance budget allocated	Amount of road maintenance funds allocated by the central government to the road maintenance agency for the year (numerator) out of the total amount requested by the national road maintenance agency for the year (denominator), expressed as a percentage.	Percentage	TBD (TBD)	TBD (TBD)	Y
	Percentage of annual maintenance budget spent	Amount of road maintenance budget spent by the roads maintenance agency for the year (numerator) out of the amount of road maintenance funds allocated by the central government to the road maintenance agency for the year (denominator), expressed as a percentage	Percentage	TBD (TBD)	TBD (TBD)	N

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
	People trained in network prioritization	The number of people trained in network prioritization, including prioritization using HDM-4, RED, and HMIS.	Number	0 (TBD)	TBD	Y
Improved asset management of ANE at provincial level	Quality of maintenance planning	Comprehensiveness of the planning process by the provincial delegation, e.g., whether it employs asset condition data and effectively prioritizes across the network.	Qualitative	N/A	N/A	N
Increased supply of woman-operated transport options	Female transport providers supported by the Compact	Number of transport vehicles operated by women operationalized during the compact period	Number	0 (TBD)	TBD	N
Gender policies & strategies for gender-based violence prevention	TBD	TBD	TBD	TBD (TBD)	TBD	N
Specific rehabilitation and construction works	Lane-kilometers completed	The length of lanes in kilometers on which Compact investment is complete (certificates handed over and approved).	Kilometers	0 (TBD)	Currently estimate that all roads will be two-lane roads ¹¹	Y
	As-built drawings received	Date by which all as-built drawings have been received and saved by MCC.	Date	N/A	TBD	Y
	Kilometers of roads under design	The length of roads in kilometers under design contracts. This includes designs for building new roads and reconstructing, rehabilitating, resurfacing, or upgrading existing roads.	Kilometers /year	0 (TBD)	TBD	Y
	Kilometers of roads under works contracts	The length of roads in kilometers under works contracts for construction of new	Kilometers /year	0 (TBD)	TBD	Y

¹¹ Designs are expected to be suited to each road segment, with some variance expected on width, shoulder width, and potential for lanes for non-motorized traffic.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
		roads or reconstruction, rehabilitation, resurfacing or upgrading of existing roads.				
Build/rehab rural roads & maintain trunk road	Temporary employment generated in road construction	The number of people temporarily employed or contracted by MCA-contracted construction companies to work on construction of new roads or reconstruction, rehabilitation, resurfacing or upgrading of existing roads.	Number	0 (TBD)	TBD	Y
	Number of traffic accidents	Number of traffic accidents on selected roads	Number	TBD (TBD)	TBD	N
Mocuba bypass constructed	Kilometers of bypass constructed	The length of bypass road constructed, in kilometers on which Compact investment is complete (certificates handed over and approved)	Kilometers	0 (N/A)	18	Y
	Date of bypass completion	Date on which travel is first routed through the Mocuba bypass	Date	N/A (N/A)	By Compact End Date	Y

Table 1.2: Promoting Reform and Investment in Agriculture Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
PROJECT OBJECTIVE: to increase agricultural investment as well as the productivity and incomes of smallholder farmers and other value chain actors in Mozambique						
Increased investment in commercial agriculture in Zambezia province; and Increased productivity and income of small farmers through sustainable	Smallholder farmers with increased market access	Number of smallholder farmers selling to supported aggregators; *Farmers with pre-existing relationships with aggregators will be excluded from this indicator, if possible	Number	0	44,500 ¹²	TBD
	Smallholder farmer revenues via sales to	Commercial revenues of smallholder farmers via sale to supported aggregators; As defined	US Dollars	TBD (TBD)	\$28,100,000	TBD

¹² 34,600 farmers expected to RBF grant funds to aggregators and 19,800 farmers expected to benefit from transaction advisory services. This number assumes 50% of those benefitting from transaction advisory services are additional to the without project scenario.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
commercial farming relationships	supported aggregators	in related RBF-payable indicator				
	Estimated induced investment due to reduction in CIT and Estimated improvements in VAT C-efficiency ¹³	TBD (Detailed design expected by Fall 2023)	US Dollars	TBD (TBD)	TBD	TBD
Outcome Indicators						
More competitive business environment	Investment allocated to agriculture	Investment allocated to the Zambezia agriculture sector through compact funding and from partners (total disbursement)	US Dollars	0 (TBD)	TBD	TBD
Reduced VAT exemptions & ag sector VAT and corporate tax burden	Proportion of VAT refund requests authorized and notified to the taxpayer within the present fiscal year	Proportion of VAT refund requests authorized and notified to the taxpayer within the present fiscal year	Percentage	TBD (2022)	N/A	TBD
	Commercial aggregators trained in VAT inversion	Commercial agricultural aggregator firms who complete a course of training in a new approach to VAT inversion	Number	TBD (TBD)	TBD	TBD
Higher production, marketing, and revenues among commercial aggregators & smallholder farmers	Increase in smallholder farmers' yields	Percentage increase in smallholder farmers' yields due to increased use of inputs and provided technical assistance, per cost-benefit analysis forecast	Percentage	TBD (TBD)	40%	N
	Aggregators revenues from ZCAP Activity	Total Aggregator revenues measured on USD and MZN on a yearly basis	US Dollars	TBD (TBD)	TBD	TBD
Greater female and youth agricultural production & business assets	Smallholder farmers with increased revenue, disaggregated by age and gender	TBD	Number	TBD (TBD)	TBD	TBD

