Financing Agreement

(Rural Communications Project)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 2010
FINANCING AGREEMENT

AGREEMENT dated August 9, 2010, 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, and modified, 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 Special Drawing Rights (SDR 10,000,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 1 and December 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 objective of the Project. To this end, the Recipient shall, under the overall coordination and management of the fiduciary aspects of all Parts of the Project through DCI,

(a) carry out Part 3 of the Project through DCI; and

(b) cause PANGTEL initially and, following the occurrence of the Succession Date and for the remainder of the implementation of the Project thereafter, NICTA, to carry out Parts 1 and 2 of the Project;

all in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NICTA to perform any of its obligations under the Project Agreement.

(b) Any of the Service Providers shall have failed to perform any of their respective obligations under their respective Service Agreements.

4.02. The Additional Events of Acceleration consist of the following:

(a) The event specified in Section 4.01 (a) of this Agreement occurs.

(b) The event specified in Section 4.01 (b) occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) the Recipient has established the PMU in form and substance satisfactory to the Association and has appointed its key staff; and

(b) the Subsidiary Agreement has been entered into between the parties thereto in form and substance satisfactory to the Association.

5.02. The Additional Legal Matter consists of the following, namely, that 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Recipient’s Address is:

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

Facsimile:  
(675) 3128804  
(675) 3128808
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/ Peter O’Neill

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ Ferid Belhaj

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve access to telecommunications infrastructure and services in rural and remote areas of the Recipient’s territory.

The Project consists of the following parts:

Part 1: Technical Assistance for NICTA

(a) Development of UAS Regulations and Operational Procedures:

(i) Preparation of regulations and procedures for the Act including the accounting and reporting procedures for the financial management of the UAS Fund;

(ii) Establishment and operation of the UAS Secretariat and carrying out of a study tour to countries that have practical experience in the financing of universal access systems.

(iii) Upgrading the Recipient’s existing radio spectrum management software into a geographic information system for the UAS Secretariat.

(b) Demonstration Projects and UAS-financed Projects Preparation and Verification:

Provision of technical assistance to oversee the implementation of the Demonstration Projects, and to prepare new and evaluate proponent-initiated UAS projects, including, inter alia: demand analysis, preparation of projects for financing by the UAS Fund, financial modeling, preparation of tender documentation, verification of compliance with environmental and social safeguards guidelines, and verification of service delivery milestones for Subsidy Payments.

(c) Regulatory Advisory Assistance:

(i) Provision of technical assistance to strengthen the competitiveness of the telecommunications market for the medium-term and to address emerging challenges in the sector including, inter alia: studies on spectrum management, licensing implementation, next-generation regulatory issues such as passive infrastructure-sharing, number portability, quality of service, and additional competition in wholesale markets.
(ii) carrying out of study visits and training exchanges with other regulators, particularly those implementing universal service programs.

Part 2: UAS Demonstration Projects:

(a) Carrying out of a Demonstration Project for telecommunications network expansion in the Recipient’s Chimbu Province;

(b) carrying out of a Demonstration Project for telecommunications network expansion in the Recipient’s East Sepik Province; and

(c) carrying out of a Demonstration Project for the establishment of Internet points of presence in about sixty (60) district centers in major geographic regions of the Recipient’s territory for operation of Internet cafés by subcontractors.

Part 3: Project Management:

Strengthening the capacity of DCI through the provision of advisory services, training and support for Project coordination, procurement, financial management, telecommunications technical support and supervision.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall establish and thereafter maintain during the implementation of the Project, a Project Management Unit to handle the procurement and financial management aspects for all Parts of the Project with the powers and responsibilities and staffing set forth in the Operations Manual, comprising, *inter alia*, a budget and accounts officer, a procurement officer, and a financial management officer, in each case with qualifications and experience acceptable to the Association.

