June 30, 2016

Hon. Patrick Pruaitch, MP
Minister for Treasury
Department of Treasury
Vulupindi Haus 4th Floor
P.O. Box 542
Waigain, 131 NCD
Papua New Guinea

Dear Minister,

Independent State of Papua New Guinea: Credit No. 5201-PG
PNG Energy Sector Development Project
Amendment to the Financing Agreement

We refer to the financing agreement ("Financing Agreement") between the Independent State of Papua New Guinea ("Recipient") and the International Development Association ("Association") dated May 29, 2013 for the abovementioned project. We also refer to your letter dated April 21, 2016, requesting the Association make some amendments to the Financing Agreement, and our letter in response dated May 23, 2016.

We are pleased to inform you that the Association concurs with your request, and proposes to amend the Financing Agreement, as set out below:

"b) Institutional and Strategy Development
   (i) Strategic environmental and social assessment of the policies to be developed under Part 1 (a) of the Project;
   (ii) Development of a rural electrification strategy for the Recipient, including inter alia (A) initial data to define resources and demand for rural electrification; (B) an analysis of alternative models of community and rural electrification initiatives, including cost structure, as input to the process for developing tariffs for electricity supply; and (C) a methodology for screening social and environmental aspects of rural electrification initiatives; and
   (iii) Development of a natural gas master plan for the Recipient, including inter alia: review of relevant existing policies, plans and studies; analysis of natural gas demand; storage and transport needs, and markets; and assessment of natural gas infrastructure, social and environmental impacts, and methods to increase access to natural gas, particularly in rural areas."

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

"2. The Recipient shall cause the Project Implementing Entity to establish no later than three (3) months after procuring the Naoro Brown Project Developer and thereafter maintain, or cause the Naoro Brown Project Developer to maintain, until completion of the Project, two (2) expert panels (the Social and Environmental Expert Panel and the Dam Safety Expert Panel) on the basis of terms
of reference satisfactory to the Association which shall be responsible for providing feedback respectively on social and environmental issues and dam safety issues related to the preparation of the Naoro-Brown Hydropower Project."

2. The Closing Date specified in Section IV.B.2 of Schedule 2 to the Financing Agreement is extended to July 31, 2019.

Please confirm your agreement to the amendments set out above by having an authorized representative of the Recipient sign and date the form of confirmation set forth below, and returning one fully countersigned original of this letter to the Association. Upon receipt by the Association of the copy of this letter countersigned on behalf of the Recipient, this amendment letter shall become effective as of the date of the countersignature.

Sincerely,

Mona Sur
Acting 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: PATRICK PRUITCH
Title: MINISTER FOR TREASURY
Date: 8TH AUGUST 2016