Mr. Aiuba Cuereneia  
Minister of Planning and Development  
Ministry of Planning and Development  
Maputo  
Republic of Mozambique  

Re: REPUBLIC OF MOZAMBIQUE: National Decentralized Planning and Finance Project. Credit Number: 4705-MOZ.  
First Amendment to the Financing Agreement  

Dear Minister,  

Please refer to the Financing Agreement (the Agreement) for the National Decentralized Planning and Finance Project, Credit Number: 4705-MOZ (the Project) between the Republic of Mozambique (the Borrower) and the International Development Association (the Association), dated May 11, 2010.  

Pursuant to your letter dated November 29, 2010 requesting the Association to restructure the Project, I am pleased to inform you that we agree with your request, and, as a result, we are amending the Agreement as follows:  

1. Paragraph B.3 of Section I of Schedule 2 to the Agreement is amended in its entirety to read as follows:  

“3. District-level Infrastructure Operations and Maintenance Strategy  
Under Part A of the Project, the Recipient shall, not later than June 30, 2011:  

(a) carry out, under terms of reference satisfactory to the Association, a study of the operations and maintenance requirements of the infrastructure of its districts, as well as the budget implications of such requirements, and on the basis of such study, formulate recommendations for a short, medium and long term strategy for the sustainable operations and maintenance of such infrastructure;  
(b) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and recommendations; and  
(c) thereafter, promptly adopt such recommendations, taking into account the views of the Association on the matter, and ensure that its districts implement such recommendations with due diligence under Part C of the Project.”
2. Paragraph B.4 of Section I of Schedule 2 to the Agreement is amended in its entirety to read as follows:

“4. District-level Core Manuals.

Under Part A of the Project, the Recipient shall, not later than June 30, 2011:

(a) carry out, under terms of reference satisfactory to the Association, a study of all legal and institutional requirements applicable to its districts in the areas of local strategic and operational planning, budgeting, management and execution, accountability and internal control and audits, and on the basis of the results of such study, prepare a draft of general user manuals for its districts which elaborates the processes to be followed by the districts to ensure compliance with such requirements;
(b) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and draft manuals; and
(c) thereafter promptly adopt such manuals, taking into account the views of the Association on the matter, and ensure that its districts adopt and apply such manuals with due diligence under Part C of the Project.”

3. Paragraph B.5 of Section I of Schedule 2 to the Agreement is amended in its entirety to read as follows:

“5. District-level Safeguards Frameworks

Under Part A of the Project, the Recipient shall:

(a) not later than June 30, 2011:

(i) prepare, under terms of reference satisfactory to the Association, a proposed framework for the assessment and management of environmental and social aspects (including involuntary resettlement) of district-level investments so as to ensure that such investments are developed and implemented in an environmentally and socially sound and sustainable manner, and that any potential adverse environmental or social impacts of such investments (including involuntary resettlement) are prevented, minimized, mitigated, or appropriately compensated for, and that positive impacts are enhanced;
(ii) furnish said framework to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on such framework; and
(iii) thereafter promptly adopt, and ensure that its districts adopt, such framework, taking into account the views of the Association on the matter (“Environmental and Social Safeguards Management Framework”); and

(b) not later than December 31, 2012:

(i) carry out, under terms of reference satisfactory to the Association, an evaluation of the application by its districts of the Environmental and Social Safeguards Management Framework, and on the basis of the results of such evaluation, develop recommendations designed to further
the implementation by its districts of investments in an environmentally and socially sound and sustainable manner;
(ii) furnish said study and recommendations to the Association and afford the Association a reasonable opportunity to exchange views with the Recipient on the results of such study and recommendations; and
(iii) thereafter promptly adopt such recommendations, taking into account the views of the Association on the matter, and ensure that its districts adopt and apply such recommendations with due diligence and efficiency.”

In all respects other than set forth above, the provisions of the Agreement shall continue to apply with full force and effect.

Please confirm your agreement to the foregoing amendments by signing and dating the two originals of this Amendment Letter and returning one fully signed and dated original to us.

The provisions set forth in this Amendment Letter will become effective upon receipt by the Association of one fully executed original of this Amendment Letter.

Sincerely,

/s/ Olivier Godron
Acting Country Director for Mozambique
Africa Region

REPUBLIC OF MOZAMBIQUE

By: /s/ Aiuba Cuereneia
Authorized Representative

Title: Minister

Date: December 21, 2010