

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4298- PNG

Financing Agreement

(Additional Financing for the Road Maintenance and Rehabilitation Project)

between

Public Disclosure Authorized

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 3, 2007



FINANCING AGREEMENT

AGREEMENT dated July 3 , 2007, entered into between THE INDEPENDENT STATE OF PAPUA NEW GUINEA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this 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, in Section 1.02 of the Loan Agreement, and 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 twenty four million nine hundred thousand Special Drawing Rights (SDR 24,900,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 2 to the Loan 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III – PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out: (a) Parts A, C, E, F.3 and F.4 of the Project through DOW; (b) Parts F.1 and F.2 of the Project through its DOCI; and (c) Part B and Part D of the Project through the Participating Provinces; all 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 and the provisions of Schedule 5 to the Loan Agreement incorporated by reference herein pursuant to paragraph 1 of Section I(A) of Schedule 2 to this Agreement.

ARTICLE IV – EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following: that the Recipient and the Association have entered into an amendment agreement to the Loan Agreement.
- 4.02. The Additional Legal Matters consist of the following:
 - (a) The Land Acquisition and Compensation Framework adopted by the Recipient's National Executive Council remains legally binding upon the Recipient and each Participating Province in accordance with its terms; and
 - (b) The Environmental and Social Impact Assessment Management and Monitoring Plan adopted by the Recipient on June 1, 2001 remains legally binding upon the Recipient and each Participating Province in accordance with its respective terms.
- 4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.04. 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 for Treasury of the Recipient.

5.02. The Recipient's Address is:

Department of Treasury
Vulupindi Haus 4th floor
P.O. Box 542
Waigani, 131 NCD
Papua New Guinea

Telex: Facsimile:
22218 (675) 3128213

5.03. The Association's Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

AGREED at Washington, District of Columbia, U.S.A., as of the day and year first above written.

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

By /s/ Evan Paki
 Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Nigel Roberts
 Authorized Representative

SCHEDULE 1**Project Description**

The objective of the Project is the objective of the Original Project: to assist the Recipient in promoting an efficient, safe and reliable roads transport system in the Participating Provinces through: (a) the improvement of selected road segments; (b) strengthening strategic planning and management of the road sector; and (c) strengthening the institutional arrangements for road maintenance, including private sector participation.

The Project consists of the Original Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Project Management and Project Implementation.

1. Section 1.02, Schedule 2, Schedule 5 and Schedule 6 to the Loan Agreement are incorporated in this Agreement, and the provisions thereof shall apply *mutatis mutandis* to this Agreement, with the following modifications in said Section and Schedules, unless the context otherwise requires:

- (a) the term “Bank” shall be read as “Association”;
 - (b) the term “Loan” and “Loan Account” shall be read as “Credit” and “Credit Account”;
 - (c) the term “Borrower” shall be read as “Recipient”;
 - (d) the term “this Agreement” shall be read as “the Financing Agreement”;
 - (e) the term “Executing Agency Trust Account” shall be read as “Project Implementing Agency Trust Account”;
 - (f) the term “Provincial Executing Agency Trust Account” shall be read as “Provincial Implementing Agency Trust Account”; and
 - (g) the provisions of paragraph 8 of Schedule 5 to the Loan Agreement shall be modified as set out in paragraph 5 to this Section.
- 2.
- (a) Subject to sub-paragraph (b) of this paragraph, the Recipient undertakes to comply with the provisions referred to in paragraph 1 of this Section as if those provisions had been set out and reproduced in full in this Agreement.
 - (b) So long as any part of the Loan provided for under the Loan Agreement shall remain outstanding and unless the Recipient has been notified otherwise by the Association:
 - (i) all actions taken, including approvals given by the Association, pursuant to any of the provisions referred to in paragraph 1 of this Section, shall be deemed to have been taken or given pursuant to this Agreement; and

- (ii) all information or documentation furnished by the Recipient to the Association pursuant to any of the provisions referred to in paragraph 1 of this Section shall be deemed to have been furnished pursuant to this Agreement.

