H.E. Adriano Maleiane  
Minister of Economy and Finance  
Ministry of Economy and Finance  
Maputo  
Republic of Mozambique

Republic of Mozambique: Cities and Climate Change Project  
(Credit No. 5066-MZ)  
Amendment to the Financing Agreement

Excellency:

We refer to the Financing Agreement dated May 4, 2012 ("Agreement"), between the Republic of Mozambique ("Recipient") and the International Development Association ("Association"), for the Cities and Climate Change Project ("Project"), and to the letter dated July 19, 2016 from the Recipient requesting certain amendments to the Project.

Accordingly, the Association proposes to amend the Agreement as follows:

1. The Project Description under Schedule 1 to the Agreement is hereby deleted and replaced by the following:

   "The objectives of the Project are to strengthen institutional capacity for local revenue enhancement and land use management in targeted Recipient’s municipalities, and to enhance climate resilience in the coastal cities of Beira and Maputo."

2. Paragraph (i)(b), under Part A of Schedule 1 to the Agreement is hereby deleted replaced by the following:

   "(i). Local level support for improved municipal governance

   b. "Improved Urban Planning and Land Use Management: Support including through: (A) the carrying out of climate vulnerability assessments, basic spatial planning studies and development of urban land management Instruments in selected Eligible Municipalities as well as urban environmental and surface water management Instruments in selected Eligible Municipalities vulnerable to climate related flooding and erosion; (B) the development and dissemination of methodologies for urban planning and land use and environmental management; and (C) the carrying out of training sessions for municipal staff and technicians."
3. Paragraph (i)(c), under Part A of Schedule 1 to the Agreement is hereby deleted and replaced by the following:

"(i). **Local level support for improved municipal governance**

c. **Enhancement of Municipal Financial Sustainability:** Support to improve financial management and enhance municipal revenues, including through the: (A) development and dissemination of methodologies for revenue administration; (B) carrying out of training sessions in revenue administration and financial management for municipal staff; and (C) provision of advisory services and equipment to strengthen the institutional capacity of Eligible Municipalities."

4. Paragraph (i) under Part B of Schedule 1 to the Agreement is hereby deleted and replaced by the following:

"(i) **Building the capacity of selected municipalities to strengthen resilience to climate-related floods through the carrying out of training sessions for the technical teams of AIAS on climate change impacts on sanitation.**"

5. Paragraph (iii) under Part B of Schedule 1 to the Agreement is hereby deleted in its entirety.

6. Paragraph A.2 of Section IV of Schedule 2 to the Agreement is hereby deleted and replaced by the following:

"2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Credit ("Category"), the allocation of the amounts of the Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

[remainder of page intentionally left blank]"
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Credit Allocated (expressed in SDR)</th>
<th>Percentages of Expenditures to be Financed (Including taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services, non-consultants’ services, Training and Operating Costs under Parts A(i) (b) and (c) and (ii) of the Project</td>
<td>12,789,781</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods, works, consultants’ services, non-consultants’ services, Training and Operating Costs under Part B of the Project</td>
<td>55,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, works, consultants’ services and non-consultants’ services, financed through Municipal Performance Grants under Part A(i)(a) of the Project</td>
<td>9,935,176</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Refund of Preparation Advance</td>
<td>75,043</td>
<td>Amount payable pursuant to Section 2.07 of the General Conditions</td>
</tr>
<tr>
<td>TOTAL</td>
<td>78,200,000</td>
<td></td>
</tr>
</tbody>
</table>

7. Paragraph 12 of Section 1 of the Appendix to the Agreement is hereby deleted and replaced by the following:

"12. Environmental and Social Management Framework” or “ESMF” means the framework disclosed in Mozambique on December 8, 2011, and at the World Bank’s Infoshop on the same date and updated on May 23, 2017 in form and substance satisfactory to the Association, setting out modalities to be followed in assessing the potential adverse environmental and social impact associated with activities to be implemented under the Project, and the measures to be taken to offset, reduce or mitigate such adverse impact including protection of natural habitats and protection of forests, as amended from time to time with prior written consent of the Association.”
8. Paragraph 33 of Section 1 of the Appendix to the Agreement is hereby deleted and replaced by the following:

"33. "Resettlement Policy Framework" or "RPF" means the framework disclosed in Mozambique on December 8, 2011, and at the World Bank’s Infoshop on the same date and updated in the Noticias newspaper on June 16, 2017, and in the World Bank’s Infoshop on June 19, 2017 containing guidelines, timetables and other specifications for the provision of compensation, rehabilitation and resettlement assistance to Displace Persons, as amended from time to time with prior written consent of the Association."

9. Paragraph B.2 of Section IV of Schedule is hereby deleted and replaced by the following:

"2. The Closing Date is December 31, 2019."

All the terms and conditions of the Agreement that have not been amended hereby shall remain unchanged and in full force and effect.

Please indicate your agreement with the foregoing amendments on behalf of the Recipient by countersigning and dating two (2) original copies of this letter and returning one countersigned original to us. Upon receipt by the Association of the countersigned copy, this Amendment will become effective as of the date of the last signature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

Mark Lundell
Country Director

AGREED:

REPUBLIC OF MOZAMBIQUE

By: [Signature]
Name: [Name]
Title: [Title]
Date: 23.11.2017