His Excellency Aiuba Cueneia  
Minister of Planning and Development  
Ministry of Planning and Development  
C.P. 493 21 Av. Ahmed Sekou Toure  
Maputo, Republic of Mozambique

REPUBLIC OF MOZAMBIQUE:  
PROIRRI Sustainable Irrigation Development Project  
(Credit No. 4916-MOZ)  
Amendment No. 1 to the Financing Agreement

Excellency:

We refer to the Financing Agreement ("Agreement") dated September 23, 2011, between the Republic of Mozambique ("Recipient") and the International Development Association ("Association") for the above mentioned Project ("Project").

We propose to amend the Agreement in respect of the provisions below:

1. Schedule I of the Agreement is deleted in its entirety and is replaced with the Annex I attached to this amendment letter.

2. The table in Section V of Schedule 2 to the Agreement is deleted in its entirety and is replaced with Annex II attached to this amendment letter.

3. The table under Section IV.B.2(a) is amended to read as follows:

<table>
<thead>
<tr>
<th></th>
<th>National Competitive Bidding, subject to the following additional provisions:</th>
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<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td>1.</td>
<td><strong>General</strong></td>
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<tr>
<td></td>
<td>The procedures to be followed for National Competitive Bidding (NCB) shall be those set forth in the &quot;Regulamento de Contratação de Empreitada de Obras Públicas, Fornecimento de Bens e Prestação de Serviços ao Estado&quot; of the Republic of Mozambique of May 24, 2010 (&quot;the Regulation&quot;), as per Decree No. 15/2010, with the modifications described in the following paragraphs.</td>
</tr>
<tr>
<td>2.</td>
<td><strong>Eligibility</strong></td>
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<td></td>
<td>(a) No restriction based on nationality of bidders and/or origin of goods shall</td>
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apply. Foreign bidders shall be allowed to participate in NCB without restriction and shall not be subject to any unjustified requirement which will affect their ability to participate in the bidding process such as, but not limited to, the proof that they are not under bankruptcy proceedings in Mozambique; have a local representative; have an attorney resident and domiciled in Mozambique; form a joint venture with a local firm. In cases of joint ventures, they shall confirm joint and several liabilities.

(b) Prior registration, obtaining a license or agreement shall not be a requirement for any bidder to participate in the bidding process.

(c) Government-owned enterprises or institutions of the Republic of Mozambique shall be eligible to participate in the bidding process only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or Sub-Recipient.

3. **Bidding Documents**

Standard bidding documents acceptable to the Bank/Association shall be used.

4. **Preferences**

No domestic preference shall be given for domestic bidders and/or for domestically manufactured goods.

5. **Applicable Procurement Method**

Subject to these provisions, procurement shall be carried out in accordance with the “Public Competition” method (Concurso Público) set forth in the Regulation.

6. **Bid Preparation Time**

Bidders shall be given at least twenty-eight (28) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids.

7. **Bid Opening**

Bids shall be opened in public, immediately after the deadline for their submission in accordance with the procedures stated in the bidding documents.

8. **Bid Evaluation**

(a) Qualification criteria shall be clearly specified in the bidding documents,
and all criteria so specified, and only such criteria so specified shall be used to determine whether a bidder is qualified; the evaluation of the bidder's qualifications should be conducted separately from the technical and commercial evaluation of the bid. Qualification criteria shall be applied on a pass or fail basis.

(b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents; criteria other than price shall be quantified in monetary terms.

(c) A contract shall be awarded to the qualified bidder offering the lowest-evaluated and substantially responsive bid.

(d) Bidders shall not be eliminated on the basis of minor, non-substantial deviations.

9. Rejection of All Bids and Re-bidding

All bids shall not be rejected and new bids solicited without the Bank’s/Association’s prior concurrence.

10. Complaints by Bidders and Handling of Complaints

The Recipient shall establish an effective and independent protest mechanism allowing bidders to protest and to have their protest handled in a timely manner.

