

Public Disclosure Authorized

CONFORMED COPY

---

---

CREDIT NUMBER 4931-PG

# Financing Agreement

(Road Maintenance and Rehabilitation Project II)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 9, 2011

Public Disclosure Authorized



**CREDIT NUMBER 4931-PG**

**FINANCING AGREEMENT**

AGREEMENT dated June 9, 2011, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“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 twenty seven million and four hundred thousand Special Drawing Rights (SDR 27,400,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Payment Dates are March 1 and September 1 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 cause the Project to be carried out through DOW 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 Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. 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 and Finance of the Recipient.
- 5.02. 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) 3128808 or (675) 3128804

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 Washington, D.C.	248423 (MCI)	1-202-477-6391

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

INDEPENDENT STATE OF PAPUA NEW GUINEA

By/s/ Peter O'Neill

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ Laura Bailey

Authorized Representative

## SCHEDULE 1

### Project Description

The objectives of the Project are to: (i) improve road transport to project areas through providing satisfactory physical condition and safety in selected roads; and (ii) strengthen institutional arrangements for road maintenance, including the participation of the private sector and communities.

The Project consists of the following parts:

#### Part 1 Rehabilitation, Upgrade and/or Maintenance of Roads and Bridges

- (i) Carrying out of rehabilitation and upgrade to seal of a section of the Hiritano Highway between Inawabui and Bereina Junction and access link to Bereina village.
- (ii) Carrying out of upgrade to seal of the Hiritano Highway between Malalaua and Kerema, including routine maintenance of the Hiritano Highway between Malalaua and Kerema.
- (iii) Carrying out of rehabilitation, upgrade and/or maintenance of selected road sections and bridges within ten coastal or island provinces (East and West New Britain, Manus, Oro, Morobe, Gulf, Central, Madang, Milne Bay and Western).

#### Part 2 Technical Assistance for Project Management, Design, Supervision and Capacity Building

- (i) Project Management, including detailed design and supervision services

Retaining the Employers' Project Manager to support: (a) overall coordination of Project activities and Project management; (b) financial management; (c) bid documentation and contract procurement; and (d) detailed design and supervision of roads and bridge works.

- (ii) Capacity Building and Technical Assistance for Road Sector Support

Provision of technical assistance and training for: (a) strengthening of small and medium-sized contractors involved in road rehabilitation, upgrade and/or maintenance operations; (b) institutional strengthening of the NRA for ensuring that effective road maintenance is undertaken; and (c) carrying out monitoring and evaluation activities to improve the information of the Road Asset Management System and Bridge Asset Management System.

(iii) Project Management Support

Strengthening the capacity of DOW through the provision of advisory services, training and support for Project coordination, procurement, financial management, and supervision, including environmental and social safeguards.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

1. The Recipient shall establish on or before the twelve (12) month anniversary of the Effective Date and thereafter maintain until completion of the Project, a Steering Committee comprised of qualified representatives of the Recipient's: (i) Department of National Planning and Monitoring; (ii) Department of Treasury; (iii) NRA; (iv) Department of Transport; and (v) chaired by DOW; and provided with such powers, responsibilities and funding as required to provide general guidance and oversight of the Project to ensure effective coordination and alignment with the Recipient's strategic priorities.
2. The Recipient shall cause DOW to appoint, no later than two (2) months after the Effective Date, and thereafter maintain until completion of the Project, a duly qualified Project manager with experience and under terms of reference satisfactory to the Association, who will report to the First Assistant Secretary, Contract Management of the DOW.
3. The Recipient shall cause DOW to: (a) retain, in accordance with Section III of Schedule 2 to this Agreement, and until completion of the Project, the services of the Employer's Project Manager, under terms of reference, and headed by a qualified and experienced manager, with qualified staff in adequate numbers, including at least an accountant with financial management skills, all satisfactory to the Association; and (b) enter into arrangements with the Employer's Project Manager, satisfactory to the Association, to assign qualified and experienced staff in adequate numbers when civil works are taking place, to each Participating Province Department of Works' Provincial Offices with terms of reference acceptable to the Association.
4. The Recipient shall maintain until completion of the Project, an Environmental Branch within DOW, headed by a qualified and experienced manager, and with qualified staff in adequate numbers, including at least one qualified environmental specialist, and provided with such powers, responsibilities and funding as shall be required to coordinate and monitor environmental and social safeguards works related to DOW in the carrying out of the Project.
5. In carrying out Part 1 of the Project, the Recipient, through DOW, shall, in consultation with and the support of EPM and the PEPMs: (i) as soon as