3. The Recipient shall carry out the Project in accordance with: (a) the project management and project implementation arrangements set out in Schedule 5 to the Loan Agreement; and (b) the provisions of this Schedule 2.

4. Without limitation upon the provisions of Section 5.03 of the General Conditions, the Recipient shall:

- (a) maintain until completion of the Project, an Implementing Agency Trust Account in Kina in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment, for purposes of channeling in a timely manner the Recipient's funding for the costs of works, goods and services required for the carrying out of Parts A, C, E and F of the Project, not financed out of the proceeds of the Credit; and shall ensure that such funding is deposited into such account as required and in a timely manner;
- (b) maintain until completion of the Project, a Provincial Implementing Agency Trust Account in Kina in the name of the respective Participating Province, each in a commercial bank, acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment, for purposes of channeling in a timely manner each Participating Provinces' funding for the costs of works, goods and services required for the carrying out of its Respective Part of the Project not financed out of the proceeds of the Credit; and shall ensure that such Participating Provinces' funding is deposited into such account as required and in a timely manner; and
- (c) maintain until completion of the Project, an Imprest Account in Kina in the name of the respective DOW province office, each in a commercial bank, acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment, for purposes of channeling in a timely manner each Participating Provinces' funding for the costs of works for routine maintenance of provincial roads procured under paragraph 7 of Section III(B) of this Schedule required for the carrying out of the respective Part B.1 of the Project not financed out of the proceeds of the Credit; and shall ensure that such Participating Provinces' funding is deposited into such account as required and in a timely manner.

5. A Participating Province shall, prior to and as a condition for receiving financing for Eligible Expenditures under this Agreement, enter into a Memorandum of Agreement acceptable to the Association meeting the requirements set out in paragraph 8 of Schedule 5 to the Loan Agreement, subject to the following modifications:

- (a) the expected provincial road maintenance works for each Participating Province shall be programmed annually and prepared under demand-based financial commitments made by the Participating Province; and
- (b) the requirements set forth in sub-paragraph (ix) of said paragraph 8 shall be modified to read as follows: that the accounts and records of expenditure adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Respective Part of the Project in the Participating Province shall be maintained in the DOW provincial office.

6. Except as the Association may otherwise agree, no contract under the Procurement Plan that is financed as an Eligible Expenditure under this Agreement shall be an Eligible Expenditure for financing under the Loan Agreement.

B. Anti-Corruption.

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

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 the indicators set forth Schedule 6 to the Loan Agreement. Each Project Report shall cover the period of one (1) calendar quarter, 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. The Recipient shall carry out the monitoring, evaluation and reporting activities set out in Section 4.02 and paragraph 12 of Schedule 5 to the Loan Agreement.

3. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than six (6) months after the Closing Date.

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. 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 and Works.

- (a) All goods and works 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.
- (b) Sections 1.6, 1.7 and 1.8 (Eligibility), 1.13 (Misprocurement), and 1.15 and 1.16 (Fraud and Corruption) of the Procurement Guidelines are modified by replacing such sections with the text of Sections 1.6, 1.7 and 1.8 (Eligibility), 1.12 (Misprocurement), and 1.14 and 1.15 (Fraud and Corruption), respectively, of the Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Association in May 2004 and revised in October 2006.

2. Consultants’ Services.

- (a) 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 Section I and in Section IV of the Consultant Guidelines, and with the provisions of this Section.
- (b) Sections 1.9 (Conflict of Interest), 1.10 (Eligibility), 1.18 (Misprocurement), and 1.25 and 1.26 (Fraud and Corruption) of the Consultant Guidelines are modified by replacing such sections with the text of Sections 1.9 (Conflict of Interest), 1.11 (Eligibility), 1.17 (Misprocurement), and 1.22 and 1.23 (Fraud and Corruption), respectively, and by adding Section 1.10 (Unfair Competitive Advantage) of the “Guidelines: Selection and Employment of

Consultants by World Bank Borrowers” published by the Association in May 2004 and revised in October 2006.

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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works to be Financed out of the Proceeds of the Financing.

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of the provisions of Section II of the Procurement Guidelines and paragraph 5 of Appendix 1 thereto (International Competitive Bidding).

