

**CONFORMED COPY**

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**CREDIT NUMBER 4491-PG**

# **Financing Agreement**

**(Second Mining Sector Institutional Strengthening Technical Assistance Project)**

**between**

**INDEPENDENT STATE OF PAPUA NEW GUINEA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 19, 2009**

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**FINANCING AGREEMENT**

AGREEMENT dated February 19, 2009, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA (the “Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the “Association”). 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 ten million four hundred thousand Special Drawing Rights (SDR 10,400,000) (the “Credit”) to assist in financing the project described in Schedule 1 to this Agreement (the “Project”).
- 2.02. The Recipient may withdraw the proceeds of the Credit 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 15 and December 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: (i) Part 1 of the Project through DoMPGM; (ii) Part 2 of the Project through MRA, which shall also be responsible for the overall coordination, financial management, procurement, and progress reporting functions under the entire Project; (iii) Part 3 of the Project through IRC; and (iv) Part 4 of the Project through ABG Mining Department and MRA; in each case, 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 Schedule to the Project Agreement.

**ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consists of the following:

The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under this Agreement and the Project Agreement.

- 4.02. The Additional Event of Acceleration consists of the following:

The event specified in Section 4.01 of this Agreement occurs.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The Subsidiary Agreement has been executed and delivered and all conditions precedent to the Subsidiary Agreement’s effectiveness have been fulfilled.

- (b) The Project Steering Committee has been established with terms of reference and composition acceptable to the Association in accordance with Section 1 paragraph A.1 of Schedule 2 to this Agreement.
  - (c) The Recipient has included the financing of the Project in its national budget.
  - (d) A procurement advisor for the Project and an internal auditor have been appointed within MRA, with skills, qualifications, experience and terms of reference satisfactory to the Association.
  - (e) A Project Implementation Manual acceptable to the Association has been adopted for the Project in accordance with Section 1 paragraph C.1 of Schedule 2 to this Agreement.
  - (f) MRA has established a financial management system for the Project, including software and reporting formats, acceptable to the Association.
- 5.02. The Additional Legal Matters consist of the following, namely, the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. 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 VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister for Finance and Treasury of the Recipient.

6.02. The Recipient's Address is:  
Department of Treasury  
Vulupindi Haus 4<sup>th</sup> floor  
P.O. Box 542  
Waigani, 131 NCD  
Papua New Guinea

Facsimile:

(675) 3128804

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

INDEPENDENT STATE OF PAPUA NEW GUINEA

By: /s/ Patrick Pruaitch

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Andriy Storozhuk

Authorized Representative

## SCHEDULE 1

### Project Description

The objective of the Project is to improve the benefits to, and contribution of, extractive industries to the national budget and to mining-affected communities and to mitigate mining's health and safety risks for ASM miners. The Project consists of the following parts:

Part 1: Strengthening the Policy and Regulatory Framework of the Recipient's Mining Sector

Strengthening the policy and regulatory capacity of DoMPGM to, *inter alia*,: (i) review and recommend improvements to existing mining policy and legislation; (ii) establish and implement an effective policy development forum process for coordination and cooperation with other relevant agencies; and (iii) prepare new mining-related policies and legislation.

Part 2: Strengthening Mining Sector Governance, Regulation, and Sustainable Development Outcomes

(a) Provision of support to MRA to establish and strengthen its governance and institutional systems including: (i) preparation of an anti-corruption action plan for MRA as well as necessary guidelines and systems for its implementation; and (ii) establishment of internal systems for financial management and transparency.

(b) Strengthening MRA's technical capacity to promote, license, manage and monitor the Recipient's mining sector, including: (i) development of a computerized mineral tenements management system; (ii) improvement of the quality and availability of geological information through strengthening the geological survey's capacity to contribute to, and benefit from, newly available data sources and digital mapping capability; and (iii) strengthening information management and marketing.

(c) Improvement of sustainable development outcomes from the mining sector through, *inter alia*: (i) the establishment of high standards for the mitigation of negative environmental and social impacts of mining; (ii) improvement of the health, safety and effectiveness of ASM miners by improving mining technologies and provision of safety training; (iii) coordination and improvement of the management of mining benefits including establishment and provision of a Small Grants program for Women's Groups; (iv) monitoring the social and environmental outcomes of mining activities including preparation of a Strategic Environmental and Social Assessment; and (v) carrying out of an information and communication program.