11. Right to Inspect/Audit

In accordance with paragraph 1.16(e) of the Procurement Guidelines, each bidding document and contract financed from the proceeds of the Financing shall provide that: (i) the bidders, suppliers, and contractors and their subcontractors, agents, personnel, consultants, service providers or suppliers, shall permit the Bank/Association, at its request, to inspect their accounts, records and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank/Association; and (ii) the deliberate and material violation by the bidder, supplier, contractor or subcontractor of such provision may amount to obstructive practice as defined in paragraph 1.16(a)(v) of the Procurement Guidelines.

12. Fraud and Corruption

Each bidding document and contract financed from the proceeds of the Grant shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of the Procurement Guidelines. The Bank/Association will sanction a firm or individual, at any time, in accordance with prevailing
Bank/Association sanctions procedures, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a Bank/Association-financed contract; and (ii) to be a nominated sub-contractor, consultant, supplier or service provider of an otherwise eligible firm being awarded a Bank/Association-financed contract.

13. **Debarment Under National System**

The Bank/Association may recognize, if requested by the Recipient, exclusion from participation as a result of debarment under the national system, provided that the debarment is for offenses involving fraud, corruption or similar misconduct, and further provided that the Bank/Association confirms that the particular debarment procedure afforded due process and the debarment decision is final.”

4. Sections 11 and 23 of the Appendix to the Agreement is modified for any activity starting after the approval of this amendment, to read as follows:


5. New sections 23 through 25 are added to read as follows in the Appendix to the Agreement; existing sections 23 through 25 and the remaining sections are renumbered accordingly.

“23. “PROIRRI Rice Business Line” means the activities to revitalize medium-size rice-based irrigation schemes including interventions to the rice value-chain and its enabling environment”

“24. “PROIRRI Horticulture Business Line” means the activities to enhance horticulture-based small-scale irrigation systems including interventions to various fruits and vegetables value-chains and their enabling environment.”

“25. “PROIRRI Outgrowers Business Line” means the activities to promote smallholder-based outgrowers arrangements centered around irrigated agriculture including interventions to value-chains and their enabling environment.”

All other provisions of the Agreement, except amended herein, shall remain in full force and effect.
Please indicate your agreement with the foregoing amendments to the Agreement on behalf of the Borrower by countersigning and dating the two original copies of this letter and returning one countersigned original to us. Upon receipt by the Association of this countersigned copy, this amendment shall become effective as of the date of the countersignature.

Sincerely,

[Signature]
Laurence C. Clarke
Country Director for Mozambique
Africa Region

AGREED:

REPUBLIC OF MOZAMBIQUE

[Signature]
By: 
Name: 
Title: Minister/Governor
Date: 

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"SCHEDULE 1

Project Description

The objective of the Project is to increase agriculture production marketed and raise farm productivity in new or improved irrigation schemes in the following Recipient's provinces: Sofala, Manica and Zambezia.

The Project consists of the following parts:

Part 1: Institutional Development and Participatory Irrigation Management

(a) Provision of technical assistance, goods and Training to MINAG to strengthen its institutional and technical capacity for irrigation development.

(b) Provision of technical assistance and Training to MINAG to: (i) build irrigation capacity of Project beneficiaries in the project's PROIRRI Rice Business Line, PROIRRI Horticulture Business Line and PROIRRI Outgrowers Business Line in the Recipient's provinces of Sofala, Manica, and Zambezia; and (ii) implement a participatory process for planning interventions, developing irrigated agriculture, and managing water and irrigation infrastructure in the project's PROIRRI Rice Business Line, PROIRRI Horticulture Business Line and PROIRRI Outgrowers Business Line.

Part 2: Investments in Irrigation Systems and Support Infrastructure

(a) Provision of works, goods and services to MINAG to develop new or rehabilitate existing irrigation and drainage infrastructure, as well as road connectors and electricity capacity for the sustainable operation of that infrastructure, in the Recipient's Provinces of Sofala, Manica and Zambezia, in support of: (i) PROIRRI Rice Business Line, (ii) PROIRRI Horticulture Business Line, and (iii) PROIRRI Outgrowers Business Line.