available, but in any event no later than by June 30 in each calendar year, commencing on any such date after the Effective Date, until completion of the Project, furnish to the Association for its approval, the draft Annual Work Program for the immediately following calendar year, of such scope and detail as the Association shall have reasonably requested, including, without limitation, a budget and indication of source of funds, including any necessary counterpart funds; (ii) by December 31 in each calendar year, commencing on any such date after the Effective Date, adopt said Annual Work Program, as so approved; and (iii) thereafter, implement said Annual Work Program in a manner acceptable to the Association; provided, however, that the Annual Work Program for the calendar year January 1 to December 31, 2012, shall be prepared and furnished to the Association for its approval by no later than December 15, 2011, and thereafter the Recipient shall adopt and implement said Annual Work Program in a manner acceptable to the Association, including the provision of counterpart funds.

6. Except as the Association shall otherwise agree, the Annual Work Program shall be prepared in accordance with the following criteria:
  - (a) civil works for roads and bridges are included in the Bridge Management System, with updated data, as required, on the condition of the roads and bridges, traffic volumes on the roads and bridges, and cost estimates;
  - (b) except for routine road maintenance works, the works for roads and bridges have an estimated economic rate of return of twelve percent (12%) or more, calculated in a manner acceptable to the Association; works for national and national district roads or segments of national and national district roads are located in each of the Participating Provinces, and will be carried out within the existing rights-of-way. In the event that acquisition of land is required to implement such works, including the replacement of bridges, such acquisition shall not exceed twenty percent (20%) of the total land area of the Displaced Persons, and the acquisition shall not entail the physical relocation of people, nor the destruction of houses or structures thereon;
  - (c) necessary counterpart funding from the Recipient for the respective proposed works, goods and services is available in a timely manner and in amounts acceptable to the Association;
  - (d) appropriate engineering, social and environmental safeguards practices and standards that would minimize any acquisition of land and avoid involuntary resettlement of Displaced Persons and mitigate any adverse environmental and social impacts of Project activities have been considered in the design of the proposed works in accordance with the

Environmental and Social Management Framework and all other requirements of such Framework have been fulfilled;

- (e) the provisions of the Land Acquisition and Resettlement Framework have been complied with, and, where the taking of land or assets is unavoidable under proposed works, a Resettlement Action Plan acceptable to the Association has been prepared in accordance with the Land Acquisition and Resettlement Framework and in consultation with Displaced Persons and compensation has been made available to the Displaced Persons in accordance with the Land Acquisition and Resettlement Framework, and prior to the signing of the contract for the carrying out of said works.

**B. Anti-Corruption**

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

**C. Safeguards**

1. The Recipient shall ensure that:
  - (a) the Project is carried out in accordance with the Safeguard Instruments including special features for implementation of the Project in an environmental and culturally appropriate manner;
  - (b) any Additional Environmental Management Plan prepared in accordance with the Environmental and Social Management Framework is carried out in accordance with their respective terms; and
  - (c) any Resettlement Action Plan prepared in accordance with the Land Acquisition and Resettlement Framework is carried out in accordance with their respective terms.
2. The Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated, or waived, the Safeguard Instruments or any provision of any one thereof without the prior written agreement of the Association.
3. The Recipient shall ensure that each contract for civil works financed under the Project includes the obligation of the relevant contractor to implement the Safeguards Instruments. The Recipient shall also ensure that compliance by said contractors with the Safeguard Instruments is monitored and supervised by the

EPM and the PEPM, with additional oversight and guidance provided by DOW's Environmental Branch.