¹³ This is measured as the ratio of actual VAT revenues to the product of the standard rate and final consumption.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
Peer training	Proportion of aggregator-selected smallholder farmers completing Gender Action Learning System peer training	Number of smallholder farmers completing Gender Action Learning System peer training, divided by the number of smallholder farmers receiving agricultural inputs from participating aggregators	Percentage	TBD (TBD)	TBD	Y
More equitable intrahousehold dynamics	Number of smallholder farmers implementing agriculture new revenue creation activities	Number of smallholder farmers	Number	TBD (TBD)	TBD	Y
	Number of households trained on Gender Action Learning System methodology	Number of households trained on Gender Action Learning System	Number	0 (TBD)	12,000	Y
	Lower rates of gender-based violence	TBD	Qualitative	TBD	TBD	N
	More equitable allocation of household tasks and time	TBD	Qualitative	TBD	TBD	N
	Decreased dropout rates of input-receiving families who participate in Gender Action Learning System planning and business support activities	The change in the rate at which households benefitting from input and other assistance do not complete sales to supported aggregators. (Note: This benefit is estimated to apply exclusively for households with a women cultivator)	TBD	N/A	13 p.p.	N
Strengthened voice and agency in the community and household	Number of smallholder farmers with improved access to markets, including aggregators, agrodealers, traders, and more	Number of smallholder farmers given access to new market information on agriculture	Number	0 (TBD)	TBD	Y
	Number of farmers accessing market information through new or	Number of information dissemination vehicles operating in Zambezia	Number	0 (TBD)	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
	improved information systems					
More equitable investment and business decisions	More equitable intrahousehold spending, saving, and consumption patterns	Increases in savings, durable asset purchases; more financial transparency among spouses; changes observed in intrahousehold allocation and decision-making surveys	Qualitative	N/A	N/A	N
Output Indicators						
Fiscal Policy for Agriculture approved and implemented	Number of policies/laws reviewed	Number of policies and laws that have been modified with compact support	Number	0 (TBD)	TBD	Y
	Number of policies/laws approved and under implementation	Number of policies and laws approved and under implementation	Number	0 (TBD)	TBD	Y
Hardware & Software for tax collection system available and in use	Implementation of targeted administrative improvements	Date on which administrative improvements are operational and contractually approved by MCA-Mozambique	Date	N/A	TBD	Y
Provision of inputs and technical assistance to smallholder farmers	Number of smallholder farmers receiving technologies through public and private extension services	TBD	Number	0 (TBD)	TBD	TBD
	Number of technologies introduced by the extension services	Number of the number of technologies introduced at all value chain levels	Number	0 (TBD)	TBD	TBD
	Number of smallholder farmers provided with agricultural inputs	Number of smallholder farmers provided with agricultural inputs	Number	0 (TBD)	TBD	TBD
	Number of agrodealers and retailers operating in Zambezia	Number of agrodealers and retailers operating in Zambezia	Number	TBD (TBD)	TBD	TBD
	Number of extension workers	Number of extension officers servicing farmers in Zambezia	Number	TBD (TBD)	TBD	TBD

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
	servicing farmers in Zambezia					
Improved access to markets (e.g., increased smallholder farmers sales to aggregators)	Number of new commercial aggregators	Increase in the number of commercial aggregators operating in Zambezia	Number	0 (TBD)	TBD	TBD
	Metric tons of agricultural produce traded	Agriculture production traded resulting from compact interventions measured in metric tons	Metric tons	TBD (TBD)	TBD	TBD
Adoption of smallholder farmer-tailored inputs and productivity-enhancing agricultural practices	Number of smallholder farmers trained by project partners	Number of smallholder farmers that have received training	Number	0 (TBD)	TBD	TBD
	Number of primary sector producers that have applied improved practices or technologies as a result of training	Number of primary sector producers (farmers, ranchers, fishermen, and other primary sector producers) that are applying new production or managerial techniques introduced or supported by MCC training or technical assistance, such as input use, production techniques, irrigation practices, post-harvest treatment, farm management techniques, or marketing strategies.	Number	0 (TBD)	TBD	TBD
	Hectares under improved practices as a result of training	The number of hectares on which farmers are applying new production or managerial techniques introduced or supported by the Compact, such as input use, production techniques, irrigation practices, post-harvest treatment, farm management techniques, or marketing strategies	Hectares	0 (TBD)	TBD	TBD
	Enterprises that have applied improved techniques	The number of rural enterprises, producer, processing, and marketing organizations, water users associations, trade and business associations, and		0 (TBD)	TBD	TBD

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
		community-based organizations that are applying managerial or processing techniques introduced or supported by the compact				

Table 1.3: Coastal Livelihoods and Climate Resilience Project Indicators

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
PROJECT OBJECTIVE: To sustainably increase the productivity and resilience of coastal ecosystems in Mozambique						
Sustainable increase in harvests & non-extractive benefits from sustainable ecosystems	Mangrove area reforested/facilitated regeneration	As defined in CBA model/partner proposal; includes facilitated natural regeneration plus replanting	Hectares	0 (N/A)	4,714	Y
	Marine protected areas created	Area of legally declared marine protected areas created (MPAs ¹⁴ + LMMAs ¹⁵)	Kilometers ²	8,011 (2023)	11,961.6 ¹⁶ (2029)	Y
	Total area of No Take Zones created within MPAs + LMMAs	Total area of No Take Zones created within MPAs + LMMAs	Kilometers ²	APAIPS ¹⁷ No take zones ¹⁸	3,590 ¹⁹ (2029)	Y
Outcome Indicators						
Sufficiently funded and financially sustainable conservation areas	Value of new financing agreements/contracts signed to sustain coastal and marine	Total value of agreements/contracts signed (using new financing mechanisms) to sustain coastal and marine management	US Dollars	0 (TBD)	50% of requested financing levels is a notional target for 2029	Y

¹⁴ MPAs means Marine Protected Areas in these Indicator Tables.

¹⁵ LMMAs means Locally-Managed Marine Areas in these Indicator Tables.

¹⁶ Marromeu Marine Extension: 3395 km²; APAIPS: 8,011 km²; Estimate assumes 15 new areas will be created, of which 5 are expected to be outside of the APAIPS and the Marromeu Extension. Total estimated additional protected area: 11,961.6 km²

¹⁷ APAIPS = Área de Protecção Ambiental das Ilhas primeiras e Segundas

¹⁸ No Take Zones currently exist around the Islands, reefs, and seagrass beds of Ilha Puga-Puga extending to Abdul Rahamane Island; Ilha Epidendron; Ilha de Fogo; Ilha Mafamede; Ilha Caldeira; and from Ilha Epidendron to the mouth of the Rio Ligonha.

¹⁹ Equal to 30% of total area of MPAs/LMMAs in Zambezia+ Geography, 30% x 11,961.6 km². CBA assumes 25% of captures in Zambezia+ geography are covered by No Take Zones and/or affected by other improved fisheries management activities, notionally equivalent to 25% of total marine area of Zambezia+ Geography. The coastline of the Zambezia+ Geography is 644 kms, from the centre of the Sangage estuary to the southern limit of Coutada 10 in Muanza District, which is the southern limit of the new proposed Marromeu Marine Extension Marine Protected Area.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
	management activities	activities. Total needs will be determined in the management plan of each conservation area				
Natural resource management capacity	Number of people trained in natural resources management	Number of people trained in natural resources management, disaggregated by gender, youth (under 18), and by classification as community/GoM ²⁰ /other stakeholders	Number	0 (TBD)	TBD	Y
	Number of MPAs and LMMAs in Zambezia+ which have management plans and trained staffing in place and functioning	TBD	Number	0 (TBD)	TBD	Y
	Milestones and/or payable metrics under partnership agreements with local conservation, biodiversity and sustainable coastal livelihoods organizations	TBD	TBD	TBD (TBD)	TBD	Y
	Area under improved management (ANAC ²¹ , communities, MIMAIP ²² , etc.)	Hectares of marine/coastal area that has improvements in management as measured by the standard METT (Management Effectiveness Tracking Tool as used by ANAC) or similar.	Hectares	TBD (TBD)	TBD	N
Reduced human pressures on ecosystems	Number of individuals who have applied improved management practices or technologies that promote improved climate risk reduction and/or	Number of individuals who have applied improved management practices or technologies that promote improved climate risk reduction and/or natural resources management, disaggregated by gender, youth (under 18) and by	Number	0 (TBD)	TBD	Y

²⁰ GoM means the Government of Mozambique in these Indicator Tables.

