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. 5404-PG and 4931-PG  
(Road Maintenance and Rehabilitation Project II)  
Letter of Amendment

I refer to the Financing Agreement ("Agreement") between the Independent State of Papua New Guinea ("Recipient") and the International Development Association ("Association") amending the original financing agreement and providing additional financing for the above-referenced Project, dated April 10, 2014. I also refer to your letter dated April 12, 2016 requesting some amendments be made to the Agreement.

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

1. Paragraph (b) of Part 2 to Schedule 1 of the Agreement is deleted in its entirety.

2. Paragraphs (c) through (g) of Part 2 to Schedule 1 of the Agreement are revalued (b) through (f) respectively to restore ascending order.

3. Section I.B.1(a) of Schedule 2 to the Agreement is amended to read as follows:

   B. Implementation Covenants
   1. Annual Work Program
      
      (a) The Recipient shall, throughout Project implementation period, prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association not later than June 30 of each calendar year, a plan of activities proposed for inclusion in the Project for the next calendar year, together with a budget for such activities, and a timetable for their implementation."

4. Section I.B.2 "Counterpart Funds" to Schedule 2 of the Agreement is deleted in its entirety.

5. Section I.B.3 "Operational Manual" to Schedule 2 of the Agreement is revalued Section I.B.2 "Operational Manual" to restore ascending numeric order.

May 11, 2016
6. Section 1.B.4 'Maintenance of Provincial Roads' to Schedule 2 of the Agreement is revalued Section 1.B.3 'Maintenance of Provincial Roads' to restore ascending numeric order.

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

All capitalized terms used in this Letter of Amendment have the same meanings assigned to them in the Agreement. All the terms of the 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,

Franz 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 March 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) Works under Part 1 of the Project</td>
<td>70,450,000</td>
<td>78% for contracts entered into before September 1, 2015 and thereafter 100%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services, and consultants' services for Parts 1 and 2 of the Project</td>
<td>10,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs and Training for the Project (excluding Part 3 of the Project)</td>
<td>1,050,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, works and services under Part 3 of the Project (Contingency for Disaster Risk Response)</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>82,400,000</td>
<td></td>
</tr>
</tbody>
</table>