Hon. Peter O’Neill, CMG MP  
Minister of Treasury and Finance  
Vulupindi Haus  
P.O. Box 542  
Waigani 131  
NCD  
Independent State of Papua New Guinea

Re: Education for All- Fast Track Initiative (EFA-FTI) Catalytic Trust Fund Grant No. TF098729  
Reading Education (READ PNG) Project

Excellency:

In response to the request for financial assistance made on behalf of Independent State of Papua New Guinea ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association ("World Bank"), acting as administrator of grant funds provided by the Catalytic Fund under the Education for All Fast Track Initiative, proposes to extend to the Recipient a grant in an amount not to exceed nineteen million two hundred thousand United States Dollars (U.S.$ 19,200,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project"). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Upon receipt by World Bank of (i) a countersigned copy of this Agreement and (ii) evidence satisfactory to the World Bank that a financial management specialist and an accountant have been appointed for the Project in accordance with Section 2.06 of the Annex to this Agreement, both under terms of reference and with qualifications and experience acceptable to the World Bank, this Agreement shall become effective on the date on which the World Bank dispatches to the Recipient a notice of acceptance of such evidence; provided, however, that the
offer of this Agreement shall be deemed withdrawn if the World Bank has not received said evidence and the countersigned copy of this Agreement within ninety (90) days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s Ferid Belhaj

______________________
Ferid Belhaj
Country Director
Papua New Guinea, Pacific Islands and Timor Leste

AGREED
INDEPENDENT STATE OF PAPUA NEW GUINEA

By/s Peter O'Neill

______________________
Peter O'Neill
Minister
3 March 2011

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010
(2) Disbursement Letter, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objectives of the Project are (i) to improve the reading skills of elementary and primary education students, and (ii) to build the policy, monitoring and evaluation capacity of the Curriculum Development and Assessment Division in the Recipient’s Department of Education (DOE) to select, procure and distribute books and reading support materials and to undertake assessment of early grade reading together with provincial officials. The Project consists of the following parts:

**Part 1. Increasing the Availability of Books and Learning Materials by Establishing Classroom Libraries in Elementary and Primary Schools**

(a) Support for central evaluation, selection, procurement and distribution of illustrated children’s early grade reading materials, including supplementary reading books.

(b) Increasing the availability of books and reading materials by establishing classroom libraries in elementary and primary schools throughout the Recipient’s territory; such libraries consisting of books supplementary to textbooks that are targeted at the specific grade of the learners and available to look at and borrow from shelves in the classrooms, and administered by the teachers.

(c) The purchase of bookshelves and child friendly furniture; and development of a children’s book catalog.

**Part 2. Promoting Reading through Professional Development, Professional Teacher Networks and Public Reading Campaigns**

Promotion of reading through: (i) design of teacher training curriculum programs with a teacher’s handbook on literacy activities that focus on using early learning materials and books to engage students in reading, writing and vocabulary
development; (ii) training of trainers and carrying out of teachers training programs by the Recipient’s provinces; (iii) the development of professional teacher networks, and (iv) public reading campaigns.

Part 3. Strengthening Early Grade Reading Assessment

Strengthening of the Recipient’s capacity to monitor student’s learning through the use of early grade reading assessments (including socioeconomic surveys of student backgrounds to provide better understanding of the beneficiary group and help target resources).

Part 4. Project Management and Monitoring

Management and coordination of the day-to-day implementation of the Project, including financial management, accounting, procurement, monitoring and supervision activities, audits of project accounts, and reporting, through the provision of technical assistance.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Department of Education in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) The Recipient shall establish not later than six months after the Effective Date, and thereafter maintain throughout the period of Project implementation, a Project Steering Committee to provide overall policy guidance and strategic direction for Project implementation. The Project Steering Committee oversight responsibilities may be combined with the Project Steering Committee previously established for the Flexible and Open Distance Education Project. The Project Steering Committee shall meet semi-annually, be chaired by the Secretary for Education and Include representatives of DOE, the Department of National Planning and Monitoring, Department of Treasury, the Office of Higher Education, and the University of Papua New Guinea Open Campus.