²¹ ANAC means the Administração Nacional das Áreas de Conservação / National Administration of Conservation Areas in these Indicator Tables.

²² MIMAIP means the Ministry of Oceans, Inland Waters, and Fisheries in these Indicator Tables.

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
	natural resources management	classification as community/GoM/other stakeholders.				
	Beach seines removed in hot spot targeted areas	Number of beach seines (destructive, catch-all fishing gear) reported as removed from areas identified as ecologically sensitive and chosen for MIMAIP for this pilot activity.	Number	0 (TBD)	TBD	Y
	Proportion of fishers using selective and environmentally sustainable fishing methods	Estimated percentage of fishers in pilot areas applying non-destructive fishing methods.	Percentage	TBD (TBD)	TBD	N
Critical habitats and ecosystems protected and rehabilitated (mangroves, wetlands, seagrasses, etc.)	TBD	TBD	TBD	TBD (TBD)	TBD	N
Output Indicators						
Conservation Areas & LMMAs created/strengthened to protect key ecosystems	Communities with community managed fishing areas (LMMAs)	Number of communities with officially recognized LMMAs	Number	TBD (TBD)	TBD	Y
	Trend in reported fisheries and coastal violations	Number of reported fisheries and coastal violations.	Number	TBD (TBD)	TBD	N
	Trend in reported poaching incidents	TBD	TBD	TBD (TBD)	TBD	N
	Institutions (public and/or private) accomplishing milestones for improved performance in blue economy sector	Number of institutions (public and/or private) accomplishing milestones for improved performance (understanding and evaluation of business opportunities, business plans and integration of these into an adaptable strategic vision) in the blue economy sector as a result of project assistance	Number	0 (TBD)	TBD	N
Growing value chains	Model for a climate-smart	TBD	Number	TBD (TBD)	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
(tourism employment and/or business revenues)	aquapark tested and approved by IDEPA					
	Trained aquaculture outgrowers employed	Number of individuals trained as aquaculture outgrowers and reported as being employed	Number	0 (TBD)	TBD	Y
	Aquaculture sales by project-supported enterprises/individuals	Value of aquaculture products sold to anchor aquaculture farms	US Dollars	0 (TBD)	TBD	Y
	People trained in other aquaculture activities	Number of individuals trained in other aquaculture activities, such as crab fattening	Number	0 (TBD)	TBD	Y
	Value of aquaculture products sold under other aquaculture (non-aquapark) activities	TBD	US Dollars	0 (TBD)	TBD	Y
	Capture dynamic, artisanal fisheries products	TBD	TBD	TBD (TBD)	TBD	N
	Number of private sector firms (micro, small and medium-sized) supported that have improved business management practices or technologies as a result of project assistance	Number of private sector firms (micro, small and medium-sized) supported that have improved business management practices or technologies as a result of project assistance, disaggregated by size of firm and whether female led.	Number	0 (TBD)	TBD	Y
	Value of overall grant fund for the program disbursed to private sector firms/individuals (micro, small and medium-sized) supported by the project's assistance.	Value of overall grant fund for the program disbursed to private sector firms/individuals (micro, small and medium-sized) supported by the project's assistance, disaggregated by size of project and whether female led.	US Dollars	0 (TBD)	TBD	Y
	Individuals participating in the project	Number of individuals participating in the project, disaggregated by project activity, age, and gender	Number	0 (TBD)	TBD	Y

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
Reduced exclusion of women, youth and vulnerable groups	Microenterprises with new business relationships	Number of microenterprises linked to businesses through new business relationships (formal/informal) established as a result of the project assistance	Number	0 (TBD)	TBD	Y
	Micro enterprises formalized (newly formalized or newly created) and receiving project's technical assistance for improving business performance	Micro enterprises formalized (newly formalized or newly created) and receiving project's technical assistance for improving business performance	Number	0 (TBD)	TBD	Y
	Micro enterprises applying improved management practices or technologies as a result of the project's assistance	Number of micro enterprises who report applying improved management practices or technologies as a result of the project's assistance	Number	0 (TBD)	TBD	Y
	Financing accessed as a result of the project assistance	Value of financing accessed as a result of the project assistance	US Dollars	0 (TBD)	TBD	Y
	Individuals participating in project assisted group-based savings, micro-finance or lending programs	Individuals participating in project assisted group-based savings, micro-finance or lending programs, disaggregated by project activity, age, and gender.	Number	0 (TBD)	TBD	Y
	Jobs created or improved through the support of the project	Jobs created or improved through the support of the project (formal and informal sector jobs). Improved jobs are those that a) move from part time to full time; or b) move from informal to formal, or c) have improved earnings or d) exist in more stable markets	Number	0 (TBD)	TBD	Y
	Community-based disaster relief tools	Communities with community disaster response plans	Number of communities with an available, documented community disaster response plan	Number	0 (TBD)	TBD

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
and mechanisms available and operational	Education and awareness programs about community disaster response delivered	TBD	Number	0 (TBD)	TBD	Y
Accredited, operational carbon schemes	Date on which Compact-financed carbon credit scheme(s) is/are formally approved	Date of formal approval of Compact-supported carbon credit scheme(s); under an agreed and widely-accepted methodology	Date	N/A	TBD	Y
Community benefit sharing from carbon credits, wildlife, and other nature-based alternative income sources	Community benefit sharing schemes established, documented, and contracted, with formally identified mechanisms to ensure the flow of funds.	Date on which community benefit sharing schemes established, documented, and contracted, with formally identified mechanisms to ensure the flow of funds.	Date	N/A	TBD	Y
	Value of projected benefits generated from blue/green/irrecoverable carbon, wildlife, and other blue/green economy activities supported by the project	Value of projected benefits to distributed to project communities based on approved project projections and community benefit sharing contracts.	US Dollars	0 (TBD)	TBD	Y
	Values of actual community benefits payments	Values of actual community benefits payments	US Dollars	0 (TBD)	TBD	Y
Registry of tenure rights available	Communities with newly documented tenure rights within the Zambezia + geography	Communities with delimited lands including maps and certificates.	Number	0 (TBD)	TBD	Y
	Percentage of relevant communities with documented tenure rights within the Zambezia + geography	Percentage of relevant communities with delimited lands including maps and certificates.	Percentage	TBD (TBD)	TBD	Y
Plans for the use and mapping of	TBD	TBD	TBD	TBD (TBD)	TBD	N/A