B. Subsidiary Agreement

1. To facilitate the carrying out of the Project Implementing Entity’s Respective Parts of the Project, the Recipient shall, prior to initiating the implementation of Parts 1 and 2 of the Project, make part of the proceeds of the Credit available to the Project Implementing Entity under a subsidiary agreement (the Subsidiary Agreement”) between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include:

   (a) the proceeds of the Credit shall be made available by the Recipient to the Project Implementing Entity on a non-refundable grant basis;

   (b) the Project Implementing Entity shall undertake to carry out its Respective Parts of the Project in accordance with the provisions of this Agreement, the Operations Manual and the Anti-Corruption Guidelines;

   (c) the Recipient shall, through DCI, be responsible for the fiduciary aspects (including procurement) of all Parts of the Project and of the financial management aspects of Parts 1 and 2 of the Project as described in the Operations Manual;

   (d) 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, or if the Succession Date has not occurred by June 30, 2011; and

   (e) 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 in writing, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. **Anti-Corruption**

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

D. **Operations Manual**

1. The Recipient shall carry out the Project in accordance with the Operations Manual, satisfactory to the Association, which shall include, *inter alia*:
   
   (a) the implementation arrangements for the Project including the role of the PMU; the UAS Secretariat and the UAS Board;
   
   (b) the eligibility criteria for Service Providers, Demonstration Projects, Subsidy Payments and Outputs;
   
   (c) the model Service Agreement;
   
   (d) the procedures for procurement, implementation, financial management, and monitoring and evaluation of the Project;
   
   (e) the Environmental and Social Management Framework; and
   
   (f) the Project monitoring indicators.

2. The Recipient shall not amend or waive any provision of the Operations Manual. In case of any discrepancies between the provisions of the Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.
E. Safeguards

1. The Recipient shall ensure that:

   (a) the Project is carried out in accordance with the Environmental and Social Management Framework, including special features for implementation of the Project in an environmental and culturally appropriate manner;

   (b) no Demonstration Project requires: (i) the involuntary acquisition of land, (ii) the purchase of customary land or the destruction of physical assets (such as housing) or (iii) the purchase or use of land under dispute or investigation; and

   (c) any Environmental Management Plan prepared in accordance with the Environmental and Social Management Framework is carried out in accordance with their respective terms.

2. The Recipient shall:

   (a) not amend the Environmental and Social Management Framework or any Environmental Management Plan without the prior written agreement of the Association; and

   (b) inform the Bank of any issues in the implementation of the Environmental and Social Management Framework or any Environmental Management Plan.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The 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 a supplemental letter of even date herewith. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.

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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consultants Services. All goods, works and non-consultant 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 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 the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consultant Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consultants services shall be procured under contracts awarded on the basis of International Competitive Bidding, including those of Section 3.13 (a) of the Guidelines.

2. Other Methods of Procurement of Goods, Works and Non-consultants Services. The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consultant services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>
3. **Special Provisions 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 or a Project Implementing Entity.

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 or a 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.

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 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.
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 concurrence.

16. The relevant 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

17. 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

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 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

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 a Project Implementing Entity’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 relevant 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.

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

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth the contracts subject to Prior Review. 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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Training and Incremental Operating Costs for the Project</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Subsidy Payments</td>
<td>9,000,000</td>
<td>100% of the amounts disbursed for Outputs delivered as per the respective Service Agreement</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>10,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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. For purposes of this Agreement:

(a) the term “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, and accommodation and allowances of Project staff, but excluding salaries of the Recipient’s civil servants; and

(b) the term “Training” means the costs of training and study tours to be carried out under the Project as agreed by the Association in annual training plans prepared for the purpose.

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; and

(b) for payments made under Category (2) unless:

(i) the Succession Date has occurred;

(ii) the Project Implementing Entity has employed the IVA;

(iii) the Recipient shall have established and staffed the UAS Secretariat and composed the UAS Board in form and substance satisfactory to the Association; and

(iv) the Recipient shall have adopted UAS Policies and Procedures acceptable to the Association.

3. The Closing Date is August 31, 2015.

Section V. Other Undertakings

1. The Recipient shall cause the Succession Date to occur no later than by June 30, 2011, or such later date as the Association may, in its discretion, agree in writing.