(b) The Recipient shall maintain until completion of the Project within its Department of Education (DOE), a Classroom Library Reference Group chaired by the Secretary of Education, and including representatives from the National Library Service, and other key stakeholders, which shall meet quarterly to provide overall policy guidance and implementation oversight for the Project.

(c) The Recipient, through DOE, shall establish, no later than by the third month anniversary of the date of effectiveness of this Agreement, within its Curriculum Development and Assessment Division (CDAD), and thereafter maintain until the completion of the Project a Classroom Library Management Unit (CLMU), consisting of qualified staff in sufficient numbers and under terms of reference satisfactory to the World Bank, and
provided at all times with adequate funds and other resources, which shall be responsible for the overall coordination, procurement, implementation, financial management, and monitoring and evaluation of the Project activities.

(d) The CLMU shall be headed by a duly qualified national project coordinator under terms of reference satisfactory to the World Bank, who will report to the Assistant Secretary of the CDAD.

(e) The Recipient, through DOE, shall engage for the CLMU, in accordance with Section 2.06 of the Annex to this Agreement, within three months of the date of effectiveness of this Agreement, and thereafter retain until completion of the Project an accountant (Accountant) and a procurement advisor (Procurement Advisor), each with sufficient experience and qualifications and under terms of reference satisfactory to the World Bank, who will report to the Assistant Secretary of DOE’s Division of Corporate Services, as well as to the CLMU.

(f) The Recipient shall engage, in accordance with Section 2.06 of the Annex to this Agreement, within six months of the date of effectiveness of this Agreement, a short term internal audit advisor, with sufficient experience and qualifications and under terms of reference satisfactory to the World Bank, to assist DOE’s Internal Unit with developing an internal audit plan and conducting an internal audit.

(g) The Recipient shall acquire in accordance with Section 2.06 of the Annex to this Agreement, and then install, use and maintain for the Project an accounting software package acceptable to the World Bank.

2.04. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of performance indicators agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six months after the Closing Date.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.
2.06. Procurement

(a) General. All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods; and

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, subject to the procedures described in the Attachment to this Agreement shall apply, (B) Shopping; (C) and Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Selection of Individual Consultants; and (E) Sole Source Procedures for the Selection of Individual Consultants.
(c) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Training and Workshops, and Incremental Operating Costs</td>
<td>19,200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>19,200,000</td>
<td></td>
</tr>
</tbody>
</table>

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 World Bank, the Recipient confirms that any persons, income, matter or thing that is directly engaged in and directly forms part of this Agreement with the World Bank, 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 World Bank in writing.

For the purposes of this paragraph:

(a) “Training and Workshops ” means the reasonable costs of training, study tours and workshops required for the Project, based upon the national and provincial training plans periodically approved by DOE and satisfactory to the World Bank, and including materials, preparation and reproduction of training materials, rental of facilities, transportation, course fees, travel and subsistence of trainers and trainees, and other costs directly related to preparation and implementation of training, study tours and workshops; and
3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2014.

---

**Article IV**

**Recipient’s Representative; Addresses**

4.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister for Treasury and Finance.

4.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

(675) 312 8804, and  
(675) 312 8808

4.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development/International Development Association  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
APPENDIX
Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

   "...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

2. Section 11(a) is modified to read as follows:

   "... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of Loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

Footnotes:

"13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier."

"14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are
not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines."

"15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board set forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders."
Special Procedures for National Competitive Bidding in Papua New Guinea

National Competitive Bidding: Mandatory Provisions

1. In order to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of the Procurement Guidelines (as required by paragraph 3.3 of the Procurement Guidelines), goods and works shall be procured in accordance with the following paragraphs.

Participation in Bidding

2. The eligibility of bidders shall be as defined under the Procurement Guidelines.

3. Government-owned enterprises in Papua New Guinea shall be eligible to bid only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not a dependent agency of the Recipient.

4. A firm declared ineligible by the World Bank, based on a determination by the World Bank that the firm has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for or in executing a World Bank-financed contract, shall be ineligible to be awarded a World Bank-financed contract during the period of time determined by the World Bank.