Part 3: Improvement of Revenue Collection and Audits of the Mining Sector

Provision of support to staff of IRC to: (i) review existing mineral tax legislation and prepare, as needed, proposals for mineral tax legislative amendments; (ii) conduct revenue risk assessments; and (iii) carry out mining and petroleum project audits.

Part 4: Strengthening the Mining Sector of the Autonomous Bougainville Government

Supporting the establishment of the organizational structure of the newly-established ABG Mining Department, and supporting the implementation of an effective policy and regulatory environment for mineral exploration and development in Bougainville.

Part 5: Project Management

Strengthening capacity within MRA, and provision of support to MRA staff, for the effective monitoring, supervision, financial management, procurement, and technical and administrative management of the implementation of the Project.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

1. The Recipient shall establish and maintain until completion of the Project, a Project Steering Committee (PSC), with composition and terms of reference acceptable to the Association, to provide guidance on policy matters and quality control for Project annual work programs and budgets. PSC shall be chaired by the Managing Director of MRA, or the Managing Director's nominated representative, and shall comprise of, among others, representatives from DoMPGM, IRC, ABG Mining Department, Department of Treasury, Department of National Planning and Monitoring and SPU. PSC shall in addition be responsible for: (i) reviewing and approving annual work plans received from SPU and through SPU, DoMPGM, ABG Mining Department and IRC; (ii) serving as a review board for Project-related activities including reviewing lists of all contract awards by the SPU at each of its regular scheduled meetings, signing resolutions for the award of contracts and supervision of procurement activities by the SPU; and (iii) reviewing quarterly and annual progress reports to be submitted to the Association.
2. The Recipient shall vest in MRA responsibility for: (i) the implementation of Part 2 of the Project and, together with ABG Mining Department, Part 4 of the Project; and (ii) the carrying out of overall coordination, financial management and procurement functions under the entire Project, in accordance with the terms set out in the Schedule to the Project Agreement.
3.
  - (a) The Recipient shall maintain throughout the implementation of the Project, DoMPGM to be responsible for the implementation of Part 1 of the Project including: (i) preparation of annual work plans and submission of such plans to SPU for presentation to PSC for review and approval; (ii) preparation of quarterly and annual progress reports and submission of such reports to SPU for inclusion in the quarterly and annual Project progress reports; and (iii) coordinating with MRA on the fiduciary aspects of the implementation of Part 1 of the Project.
  - (b) The Recipient shall maintain throughout the implementation of the Project the IRC to be responsible through its Resource Monitoring Division for the implementation of Part 3 of the Project including: (i) preparation of annual work plans and submission of such plans to SPU for presentation to PSC for review and approval; (ii) preparation of quarterly and annual progress reports and submission of such reports to

SPU for inclusion in the quarterly and annual Project progress reports; and (iii) coordinating with MRA on the fiduciary aspects of the implementation of Part 3 of the Project.

- (c) The Recipient shall, through the ABG Mining Department and MRA, implement Part 4 of the Project. MRA shall be responsible for the day-to-day implementation aspects of Part 4 of the Project including financial management, procurement, and monitoring and evaluation.

**B. Subsidiary Agreement.**

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity as a grant under a Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association, which shall include the following:
  - (a) the proceeds of the Credit shall be made available by the Recipient to the Project Implementing Entity on a grant basis;
  - (b) the Project Implementing Entity shall undertake to carry out the Project:
    - (i) with due diligence and efficiency and in accordance with appropriate management, financial, engineering and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose;
    - (ii) in accordance with the Project Implementation Manual and the Operations Manual for the Small Grants Program;
  - (c) the Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to the use of the proceeds of the Credit made available under the Subsidiary Agreement upon failure by the Project Implementing Entity to perform its obligations thereunder; and
  - (d) in the event that any portion of the proceeds of the Credit provided to the Project Implementing Entity is not used for Eligible Expenditures or is otherwise used in breach of this Agreement, the Project Agreement, or the Subsidiary Agreement, the Project Implementing Entity shall, upon notice from the Recipient or from the Association, refund the notified amount to the account provided in such notice.
2. The Recipient shall exercise its rights under the Subsidiary 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, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

