



Specific Agreement
Between
The Republic of Mozambique
And
The Kingdom of Belgium

On

A Common Fund for the Implementation of the Revenue
Authority Reform 2009-2010

March 2010

**The Republic of Mozambique, hereinafter referred to as "Mozambique",
and
The Kingdom of Belgium, hereinafter referred to as "Belgium",
Hereinafter jointly referred to as "the Parties";**

Considering the "General Agreement on Development Co-operation between Mozambique and Belgium", signed in Brussels, on 11th May 2001;

Considering the agreed minutes of the first Joint Commission on Development Co-operation held in Maputo on 3rd May 2006 between the Republic of Mozambique and the Kingdom of Belgium and its annexed Indicative Cooperation Programme for the period 2006-2008";

Considering the agreed minutes of the first and second Belgo-Mozambican Partner Committee held on 29/11/2007 and 25/11/2008 respectively;

Considering the "Memorandum of Understanding between the Government of Mozambique and Development Partners on the Common Fund for the Implementation of the Revenue Authority 2007-2010", approved by the Revenue Authority, representing Mozambique, on 25 October 2007 and with an additional clause build in for Belgium.

Agrees as follows:

**Article 1
(Definition and object of the Agreement)**

The Specific Agreement specifies the arrangements concerning the contribution of Belgium to the implementation of the Revenue Authority Reform, as planned in the "Revenue Authority Strategic Plan".

The overall objectives of the Revenue Authority Reform are defined in article 1.1.(iv) of the MoU:

- Implementation and operationalisation of the Revenue Reform;
- Establishment and use of modern management practices in the Revenue Authority;
- Improvement in the revenue collection in terms of absolute volume and in percentage of the GDP, through collection improvement and broadening of the tax base;
- The improvement of tax collection in terms of tax efficiency and justice.

The Belgian contribution is channelled in accordance with the provisions of the "Memorandum of Understanding between the Government of Mozambique and

the Development Partners for the Implementation of the Revenue Authority 2007-2010".

The Memorandum will be signed by Belgium on the date as the present Specific Agreement is signed and will be annexed to the Specific Agreement.

Article 2
(Responsibilities of the Parties)

2.1. The responsibilities of both Parties are fully described in the Memorandum.

2.2. Belgium designates:

2.2.1. The "Directorate General for Development Cooperation" of the Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation, hereinafter called DGDC, as the Belgian administrative entity, responsible for the Belgian contribution. DGDC is represented in Mozambique by the Attaché for International Cooperation based in Maputo.

2.2.2. The "Belgian Technical Cooperation", hereinafter referred to as BTC, as the Belgian entity responsible for the monitoring and evaluation of the Common Fund and the Belgian participation in the Common Fund, according to the arrangements of the Memorandum.

BTC is represented in Mozambique by the Resident Representative responsible for Mozambique.

BTC shall attend all the monitoring, evaluation and control activities included in the Memorandum. To this end BTC shall participate as a full member in the Partnership Committee that will be set up in the framework of the Memorandum.

2.3. Mozambique designates:

2.3.1. Mozambique Revenue Authority, as entity responsible for the execution of the activities of the Common Fund according to the provisions of the Memorandum.

2.4. The parties shall take all necessary administrative and budgetary measures to achieve the objectives of this Specific Agreement.

Article 3
(Contribution of the Parties)

3.1. The Memorandum of Understanding sets out the principles and terms for the partnership between Mozambique and the signing parties for the activities financed by the Common Fund.

- 3.2. The contributions and obligations of Mozambique to the Revenue Authority Reform are described in different sections of the Memorandum.
- 3.3. The Belgian grant contribution to the Common Fund for the Implementation of the Revenue Authority 2009-2010 is 2 million Euro.

3.4. Disbursement modalities:

The Belgian contribution will be disbursed in two instalments of 1.000.000 euro each.

- The first instalment of 1.000.000 euro for the Mozambican fiscal year 2010 will be transferred after the signing of this Specific Agreement and the submission of Annual Work Plan and Budget for 2010 by the Revenue Authority.
- The second instalment of 1.000.000 euro for the Mozambican fiscal year 2010 will be disbursed in the second half of 2010.

In particular the second instalment will be conditional on:

- a. The existence of an approved Annual Work Plan and Budget for year N (as foreseen in art 2.4.4 of the MoU);
- b. The availability of the Annual Report of year N-1 (art. 4.4 of the MoU)
- c. The availability in year N of the annual external Financial Audit of year N-1 (as foreseen in art 4.5 of the MoU).

The requirements in b and c are also of application for the ex-post justification in year N+1 of the second instalment. If this condition is not met, Belgium can request the repayment of this instalment.

- 3.5. As foreseen in art 2.4.4 d of the MoU, the planned disbursement can be delayed or even cancelled, in an evident case of fraud or of a major deviation of the agreed Annual Work Plan and Budget, in case not sufficiently corrected, after being detected and notified. In the case of serious misappropriation or misuse of transferred funds, Belgium reserves the right to unilaterally or jointly claim repayment in full or in part of the funds.
- 3.6. Belgium will transfer its contribution according to the provision of the Memorandum (art 2.4.3) to a foreign exchange account held by Banco De Moçambique.
The Revenue Authority will inform Belgium in writing of the needed account information.

Article 4
(Control and evaluation)

Control and Evaluation will be according to the provisions of the Memorandum, in particular the annual audit and specific evaluation provisions foreseen in art 3.3 ('Reviews') and section IV ('Assessment and Control Mechanisms').

Belgian control and evaluation will be through joint mechanisms. Belgium will not perform bilateral reviews as foreseen in art. 4.1.(v) of the MoU.

Article 5
(Entry into force, Duration, Modifications and Termination)

- 5.1. This Specific Agreement will enter into force on the date of its signature by both Parties.
- 5.2. This Specific Agreement is valid for a period of 24 months starting from its date of signing.
- 5.3. The provisions of this Specific Agreement may be modified by mutual agreement between the Parties, through exchange of letters.
- 5.4. Any disputes related to the application and interpretation of this Specific Agreement shall be settled through bilateral negotiation.
- 5.5. This Specific Agreement may be denounced by each of the Parties, through verbal note, subject to six months notice.

Article 6
(Notifications)

All notifications related to this Specific Agreement and more specifically modifications and interpretations of this Agreement, shall be communicated through diplomatic channels at the following addresses:

for Mozambique:
The Revenue Authority

For Belgium:
Embassy of Belgium

All notifications related to the execution of this Agreement as mentioned in the Memorandum, shall be addressed at the following addresses:

for Mozambique:
The Revenue Authority, Maputo

For Belgium:
The Belgian Technical Cooperation,
Maputo

Article 7
(Final Dispositions)

In witness whereof, the undersigned, duly authorized thereto, have signed the present Specific Agreement.

Done in duplicate at Maputo, on 5th March, 2010 in the English language, both copies being equally authentic.

Signing

For Mozambique



Rosário B. F. Fernandes
The President of the Revenue Authority

For Belgium



Jan Mutton
The Ambassador of Belgium

Annex 1: Memorandum of Understanding between Government of Mozambique and Development Partners on Common Fund for the Implementation of the Revenue Authority Reform 2007 – 2010.