Project Logic Result	Indicator	Definition	Unit	Baseline (Year)	Final Target	ITT Indicator (Y/N)
mangrove areas						
Foster biodiversity conservation & sustainable use at community level	Artisanal fishing licenses issued in targeted areas	Artisanal fishing licenses issued in targeted areas	Number	TBD (TBD)	TBD	TBD
	Coastal districts with a Marine Fisheries Monitoring Plan	TBD	Number	TBD (TBD)	TBD	Y

ANNEX IV
CONDITIONS PRECEDENT
TO DISBURSEMENT OF COMPACT FACILITATION FUNDING

This Annex IV sets forth the conditions precedent applicable to Disbursements of Compact Facilitation Funding (each a “*CFF Disbursement*”). Capitalized terms used in this Annex IV and not defined in this Compact shall have the respective meanings assigned thereto in the Program Implementation Agreement. Once the Program Implementation Agreement is signed, each CFF Disbursement shall be subject to all of the terms of the Program Implementation Agreement, except that the only conditions to disbursements of CFF shall continue to be those set forth in this Annex IV.

1. Conditions Precedent to Initial CFF Disbursement.

Unless waived or deferred by MCC in writing, each of the following conditions must be met to MCC’s satisfaction before the initial CFF Disbursement:

- (a) Mozambique (or MCA-Moçambique) has delivered to MCC:
 - (i) an interim fiscal accountability plan acceptable to MCC;
 - (ii) a procurement plan acceptable to MCC;
 - (iii) an Interim Bid Challenge System; and
 - (iv) an Interim Procurement Operations Manual.

- (b) Mozambique (or MCA-Moçambique) has hired the MCA-Moçambique Procurement Director or another individual, approved by MCC, to perform the duties of a procurement officer on behalf of Mozambique until such time as the MCA-Moçambique Procurement Director has been hired.

2. Conditions Precedent to All CFF Disbursements.

Unless waived or deferred by MCC in writing, each of the following conditions must be met to MCC’s satisfaction before each CFF Disbursement, including the initial CFF Disbursement:

- (a) Mozambique (or MCA-Moçambique) has delivered to MCC a completed Disbursement Request covering the related Disbursement Period in accordance with the QDRP Guidance.

- (b) If any proceeds of the CFF Disbursement are to be deposited in a bank account, MCC has received satisfactory evidence that (i) the Bank Agreement has been executed and (ii) the Permitted Accounts have been established.

- (c) Mozambique (or MCA-Moçambique) has engaged an entity to provide fiscal agent services, as approved by MCC, until such time as Mozambique provides to MCC a true and complete copy of a Fiscal Agent Agreement, duly executed and in full force and effect, and the fiscal agent engaged thereby is mobilized.

(d) Mozambique (or MCA-Moçambique) has engaged an entity or individual to provide procurement agent services, as approved by MCC, until such time as Mozambique provides to MCC a true and complete copy of a Procurement Agent Agreement, duly executed and in full force and effect, and the procurement agent engaged thereby is mobilized.

(e) MCC is satisfied, in its sole discretion, that (i) no material default or breach of any covenant, obligation, or responsibility of Mozambique, MCA-Moçambique, or any other entity of Mozambique has occurred and is continuing under this Compact, the Program Implementation Agreement, or any other Supplemental Agreement; (ii) the activities to be funded with such CFF Disbursement are necessary, advisable or otherwise consistent with the goal of facilitating implementation of this Compact and shall not violate any applicable law or regulation; (iii) there has been no violation of, and the use of requested funds for the purposes requested shall not violate, the limitations on use or treatment of MCC Funding set forth in Section 2.7 of this Compact or in any applicable law or regulation; (iv) any Taxes paid with MCC Funding through the date (ninety) 90 days prior to the start of the related Disbursement Period have been reimbursed by Mozambique in full in accordance with Section 2.8 of this Compact; and (v) Mozambique has satisfied all of its payment obligations, including any insurance, indemnification, tax payments, or other obligations, and contributed all resources required from it, under this Compact, the Program Implementation Agreement, and any other Supplemental Agreement.

(f) For any CFF Disbursement occurring after this Compact has entered into force in accordance with Article 7: MCC is satisfied, in its sole discretion, that:

- (i) MCA-Moçambique has made progress, satisfactory to MCC, on implementing activities for which funding is requested, including progress on each of the Principal Implementation Plans;
- (ii) the M&E Plan is current and updated and MCA-Moçambique is in substantial compliance with the requirements of the M&E Plan (including any applicable reporting requirements set forth therein for the related Disbursement Period);
- (iii) there has been no material negative finding in any financial audit report delivered in accordance with this Compact and the Audit Plan, for the prior two quarters (or such other period as the Audit Plan may require);
- (iv) MCC does not have grounds for concluding that any matter certified to it in any certificate provided as part of the Disbursement Request is not as certified; and
- (v) each of the Key Staff of MCA-Moçambique remain engaged, or if a position is vacant, MCA-Moçambique is actively engaged, to MCC's satisfaction, in recruiting a replacement.

(g) the United States has not determined that an act, omission, condition, or event has occurred that would be the basis for it to suspend or terminate this Compact, in whole or in part, in accordance with Section 5.1 of this Compact.

(h) MCC has not determined that an act, omission, condition, or event has occurred that would be the basis for it to suspend or terminate MCC Funding in whole or in part, in accordance with Section 5.1 of this Compact.

ANNEX V DEFINITIONS

Activity has the meaning provided in Part B of Annex I.

Additional Representative has the meaning provided in Section 4.2.

Audit Guidelines has the meaning provided in Section 3.8(a).

Audit Plan has the meaning provided in Section 3.8(a).

Baseline has the meaning provided in paragraph 4.1.2 of Annex III.

Board of Directors has meaning provided in Part C of Annex I.

CDF Agreement has the meaning provided in Section 3.2(b).

CFF Disbursement has the meaning provided in Annex IV.

CIT has the meaning provided in paragraph 3.1 of Annex III.

CLCR Project has the meaning provided in Annex I.

CLCR Project Zone has the meaning provided in Section 8.1.

CTR Project has the meaning provided in Annex I.

Compact has the meaning provided in the Preamble.

Compact Facilitation Funding or CFF has the meaning provided in Section 2.2(a).

Compact Goal has the meaning provided in Section 1.1.

Compact Records has the meaning provided in Section 3.7(a).

Compact Term has the meaning provided in Section 7.4.

Country Contribution has the meaning provided in Section 2.6(a).

Covered Provider has the meaning provided in the Audit Guidelines.

Disbursement has the meaning provided in Section 2.4

DQR has the meaning provided in paragraph 6 of Annex III.

