May 6, 2016

Hon. Patrick Pruaitch, MP
Minister for Treasury
PO Box 710
Waigani
National Capital District
Papua New Guinea

Dear Minister,

Independent State of Papua New Guinea: IDA Credit No. 4931-PG (Road Maintenance and Rehabilitation Project II) – Letter of Amendment


The Association concurs with your request and accordingly amends the Financing Agreement as follows:

1. Section 1.A.5 of Schedule 2 to the Financing Agreement is amended to read as follows:

   “5. In carrying out Part I of the Project, the Recipient, through DOW, shall, in consultation with and the support of EPM and the PEPMs: (i) as soon as available, but in any event no later than by June 30 in each calendar year, commencing on any such date after the Effective Date, until completion of the Project, furnish to the Association for its approval, the draft Annual Work Program for the immediately following calendar year, of such scope and detail as the Association shall have reasonably requested, including, without limitation, a budget and indication of source of funds; (ii) by December 31 in each calendar year, commencing on any such date after the Effective Date, adopt said Annual Work Program, as so approved; and (iii) thereafter, implement said Annual Work Program in a manner acceptable to the Association; provided, however, that the Annual Work Program for the calendar year January 1 to December 31, 2012, shall be prepared and furnished to the Association for its approval by no later than December 15.”
2. Section 1 A.6(c) of Schedule 2 to the Financing Agreement is deleted in its entirety.

3. Paragraphs (d) and (e) of Section 1 A.6 are revalued as paragraphs (c) and (d) respectively to restore ascending order.

4. A new Section 1 A.7 of Schedule 2 to the Financing Agreement is inserted and reads as follows:

"7. Operational Manual
   (a) The Recipient shall carry out the Project in accordance with the Operational manual, and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Operational Manual.
   (b) In case of a conflict between the provisions of the Operational Manual and this Agreement, those of this Agreement shall prevail."

5. The table in Section IV.A.2 of Schedule 2 to the Financing Agreement is deleted in its entirety and replaced by the table in the Attachment to this Letter of Amendment.

6. Section IV.B.2 of Schedule 2 to the Financing Agreement is amended to read as follows:

"2. The Closing Date is March 31, 2018."

7. Schedule 5 'Results Indicators' to the Financing Agreement is deleted in its entirety.

8. The Appendix to the Financing Agreement is amended by inserting a new definition after paragraph 18 that reads as follows:

"19. "Operational Manual" means the manual dated December 16, 2013, as amended from time to time, setting forth the detailed guidelines and procedures for the implementation of the Project, including procurement, financial management, results indicators, monitoring and evaluation, and environmental and social safeguard procedures."

9. Paragraphs 19 to 25 of the Appendix to the Financing Agreement are renumbered 20 to 25 to restore ascending numeric order.
All capitalized terms used in this Letter of Amendment have the same meanings assigned to them in the Financing Agreement. All the terms of the Financing Agreement not hereby amended will remain in full force and effect.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed two copies of this Letter of Amendment, and returning one copy to the Association. 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,

[Signature]
Franz R. Drees-Gross
Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED.

Independent State of Papua New Guinea

By:

[Signature]
Authorized Representative

Name:

Title:

Date: 31 May 2016
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, and consultants' services for Part 1 of the Project</td>
<td>21,400,000</td>
<td>78% for works contracts entered into before September 1, 2015 and thereafter 100%; 100% for all other Eligible Expenditures.</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, and consultants' services for Part 2 of the Project</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Operating Costs</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>27,400,000</strong></td>
<td></td>
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