**C. Project Implementation Manual**

1. The Recipient shall adopt and thereafter implement the Project in accordance with the Project Implementation Manual which sets out the guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including: (i) reporting requirements; (ii) monitoring and evaluation procedures; (iii) financial management and disbursement guidelines and procedures; (iv) audit procedures; and (v) procurement procedures.
2. The Recipient shall not amend or waive any provision of the Project Implementation Manual if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

**D. 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, through MRA, 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 agreed with the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished by the Recipient through PSC to the Association not later than sixty (60) days after the end of the period covered by such report.
2. Notwithstanding Part A.1 of this Section, the Recipient, shall cause to be prepared, under terms of reference satisfactory to the Association, and, no later than March 31, 2011, furnish to the Association for review and comment, a mid-term review report integrating results of the monitoring and evaluation activities performed under the Project including those performed under paragraph 1 of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.
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 months after the Closing Date.

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

1. The Recipient shall cause to be established and maintained within the Project Implementing Entity 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.1 of this Section II, the Recipient shall cause to be prepared and furnished to the Association as part of the Project Report, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall ensure that the Project Implementing Entity's Financial Statements are 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 Project Implementing Entity. 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.** All goods required for the Project and to be financed out of the proceeds of the Credit 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 Credit 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following table specifies the methods of procurement, other than International Competitive Bidding, which

may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding*
(b) Shopping
(c) Vehicles, computers and related equipment may be procured directly from the Inter-Agency Procurement Services Office of the United Nations in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.
(d) Goods and services required for Part 2(c)(iii) of the Project may be procured on the basis of community participation in accordance with paragraphs 3.1 and 3.17 of the Procurement Guidelines and the procedures set out in the Operations Manual for the Small Grants Program acceptable to the Association.

**\*Special Procedures for National Competitive Bidding in Papua New Guinea**

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 or Project Implementing Entity.
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 or Project Implementing Entity 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 Project Implementing Entity 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 Project Implementing Entity 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

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 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

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 Project Implementing Entity 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.

**C. 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 table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
(a) Quality-Based Selection
(b) Least-Cost Selection
(c) Selection Based on the Consultants’ Qualifications
(d) Selection of Individual Consultants (including on a sole-source basis)

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

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods estimated to cost \$200,000 or more procured on the basis of International Competitive Bidding; (b) each contract for goods estimated to cost the equivalent of \$100,000 or more procured on the basis of National Competitive Bidding; (c) all contracts for goods procured on the basis of Direct Contracting regardless of value; (d) the first three (3) contracts for goods procured on the basis of Shopping; (e) each contract for consultants’ services provided by a firm estimated to cost the equivalent of \$100,000 or more; and (f) contracts for consultants’ services provided by an individual as specified in the Procurement Plan. All other contracts shall be subject to Post Review by the Association.

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

**A. General**

1. The Recipient may withdraw the proceeds of the Credit 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 Credit (“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:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (exclusive of Taxes)</b>
(1) Goods, consultants’ services and Incremental Operating Costs for the Project	10, 280,000	100%
(2) Small Grants	120,000	100% of all amounts disbursed
<b>TOTAL AMOUNT</b>	<u>10,400,000</u>	

3. Pursuant to the Loans and Assistance (International Agencies) Act, Chapter No. 132 of the Revised Laws of Papua New Guinea (the “Act”), and by this Agreement with the Association, the Recipient confirms that any persons, income, matter or thing that is directly engaged in and directly forms part of this Agreement with the Association, is exempt from any tax, duty, or imposition under the revenue laws administered by the Commissioner General of the Internal Revenue Commission. If any change is made to the Act that will affect this exemption from tax, duty or imposition under the Project, the Recipient shall notify the Association in writing.

4. “Incremental Operating Costs” means incremental expenses incurred on account of Project implementation, support and management and reasonably related thereto, including communications, utilities, stationary, and transportation costs, but excluding salaries of the Recipient’s civil servants.