Environmental Guidelines has the meaning provided in Section 2.7(c).

Environmental and Social Impact Assessment or ESIA means a process for analyzing projects for potential risks and impacts, assessing potential significance of those risks and impacts and

designing a set of interventions to avoid, manage, mitigate, or monitor the potential environmental and social impacts of a proposed activity or project.

Environmental and Social Management Plan or ESMP means a documented plan or strategy specifying the measures that will be taken to ensure that social and environmental impacts, risks, and liabilities identified during the ESIA or other analytical process are effectively mitigated, managed, and monitored during the construction, operation, and closure of the proposed project.

Environmental and Social Management System or ESMS means a set of policies, procedures, tools, and capacities to identify and manage the environmental and social risks, of the compact activities, which may include environmental and social management plans.

ERR has the meaning provided in paragraph 3 of Annex III.

Evaluation Component has the meaning provided in paragraph 1 of Annex III.

Fiscal Agent has the meaning provided in Part C of Annex I.

FCDO has the meaning provided in Part B, Section 2(d) of Annex I.

Grant has the meaning provided in Section 3.6(b).

Health and Safety Management Plan means a documented plan or strategy specifying identified hazards and safe work procedures to mitigate, reduce, or control the hazards identified.

IFC Performance Standards means the Performance Standards on Environmental and Social Sustainability of the International Finance Corporation, as revised or otherwise modified from time to time.

Implementation Letters has the meaning provided in Section 3.5.

Implementing Entity has the meaning provided in Part C of Annex I.

Implementing Entity Agreement has the meaning provided in Part C of Annex I.

Indicators has the meaning provided in paragraph 4.1 of Annex III.

Inspector General has the meaning provided in Section 3.7(c).

Intellectual Property means all registered and unregistered trademarks, service marks, logos, names, trade names and all other trademark rights; all registered and unregistered copyrights; all patents, inventions, shop rights, know how, trade secrets, designs, drawings, art work, plans, prints, manuals, computer files, computer software, hard copy files, catalogues, specifications, and other proprietary technology and similar information; and all registrations for, and applications for registration of, any of the foregoing; provided however, that Intellectual Property shall not include property forming part of the cultural heritage of any nation state and not placed or intended to be commercially licensed or sold.

ITT has the meaning provided in paragraph 4.1.8 of Annex III.

***Livelihood Restoration Plan or LRP** as required under the IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement means a plan that establishes the entitlements (e.g., compensation, other assistance, etc.) of affected persons and/or communities who are economically displaced by a project, in order to provide them with adequate opportunity to reestablish their livelihoods.*

M&E has the meaning provided in the preamble to Annex III.

M&E Plan has the meaning provided in the preamble to Annex III.

M&E Policy has the meaning provided in the preamble to Annex III.

MCA Act has the meaning provided in Section 2.2(a).

MCA-Moçambique has the meaning provided in Section 3.2(b).

MCC has the meaning provided in the Preamble.

MCC Funding has the meaning provided in Section 2.3.

MCC Website means the MCC website at www.mcc.gov.

Monitoring Component has the meaning provided in paragraph 1 of Annex III.

Multi-Year Financial Plan Summary has the meaning provided in Annex II.

Operations Unit has the meaning provided in Part C of Annex I.

Party and Parties have the respective meanings provided in the Preamble.

Permitted Account has the meaning provided in Section 2.4.

PREFIA Activity has the meaning provided in Annex I.

PRIA Project has the meaning provided in Annex I.

Principal Representative has the meaning provided in Section 4.2.

Procurement Agent has the meaning provided in Part C of Annex I.

Program has the meaning provided in the Preamble.

Program Assets means any assets, goods or property (real, tangible or intangible) purchased or financed in whole or in part (directly or indirectly) by MCC Funding.

Program Funding has the meaning provided in Section 2.1.

Program Guidelines means collectively the Audit Guidelines, the Environmental Guidelines, the Policy on Accountable Entities and Implementation Structures, the Program Grant Guidelines, the Program Procurement Guidelines, the QDRP Guidance, the M&E Policy, the Cost Principles for Government Affiliates Involved in Compact Implementation, the Program Closure Guidelines, the Gender Policy, the Operational Requirements and Milestones for Social Inclusion and Gender Integration, the Guidelines for Economic and Beneficiary Analysis, the Standards for Global Marking, the Guidelines for Country Contributions, the Counter-Trafficking in Persons Policy, the Policy on Preventing, Detecting and Remediating Fraud and Corruption in MCC Operations, the Policy on Funding under Section 609(g), and any other guidelines, policies or guidance papers relating to the administration of MCC-funded assistance programs, in each case, as such may be posted from time to time on the MCC Website.

Program Implementation Agreement or PIA has the meaning provided in Section 3.1.

Project(s) has the meaning provided in Section 1.2.

Project Objective(s) has the meaning(s) provided in Section 1.2.

Provider means any natural or legal person who provides goods, works, or services in connection with the Program.

QDRP Guidance means the Guidance to Accountable Entities on the Quarterly Disbursement Request Package.

Resettlement Action Plan or RAP means a plan designed to mitigate the negative impacts of the physical or economic displacement of persons caused by project implementation per IFC Performance Standard 5: Land Acquisition and Voluntary Displacement.

Resettlement Policy Framework or RPF means a broad plan or scheme prepared for a project, based on the principles of IFC Performance Standard No.5, which sets forth and defines the principles, organizational arrangements, and design criteria to be applied to regulate all circumstances regarding resettlement that may occur in implementation of the project.

Social and Gender Integration Plan means the operational plan to ensure each Project will benefit structurally excluded groups, including poor people and women.

Stakeholder Engagement Plan means a plan designed to guide consultations and communications with stakeholders of a project throughout the life of the project for the purpose of engaging with stakeholders in a culturally appropriate manner, as detailed further in IFC Performance Standard No. 1.

Supplemental Agreement means any agreement between (a) Mozambique (or any affiliate of Mozambique, including MCA-Moçambique) and MCC (including, but not limited to, the PIA and any Implementation Letter), or (b) MCC and/or Mozambique (or any affiliate of Mozambique, including MCA-Moçambique), on the one hand, and any third party, on the other hand, in each case, setting forth the details of any funding, implementing, or other arrangements in furtherance of, and in compliance with, this Compact.

Target has the meaning provided in paragraph 4.1.3 of Annex III.

Taxes has the meaning provided in Section 2.8(a).

United States Dollars or USD or US\$ means the lawful currency of the United States of America.

USAID has the meaning provided in Part B of Annex I.

ZCAP Activity has the meaning provided in Annex I.

ANNEX VI

TAX EXEMPTION MECHANISMS

This Annex and its schedules set forth the mechanisms or procedures that Mozambique shall implement to comply with the tax exemption required by Section 2.8 of this Compact.

