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# OFFICIAL DOCUMENTS

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CREDIT NUMBER 6076-PG

## Financing Agreement

(Rural Service Delivery Project)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 19<sup>TH</sup> JULY, 2017

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**ORIGINAL  
DOCUMENTS**

**CREDIT NUMBER 6076-PG**

**FINANCING AGREEMENT**

AGREEMENT dated 19<sup>TH</sup> JULY, 2017, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS: (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a credit to assist in financing the Project, and the Association has agreed, to extend the credit as provided for in Section 2.01 of this Agreement, upon the terms and conditions set forth in this Agreement; and

(B) the Recipient has also requested the Association, acting as administrator of grant funds provided under the Papua New Guinea Strategic Partnership Multi-Donor Trust Fund ("MDTF"), to provide additional assistance towards the financing of the Project, and the Association, acting in such capacity, has agreed to make available to the Recipient from the MDTF a grant in an amount of four million five hundred thousand Dollars (US\$ 4,500,000) to assist in financing the Project, pursuant to the grant agreement to be entered into between the Recipient and the Association ("MDTF Grant Agreement").

The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to seventeen million Special Drawing Rights (SDR 17,000,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are June 1 and December 1 in each year.
- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through Department of Provincial and Local Government Affairs in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Additional Condition of Effectiveness consists of the following:
  - (a) the MDTF Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

- 4.02 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the minister at the time responsible for treasury.
- 5.02. The Recipient's Address is:

Department of Treasury  
The Treasury Building 10<sup>th</sup> floor  
P.O. Box 542  
Waigani, 131 NCD  
Papua New Guinea

- 5.03. The Association's Address is:

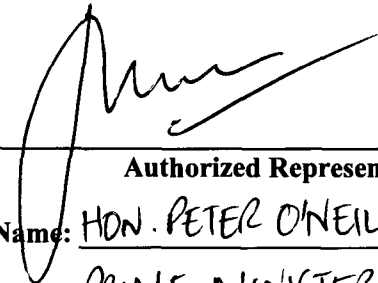
International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:            Facsimile:  
  
248423 (MCI) 1-202-477-6391

PORT MORESBY, PNG  
AGREED at SIR MANASUPE HAUS, LEVEL 10, as of the day  
and year first above written.

**INDEPENDENT STATE OF PAPUA NEW GUINEA**

By

  
\_\_\_\_\_  
Authorized Representative  
Name: HON. PETER O'NEILL, OMG, MP  
Title: PRIME MINISTER AND TREASURER.

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

Mona Sur  
\_\_\_\_\_  
Authorized Representative  
Name: MONA SUR  
Title: ACTING COUNTRY  
DIRECTOR

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve communities' access to basic infrastructure and services in targeted rural areas using inclusive, participatory planning and implementation.

The Project consists of the following parts:

#### **Part 1. Preparation and implementation of Sub-projects**

- (a) Provision of Ward Development Grants ("WDGs") to finance the implementation of Sub-projects; and
- (b) Provision of Sub-project Preparation and Implementation Support Grants ("SPIS Grants") to selected Local Level Governments ("Participating LLGs") to finance Operating Costs incurred supporting the preparation and implementation of Sub-projects.

#### **Part 2. Capacity building of national and sub-national entities**

Carrying out a program of Training and activities designed to strengthen the capacity of the Recipient's national and sub-national government entities for management and implementation of the Project and basic service delivery.

#### **Part 3. Project Management**

- (a) Carrying out a program of activities designed to strengthen the Project Management Unit and the Provincial Project Offices for the day to day management of the Project including *inter alia*, coordination and supervision of implementation activities, financial management, audits, and monitoring and evaluation; and
- (b) Hiring and maintaining two community development workers and one technical facilitator for each Participating LLG.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

##### 1. Project Steering Committee

The Recipient shall maintain, at all times during the implementation of the Project, the Project Steering Committee (“PSC”): (a) chaired by the Secretary of DPLGA or his or her designee; (b) composed of secretaries or their delegates from, *inter alia*, the Department of Finance; the Department of Treasury; the Department of National Planning and Monitoring; the Department of Implementation and Rural Development; the Department of Community Development, Religion & Sports and representatives of other relevant departments or agencies as may be required; and (c) with responsibility for coordination and oversight of preparation and implementation of the Project including, *inter alia*, planning, fiscal transfers and performance monitoring of sub-national government organizations.

