H.E. Emilia Pires
Minister of Finance
Ministry of Finance
GPA Building 5
Dili - República Democrática de Timor-Leste

Excellency:

Re: Planning and Financial Management Capacity Building Project (TF 093959); Amendment No. 2 to the Multi-Donor Trust Fund Grant Agreement

We refer to the Multi-Donor Trust Fund Grant Agreement (the Grant Agreement) for the Planning and Financial Management Capacity Building Project (the Project), dated March 18, 2009, between the Democratic Republic of Timor-Leste (the Recipient) and the International Development Association (the Association), acting as Administrator of the Multi-Donor Trust Fund for Planning and Financial Management Capacity Building Project, as lastly amended per letter dated September 12, 2010.

We are pleased to advise that the Association concurs with the Recipient’s request, and proposes to amend the Grant Agreement as set forth below.

1. In Section 1.02 a new definition is added as sub-paragraph (iii) that shall read as follows:

“(iii) “Incremental Operation Costs” shall be deemed to cover the cost of the reasonable expenses incurred on account of Project implementation, support and management, which would not have been incurred absent the Project, including communications, utilities, stationary, transportation costs, accommodation and travel allowances of Project staff, but excluding salaries of the Recipient’s civil servants prior to the date of countersignature of this letter but on or after March 18, 2009.”

2. In Section 2.02(a) of the Grant Agreement the phrase “, and consisting of goods works, services training and innovative activities and pilots” is amended to read in its entirety as follows:

“, and consisting of goods works, services training and innovative activities and pilots, and Incremental Operating Costs.”
Except as specifically amended by the provisions of this letter of amendment, all terms and conditions of the Grant Agreement shall remain in full force and effect.

Please confirm your agreement with the foregoing on behalf of the Democratic Republic of Timor Leste, by countersigning, dating and returning to us the enclosed copy of this letter of amendment. Upon receipt by the Association of the countersigned copy of this letter of amendment, the amendments herein shall become effective as of the date of the countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION
As Administrator of the Multi-Donor Trust Fund for
Planning and Financial Management Capacity Building Project

By/s/ Ferid Belhaj

Ferid Belhaj
Country Director,
Timor-Leste, Papua New Guinea and the Pacific Islands
East Asia and Pacific Region

AGREED
DEMOCRATIC REPUBLIC OF TIMOR LESTE

By/s Emilia Pires

Name: Emilia Pires
Title: Minister of Finance