MCA-Moçambique and all persons (natural and legal) entitled to the tax exemption shall be required to follow the procedures set forth herein to claim the exemption. No additional procedures or requirements shall apply, unless agreed by the Parties in writing. The Mozambique Tax Authority (*Autoridade Tributária de Moçambique*) is the point of contact for implementing the tax exemption.

Every legal instrument mentioned in this section is in force as of the date of the Compact. In case any legal instrument replaces those which are in force as of the date of the Compact, the dispositions of the newer legal instrument will be observed, if there is any update to the relevant provisions. In any case, the tax exemption required by Section 2.8 of the Compact will be implemented.

Tax	Statutory Reference
1. Value Added Tax (IVA) (the tax on the transmission of goods and paid services rendered by a passive taxpayer within the national territory).	Law 32/2007 of December 31 st , which approves the Value Added Tax Code, as subsequently amended. Law 13/2016 of 30 December, which introduces changes to the Value Added Tax Code, as approved by Law 32/2007 of 31 December. Decree 66/2017 of 23 November, which approves the fiscal mechanism for the regularization of VAT. Decree 7/2008 of April 16 th , which approved the value Added Tax Code Regulations, as subsequently amended.
2. Customs Duties (sets out the general rate of customs duties for those consumer goods mentioned in the customs tariffs schedule).	Law 17/2022 of December 29 th , which approves the Customs Tariffs Schedule (<i>Pauta Aduaneira</i>).
3. Personal Income Tax (IRPS) (a direct tax on various categories of personal income, including those obtained by illicit means).	Law 33/2007 of December 31 st , which approves the IRPS Code, as subsequently amended. Law 19/2017 of 28 December, which introduces changes and republishes the Personal Income Tax

	<p>Code, as approved by Law 33/2017 of 31 December, with the changes brought by Law 20/2013 of 23 September.</p> <p>Decree 8/2008 of April 16th, which approves the IRPS Code Regulations, as subsequently amended.</p> <p>Law 34/2007 of December 31st, as subsequently amended.</p>
<p>4. Corporate Income Tax (IRPC) (a direct tax on income obtained during the taxation period by liable persons, even when such income is obtained by illegitimate means).</p>	<p>Decree 9/2008 of April 16th, which approves the IRPC Code Regulations, as subsequently amended.</p>

SCHEDULE A

SCHEDULE A: Value- Added Tax (IVA)

1. Legal Basis

IVA supported, in the periodic declaration Model/A, as foreseen in paragraph (c) of no. 1 of Article 25 of the IVA Code, approved by Law 32/2007 of December 31st, as subsequently amended.

2. Description of the IVA Mechanism

MCA-Moçambique will issue an IVA Certificate, in triplicate and available electronically, confirming the invoicing of works, goods and services (“*IVA Certificate*”) in lieu of payment of IVA listed on each invoice. Given the nature and specific payment and refunding (input tax credits) mechanics of IVA, in which taxes are assessed and paid at each stage of the product or service value chain, the non-use of MCC Funding will only apply to the final transaction with MCA-Moçambique, or “last transaction.” The IVA Certificate received by the prime contractor of MCA-Moçambique (only those contractors in privity of contract with MCA-Moçambique or those vendors directly invoicing MCA-Moçambique) will provide the means for the reimbursement of any outstanding input credits paid to suppliers.

Only MCA-Moçambique will be entitled to the direct use of the mechanism of non-use of MCC Funding for IVA payment under the Compact and will be afforded the right to issue IVA Certificates, as it may be approved by the competent Tax Authority. All other vendors and entities participating in the Program will be given the right of non-use of MCC Funding for IVA payment via the receipt of the IVA Certificates in lieu of IVA cash payment.

A flowchart describing how MCA-Moçambique operates the IVA process above must be developed and made available to all interested parties and to the general public.

3. Description of the IVA Process

The following summary describes the steps to be taken, timing requirements and responsible parties to give effect to the IVA mechanism contemplated under the Compact.

(a) Vendor obligations

All firms doing business in Mozambique must be registered and have a Tax Identification number (“*Tax ID*”, called “*NUIT*”) issued by the Mozambique Tax Authority (the “*Tax Authority*”). Only those contractors in privity of contract with MCA-Moçambique (or those vendors directly invoicing MCA-Moçambique) will be subject to receiving IVA Certificates in lieu of IVA payments. The IVA Certificate amount shall be considered as supported IVA in the periodic declaration Model/A. Every vendor must be part of the normal IVA regime.

When directly invoicing MCA-Moçambique for works, goods and services subject to IVA, the contractors (or vendors) shall separately include the net amount of the transaction and the properly calculated IVA amount in accordance with the IVA Code. These invoices must be submitted to MCA-Moçambique for confirmation and verification of the exact amounts applied in these projects by a specialized department, and payment. An officer for AT (Tax Authority) will be based at MCA-Moçambique, learning from the experience from the first Compact, as to expedite the process.

At the time of invoice payment (assuming the invoice is approved for payment), the contractor (or vendor) will receive the net IVA invoice total along with an original and duplicate IVA Certificate. A copy of the IVA Certificate will be archived by MCA-Moçambique, and another copy will be sent to the General Tax Directorate or *Direcção Geral de Impostos* (“**DGI**”).

The contractor will include the IVA Certificates along with periodic declaration Model/A, required for supporting IVA liquidation in each period and the tax credit reimbursement process.

When complying with the monthly obligation to submit the respective IVA Certificates to the Tax Authority, the return shall cover specifically the previous month’s transactions containing the net amount paid by MCA-Moçambique among others and the corresponding amount of IVA due. This mechanism shall consider all the supported input IVA, including the IVA Certificate in respect of MCA-Moçambique. Only one Periodic Declaration Model/ A shall be filled per period.

b. MCA-Moçambique obligations

MCA-Moçambique will be responsible for issuing IVA Certificates in order to settle IVA due in accordance with this Compact. The IVA Certificate forms will be issued by MCA-Moçambique, in triplicate and available electronically, when presented with a properly prepared invoice which included IVA, as per the provisions of the IVA code. The original and duplicate will be issued to the contractor (or vendor), a triplicate copy will be submitted to the DGI and the fourth copy archived by MCA-Moçambique.

c. DGI obligations

The DGI will approve and issue the IVA Certificate form that will be utilized by MCA-Moçambique. The DGI will also ensure that the relevant regulations regarding the tax mechanism applicable to MCA-Moçambique will be approved and effective before the initial Disbursement of Compact Facilitation Funding.

SCHEDULE B: Customs Duties, VAT and Excise Tax at Importation of Goods

1. Legal Basis

Customs Duties, VAT and Excise Tax at importation of goods will be covered through Accounting Notes stipulated in the Ministerial Diploma 213/1998, of December 16th combined with Decree 9/2017, of April 6th and granted through this Compact.