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
  - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 520,000 equivalent may be made for payments made prior to this date but on or after January 1, 2008, for Eligible Expenditures under the Project; or
  - (b) under Category 2 unless an Operations Manual for the Small Grants Program acceptable to the Association, has been adopted.
2. The Closing Date is December 31, 2013.

**Section V. Other Undertakings**

The Recipient shall no later than December 31, 2008, appoint an external auditor for the Project under terms of reference and with experience and qualifications acceptable to the Association.

**SCHEDULE 3****Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 15 and December 15:	
commencing December 15, 2018 to and including June 15, 2028	1.25%
commencing December 15, 2028 to and including June 15, 2043	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. “ABG” means Autonomous Bougainville Government, the government established for the Autonomous Region of Bougainville by the Constitution of the Autonomous Region of Bougainville 2004.
2. “ABG Mining Department” means the Department established under the laws of ABG for the purpose of sector administration and licensing, policy making, and for overseeing the legal and regulatory framework for the mining sector in ABG.
3. “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.
4. “ASM” means Artisanal and Small-scale Mining.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “Department of National Planning and Monitoring” means the Recipient’s Department of National Planning and Monitoring or any successor thereto.
8. “Department of Treasury” means the Recipient’s Department of Treasury or any successor thereto.
9. “DoEC” means the Recipient’s Department of Environment and Conservation or any successor thereto.
10. “DoMPGM” means the Recipient’s Department of Mineral Policy and Geohazard Management or any successor thereto.
11. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
12. “IRC” means the Internal Revenue Commission of the Recipient, established and operating under the laws of the Recipient.

13. “MRA” means the Mineral Resources Authority of the Recipient, established and operating pursuant to the Mineral Resources Authority Act 2005, and is the Project Implementing Entity for the Project.
14. “Operations Manual for the Small Grants Program” means the Operations Manual to be prepared and adopted for the Project, and referred to in Section I.C (1) of the Schedule to the Project Agreement, as the same may be amended from time to time with the agreement of the Association, provided however, that in the event of a conflict between this Agreement and the Operations Manual for the Small Grants Program, the provisions of this Agreement shall prevail.
15. “Part” means a Part of the Project as described in Schedule 1 to this Agreement.
16. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
17. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 21, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
18. “Project Implementing Entity” means MRA and shall be referred to in this Agreement as “MRA” or the “Project Implementing Entity”.
19. “Project Implementing Entity’s Legislation” means the Mineral Resources Authority Act 2005.
20. “Project Implementation Manual” means the Project Implementation Manual to be adopted by the Recipient and MRA for the Project pursuant to Section I.C of Schedule 2 to this Agreement, as the same may be amended from time to time with the agreement of the Association, provided however, that in the event of a conflict between this Agreement and the Project Implementation Manual, the provisions of this Agreement shall prevail.
21. “Project Steering Committee” or “PSC” means the national-level steering committee for the Project established pursuant to Section I.A(1) of Schedule 2 to this Agreement.
22. “Small Grants” means grants made available by the Recipient through MRA to local women groups to finance the cost of goods and services under Part 2(c)(iii) of the Project to implement and monitor outcomes of the Women in Mining Action Plan.

23. “Strategic Environmental and Social Assessment” means the environment and social assessment to be carried out by MRA in accordance with Section IV(1) of the Schedule to the Project Agreement, for the purpose of: (i) identifying policy and regulatory gaps in the mining sector; (ii) assessing whether there is adequate compliance monitoring; and (iii) assessing whether additional resources and standardized procedures are needed to mitigate identified risks.
24. “Special Projects Unit” or “SPU” means the unit within MRA responsible for the implementation of the Project and referred to in Section I.A(2) of the Schedule to the Project Agreement.
25. “Subsidiary Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Credit available to MRA for implementation of the Project.
26. “Women’s Groups” means groups of women that have been established and operating within the Recipient’s territory for two (2) years or more prior to their application for Small Grants for the purpose of carrying out self-help activities, including church groups, women associations registered under the Recipient’s Associations Incorporation Act of 1991, and other such groups specifically identified or described in the Operations Manual for the Small Grants Program.