5. 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.

6. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. In particular, no domestic preference over foreign bidders shall be granted to national bidders or goods in bid evaluation.

Advertising: Time for Submission of Bids

7. Invitations to bid shall be advertised in at least one newspaper of national circulation, allowing a minimum of 30 days for the preparation and submission of bids, such 30 days to begin with the date of availability of the bid documents or the date of the advertisement, whichever is later.

Bidding Documents

8. Until national standard bidding documents approved by the World Bank are available, bidding documents approved by the World Bank shall be used.
Bid Security

9. All bidders should provide bid security if indicated in the bidding documents, in the amount and form so indicated. A bidder's bid security shall apply only to a specific bid. A bidder shall be permitted to withdraw or modify its bid prior to the bid submission deadline without forfeiting its bid security.

Classification of Contractors; Qualification; Post-qualification

10. Bidding shall not be restricted to any particular class of contractors, and non-classified contractors shall also be eligible to bid. Qualification criteria (in case prequalification is not carried out) shall be stated in the bidding documents and shall be based entirely upon the capability and resources of prospective bidders to perform the particular contract satisfactorily, taking into account their experience and past performance on similar contracts, capabilities with respect to personnel, equipment and construction or manufacturing facilities, as well as their financial position. Before contract award, the bidder having submitted the lowest evaluated, substantially responsive bid shall be subject to post-qualification.

Registration of Bidders

11. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable opportunity of registering, without any let or hindrance. Bidders shall not be required to register as a precondition for bidding.

Evaluation Criteria

12. Evaluation criteria shall be clearly specified in bidding documents, and evaluation criteria other than price shall be quantified in monetary terms.

Bid Submission, Opening; and Bid Evaluation

13. Bidders may submit bids, at their option, either in person or by courier service or by mail.

14. Bids shall be opened in public, immediately after the deadline for submission of bids. Bidders' representatives shall be allowed to attend. The name of the bidder, the total amount of each bid, and any discounts shall be read aloud and recorded in the minutes of the public bid opening. A copy of the minutes of the public bid opening shall be promptly provided to all bidders who submitted bids. With respect to contracts which are subject to the World Bank's prior review, the Recipient shall promptly provide the World Bank a copy of the minutes of the public bid opening. No bid shall be rejected during the public bid opening. Bids received after the bid submission deadline shall be promptly returned unopened to the bidder.

15. The evaluation of bids shall be done in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the qualified bidder which submitted the lowest evaluated, substantially responsive bid.

16. No bid shall be rejected merely on the basis of a comparison with the owner's estimate or budget ceiling without the World Bank's prior written concurrence.
17. 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 World Bank: (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 will be updated at least quarterly.

Rejection of Bids

18. Rejection of all bids and re-bidding shall not be carried out without the World Bank’s prior written concurrence.

Extension of the Validity of Bids

19. In exceptional circumstances, the procuring entity may, before the expiration of bid validity, request all bidders in writing to extend the validity of their bids. In such cases, bidders shall not be requested nor permitted to amend the price or any other condition of their bids. Bidders shall have the right to refuse to grant such an extension without forfeiting their bid securities, but bidders granting such an extension shall be required to provide a corresponding extension of the validity of their bid securities.

No Contract Negotiations

20. There shall be no negotiation of contracts, even with the lowest evaluated bidder, without the World Bank’s prior concurrence. A bidder shall not be required, as a condition of award of contract, to undertake obligations not specified in the bidding documents, or otherwise to modify its bid as originally submitted.

Suppliers, Contractors and Subcontractors

21. The World Bank shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the World Bank, 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 World Bank.

22. Each contract financed from the proceeds of the Grant shall provide that the suppliers, contractors and subcontractors shall permit the World Bank, 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 World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

Conflict of Interest

23. Suppliers and contractors that have a business or family relationship with a senior member of the project implementing agency’s staff may not be awarded a contract, unless the conflict of interest stemming from this relationship has been resolved in a manner satisfactory to the World Bank throughout the process of evaluation of the bids and the execution of the
contract.