2. **Other Methods of Procurement of Goods and Works.** The following paragraphs specify the methods of procurement, other than International Competitive Bidding, which may be used for goods and works.

3. **National Competitive Bidding.**

(a) Civil works estimated to cost less than \$500,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Procurement Guidelines.

(b) The procedures to be followed for National Competitive Bidding shall be those set forth in the Annex to this Schedule 2 required to comply with the provisions of the Procurement Guidelines.

4. **Shopping.** Goods estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Procurement Guidelines.

5. **Force Account.** Civil works which meet the requirements of paragraph 3.8 of the Procurement Guidelines may be carried out by force account in accordance with the provisions of said paragraph of the Procurement Guidelines.

6. **Community Participation.** Civil works required for roads routine maintenance under Parts A.1 and B.1 of the Project estimated to cost less than \$8,000 equivalent per contract may be procured in accordance with the provisions of paragraph 3.15 of the Procurement Guidelines, under procurement procedures satisfactory to the Association.

7. **Procurement of Small Works.** Works estimated to cost less than \$50,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded

on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

C. Particular Methods of Procurement of Consultants' Services to be Financed out of the Proceeds of the Financing.

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 the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants (Quality- and Cost-based Selection).

2. **Other Methods of Procurement of Consultants' Services.** The following paragraphs specify methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services.

3. **Single Source Selection.** Services under Part E of the Project for tasks in circumstances which meet the requirements of paragraph 3.9 of the Consultant Guidelines for Single Source Selection, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

4. **Individual Consultants.** Services under Parts F.1 and F.2 of the Project may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

D. Review by the Association of Procurement Decisions.

1. **Goods and Works.**

(a) Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Procurement Guidelines. Procurement of all goods and works shall be undertaken in accordance with such Procurement Plan

as shall have been approved by the Association, and with the provisions of such paragraph 1.

(b) Prior Review

- (i) With respect to each contract for: (A) goods estimated to cost \$200,000 equivalent or more; (B) works estimated to cost the equivalent of \$200,000; and (C) goods or works procured in accordance with paragraph 1 of Part B of this Section (International Competitive Bidding); the procedures for prior review set forth in paragraphs 1, 2, 3 and 5 of Appendix 1 to the Procurement Guidelines shall apply.
- (ii) The first three (3) contracts awarded on the basis of the procedures referred to in paragraph 4 of Part B of this Section (Shopping), shall be subject to the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Procurement Guidelines.

(c) Post Review

With respect to each contract not governed by preceding Prior Review procedures, the procedures set forth in paragraph 4 of Appendix 1 to the Procurement Guidelines shall apply.

2. **Consultants Services.**

(a) Procurement Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the procurement of consultants under the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such Procurement Plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

(b) Prior Review

With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) Post Review

With respect to each contract not governed by the preceding Prior Review procedures, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

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 “World Bank Disbursement Guidelines for Projects” dated May 2006, 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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (exclusive of Taxes)</u>
1. Civil Works		
(a) Under Part A.1 of the Project	1,070,000	37%
(b) Under Part A.2 of the Project	11,470,000	70%
(c) Under Part B.1 of the Project	80,000	37%
(d) Under Part B.2 of the Project	1,240,000	70%
(e) Under Part C.1 of the Project	1,550,000	70%
(f) Under Part C.2 of the Project	2,100,000	70%
(g) Under Part D.1 of the Project	-	70%
(h) Under Part D.2 of the Project	-	70%

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (exclusive of Taxes)</u>
2. Goods under Parts C.3, E.1 and E.2 of the Project	30,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally.
3. Training, workshops, seminars and conferences under Parts F.1 and F.2 of the Project	280,000	90%
4. Consultants' Services (a) Under Part E.3 of the Project (b) Under Parts E.4, F.3 and F.4 of the Project (c) For training under Parts F.1 and F.2 of the Project (d) Under Part E.6 of the Project (e) For audits of Project Accounts	2,230,000 780,000 180,000 - 130,000	83% for foreign firms and 75% for local firms. 100% for foreign firms, 75% for local firms and 70% for individuals. 100% for foreign firms, 75% for local firms and 70% for individuals. 100% for foreign firms, 75% for local firms and 70% for individuals. 100% for foreign firms, 75% for local firms and 70% for individuals.
5. Incremental Operating Costs	160,000	80%
6. Unallocated	3,600,000	
TOTAL AMOUNT	<u>24,900,000</u>	