4. The Recipient shall take all measures necessary to regularly collect, compile, and submit to the Association, as part of the Project Reports, information on the status of compliance with the Safeguard Instruments, giving details of:
  - (a) measures taken in furtherance of such documents;
  - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such documents; and
  - (c) remedial measures taken or required to be taken to address such conditions.
5. In the event of a conflict between the provisions of any of the Safeguard Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

## **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 referred to under Schedule 5 to this 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.
2. 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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not 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 the Project 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, Non-Consulting Services and Works.** All goods, non-consulting services 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.
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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, non-consulting services and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Non-Consulting Services and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, non-consulting services and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<b>Procurement Method</b>
(a) National Competitive Bidding, subject to the provisions set forth in Schedule 4 to this Agreement
(b) Shopping
(c) Direct Contracting
(d) Force Account
(e) Community Participation procedures which have been found acceptable to the Association

**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 Selection 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>Selection Method</b>
(a) Quality-based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultants’ Qualifications
(e) Single Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of 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 “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:

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services and consultants’ services for Part 1 of the Project	22,900,000	78%
(2) Goods, non consulting services and consultants’ services for Part 2 of the Project	3,850,000	100%
(3) Operating Costs	650,000	100%
<b>TOTAL AMOUNT</b>	<b>27,400,000</b>	

**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, or
  - (b) under Category (1) until the Recipient has entered into arrangements with the Employer’s Project Manager pursuant to Section I.A.3 of Schedule 2 to this Agreement.
2. The Closing Date is July 31, 2016.

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

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each March 1 and September 1:	
commencing September 1, 2021 to and including March 1, 2031	1.25%
commencing September 1, 2031 to and including March 1, 2046	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.

## **SCHEDULE 4**

### **Special Procedures for National Competitive Bidding**

The following provisions shall be applied in National Competitive Bidding:

#### **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 no-objection.
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 no-objection.

#### **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 written no-objection. 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.

**SCHEDULE 5****Results Indicators**

<b>Results Indicators</b>	<b>Baseline</b>	<b>Cumulative Target Values</b>					<b>Frequency of Measurement</b>
		<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>	
<b>Indicator One:</b> Kilometers of roads rehabilitated under the Project	0 km	10km	45km	90km	130km	150km	Quarterly
<b>Indicator Two:</b> Kilometers of roads maintained to good and fair condition under the Project	35% (current percentage of good/fair roads in the Recipient's territory)	36%		38%		40%	Biennially
<b>Indicator Three:</b> Increase in the number of road users on roads covered under the Project	0%	5%	10%	15%	20%	25%	Annually
<b>Indicator Four:</b> Increase in the number of private sector companies actively engaged in road works in the Recipient's territory	Number of private sector companies in the market at project commencement	20		25		30	Biennially
<b>Indicator Five:</b> Number of companies in training under the Project		0				[10]	End of the Project

## APPENDIX

### Definitions

1. “Additional Environmental Management Plan” means a plan, to be prepared or caused to be prepared by DOW and to be agreed with the Association, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of Project activities to be implemented in the second and subsequent years of Project implementation, offset them, reduce them, or enhance positive impacts, to be prepared in accordance with the provisions of the Environmental and Social Management Framework, 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 plan; and “Additional Environmental Management Plans” means more than one such plan.
2. “Annual Work Program” means the annual program prepared in accordance with Section I.A.6 of Schedule 2 to this Agreement and to be presented by the Recipient pursuant to Section I.A.5 of Schedule 2 to this Agreement.
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 and revised in January 2011.
4. “Bridge Asset Management System” means DOW’s system for planning maintenance of bridge assets adopted in May 2003.
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 and May 2010.
7. “Department of National Planning and Monitoring” means the Recipient’s Department of National Planning and Monitoring or any successor thereto.
8. “Department of Transport” means the Recipient’s Department of Transport or any successor thereto.
9. “Department of Treasury” means the Recipient’s Department of Treasury or any successor thereto.