##### 2. Project Management Unit

The Recipient shall establish not later than four (4) months after the Effective Date and thereafter maintain at all times during the implementation of the Project, the Project Management Unit (“PMU”), within DPLGA with mandate, functions and resources satisfactory to the Association, and with staff in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association, including, at a minimum, (a) Project manager; (b) financial management specialist; and (c) procurement specialist. In addition, the Recipient shall undertake best efforts to fully staff the PMU as soon as possible with, *inter alia*, (a) deputy Project manager; (b) coordinator for Central Province; (c) capacity building specialist; (d) community driven development/safeguards specialist; (e) monitoring and evaluation specialist; (f) finance assistants; and (g) support staff. The PMU shall be responsible for, *inter alia*: (i) day-to-day Project operations; (ii) preparing the draft Annual Work Plans and Budgets for no-objection by the Association; (iii) overseeing and coordinating Provincial Project Office activities; (iv) facilitating the implementation of Project activities; (v) overseeing and guiding the overall administration of procurement, financial management, environmental and social management, and communication of the Project; and (vi) carrying out the overall monitoring, evaluation and reporting on Project activities. The Recipient shall, through the DPLGA, provide sufficient office space and utilities to the PMU as required.

3. Provincial Project Offices

(a) The Recipient shall establish not later than six (6) months after the Effective Date and thereafter maintain at all times during the implementation of the Project, the Provincial Project Offices (“PPOs”) at the provincial level in each of the Participating Provinces (except Central Province, which shall have a PPO consolidated within the PMU), with terms of reference and resources, including qualified and experienced staff in adequate numbers, all satisfactory to the Association, including at a minimum: (a) provincial coordinator; (b) finance officer; and (c) procurement officer. In addition, the Recipient shall undertake best efforts to fully staff the PPO as soon as possible with, *inter alia*, (a) technical facilitators; and (b) support staff. The PPOs will be responsible for: (i) overseeing day to day implementation of the Project at the provincial level including reviewing and recommending for approval proposals for Sub-projects; (ii) coordinating operational activities with the concerned provincial, district, LLGs, and ward administrations; and (iii) managing and monitoring the implementation of Sub-projects. The Recipient shall, through its Provincial Authorities, provide sufficient office space and utilities to the PPOs as required.

**B. Implementation Arrangements**

1. Project Operations Manual

The Recipient shall carry out the Project in accordance with the Project Operations Manual, satisfactory to the Association, which shall include, *inter alia*:

- (a) implementation and dispute resolution arrangements for the Project including the grievance redress mechanism;
- (b) eligibility, criteria, and process for the selection of Beneficiaries, Participating LLGs, Sub-grants, and Sub-Projects;
- (c) DPLGA support to organizations responsible for Project activities;
- (d) financial management, disbursement and procurement requirements and procedures for the implementation, and the monitoring and evaluation, of the Project;
- (e) Environmental and Social Management Framework, and other special features of the Project to ensure that the Project activities are carried out in an environmentally and culturally appropriate manner;
- (f) DPLGA’s internal control framework regarding WDGs and SPIS Grants;



- (g) requirements and templates for Partnership Agreements, WDG Agreements and SPIS Grant Agreements;
- (h) financial management and record keeping requirements for Beneficiaries and implementation organizations;
- (i) participatory planning methodology for Sub-Projects;
- (j) composition and requirements for organizations responsible for Project activities, including PPOs, Participating LLGs, LLG Development Committee, Ward Development Committee, and Community Driven Development Subcommittees (“CDD-SCs”);
- (k) selection procedures for members of Ward Development Committees and CDD-SCs.

The Recipient shall not amend or waive any provision of the Project Operational Manual without the prior written agreement of the Association. In case of any inconsistency between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

2. Annual Work Plan and Budget

- (a) The Recipient shall prepare and furnish to the Association not later than:
  - (i) two months after the Effective Date (or such later date as the Association may agree); and
  - (i) November 30 of each year for every subsequent year during the implementation of the Project (or such later date as the Association may agree), for the Association’s no-objection, an Annual Work Plan and Budget containing all eligible Project activities and Eligible Expenditures, including Sub-projects, proposed to be included in the Project in the Recipient’s following calendar year, including a specification of the source or sources of financing for all Eligible Expenditures, and environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.E of this Schedule.
- (b) The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plan and Budget accepted by the Association for the Recipient’s respective calendar year; provided, however, that in the event of any conflict between the Annual Work Plan and Budget and the provisions of this Agreement, the provisions of this Agreement shall prevail.