3. For the purposes of this Schedule:
 - (a) the term “foreign expenditures” means expenditures in the currency of any country other than that of the Recipient for goods, works or services supplied from the territory of any country other than that of the Recipient;
 - (b) the term “local expenditures” means expenditures in the currency of the Recipient or for goods, works or services supplied from the territory of the Recipient; and
 - (c) the term “Incremental Operating Costs” means reasonable expenditures directly related to the Project, incurred by the Recipient (which expenditures would not have been incurred absent the Project), including expenditures for the cost of per diem and local transportation costs of Project staff, but excluding salaries.

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 \$750,000 equivalent may be made for payments made prior to this date but on or after January 1, 2007, for Eligible Expenditures.
2. The Closing Date is December 31, 2009.

ANNEX to SCHEDULE 2

National Competitive Bidding

National Competitive Bidding: Mandatory Provisions

1. In order to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of the Procurement Guidelines (as required by paragraph 3.3 of the Procurement Guidelines), goods and works shall be procured in accordance with the following paragraphs.

Participation in Bidding

2. The eligibility of bidders shall be as defined under the Procurement Guidelines.

3. 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.

4. 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.

5. 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.

6. 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

7. 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

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

Bid Security

9. 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

10. 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

11. 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

12. 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

13. Bidders may submit bids, at their option, either in person or by courier service or by mail.

14. 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.

15. 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.

16. 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.

17. 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 Bank: (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 will be updated at least quarterly.

Rejection of Bids

18. 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

19. 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

20. 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

21. 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.

22. Each contract financed from the proceeds of a 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

23. Suppliers and contractors that have a business or family relationship with a senior member of the project implementing agency'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

24. 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.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing September 15, 2017 to and including March 15, 2027	1.25%
commencing September 15, 2027 to and including March 15, 2042	2.5%

*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**Definitions**

1. “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.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Association in January 1997 and revised in September 1997, January 1999 and May 2002, and the modifications set out in the provisions of Section III of Schedule 2 to this Agreement.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
5. “Implementing Agency Trust Account” means the Recipient account established and maintained pursuant to paragraph 4(a) of Section I(A) of Schedule 2 to this Agreement.
6. “Imprest Accounts” means the Participating Provinces’ accounts established and maintained pursuant to paragraph 4(c) of Section I(A) of Schedule 2 to this Agreement.
7. “Loan Agreement” means the loan agreement for the Project between the Recipient and the International Bank for Reconstruction and Development, dated August 12, 2002, as amended to the date of this Agreement, and thereafter as amended from time to time (Loan No. 7119-PNG). “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
8. “Memorandum of Agreement” means the memorandum between the Recipient and a Participating Province, pursuant to the provisions of paragraph 5 of Section I(A) of Schedule 2 to this Agreement, as such Memorandum may be amended from time to time with the prior agreement of the Association.
9. “Original Project” means the Project described in Schedule 2 to the Loan Agreement.
10. “Participating Provinces” means, collectively, the Recipient’s provinces of Central, East New Britain, Manus, Morobe, Oro and West New Britain, and for

the purposes of this Agreement only and not for the purposes of the Loan Agreement, Western Province and Gulf Province; and “Participating Province” means singularly any one of the said Provinces.

11. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Association in January 1995 and revised in January and August 1996, September 1997 and January 1999 and the modifications set out in the provisions of Section III of Schedule 2 to this Agreement.
12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 5, 2007, as the same shall be updated from time to time in accordance with the provisions of the Procurement Guidelines.
13. “Provincial Executing Agency Trust Accounts means the Participating Provinces’ accounts established pursuant to paragraph 4(b) of Section I(A) of Schedule 2 to this Agreement.