10. “Displaced Persons” means persons who, on account of the involuntary taking of land and other assets under the Project resulting in a direct economic and social adverse impact, whether or not said Displaced Persons must physically relocate, had or would have their: (i) standard of living adversely affected, whether or not the Displaced Persons must move to another location; (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently, adversely affected; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Displaced Person” means any of the Displaced Persons.
11. “DOW” means the Recipient’s Department of Works or any successor thereto.
12. “Employer’s Project Manager” (“EPM”) means the consulting firm to be selected and retained by DOW, in accordance with Section III of Schedule 2 to this Agreement, for purposes of assisting DOW in implementing, coordinating, monitoring and supervising Part 1 of the Project, pursuant to terms of reference satisfactory to the Association; or, any other consulting firm selected and retained in the future in accordance with paragraph I.A.3 and said Section III of Schedule 2 to this Agreement.
13. “Environmental and Social Management Framework” (“ESMF”) means the framework dated February 2011 adopted by DOW on March 5, 2011 and found satisfactory to the Association, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of Project activities implemented in the second and subsequent years of Project implementation, offset them, reduce them, or enhance positive impacts, as well as guidelines and procedures for the preparation and disclosure of Environmental Management Plans and Additional Environmental Management Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such framework.
14. “Environmental Management Plan” means the environmental management plan, dated February 2011 prepared by DOW and agreed with the Association, updating the 2001 Environmental and Social Impact Management Plan, in respect of Project activities to be implemented during the first year of Project implementation, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such plan.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.

16. “Land Acquisition and Resettlement Framework” (“LARF”) means the framework, dated February 2011, adopted by DOW on March 5, 2011 and found satisfactory to the Association, setting out 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, as well as 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.
17. “NRA” means the Recipient’s National Roads Authority established under the Recipient’s 2003 National Roads Authority Act or any successor thereto.
18. “Operating Costs” means reasonable and necessary incremental expenditures related to the operation of the Project and incurred on account of Project implementation, monitoring, evaluation, coordination and supervision, as approved by the Association based on annual budgets acceptable to the Association, which would not have been incurred but for the Project, including: (i) maintenance and operation of equipment and vehicles procured or used for the management of the Project; (ii) salaries paid to staff hired for the purposes of the Project, other than the Recipient’s civil servants’ salaries and honoraria; (iii) travel costs and per diems; (iv) consumable office supplies and utilities; (v) communication, printing and publications; (vi) bank charges; and (vii) other miscellaneous costs as may be agreed with the Association from time to time.
19. “Participating Province” means any of the following provinces in the Recipient’s territory, i.e., East and West New Britain, Manus, Oro, Morobe, Gulf, Central, Madang, Milne Bay and Western.
20. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006 and May 2010.
21. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 24, 2011 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.
22. “Provincial Employer’s Project Manager” (“PEPM”) means a staff from EPM retained by DOW at the provincial level for purposes of assisting DOW in implementing, coordinating, monitoring and supervising Part 1 of the Project, pursuant to terms of reference satisfactory to the Association; or, any other

consulting firm selected and retained in the future in accordance with paragraph I.A.3 and said Section III of Schedule 2 to this Agreement.

23. “Road Asset Management System” means DOW’s system for planning maintenance of national and provincial roads adopted in May 2001 and October 2001, respectively.
24. “Resettlement Action Plan” means a plan prepared by DOW and agreed with the Association pursuant to Section I.C.1(c) of Schedule 2 to this Agreement, setting out 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, prepared in accordance with the provisions of the Land Acquisition and Resettlement Framework, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such plan.
25. “Safeguards Instruments” means, collectively, the Environmental and Social Management Framework, the Land Acquisition and Resettlement Framework, the Environmental Management Plan, and any Additional Environmental Management Plans.