- (c) The Recipient shall not make or allow to be made any change to the Annual Work Plan and Budget without prior no-objection in writing by the Association.

3. Partnership Agreements

The Recipient shall execute, not later than ten (10) months after the Effective Date and thereafter maintain throughout Project implementation, a Partnership Agreement between the DPLGA, the Provincial Government, the District Administration, and each of the Participating LLGs. Each Partnership Agreement shall: (a) detail the financing and implementation responsibilities of the DPLGA, the Provincial Government, the District Administration, and the Participating LLG; (b) be consistent with the requirements detailed in the Project Operations Manual; and (c) be satisfactory to the Association in substance and form.

**C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**D. Sub-grants**

1. The Recipient shall make WDGs to Beneficiaries and SPIS Grants to Participating LLGs in accordance with the eligibility criteria and procedures detailed in the Project Operations Manual, and in accordance with this Section I.D.
2. The Recipient shall make available WDGs out of the proceeds of the Credit to one or more eligible Beneficiary(s), in each case under a WDG Agreement to be entered into between the Beneficiary and the Recipient, on terms and conditions approved by the Association, and including in all cases the provisions of sub-paragraph 4 of this Section I.D, for the purposes of carrying out Sub-project activities in accordance with the Project Operations Manual.
3. The Recipient shall make available SPIS Grants out of the proceeds of the Credit to one or more Participating LLG, in each case under a SPIS Grant Agreement to be entered into between the Participating LLG and the Recipient, on terms and conditions approved by the Association, and including in all cases the provisions of sub-paragraph 5 of this Section I.D, for the purposes of carrying out Sub-project activities in accordance with the Project Operations Manual.
4. The Recipient shall ensure that each WDG Agreement shall provide for rights adequate to protect the interests of the Association and the Recipient and shall:
  - (i) require the Beneficiary, with the support of the respective Participating LLG, to carry out activities specified in the relevant WDG Agreement with due

diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the Environment and Social Management Framework (“ESMF”) and Resettlement Policy Framework (“RPF”), the Project Operations Manual, and the Anti-Corruption Guidelines;

- (ii) require that all goods, works, and services necessary for the Sub-project shall be procured by the Beneficiary in accordance with Section III of this Schedule;
  - (iii) require that all goods, works, services and Operating Costs be used exclusively in the carrying out of the Sub-project activities;
  - (iv) require that the Beneficiary, with the support of the respective Participating LLG, monitor and evaluate the progress of the Sub-project in accordance with the Project Operations Manual;
  - (v) require that the Beneficiary, with the support of the respective Participating LLG, maintain a financial management system in accordance with the Project Operations Manual and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association and the Recipient; both in a manner adequate to reflect the operations, resources, and expenditures related to the Sub-project and, at the Association’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the Association and the Recipient in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
  - (vi) enable the Recipient and the Association to inspect the Sub-project, its operation, and any relevant records and documents; and prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and
  - (vii) set out the right of the Recipient to suspend or terminate the right of the WDG recipient to use the proceeds of the WDG, or obtain a refund of all or any part of the amount of the WDG upon failure of the Beneficiary to perform any of its obligations under the WDG Agreement.
5. The Recipient shall ensure that each SPIS Grant Agreement shall provide for rights adequate to protect the interests of the Association and the Recipient and shall:
- (i) require the Participating LLG to carry out activities specified in the relevant SPIS Grant Agreement in accordance with due diligence and efficiency and

in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the ESMF and RPF, the Project Operations Manual, and the Anti-Corruption Guidelines;

- (ii) require that all goods, works, and services necessary for the Sub-project shall be procured by the Participating LLG in accordance with Section III of this Schedule;
- (iii) require that all goods, works, services and Operating Costs be used exclusively in the carrying out of the Sub-project activities;
- (iv) require that the Participating LLG monitor and evaluate the progress of the Sub-project in accordance with the Project Operations Manual;
- (v) require that the Participating LLG maintain a financial management system in accordance with the Project Operations Manual and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association and the Recipient; both in a manner adequate to reflect the operations, resources, and expenditures related to the Sub-project and, at the Association's or the Recipient's request, have such financial statements audited by independent auditors acceptable to the Association and the Recipient in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient and the Association;
- (vi) enable the Recipient and the Association to inspect the Sub-project, its operation, and any relevant records and documents; and prepare and furnish to the Recipient and the Association all such information as the Recipient or the Association shall reasonably request relating to the foregoing; and
- (vii) set out the right of the Recipient to suspend or terminate the right of the Participating LLG to use the proceeds of the SPIS Grant, or obtain a refund of all or any part of the amount of the SPIS Grant upon failure of the LLG to perform any of its obligations under the SPIS Grant Agreement.