2. Description of the Customs Duties and Tax Mechanism

“Customs Duties, VAT and Excise Tax” is defined as all customs duties, VAT and Excise Tax directly related to the importation of goods, including all border levies such as but not limited to Customs Service Levy (**“TSA”**) and is applicable as follows. Anticipated clearance may be used, as to avoid negative impacts of the heavy bureaucracy over the Program. All the aspects that are under the auspices of the concessionaries of specialized services (scanning by Kudumba; sealing by MCNet; ports operations by DP World; etc.) must be dealt with by those companies.

- I. Definitive imports,
- II. Temporary imports (with subsequent re-export after the Project conclusion), and
- III. Imports of personal effects.

Customs Duties, VAT and Excise Tax related to permanent importation of goods, equipment and materials required for use in the implementation of the Program will be paid through **Accounting Note** (**“Accounting Note”**). The person importing in the context of the Program (the **“Importer”**), represented by an authorized clearance agent (the **“Clearance Agent”**), will complete a Declaration (**“Import Declaration”**) and request an Accounting Note from MCA-Moçambique. MCA-Moçambique will request the Accounting Note from the National Directorate of Public Accounting (**“DNCP”**) who will issue the Accounting Note in the name of MCA-Moçambique to the Directorate of Customs (the **“DGA”**, from its acronym in Portuguese). The DNCP will inform MCA-Moçambique of such issuance and the Clearance Agent will then submit the Declaration (completed by the importer) to the General Directorate of Customs with reference made to the Accounting Note. The General Directorate of Customs matches the Declaration and the Accounting Note, after acceptance of the Declaration and clearance of the goods, equipment and materials, a copy of the Declaration is provided to MCA-Moçambique. While the issuance of an Accounting Note is underway, the General Directorate of Customs will, as necessary, release the goods, equipment and materials through the deferrable mechanism.

Temporary importation of goods, equipment and materials required for use in the implementation of the program, with subsequent re-export after the Project conclusion, will be subject to a *Termo de Responsabilidade* (**“TR”**), as warrantee of Custom Duties Tax, VAT and Excise Tax, provided by the importer. The temporary import process follows much of the same process associated with permanent imports except that a TR form substitutes the Accounting Note. The importer shall submit electronically a Declaration and sign the TR that will be kept at the respective Regional Customs (South, Central, or Northern region of Mozambique). The relevant Regional Customs matches the Declaration and TR and clears the goods, equipment and materials. The temporary import of vehicles follows specific procedures stipulated in the Ministerial Diploma 15/2002 of

30th January. These procedures are much simpler and do not require a Declaration but instead require the issuance of a Model 10C at the border for 30 days and then Model 23C for longer periods. The importer shall sign the TR that will be kept at the relevant Regional Customs.

Personal effects, baggage or goods of foreign technical assistants contracted by MCA-Moçambique for Compact projects are exempted from customs duties and other charges, according to Article 52 of Decree 9/2017 of April 6th.

A flowchart describing how MCA-Moçambique operates the Customs Duties, VAT and Excise Tax Process above must be developed and made available to all interested parties and to the general public.

3. Description of the Customs Duties, VAT and Excise Tax Process

I. Permanent Import Mechanism

The following summary describes the steps to be taken, timing requirements and responsible parties to give effect to the Permanent Customs Duties Tax exemption contemplated under the Compact.

a. Vendor obligations

All persons requesting an import related to the Compact must be registered and have a Tax ID (“*NUIT*”). Such persons must also have an import license issued by the Mozambique Ministry of Industry and Commerce (“*Ministry of Industry and Commerce*”). Additionally, such persons must produce a copy of the contract signed with MCA-Moçambique.

A person requesting the import must complete a Declaration with a Clearance Agent. The Clearance Agent must also request an Import Certificate from MCA-Moçambique. Once notified by MCA-Moçambique that an Accounting Note has been issued by the DNCP to the General Directorate of Customs, the Clearance Agent submits the Declaration to the General Directorate of Customs referring to the Accounting Note issued by the DNCP.

b. MCA-Moçambique obligations

Upon request from the person seeking import of goods, equipment and materials, MCA-Moçambique will be responsible for requesting the Accounting Note from the DNCP. Once informed by the DNCP that an Accounting Note has been issued to the Regional Customs by the DNCP, MCA-Moçambique will notify the person to request the Clearance Agent to submit the Declaration to the Regional Customs with a reference to the Accounting Note. A copy of the approved Declaration is submitted to MCA-Moçambique by the General Directorate of Customs and archived.

The Program (including its contractors and implementing entities) will be subject to annual inspections based on the Accounting Note issued and submitted to the General Directorate of Customs. The inspections will be carried out by a joint team composed of DGI, General

Directorate of Customs and MCA-Moçambique's representative in order to ensure that imported goods were appropriately applied in connection with the Compact.

c. National Directorate of Public Accounting (DNCP)

Upon request of MCA-Moçambique, the DNCP will issue an Accounting Note in the name of MCA-Moçambique to the General Directorate of Customs. Once issued, the DNCP will notify MCA-Moçambique that the Accounting Note has been issued.

d. General Directorate of Customs obligations

The General Directorate of Customs will submit a copy of the approved Declaration to MCA-Moçambique and clear the requested imported goods, equipment and materials upon the matching of the properly prepared Declaration and the Import Certificate from the relevant authorities. The General Directorate of Customs will issue the updated format of the "TR" applicable to imports.

II. Temporary Import Mechanism

The following summary describes the steps to be taken, timing requirements and responsible parties to give effect to the temporary import mechanism contemplated under the Compact.

a. Vendor obligations

All persons requesting a temporary import related to the Program must be registered and have a NUIT. Such persons must also have an Import License issued by the Ministry of Industry and Commerce. A copy of the contract concluded with MCA-Moçambique must also be produced.

The person requesting the temporary import must complete a Declaration with an authorized Clearance Agent. The person must also sign the TR form to be kept at the General Directorate of Customs. Regarding the vehicles, the temporary import is requested through an authorized Clearance Agent to the General Directorate of Customs to get the Model 23C. The person must also sign the TR form to be kept at the General Directorate of Customs.

b. MCA-Moçambique obligations

Upon request from the person seeking temporary import, MCA-Moçambique will be responsible for providing contractual documents confirming that the importer is performing services in connection with the Program to be kept at the General Directorate of Customs.

c. General Directorate of Customs obligations

The General Directorate of Customs will clear the person's requested imported goods, equipment and materials upon proper presentation of a Declaration or Model 23C from the Vendor and relevant authorities.

