

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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CREDIT NUMBER 6067-PG

## Financing Agreement

(Emergency Tuberculosis Project)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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

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**CREDIT NUMBER 6067-PG**

**FINANCING AGREEMENT**

AGREEMENT dated 19<sup>TH</sup> JULY, 2017, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 eleven million one hundred thousand Special Drawing Rights (SDR 11,100,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.
- 2.06. The Payment Dates are June 1 and December 1 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.08. The Payment Currency is Dollar.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its National Department of Health (“NDOH”) 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 one hundred and eighty (180) 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. Except as provided in Section 2.02 of this Agreement, the Recipient’s Representative is its Minister at the time responsible for Treasury.
- 5.02. The Recipient’s Address is:

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

5.03. The Association's Address is:

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

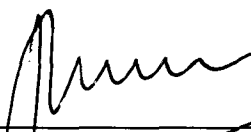
Telex:            Facsimile:

248423 (MCI) 1-202-477-6391

AGREED at SIR MANASUPE HAUS, V10, as of the day and year first above  
written. PORT MORESBY, PNG


**INDEPENDENT STATE OF PAPUA NEW GUINEA**

By

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

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

By

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

## SCHEDULE 1

### Project Description

The objectives of the Project are to improve the quality and expand the coverage and utilization of health services to control the spread of tuberculosis in Targeted Areas of the Recipient's territory by strengthening programmatic management of tuberculosis.

The Project consists of the following parts:

#### Part 1. Early Detection of Active Tuberculosis Patients

- (a) Carrying out a program of activities designed to support population-based screening for tuberculosis in Daru Island.
- (b) Carrying out a program of activities designed to support systematic screening for tuberculosis in Targeted Areas including, *inter alia*, resourcing and operating mobile clinics.
- (c) Carrying out a program of activities designed to strengthen the diagnostic capacity of the Central Public Health Laboratory and Basic Management Units ("BMUs") in Targeted Areas.

#### Part 2. Effective Treatment of Drug-susceptible and Drug-resistant Tuberculosis Patients

- (a) Carrying out a program of activities designed to improve the clinical management of Drug-susceptible and Drug-resistant Tuberculosis through strengthening the treatment capacity of BMUs in the Western Province and National Capital District, including, *inter alia*, development and implementation of processes and operating procedures and health staff training.
- (b) Carrying out a program of activities designed to strengthen the implementation of and patient adherence to Directly Observed Treatment for Drug-susceptible and Drug-resistant Tuberculosis patients in BMUs in Targeted Areas including, *inter alia*, provision of nutrition and treatment support to patients, improving case management services, and patient screening.
- (c) Carrying out a program of activities designed to increase social mobilization for implementation of National Tuberculosis Strategic Plan activities in Targeted Areas' communities including, *inter alia*, community education and awareness activities, and supporting social mobilization programs such as the Multi-sectoral Alliance of Daru for Tuberculosis.

**Part 3. Strengthening the Recipient's Systems for Managing its Health Services Delivery and Tuberculosis Response**

- (a) Carrying out a program of activities designed to strengthen the capacity of the NDOH to deliver health services including, *inter alia*: analytical work and studies commencing in year one of the Project to inform the Recipient's management and prioritization of health services delivery and inform potential follow-on investments; strengthening and implementing the National Tuberculosis Programme ("NTP") in accordance with the National Tuberculosis Strategic Plan at the national and provincial levels; supporting management activities for NTP; hiring and maintenance of specialist staff for NTP; training and development of NTP staff; and coordination of activities for the Recipient's response to tuberculosis.
- (b) Carrying out a program of activities designed to establish and maintain an electronic recording system of tuberculosis data, in line with the National Health Information System, to facilitate analysis and evidence-based policy making and pilot such a system in Targeted Areas, including, *inter alia*:
  - (i) design and implement a system that will ensure the security of personal medical information and protect confidential patient data in the electronic recording system;
  - (ii) provision of information technology resources for data collection, storage and processing;
  - (iii) provision of technical assistance to NDOH and, training to health workers and NDOH staff, in relation to the establishment and maintenance of an electronic recording system.
- (c) Carrying out a program of activities designed to support management of the Project, including technical coordination, monitoring and evaluation of the Project, operational research, and reporting.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements

###### 1. NDOH

The NDOH shall be responsible for overseeing the Project's activities and results, implementing and monitoring the National Tuberculosis Strategic Plan, and providing fiduciary oversight of the Project.