(b) Provision of technical assistance, works and goods to MINAG and the PCU for the carrying out of the environmental mitigation measures set forth in the ESMF, RPF, the Environmental Management Plans, the Resettlement Action Plans and the Small Dam Guidelines in connection with the implementation of Parts 2(a) and 3 of the Project.

Part 3: Market-Led Production and Value Chain Development

Carrying out of Agriculture Sub-projects in the Recipient's Provinces of Sofala, Manica and Zambezia in support of:

(a) PROIRRI Rice Business Line:

Including inter alia:

1. enhancing agriculture production and value chain development;
2. purchasing seeds and fertilizer start-up kits;
3. purchasing farm machinery;
4. setting up of nurseries; and
5. enhancing the processing, storage, transport and commercialization of agricultural products.
(b) **PROIRRI Horticulture Business Line and PROIRRI Outgrowers Business Line:**

*Including inter alia:*

1. enhancing agriculture production and value chain development;
2. purchasing seeds and fertilizer start-up kits;
3. purchasing farm machinery;
4. constructing of greenhouses and setting up nurseries; and
5. enhancing the processing, storage, transport and commercialization of agricultural products.

**Part 4: Project Management**

Provision of support for overall Project coordination, evaluation, supervision and implementation, including, *inter alia:*

1. strengthening of the capacity of MINAG to comply with its responsibilities under the Project;
2. provision of Training to MINAG’s staff to enhance their knowledge of the Association’s procurement and financial management policies and procedures;
3. carrying out of audits under paragraph B of Section III of Schedule 2 to this Agreement;
4. carrying out of Project studies, including, *inter alia,* performance reviews and impact evaluations; and
5. implementation of a program to monitor and evaluate the carrying out of the Project."
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
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<tbody>
<tr>
<td>(1) Goods, works (except as covered by Categories 2 and 3 below), Training, Operating Costs, and consultants’ services (including audits) (Pro memoria)</td>
<td>270,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works for Part 2(a) of the Project (Pro memoria)</td>
<td>0</td>
<td>100% of the works financed by MINAG</td>
</tr>
<tr>
<td>(3) Goods, works, and consultants’ services for Agriculture Sub-projects (Pro memoria)</td>
<td>0</td>
<td>100% of the portion of the investment financed by MINAG under each Agriculture Matching Grant</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>811,325</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
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<td>(5) Unallocated</td>
<td>650,000</td>
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<tr>
<td>(6) Goods (except as covered by Category 8 and 10 below), works (except as covered by Category 7, 8, 9, and 10 below), Training and Operating Costs (except as covered under Category 8 below), and consultants’ services (including audits) (except as covered under Category 8 and 10 below) for the Project</td>
<td>8,228,675</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Works for Part 2(a)(ii) and (iii) of the PROIRRI Horticulture and PROIRRI Outgrowers Business Lines under the Project</td>
<td>9,390,000</td>
<td>100% of the works financed by MINAG</td>
</tr>
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<td>(8) Goods, works, Training, Operating Costs, and consultants’ services (including audits) for PROIRRI Rice Business Line under Part 1(b) of the Project</td>
<td>6,550,000</td>
<td>50%</td>
</tr>
<tr>
<td>(9) Works for Part 2(a)(i) of PROIRRI Rice Business Line under the Project</td>
<td>16,000,000</td>
<td>66% of the works financed by MINAG</td>
</tr>
<tr>
<td>(10) Goods, works, and consultants’ services related to PROIRRI Horticulture and PROIRRI Outgrowers Business Lines under the Agriculture Sub-projects for Part 3(b) of the Project.</td>
<td>3,000,000</td>
<td>100% of the portion of the investment financed by MINAG under each Agriculture Matching Grant</td>
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<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>44,900,000</strong></td>
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</table>
cc:  H.E. Jose Pacheco  
Minister  
Ministry of Agriculture  

H.E. Manuel Chang  
Minister  
Ministry of Finance  

H.E. Ernesto Goveia Gove  
Governor  
Bank of Mozambique  

Dr. Adriano Ubisse  
National Director of Investment and Coöperation  
Ministry of Planning and Development  

Mr. Mohamed Vala  
National Director for Agrarian Services  
Ministry of Agriculture