**E. Safeguards**

1. In carrying out the Project, the Recipient shall ensure that: (a) an environmental and social safeguard screening has been completed for each Project activity in accordance with the ESMF; (b) the recommended mitigation measures set out in the ESMF and the recommended mechanisms for community identification of environmental and social issues are implemented in respect of each Project activity, and the implementation thereof is monitored and reported in Project

Reports; and (c) the prescribed environmental codes of practice set out in the ESMF are followed.

2. In carrying out the Project, the Recipient shall ensure that the planning, design and implementation of each Project activity is in accordance with the Environment and Social Management Framework and the RPF. The Resettlement Policy Framework requires that no Project activities shall result in: (a) the involuntary taking of land; (b) relocation or loss of shelter, loss of assets or access to assets; (c) loss of income sources or means of livelihood whether or not the affected persons must move to another location; or (d) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of displaced persons. For the purposes of this paragraph, the term “involuntary” means actions that may be taken without a person’s informed consent or power of choice.
3. The Recipient shall ensure that the Association is provided with accurate information regarding the location and ownership arrangements for all Project activity locations and that the Association is provided with the opportunity to review such locations prior to the commencement of any Project activities thereon to ensure that any voluntary donation of land was made in a manner meeting the requirements set out in the Environment and Social Management Framework and satisfactory to the Association.
4. In carrying out the Project, the Recipient shall, in accordance with the Project Operations Manual and through a process of meaningful and informed consultation and participation, involve concerned Indigenous Peoples and interested communities in the design and implementation of the Project so as to avoid, or if that is not possible, to minimize adverse effects on Indigenous Peoples and ensure that the benefits received by the Indigenous Peoples under the Project are aligned with their economic, social and cultural preferences and protect their customary user rights.

## **Section II. Project Monitoring, Reporting and Evaluation**

### **A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. Mid-term Review

The Recipient shall: (a) not later than three (3) years after the Effective Date (or such other date as the Association may agree), carry out a mid-term review of the Project and, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of its objective during the period following such date; and (b) review with the Association such mid-term report, on or about the date one (1) month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association no later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding subject to the additional provisions set out in Section III paragraph C of this Schedule 2; (b) Shopping; (c) Direct Contracting; (d) Framework Agreements; and (e) Community Participation in Procurement procedures which have been found acceptable to the Association and are specified in the Project Operations Manual.

**C. Special Procedures for National Competitive Bidding**

The procurement procedures to be followed for National Competitive Bidding shall be those set forth in the provisions on competitive bidding in the *Public Financial (Management) Act of 1995 (Part VII, State Tenders and Contracts)*, as amended by the *Public Financial (Management) Amendment Act 13/2015* and the *Financial Instruction 1/2005*; provided that such procedures shall be subject (a) to the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines; and (b) with the following modifications:

**Participation in Bidding**

1. The eligibility of bidders shall be as defined under the Procurement Guidelines.
2. Government-owned enterprises in Papua New Guinea shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.

3. A firm declared ineligible by the Association, based on a determination by the Association that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing an Association-financed contract, shall be ineligible to be awarded an Association-financed contract during the period of time determined by the Association.
4. A firm which has been engaged by the Recipient to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works resulting from or directly related to the firm's consulting services for such preparation or implementation. This provision does not apply to the various firms which together are performing the contractor's obligations under a turnkey or design and build contract.
5. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders or goods in bid evaluation.

**Advertising; Time for Submission of Bids**

6. Invitations to bid shall be advertised in at least one (1) newspaper of national circulation, allowing a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the date of availability of the bid documents or the date of the advertisement, whichever is later.

**Bidding Documents**

7. Until national standard bidding documents approved by the Association are available, bidding documents approved by the Association shall be used.

**Bid Security**

8. All bidders should provide bid security if indicated in the bidding documents, in the amount and form so indicated. A bidder's bid security shall apply only to a specific bid. A bidder shall be permitted to withdraw or modify its bid prior to the bid submission deadline without forfeiting its bid security.

