October 7, 2015

H.E. Santina J.R.F Viegas Cardoso
Minister of Finance
Ministry of Finance
Palácio do Governo
Edificio 5, 1.° Andar
Dili, Democratic Republic of Timor-Leste

Re: Second Chance Education Project
(Grant Number H633-TP)
Amendment to Financing Agreement and Supplemental Letter re Project
Performance Indicators

Dear Excellency:

We refer to the Financing Agreement (Agreement) dated February 18, 2011, as amended to date, between the Democratic Republic of Timor-Leste (Recipient) and the International Development Association (Association), and the supplemental letter of the same date regarding project performance indicators agreed further to the Agreement (Supplemental Letter), all for the Second Chance Education Project (the Project).

We also refer to your letter dated June 26, 2015 requesting a restructuring of the Project which requires amending the Agreement and the Supplemental Letter. We are pleased to inform you that the Association concurs with the Recipient’s request, and proposes to amend the Agreement as set forth below:

1. The acronym “DNEAENF” used anywhere in the Agreement is hereby replaced with “NDRE”.
2. Schedule 1 is hereby amended to read as set forth in Attachment 1 to this letter of amendment.
3. Section I.E.1 of Schedule 2 is hereby amended to read as follows:
   “1. Except as the Association shall otherwise agree, the Recipient shall make Community Learning Center Grants to Community Groups, in accordance with: (i) the Community Grants Manual; and (ii) an agreement to be entered into between the Recipient (through MOE) and the respective Community Group, on terms and conditions set forth in the Community Grants Manual (“Community Grant Agreement”).”
4. Section III of Schedule 2 is hereby amended by replacing the word “goods”, wherever used in said Section, with the words “goods and works.”
5. The table in Section IV.A.2 of Schedule 2 is hereby amended to read as follows:

<table>
<thead>
<tr>
<th>“Category”</th>
<th>Amount of the Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Training and Incremental Operating Costs for the Project</td>
<td>2,868,700</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Salaries for Contract Teachers, Teacher Trainers and Field Coordinators</td>
<td>199,200</td>
<td>On a declining basis, as follows:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>100% of expenditures incurred in calendar year 2013</td>
</tr>
<tr>
<td></td>
<td></td>
<td>75% of expenditures incurred in calendar year 2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>50% of expenditures incurred in calendar year 2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0% thereafter</td>
</tr>
<tr>
<td>(3) Community Learning Center Grants</td>
<td>132,100</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,200,000</td>
<td></td>
</tr>
</tbody>
</table>

6. Section IV.B.2 of Schedule 2 is hereby amended to read as follows:

   “2. The Closing Date is December 31, 2016.”

7. In Section I of the Appendix to the Agreement, the definitions of “DNEAENF,” “Equivalence Level I,” “Equivalence Level II” and “Sub-District” are deleted in their entirety, and the following new definitions are added in their place:

   (a) """Equivalency Program Level I” and """Equivalency Program Level II," respectively, has the meaning assigned thereto in NDRE’s program structure of March 2008."

   (b) """NDRE” means MOE’s National Directorate for Recurrent Education, formerly known as the Department of Adult Education and Non-Formal Education, and any successor thereto."

   (c) """Recurrent Education Legal Framework” means the Recipient’s legal framework governing any aspect related to recurrent education, including the curriculum, evaluation of students, students’ registration in such programs, and administration of the programs."

Furthermore, the Association proposes to amend the Annex to the Supplemental Letter regarding project performance indicators agreed further to Section II.A.1 of Schedule 2 to the Agreement, to read as set forth in Attachment 2 hereto.

Except as specifically amended in this letter of amendment, all terms and conditions of the 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

Mona Sur
Acting Country Director
Timor-Leste, Papua New Guinea and the Pacific Islands
East Asia and Pacific Region

AGREED:

DEMOCRATIC REPUBLIC OF TIMOR-LESTE

By: [Signature]

Name: Santina J. R. F. V. Cardeiso
Title: Minister, Ministry of Finance
Date: 26.10.2015
Project Description

The objective of the Project is to support MOE in the establishment of a sustainable national equivalency program.

The Project consists of the following parts:

Part 1: Curriculum Development and Production and Distribution of Instructional Materials

(A) Development of new curricula, instructional materials and teachers’ manuals for Equivalency Program Level II courses, including distance learning, undertaking of trials of select Equivalency Program Level I and Level II courses and adjustment of the new curricula.

(B) Training of trainers to deliver Equivalency Program Level II courses.

(C) Provision of books for small school libraries at selected community learning centers established by participating Community Groups.

(D) Printing and distribution of textbooks and instructional materials for primary education programs and Equivalency Program Level II courses, to support the curriculum revisions and introductions planned under Part 1(A).

Part 2: Improved Quality of Service Delivery

(A) Strengthening of NDRE’s management of services to out of school youth and adults through management and planning advice, including training of managers and administrators as needed.

(B) Development and implementation of a promotional campaign to support community engagement and improved participation in non-formal education, including provision of transport equipment necessary to support the field-based activities of NDRE.

(C) Improvement of the monitoring and evaluation capacity of NDRE.

(D) Improvement of teaching capacity, including hiring and training of teachers, field coordinators and teacher trainers, and training of central and community facilitators in non-formal education.

(E) Provision of technical advisory services for the development of a draft Recurrent Education Legal Framework designed to support a quality and sustainable recurrent education system.

Part 3: Expansion of Local Capacity for Service Delivery through Community Learning Centers

(A) Evaluation of NDRE’s existing Community Learning Centers program, and preparation of selection criteria, procedures and information materials for the Community Groups and facilitators.

(B) Conducting workshops and training of communities to introduce the concept of Community Learning Centers.
C) Funding the provision of grants to selected communities that agree to establish and maintain a Community Learning Center, such grants to cover the costs of furniture, equipment, supplies and small works for such Community Learning Centers.

Part 4: Project Management and Studies

(A) Upgrading of instructional, information and office technology to support the establishment and expansion of capacity and monitoring of programs within NDRE.

(B) Carrying out of distance learning pilots.

(C) Conducting studies to build the knowledge base for stronger non-formal education programming.

(D) Carrying out a program of activities designed to strengthen NDRE’s project management capacity, including: (i) hiring and maintenance of Project staff such as a project coordinator, procurement advisor and financial management specialist; and (ii) financing audits for the Project.
### Project Performance Indicators

#### Project Objective (Ultimate Outcome)

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>The objective of the Project is to support MOE in the establishment of a sustainable national equivalency program.</td>
</tr>
<tr>
<td>- Legal framework regarding recurrent education endorsed by the MOE</td>
</tr>
<tr>
<td>- Curriculum endorsed by the MOE</td>
</tr>
</tbody>
</table>

#### Intermediate Outcome Indicators

- Learning materials for Equivalency Program Level II endorsed by the MOE.
- NDRE staffed with teachers and pedagogic team.
- Teachers and pedagogic team trained to deliver the equivalency program.
- Community Learning Centers established, equipped and functioning.
- Semi-annual report on recurrent education programs produced based on a report template.
- Direct project beneficiaries (number); female beneficiaries (percentage).