2. The Recipient shall ensure that NICTA delivers to the Association, no later than by 45 days following the Succession Date, a written acknowledgement and confirmation, in form and substance satisfactory to the Association, that pursuant to Section 305(2)(d) of the Act NICTA is bound by the Project Agreement as if it had been an original party thereto.
3. The Recipient shall ensure that NICTA delivers to the Association, no later than by 30 days following the delivery to the Association of the written acknowledgement and confirmation referred to in Section V.2 of this Schedule 2 above, a legal opinion satisfactory to the Association of counsel acceptable to the Association certifying that pursuant to Section 305(2) (d) of the Act NICTA is bound by the Project Agreement as if it had been an original party thereto.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 1 and December 1:</td>
<td></td>
</tr>
<tr>
<td>commencing December 1, 2020 to and including June 1, 2030</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing December 1, 2030 to and including June 1, 2045</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

* 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


3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “DCI” means the Recipient’s Department of Communications and Information or any successor thereto.

6. “Demonstration Project” means any of the three Demonstration Projects to be carried out under Part 2 of the Project.

7. “Environmental and Social Management Framework” means the Recipient’s environmental and social framework for the Project dated March 20, 2010, setting forth the environmental, social and culturally appropriate features of Project implementation requirements of the Project.

8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).


11. “IVA” means the independent verification agent to be contracted by NICTA, in accordance with the provisions of Section IV.B of Schedule 2 to this Agreement, and pursuant to Section I.B.1 of the Schedule to the Project Agreement.
12. “NICTA” means the National Information and Communications Technology Authority of the Recipient established under the Act.

13. “Operations Manual” means the operations manual approved by the Association on May 21, 2010 and referred to in Section I.D.1 of Schedule 2 to this Agreement.

14. “Output” means any of the outputs to be delivered by a Service Provider under a Demonstration Project eligible for financing by a Subsidy Payment as set forth in the Operations Manual and the respective the Service Agreement.

15. “PANGTEL” means the Papua New Guinea Radiocommunications and Telecommunications Technical Authority, or any successor thereto, including, without limitation, NICTA on and from the Succession Date.

16. “Part” means a part of the Project described in Schedule 1 to this Agreement.


18. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 21, 2010 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.

19. “Project Implementing Entity” means, on and from the date of signature of this Agreement, PANGTEL, and on and from the Succession Date, NICTA at all times thereafter.


21. “Project Management Unit” or PMU” means the unit referred to in Section I. A. 1 of Schedule 2 to this Agreement.

22. “Respective Part of the Project” means Parts 1 and 2 of the Project.

23. “Service Agreement” means any of the agreements, to be entered into between NICTA and a Service Provider in accordance with the provisions of Section I.B.2 of the Schedule to the Project Agreement.

24. “Service Provider” means a telecommunications operator selected through a competitive bidding procedure in accordance with the procedures and eligibility criteria of the Operations Manual to carry out a Demonstration Project, and receive a Subsidy Payment for the partial financing thereof.
“Subsidiary Agreement” means the agreement referred to in Section 5.01 (b) of and Section I. B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity.

“Subsidy Payment” means a grant made or to be made by NICTA to a Service Provider for financing of part of the cost of the goods, works and services required for the carrying out of a Demonstration Project.

“Succession Date” means the date the remainder of the Act other than Part I, Part II and Part XV thereof commences in accordance with the provisions of the Act.

“Transitional Committee” means the committee established under the Act to coordinate the successful transition to the regulatory regime as contemplated in the Act.

“UAS” means universal access and service in the telecommunications sector.

“UAS Board” means the Universal Access and Services Board established under the Act.

“UAS Fund” means the fund established pursuant to the Act.

“UAS Fund Policy and Procedures” means the policy and procedures governing the management and implementation of the UAS Fund to be adopted by NICTA.

“UAS Secretariat” means the Secretariat established by the Act to oversee the operation of the UAS Fund.

Section II. Modifications to the General Conditions

Paragraph (a) of Section 2.05 is modified to read as follows:

“Section 2.05. Eligible Expenditures

(a) the payment is for the financing of the reasonable goods, services, Training, Incremental Operating Costs, and Subsidy Payments (as said terms are defined in the Financing Agreement) required for the Project, to be financed out of the proceeds of the Financing and procured, all in accordance with the provisions of the Legal Agreements;”.