H. E. Phouphet Khamphounvong  
Minister of Finance  
Ministry of Finance  
Lao People’s Democratic Republic

Re: **Multi-Donor Trust Fund for the Public Financial Management Strengthening Program (PFMSP) Amendments to the Grant Agreement (No. TF-091192) and Revised Disbursement Letter**

Excellency:

We refer to the Grant Agreement dated November 06, 2008 between the Lao People’s Democratic Republic (Lao PDR) and the International Development Association (the Association) for the above-mentioned Project, as amended (PFMSP Grant Agreement).

We also refer to your letter dated September 20, 2011, requesting the following: (i) to include a disbursement category for incremental operating costs with retroactive financing from May 1, 2011; (ii) to allow for an increase of the Designated Account (DA); and (iii) to extend the closing date of the grant for an additional 24 months.

In response to these requests, the Association, as Administrator of the PFMSP Multi Donor Trust Fund (PFMSP MDTF) Grant, hereby agrees to modify the PFMSP Grant Agreement and the Disbursement Letter for said Agreement to introduce changes as per your requests (i) and (ii).

However, for the extension of the closing date, we are hereby proposing to extend only for an additional 4 months for the moment. This extension will allow us to process the extension of the Administrative Agreements with all donors of the PFMSP MDTF and subsequently we will modify the closing date of the PFMSP Grant Agreement. Kindly be reminded that this additional 4 months extension is granted on an exceptional basis and, as explained in the attached Disbursement Letter, there will be no grace period to submit the withdrawal applications for this Project, should it not be extended further.

The above modifications to the PFMSP Grant Agreement are set forth in the Annex to this Letter of Amendment. Also attached is a revised Disbursement Letter.

It is the Bank’s policy to make publicly available the PFMSP Grant Agreement and any information related thereto, including this Letter of Amendment and the Disbursement Letter. By confirming its agreement below, Lao PDR consents to disclosure of this Letter of Amendment and the Disbursement Letter after Letter of Amendment has become effective.
Except as specifically amended hereby, all other terms and conditions of the PFMSP Grant Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement with this Amendment Letter by countersigning, dating and returning to us the enclosed copy of this letter. Upon receipt by the Association of the countersigned copy of this letter, the amendments shall become effective as of the date of such countersignature, except the amendment referred to in Section 1 of the Annex to this Letter of Amendment which will be effective as of May 1, 2011.

Sincerely yours,

/s/ Annette Dixon

Annette Dixon
Country Director for Lao PDR
East Asia and Pacific Region

CONFIRMED:
LAO PEOPLE’S DEMOCRATIC REPUBLIC

By: /s/ Phouphet Khamphounvong
Authorized Representative

Name: Phouphet KHAMPHOUNVONG
Title: Minister of Finance
Date: 28 OCT 2011
ANNEX

Amendments to the PFMSP Grant Agreement (TF91192-LA)

1. The Table in Section IV. A.2 of the PFMSP Grant Agreement is replaced by the following:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (Inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ Services and Training and Workshops under Part A of the Project</td>
<td>$3,001,926</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Incremental Operating Costs under Part A of the Project</td>
<td>$70,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$3,071,926</td>
<td></td>
</tr>
</tbody>
</table>

2. Section IV. A.2 of the PFMSP Grant Agreement is amended by the insertion of the following paragraph at the end of the Section:

“For the purpose of the Table above, Incremental Operating Costs means: reasonable expenditures incurred by the Recipient (which expenditures would not have been incurred absent the Project), in managing and coordinating the implementation of the Project, including costs of office equipment and supplies, software, translation costs, travel costs including per diems and lodging of staff, fuel costs, communication, utilities, consumables, but excluding salaries or salary supplements of officials of the Recipient’s civil service.”

3. Section B.2 of the PFMSP Grant Agreement is amended to read as follows:

“Section B.2. The closing date referred to in Section 3.06 (c) of the Standard Conditions is February 29, 2012.”