III. Personal Import Mechanism

The following summary describes the steps to be taken, timing requirements and responsible parties to give effect to import of personal effects.

a. Applicable Person's obligations

All persons ("**Expatriate**") requesting an exemption of import of personal belongings must be represented by a Clearance Agent and obtain a work permit issued by the Ministry of Labour ("**MoL Declaration**") certifying the existence of a contract in connection with the Program. The Expatriate requesting import must have a residence permit issued by the immigration authorities. Personal goods must be imported within six (6) months of the issuance of the residence permit. The importation of vehicles must take place thirty (30) days after the residence permit is issued. A vehicle shall be eligible provided that it has been registered, for at least one year as the property of the Expatriate in the country of origin.

b. Mozambique Ministry of Labour

The Ministry of Labour will issue a Declaration to eligible Expatriate (those with a contract in connection with the Program), requested by the Expatriate or his firm.

c. General Directorate of Customs obligations

The General Directorate of Customs will clear the requested imported goods upon proper presentation of a Declaration and MoL Declaration from the Technical Assistant.

SCHEDULE C: Personal Income Tax (IRPS)

1. Legal Basis

IRPS Tax approved by Law 33/2007 of December 31st, modified by Law 20/2013 of September 23rd and Law 19/2017 of regulated Decree 8/2008 of 16 April, which approves the IRPS Code Regulations, as subsequently amended by Decree 56/2013 of November 27th and Decree 51/2018 of 31 August.

2. Description of the IRPS Mechanism

All individuals working in association with the Program, whether Mozambican or foreign citizens, in principle, will be subject to IRPS according to the Mozambique Personal Income Tax Code.

In this Compact, Mozambique has agreed that no IRPS will be payable by foreign citizens.

3. Scope

Foreign citizens performing services or providing goods or works in connection with the Program.

4. Description of the IRPS Tax Process

The following summary describes the steps to be taken, timing requirements and responsible parties to give effect to the IRPS tax process contemplated under the Compact.

a. Vendor obligations

The resident firm is responsible for their registration at the Tax Authority and shall have by virtue of that a “*NUIT*”. After entering into an employment agreement with an employee or a contract with a non - resident firm, the vendor will be responsible for submitting to the Tax Authority a Declaration of Personal Information of the Employee only, since Mozambique recognizes that no payment of IRPS is due under this Compact on income from foreign citizens performing services or providing goods or works in connection with the Program.

b. MCA-Moçambique obligations

MCA-Moçambique has no obligations under this effort, since Mozambique recognizes that no payment of IRPS is due under this Compact on income from foreign citizens performing services or providing goods or works in connection with the Program.

SCHEDULE D: Corporate Income Tax (IRPC)

1. Legal Basis

IRPC Tax approved by Law 34/2007 of December 31st, as subsequently modified by the Law 20/2009 of September 10th, Law 4/2012 of January 23rd, Law 19/2013 of September 23rd, and Law 22/2022 of December 20th, regulated by the Decree 9/2008 of April 16th, as subsequently amended by Decree 68/2009 of December 11th, and Decree 3/2012 of February 24th.

2. Description of Mechanism

All enterprises which supply goods or deliver services to the Program, whether Mozambican or foreign entities, in principle, will be subject to IRPC according to the Mozambique Corporate Income Tax Code.

In this Compact, Mozambique has confirmed that no IRPC will be payable on income from non-Mozambican enterprises registered in Mozambique and under direct contract with MCA-Moçambique and non-Mozambican enterprises that are not registered in Mozambique but from which IRPC tax is being withheld by MCA-Moçambique. This exemption on IRPC only applies to income earned from direct contracts with MCA- Moçambique.

3. Scope

1. Non-Mozambican enterprises registered in Mozambique and under direct contract with MCA-Moçambique
2. Non-Mozambique enterprises that are not registered in Mozambique but from which IRPC tax is being withheld by MCA-Moçambique
3. Subcontractors are not covered by this exemption, but any income tax imposed on non-Mozambican subcontractors cannot be invoiced to MCA-Moçambique

4. Description of the IRPC Tax Process

The following summary describes the steps to be taken, timing requirements and responsible parties to give effect to the IRPC tax mechanism contemplated under the Compact.

a. Vendor obligations

Mozambique recognizes that no payment of IRPC is due under this Compact on income from non-resident, non-registered enterprises in Mozambique performing services in connection with the Program.

b. MCA-Moçambique obligations

MCA-Moçambique will provide a list of all vendors rendering services to MCA-Moçambique and will supply it to the Mozambique Tax Authority. Such a list will be updated as necessary.

ATTACHMENT III

FEE FOR SERVICES

Services fees are all fees or charges applied for services rendered by public entities or by any other entity so statutorily authorized, including but not limited to the following:

- **Licensing Fees**
- **Road Fund Revenues**
- **Toll Gate Fees**

ATTACHMENT IV

ACCOUNTABLE ENTITY STATUTORY TAXES EXEMPTIONS

MCA-Moçambique is an institution of the state to be established by Mozambique under a Decree of the Council of Ministers, which activities shall enjoy the statutory exemptions listed below, applicable to the state, including state institutions, as may be amended, revised, or updated from time to time.

	Tax	Statutory Reference
1.	Corporate Income Tax (IRPC) (a direct tax on income obtained during the taxation period by liable persons)	Article 10 of Law 34/2007 of December 31 st . as subsequently amended
2.	Property Transfer Tax (Sisa) (a tax due on any transfer of immovable assets)	Article 5/1/g of Decree n.º 46/04 of October 27 and article 97/1/g of Decree 63/2008 of December 30 th
3.	Stamp duty and can be a national or municipal tax depending on whether the property is located inside or outside a municipal area) (a tax due on contracts, recording books and other corporate documentation listed in the table attached to the Decree on stamp duty)	Article 5/a of Decree n.º 06/04 of April 01
4.	Property Tax (a tax on any urban property or urban immovable assets due to the local governments)	Article 40/1/b of Decree 63/2008 of December 30 th

ANNEX VII

ADDITIONAL CONDITIONS PRECEDENT TO ENTRY INTO FORCE

The following additional conditions must be met before this Compact enters into force:

- (a) MCC must be satisfied that MCC's statutory and policy requirements regarding the contents of the Compact, including the identification of beneficiaries, the calculation of economic rates of return, and the establishment of baselines and targets to measure each of the Projects', and the overall Program's, progress, have been met.
- (b) Mozambique has provided appropriate funding to *Fundo de Estradas* for road maintenance in an amount at least equal to 50% over 2021 levels, as valued in constant 2021 Mozambican meticals, evidenced by an official letter from the Ministry of Economy and Finance confirming the 2021 budget allocation for the *Fundo de Estradas* and evidencing the 50% funding increase over 2021 levels.
- (c) Annex VII of the PIA must be completed with the relevant global positioning system coordinates defining the CLCR Project Zones.