###### 2. Project Management Unit

- (a) The Recipient shall establish no later than three (3) months after the Effective Date of this Agreement and thereafter maintain a Project management unit ("PMU") within the National Health Services Standards Wing of NDOH, and shall maintain it with terms of reference, composition and resources at all time satisfactory to the Association.
- (b) Without limitation to the generality of the foregoing provisions in paragraph (a) immediately above, the PMU shall be responsible for technical and administrative Project coordination, supervision, planning, reporting, monitoring and evaluation, communication and outreach.
- (c) Without limitation to the generality of the foregoing provisions in paragraph (a) immediately above, the PMU shall be directed by the Deputy Secretary of the National Health Services Standards Wing and shall include: (i) a project coordinator; (ii) a procurement specialist; and (iii) a finance officer/accountant.

##### 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 all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the World Bank Policies, as well as the Recipient's own laws relating to the environment and social aspects relevant to the Project.



2. The Recipient shall ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.
3. The Recipient shall not abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall it permit any entity participating in the implementation of the Project to do so, except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association.
4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, in accordance with terms of reference satisfactory to the Association: (a) monitor the status of compliance with the Safeguard Instruments; and (b) prepare and furnish to the Association, as part of each Project Report, a report on the results of such monitoring activities during the period covered by said Project Report, giving details of: (i) measures taken in furtherance of such Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and (iii) remedial measures taken or required to be taken to address such conditions.
5. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 4 of this Part C, and thereafter shall carry out with due diligence all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the Safeguard Instruments.
6. In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement, the terms of this Agreement shall prevail.

**D. Project Operational Manual**

1. The Recipient shall, by no later than three (3) months after the Effective Date, prepare and adopt a Project Operational Manual, acceptable to the Association ("Project Operational Manual"), giving details of guidelines and procedures agreed with the Association for the implementation, supervision, and monitoring and evaluation, of the Project, including:
  - (a) institutional and staffing arrangements including, *inter alia*, minimum numbers of NDOH staff in the PMU;
  - (b) reporting requirements;
  - (c) financial and procurement management procedures, and audit procedures;
  - (d) roles and responsibilities of the PMU and NDOH for technical and fiduciary staffing arrangements and cooperation;
  - (e) environmental and social safeguard implementation arrangements;

- (f) process and criteria for selecting Targeted Areas;
  - (g) performance and results indicators for the Project; and
  - (h) protocols for monitoring results indicators.
2. The Recipient shall thereafter implement the Project in accordance with the Project Operational Manual; provided, however, that, in case of any discrepancies between the provisions of the Project Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

**E. Annual Work Plans and Budgets**

1. The Recipient shall prepare and furnish to the Association not later than:
- (a) two (2) months after the Effective Date (or such later date as the Association may agree); and
  - (b) November 30 of each year for every subsequent year during the implementation of the Project (or such later date as the Association may agree),

for the Association's no-objection, an Annual Work Plan and Budget containing all eligible Project activities and Eligible Expenditures proposed to be included in the Project in the Recipient's following calendar year, including a specification of the source or sources of financing for all Eligible Expenditures, and environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.C of this Schedule.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plan and Budget accepted by the Association for the Recipient's respective calendar year; provided, however, that in the event of any conflict between the Annual Work Plan and Budget and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall not make or allow to be made any change to the Annual Work Plan and Budget without prior no-objection in writing by the Association.

**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 in the Project Operational

Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

2. The Recipient shall carry out jointly with the Association, not later than three (3) years after the Effective Date, or such other period as may be agreed with the Association, a mid-term review of the Project (the "Mid-term Review") to assess the status of Project implementation, as measured against the indicators referred to in Section II.A.1 immediately above, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and Project staff turnover; and (vi) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall:
  - (a) prepare and furnish to the Association, at least one (1) month before the date of the Mid-term Review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.A.1 of this Schedule, 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; and
  - (b) review jointly with the Association the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

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

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association 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 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**

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.

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

**A. General**

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

<b>Category</b>	<b>Amount of the Credit Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training and Workshops, for the Project	11,100,000	100%
<b>TOTAL AMOUNT</b>	<b>11,100,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed four million four hundred forty thousand Special Drawing Rights (SDR 4,440,000) may be made for payments made prior to this date but on or after November 15, 2016, for Eligible Expenditures.
2. The Closing Date is June 30, 2022.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage) *</b>
On each June 1 and December 1:	
commencing June 1, 2022 to and including December 1, 2031	1.65%
commencing June 1, 2032 to and including December 1, 2041	3.35%

