

CONFORMED COPY

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Project Agreement

(Rural Communications Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

**PAPUA NEW GUINEA RADIOCOMMUNICATIONS AND TELECOMMUNICATIONS
TECHNICAL AUTHORITY**

Dated August 9, 2010

PROJECT AGREEMENT

AGREEMENT dated August 9, 2010, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and the PAPUA NEW GUINEA RADIOCOMMUNICATIONS AND TELECOMMUNICATIONS TECHNICAL AUTHORITY (“Project Implementing Entity” or “PANGTEL”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between INDEPENDENT STATE OF PAPUA NEW GUINEA (“Recipient”) and the Association.

WHEREAS:

- (A) PANGTEL was established under the provisions of the Recipient’s Telecommunications Act 1996 and, together with the ICCC, is currently responsible for the regulation of the ICT industry in Papua New Guinea.
- (B) The Recipient pursuant to the Act will implement the Second Phase of its National ICT Policy reforms and has introduced a new regulatory framework for the ICT industry in Papua New Guinea under the Act whereby:
 - (a) from a date known as the “Commencement Date”, which has been notified in the Recipient’s Official Gazette to be March 3, 2010, NICTA, a new industry-specific regulator, is established and certain transitional provisions in the Act are operative; and
 - (b) from a date known as the “Succession Date”, which has been notified in the Recipient’s Official Gazette to be August 2, 2010:
 - (i) the new regulatory regime in the Act will commence;
 - (ii) PANGTEL will cease to exist and NICTA will become operational and have sole responsibility to administer the new regulatory regime prescribed by the Act;
 - (iii) NICTA will become the successor-in-interest to PANGTEL; and
 - (iv) ICCC will no longer retain *ex ante* regulatory functions of the ICT industry in Papua New Guinea, and the powers previously exercised by it will be transferred to NICTA.
- (C) In light of these changes to the regulatory environment in Papua New Guinea, PANGTEL has been duly authorized by the Transitional Committee pursuant to the Act to enter into a project agreement with the Association for the implementation of the Rural Communications Project.
- (D) On and from the Succession Date the obligations of PANGTEL assumed under any such agreement will be transferred to NICTA and would be deemed to have been entered into by or with NICTA.

NOW THEREFORE the Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined, and modified, in the Appendix to the Financing 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out Parts 1 and 2 of the Project in accordance with the provisions of Article V of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

- 3.01. The Project Implementing Entity's Representative is its Director General.
- 3.02. The Bank's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

3.03. The Project Implementing Entity's Address is:

Lot 19 and 20 Section 34
Frangipani Street, Hohola
P.O. Box 8444
Boroko 111
National Capital District
Papua New Guinea

Facsimile:

(675) 325 6868
(675) 300 4829

AGREED at Port Moresby, Papua New Guinea, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ Ferid Belhaj

Authorized Representative

PAPUA NEW GUINEA RADIOCOMMUNICATIONS AND
TELECOMMUNICATIONS TECHNICAL AUTHORITY

By/s/ Charles Punaha

Authorized Representative

SCHEDULE

Execution of the Project Implementing Entity's Respective Parts of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Project Implementing Entity shall establish and thereafter maintain the UAS Board and the UAS Secretariat in accordance with the provisions of the Act and satisfactory to the Association.

B. Demonstration Subprojects and Service Agreements

1. The Project Implementing Entity shall, prior to the payment for any Subsidy Payment, and in accordance with the provisions of Section IV.B of Schedule 2 to the Financing Agreement, employ an independent verification agent (IVA) under terms of reference and with qualifications and experience acceptable to the Association to verify the delivery of Outputs under the Service Agreements.
2. The Project Implementing Entity shall make each Subsidy Payment under a Service Agreement with the respective Service Provider in accordance with the Operations Manual and under terms and conditions approved by the Association, which shall include, inter alia:
 - (a) That the Subsidy Payment shall be made:
 - (i) as a one-time subsidy payable in installments and provided on non-refundable grant terms; and
 - (ii) based on Outputs delivered, in accordance with the evidence submitted by the Service Provider and verified by NICTA and the IVA, all as set forth in the Service Agreement and the Operations Manual.
 - (b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of the Association, including the right to:
 - (i) suspend or terminate the right of the Service Provider to use the proceeds of the Subsidy Payment, or obtain a refund of all or any part of the amount of the Subsidy Payment then withdrawn, upon the Service Provider's failure to perform any of its obligations under the Service Agreement; and
 - (ii) require each Service Provider to:

- (A) carry out the Demonstration Project 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 provisions of the Anti-Corruption Guidelines applicable to recipients of Credit proceeds other than the Recipient, as well as the Environmental and Social Management Framework;
- (B) provide, promptly as needed, the resources required for the purpose;
- (C) procure the goods, works and services to be financed out of the Subsidy Payment in accordance with the provisions of this Agreement;
- (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Demonstration Project and the achievement of its objectives;
- (E) comply with the safeguard requirements set forth in this Agreement, including those provided in the Environmental and Social Management Framework;
- (F) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Demonstration Project; and (2) at the Association's or the Recipient's or the Project Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient /Project Implementing Entity and the Association;
- (G) enable the Project Implementing Entity and the Association to inspect the Demonstration Project, its operation and any relevant records and documents; and
- (H) prepare and furnish to the Project Implementing Entity and the Recipient and the Association all such information as the Recipient and or the Project Implementing Entity or the Association shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Service Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate or waive any Service Agreement or any of its provisions.

C. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Environmental and Social Safeguards.

1. The Project Implementing Entity shall:
 - (a) carry out the Project in accordance with the Environmental and Social Management Framework, including special features for implementation of the Project in an environmental and culturally appropriate manner;
 - (b) ensure that no Demonstration Project requires: (i) the involuntary acquisition of land, (ii) the purchase of customary land or the destruction of physical assets (such as housing) or (iii) the purchase or use of land under dispute or investigation; and
 - (c) carry out any Environmental Management Plan prepared in accordance with the Environmental and Social Management Framework in accordance with its terms.
2. The Project Implementing Entity shall: (a) not amend the Environmental and Social Management Framework without the prior written agreement of the Association; and (b) inform the Bank of any issues in the implementation of the Environmental and Social Management Framework or any Environmental Management Plan.

Section II. Project Monitoring, Reporting and Evaluation.

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Parts of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth in the Operations Manual. Each such Project Report shall cover the period of one calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.
2. Without limiting the generality of the provisions of Section II.A.1 of this Schedule, the Project Implementing Entity shall include in the Project Reports for

its Respective Parts of the Project delivered in accordance with the provisions of said Section information in reasonable detail acceptable to the Association regarding the implementation of the Environmental and Social Management Framework and any Environmental Management Plan prepared in accordance therewith.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain as applicable, a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to its Respective Parts of the Project.
2. The Project Implementing Entity shall as applicable, have its financial statements referred to above, audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The audited financial statements for each period shall be furnished to the Borrower and the Association not later than six months after the end of the period.

Section III. Procurement

All goods, works and services required for the Project Implementing Entity's Respective Parts of the Project shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.