**Classification of Contractors; Qualification; Post-qualification**

9. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid. Qualification criteria (in case prequalification is not carried out) shall be stated in the bidding documents and shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their experience and past performance on similar contracts, capabilities with respect to personnel,



equipment and construction or manufacturing facilities, as well as their financial position. Before contract award, the bidder having submitted the lowest evaluated, substantially responsive bid shall be subject to post-qualification.

**Registration of Bidders**

10. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable opportunity of registering, without any let or hindrance. Bidders shall not be required to register as a precondition for bidding.

**Evaluation Criteria**

11. Evaluation criteria shall be clearly specified in bidding documents, and evaluation criteria other than price shall be quantified in monetary terms.

**Bid Submission, Opening; and Bid Evaluation**

12. Bidders may submit bids, at their option, either in person or by courier service or by mail.
13. Bids shall be opened in public, immediately after the deadline for submission of bids. Bidders' representatives shall be allowed to attend. The name of the bidder, the total amount of each bid, and any discounts shall be read aloud and recorded in the minutes of the public bid opening. A copy of the minutes of the public bid opening shall be promptly provided to all bidders who submitted bids. With respect to contracts which are subject to the Association's prior review, the Recipient shall promptly provide the Association a copy of the minutes of the public bid opening. No bid shall be rejected during the public bid opening. Bids received after the bid submission deadline shall be promptly returned unopened to the bidder.
14. The evaluation of bids shall be done in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the qualified bidder which submitted the lowest evaluated, substantially responsive bid.
15. No bid shall be rejected merely on the basis of a comparison with the owner's estimate or budget ceiling without the Association's prior written concurrence.
16. The Recipient shall publish the following information on contract award on a free and open access website when that website becomes operational, or on another means of publication acceptable to the Association: (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated price of each bid that was evaluated; (iv) names of bidders whose bids were rejected and the reasons for the rejection; and (v) name of the winning bidder, price it

offered, as well as the duration and summary scope of the contract awarded. This publication shall be updated at least quarterly.

**Rejection of Bids**

17. Rejection of all bids and re-bidding shall not be carried out without the Association's prior written concurrence.

**Extension of the Validity of Bids**

18. In exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids. In such cases, bidders shall not be requested nor permitted to amend the price or any other condition of their bids. Bidders shall have the right to refuse to grant such an extension without forfeiting their bid securities, but bidders granting such an extension shall be required to provide a corresponding extension of the validity of their bid securities.

**No Contract Negotiations**

19. There shall be no negotiation of contracts, even with the lowest evaluated bidder, without the Association's prior concurrence. A bidder shall not be required, as a condition of award of contract, to undertake obligations not specified in the bidding documents, or otherwise to modify its bid as originally submitted.

**Suppliers, Contractors and Subcontractors**

20. The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.
21. Each contract financed from the proceeds of the Credit shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

**Conflict of Interest**

22. Suppliers and contractors that have a business or family relationship with a senior member of the Recipient's staff may not be awarded a contract, unless the conflict of interest stemming from this relationship has been resolved in a manner

satisfactory to the Association throughout the process of evaluation of the bids and the execution of the contract.

**Bid Protest Mechanism**

23. The Recipient shall establish an effective bid protest mechanism related to the procurement process and contract award, acceptable to the Association that allows for bidder protests and the timely handling of such protests. The procedures to receive and handle complaints shall be disclosed in the bidding documents.

**D. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Fixed Budget Selection; and (f) Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

**Section IV. Withdrawal of the Proceeds of the Financing**

**A. General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, WDGs, SPIS Grants, Training, and Incremental Operating Costs, for the Project	17,000,000	100% of the amount disbursed for WDGs, 100% of all SPIS Grants, and 100% of all other Eligible Expenditures
<b>TOTAL AMOUNT</b>	<b>17,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed seventy thousand Special Drawing Rights (SDR70,000) may be made for payments made prior to this date but on or after May 1, 2017, for Eligible Expenditures.
2. The Closing Date is June 30, 2022.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 1 and December 1 commencing December 1, 2022 to and including June 1, 2032	<b>1.65%</b>
commencing December 1, 2032 to and including June 1, 2042	<b>3.35%</b>

\* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “Annual Work Plan and Budget” means each annual work plan, together with the related budget, for the Project accepted by the Association pursuant to the provisions of Section I.B.2 of Schedule 2 to this Agreement; as the said plan and budget may be modified from time to time with the prior written no-objection of the Association.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
3. “Beneficiary” means a ward or women’s group within a Participating Province that is eligible to participate in the Project, as set out in the Project Operations Manual, and as a result has received, or is entitled to receive, a WDG for the implementation of a Sub-project under Part 1 of the Project.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Community Driven Development Subcommittee” and “CDD-SC” means a sub-committee of the Ward Development Committee formed at the ward level to implement Sub-projects, comprised of volunteers selected in accordance with the procedures detailed in the Project Operations Manual.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
7. “Department of Provincial and Local Government Affairs” or “DPLGA” means the Recipient’s department that handles provincial and local government affairs or any successor thereto.
8. “District Administration” means a district level of Government lead by a district administrator in accordance with the Recipient’s *Organic Law on Provincial Governments and Local-level Government* No. 29 of 1998.
9. “District Development Authority” and “DDA” means one of the Recipient’s district development authorities, established in accordance with the Recipient’s *District Development Authority Act 2014* No.40.
10. “Environmental and Social Management Framework” and the acronym “ESMF” mean the Recipient’s framework, dated August 26, 2016, defining the set of

mitigation, enhancement, monitoring, and institutional measures to be taken during implementation of the Project to eliminate any adverse environmental and social impacts, offset them, reduce them to acceptable levels, or to enhance positive impacts of the Project activities, including reporting and grievance redress procedures, provisions for distinct, vulnerable, social and cultural groups, and for compensation, rehabilitation, and resettlement assistance to displaced persons, as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

11. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
12. "Incremental Operating Costs" means reasonable expenditures directly related to the PMU or a PPO's Project activities which expenditures would not have been incurred absent the Project, including consumable materials and supplies, communications services (postage, telephone and internet), media and printing services, translation and interpretation services, office space rental and utilities, maintenance of office equipment, operation and maintenance, fuel costs, bank charges, administrative support staff, and staff domestic travel, lodging and per diems, but excluding sitting fees and salaries (including bonuses, fees and honoraria or equivalent payments) of officials of the Recipient's civil service.
13. "Local Level Government" or "LLG" means the lowest administrative division of government in the Recipient's territory, and for the purpose of this Project, the focal point for determining the selection of Beneficiaries and the associated Sub-projects, and responsible for monitoring the transfer of WDG to selected Beneficiaries and the implementation of Sub-projects.
14. "MDTF Grant" means the grant in the amount of four million five hundred thousand Dollars (US\$4,500,000) to be provided by the Commonwealth of Australia represented by the Department of Foreign Affairs and Trade under the Papua New Guinea Strategic Partnership Multi-Donor Trust Fund to assist in financing of the Project.
15. "MDTF Grant Agreement" means agreement to be entered into between the Association and the Recipient providing for the MDTF Grant.
16. "Operating Costs" means reasonable expenditures directly related to a Participating LLG's support to Ward Development Committees and CDD-SCs to prepare and implement Sub-projects, incurred by a Participating LLG (which expenditures would not have been incurred absent the Participating LLG's support to Ward Development Committees and CDD-SCs to prepare and implement Sub-projects), including consumable materials and supplies, communications services (postage, telephone and internet), media and printing services, translation and

interpretation services, office space rental and utilities, maintenance of office equipment, operation and maintenance, fuel costs, bank charges, administrative support staff, and staff travel, lodging and per diems, but excluding sitting fees and salaries (including bonuses, fees and honoraria or equivalent payments) of officials of the Recipient's civil service.

17. "Participating LLG" means an LLG selected in accordance with the criteria and procedures detailed in the Project Operations Manual, eligible to receive a SPIS Grant the purposes of providing assistance to Ward Development Committees and CDD-SCs in preparing and implementing Sub-projects.
18. "Participating Provinces" means Central Province, Western Province, East New Britain, West Sepik, and Simbu, in the Recipient's territory.
19. "Partnership Agreements" means the agreements between the DPLGA, the Provincial Government, the District Administration, and each of the Participating LLGs, detailed in Section 1.B.3 of Schedule 2 to this Agreement, setting out the terms and conditions of the cooperation and financing and implementation roles of each party, in each case on terms and conditions consistent with this Agreement and the Project Operations Manual.
20. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
21. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 14, 2017 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
22. "Project Management Unit" means the unit within the DPLGA, consisting of Provincial Project Offices in each Participating Province, responsible for day-to-day management and implementation of the Project, in accordance with Section 1.A.1 of Schedule 2 to this Agreement.
23. "Project Operations Manual" means the manual prepared by the Recipient dated March 14, 2017, 2016 setting forth the implementation arrangements for the Project, in accordance with Section 1.B of Schedule 2 to this Agreement, including all annexes and supplements thereto, as such Project Operations Manual may be updated from time to time with the prior written agreement of the Recipient and the Association.
24. "Project Steering Committee" means the steering committee established by the Recipient and chaired by the DPLGA Secretary, with responsibility for overall