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

## APPENDIX

### Section I. Definitions

1. “Annual Work Plans and Budgets” means the annual work plans and budgets (including related cash forecasts) for the implementation of the Project, referred to in Section I.E.1 of Schedule 2 to this Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
3. “Basic Management Units” and “BMUs” means a hospital or health facility within the Recipient’s Territory where medical professionals diagnose tuberculosis and initiate treatment.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Central Public Health Laboratory” means the institution situated in Port Moresby, under public health division of the NDOH, that coordinates and oversees all public health laboratories in the Recipient’s territory.
6. “Code of Environmental Practice” and the acronym “COEP” means the code prepared by the Recipient referred to Section I.C of Schedule 2 to this Agreement which is satisfactory to the Association and sets forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes, appendices, or schedules to such code.
7. “Directly Observed Treatment” means the direct and supportive observation of tuberculosis treatment that helps to ensure the right drugs are taken at the right time for the full duration of the treatment, and as such term shall be consistent with the term ‘Directly Observed Treatment’ defined by the World Health Organization.
8. “Drug-resistant Tuberculosis” means tuberculosis caused by *Mycobacterium* which is resistant to one or more of the commonly used drugs used to treat tuberculosis, or other such strains of tuberculosis considered to be “Drug-resistant Tuberculosis” by the World Health Organization.

9. "Drug-susceptible Tuberculosis" means tuberculosis caused by *Mycobacterium* which is susceptible to Isoniazid and Rifampicin, or other such strains of tuberculosis considered to be "Drug-susceptible Tuberculosis" by the World Health Organization.
10. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
11. "Multi-sectoral Alliance of Daru for Tuberculosis" means the alliance set up in Daru, Western Province, which includes the private sector, community leaders, educational leaders, religious communities, and tuberculosis patients in Daru to improve tuberculosis awareness and responses at the community level.
12. "National Department of Health" and "NDOH" means the Recipient's National Department of Health, or its successor.
13. "National Health Information System" means the NDOH's system of collection, recording, collation, analysis and use of health services information that includes both manual and electronic recording system.
14. "National Health Services Standards Wing" means the wing of the NDOH responsible for setting standards, which serve as a blueprint for providing safe, quality health services as required by the Recipient's National Health Plan 2011-2020.
15. "National Tuberculosis Programme" and the acronym "NTP" mean the Recipient's program under the disease control branch of the National Department of Health responsible for the implementation of the National Tuberculosis Strategic Plan.
16. "National Tuberculosis Strategic Plan" means the Recipient's plan for the control of tuberculosis for the period of 2015-2020.
17. "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 consumable materials and supplies, communications services (postage, telephone and internet), media and printing services, translation and interpretation services, office space rental and utilities, maintenance of office equipment, operation and maintenance of vehicles, fuel costs, bank charges required for the Project, administrative support staff, and staff travel, lodging and per diems, but excluding salaries (including bonuses, fees and honoraria or equivalent payments) of officials of the Recipient's civil service.



18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 16, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.
19. “Procurement Regulations” means the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, dated July 1, 2016.
20. “Project Operational Manual” means the manual referred to in Section I.D of Schedule 2 to this Agreement, as said manual may be modified from time to time with prior approval in writing of the Association, and such term includes any schedules to the Project Operational Manual.
21. “Safeguards Documents” means the Code of Environmental Practice and any associated documents prepared in accordance with the Code of Environmental Practice.
22. “Targeted Areas” means the areas identified in accordance with the procedures and processes detailed in the Project Operational Manual, identified in the Annual Work Plan and Budget, and agreed with the Association.
23. “Training and Workshops” means the reasonable costs of goods and services required for the participation of personnel involved in training and coordination activities and workshops under the Project, including travel and subsistence costs for training or workshop participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training course or workshop preparation and implementation, but excluding consultants’ fees.
24. “World Bank Policies” means, to the extent that they are applicable to the Project activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.07 (Water Resources Management), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) contained in the World Bank’s Operational Manual which can be found on the World Bank’s website at [www.worldbank.org](http://www.worldbank.org).
25. “World Health Organization” and the acronym “WHO” means the specialized agency of the United Nations concerned with international public health.

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

The General Conditions are hereby modified as follows:

1. Section 3.02 is modified to read as follows:

“Section 3.02. *Service Charge and Interest Charge*

- (a) *Service Charge.* The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.
  - (b) *Interest Charge.* The Recipient shall pay the Association interest on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. Interest shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.”
2. Paragraph 28 of the Appendix (“Financing Payment”) is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
  3. The Appendix is modified by inserting a new paragraph 32 with the following definition of “Interest Charge”, and renumbering the subsequent paragraphs accordingly:

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