Mr. Wilson Sagati  
Council Chairman  
Pacific Aviation Safety Office  
P.O. Box 139  
Anchor House  
Lini Highway  
Port Vila, Vanuatu

Dear Mr. Sagati:

Re: Pacific Aviation Safety Office Reform Project (IDA Grant No. H883)  
Amendment to the Financing Agreement

We refer to the Financing Agreement (IDA Grant No. H883) between the International Development Association (the “Association”) and the Pacific Aviation Safety Office (the “Recipient”) for the above-referenced Project, dated November 1, 2013 (the “Financing Agreement”). We refer also your letters dated September 9, 2014 and July 15, 2015 requesting for Project restructuring and certain amendments be made to the Financing Agreement.

We are pleased to inform you that the Association accedes to your request and hereby proposes to amend the Financing Agreement as follows:

1. The objective of the Project set forth in the first paragraph of Schedule 1 to the Financing Agreement is deleted and replaced with the following:

“The objective of the Project is to strengthen the coordination capacity of the Pacific Aviation Safety Office (PASO) to deliver regional aviation safety and security oversight, and technical and advisory services to the Pacific Island Countries.”

2. A new Part 4 of the Project is introduced to Schedule 1 to the Financing Agreement as follows:

“Part 4. Supporting Regional Aviation Infrastructure  
Expanding regional aeronautical data and communication network through the acquisition and installation of very small aperture terminal equipment for the Cook Islands and Niue.”

3. The withdrawal table in Section IV.A.2 of Schedule 2 to the Financing Agreement is modified as set forth in the Annex to this Letter of Amendment.
4. The definition of “Consultant Guidelines” in paragraph 4 of Section I of the Appendix to the Financing Agreement is revised to read as follows:


5. A new definition of “Pacific Island Countries” is added as paragraph 8(bis) of Section I of the Appendix to the Financing Agreement as follows:

   “8(bis) “Pacific Island Countries” means, collectively, the Cook Islands, Republic of Kiribati, Republic of Nauru, Niue, Independent State of Papua New Guinea, Independent State of Samoa, Solomon Islands, Kingdom of Tonga, Tuvalu, and Republic of Vanuatu.”

6. The definition of “PASO Member States” in paragraph 11 of Section I of the Appendix to the Financing Agreement is deleted in its entirety and the rest of the definitions in the subsequent paragraphs are renumbered accordingly. In addition, the references to “PASO Member States” throughout the Financing Agreement are replaced by “Pacific Island Countries”.

7. The definition of “Procurement Guidelines” in the renumbered paragraph 11 (originally paragraph 12) of Section I of the Appendix to the Financing Agreement is revised to read as follows:


8. A new definition of “Transitional Costs” is added as paragraph 19 of Section I of the Appendix to the Financing Agreement as follows:

   “19. “Transitional Costs” means reasonable expenditures incurred by the Recipient and agreed with the Association, for financing of costs associated with the restructuring the organization under Part 1 of the Project, such as: (a) payment for forensic accounting work of the organization during the transition process; (b) legal fees in regard to dealing with ex-employees severance payments; (c) repatriation and mobilization costs for PASO personnel; and (d) the advertising and hiring of new PASO technical specialists.”

Except as specifically amended by this Letter of Amendment, all other provisions of the Financing Agreement shall remain unchanged and in full force and effect.

Unless the context otherwise requires or unless otherwise defined in this Letter of Amendment, all capitalized terms used in this Letter of Amendment shall have the meanings given to them in the Financing Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date both enclosed 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 Recipient’s countersignature, except for the addition of “Transitional Costs” as a Category of Eligible Expenditures under Category (1) of the withdrawal table in Section IV.A.2 of Schedule 2 to the Financing Agreement and the definition thereof in paragraph 19 of Section I of the Appendix to the Financing Agreement, which shall be effective from the date of the Financing Agreement.

Yours sincerely,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Michel Kerf
Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:

PACIFIC AVIATION SAFETY OFFICE

By:
Authorized Representative

Name: WILSON SAGATI, OBE
Title: CHAIRMAN
Date: 02.02.17
ANNEX

REVISED IDA GRANT WITHDRAWAL SCHEDULE
(SECTION IV.A.2 OF SCHEDULE 2 TO THE FINANCING AGREEMENT)

<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, Operating Costs, Training and Workshops for the Project, Transitional Costs, and Severance Payments for the Project (except Part 4 of the Project)</td>
<td>1,270,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Payment for Service Agreement to TFSU</td>
<td>230,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,500,000</td>
<td></td>
</tr>
</tbody>
</table>