Project direction and oversight, in accordance with Section 1.A.1 of Schedule 2 to this Agreement.

25. “Provincial Authority” means a provincial government established in accordance with Section 10 of the Recipient’s *Organic Law on Provincial Governments and Local-level Government* No. 29 of 1998.
26. “Provincial Project Office” and “PPO” means the office under the Project Management Unit to be established in each of the Participating Provinces and responsible for coordination among provincial, district and LLG and ward administrations for the purposes of implementation of Sub-projects.
27. “Resettlement Policy Framework” or “RPF” means the framework, dated September 2016, setting out: reporting and grievance redress procedures; mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and related assets under the Project; compensation, resettlement, and rehabilitation of Displaced Persons; guidelines and procedures for the preparation of Resettlement Action Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.
28. “Sub-grant” means any Sub-project Preparation and Implementation Support Grant or Ward Development Grant.
29. “Sub-project” means a program of activities consistent with Part 1 of Schedule 1 to this Agreement; (a) meeting the requirements of the Project Operations Manual; (b) which are not listed as ineligible in the Project Operations Manual; and (c) for which a Ward Development Grant shall be made by the Recipient to a Beneficiary in accordance with the provisions of Section 1.D of Schedule 2 to this Agreement.
30. “Sub-project Preparation and Implementation Support Grant” and “SPIS Grant” mean the proceeds of the Financing to be made available to each Participating LLG to cover Operating Costs incurred from providing assistance to Ward Development Committees and CDD-SCs in preparing and implementing Sub-projects.
31. “SPIS Grant Agreement” means each agreement to be entered into by the Recipient and a Participating LLG, setting out the terms and conditions acceptable to the Association, on which the Recipient may make a portion of the proceeds of the Financing available to a Participating LLG to cover Operating Costs, technical assistance, and Training incurred from supporting Ward Development Committees and CDD-SCs to prepare and implement Sub-projects, in each case on terms and conditions consistent with this Agreement and the Project Operations Manual, including each of the provisions set out in Section 1.D of Schedule 2 to this Agreement.

32. "Training" means the reasonable costs of training, study tours and workshops required for the Project and set forth in the Annual Work Plan and Budget, including materials, rental of facilities, reasonable transportation costs, course fees, as well as domestic travel and subsistence of trainers.
33. "Ward Development Grant" and "WDG" means the proceeds of the Financing to be made available to each eligible Beneficiary, in accordance with Section 1.D of Schedule 2 to this Agreement, for the purposes of carrying out a Sub-project.
34. "Ward Development Grant Agreement" and "WDG Agreement" means each agreement to be entered into by a Beneficiary and the Recipient, setting out the terms and conditions acceptable to the Association, on which the Recipient may make a portion of the proceeds of the Financing available to a Beneficiary for the purposes of carrying out a Sub-project, in each case on terms and conditions consistent with this Agreement and the Project Operations Manual, including each of the provisions set out in Section 1.D of Schedule 2 to this Agreement.
35. "Ward Development Committees" means the committees responsible for ward development planning and are comprised of individuals selected in accordance with the procedures detailed in the Project Operations Manual. For the purposes of the Project, Ward Development Committees are responsible for supporting Beneficiaries to prepare Sub-project proposals; and implement Sub-projects; and manage WDGs.

## **Section II. Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

"Section 3.02. *Service Charge and Interest Charge*

  - (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
  - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-

day months.”

2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

“32. “Interest Charge” means the interest charge specified in the Financing Agreement for the purpose of Section 3.02 (b).”
4. Renumbered paragraph 37 (originally paragraph 36) of the Appendix (“Payment Date”) is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
5. Renumbered paragraph 50 (originally paragraph 49) of the Appendix (“Service Charge”) is modified by replacing the reference to Section 3.02 with Section 3.02 (a).