Financing Agreement

(Additional Financing for Road Maintenance and Rehabilitation Project II)
(and Amendment to the Original Financing Agreement)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated April 10, 2014
FINANCING AGREEMENT

AGREEMENT dated April 10, 2014, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). The Recipient and the Association hereby agree as follows:

This Agreement: (i) sets out the terms and conditions related to the Additional Financing for the Road Maintenance and Rehabilitation Project; and (ii) amends specific provisions of the Original Financing Agreement (as such term is defined in the Appendix to this Agreement).

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 eighty two million four hundred thousand Special Drawing Rights (SDR 82,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
2.05. The Interest Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to one and a quarter percent (1.25%) per annum.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 April 15 and October 15 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 the Department of Works 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 twenty (120) days after the date of this Agreement.

4.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister for Treasury.

5.02. 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

5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.
AGREED at District of Columbia, United States of America, as of the day and year first above written.

INDEPENDENT STATE OF PAPUA NEW GUINEA

By

[Signature]

Authorized Representative

Name: __________________________

Title: __________________________

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: __________________________

Title: __________________________
SCHEDULE 1

Project Description

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

The Project consists of the following parts:

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

Rehabilitation, upgrading and/or maintenance of existing national and provincial roads and bridges in the Participating Provinces.

Part 2. Technical Assistance

(a) Provision of technical assistance to support the design and supervision of specialized works.

(b) Piloting of an integrated maintenance regime for the Hiritano and/or Magi highways.

(c) Piloting performance-based modalities for maintenance of road sector assets.

(d) Carrying out a program of activities designed to strengthen the capacity of the Recipient for management and maintenance of road sector assets, including: (i) provision of training to small- and medium-sized contractors on preparation of tenders and contract management; and (ii) strengthening the capacity of NRA and DoW for managing and implementing road sector projects, including attending to environmental safeguard issues; prioritizing road sector investments; and responding to existing or emerging priority issues.

(e) Carrying out a program of activities designed to increase awareness of gender and transport issues (such as HIV/AIDS and gender-based violence issues) among stakeholders, and provision of training to women on routine road and bridge maintenance.

(f) Carrying out socio-economic surveys and strengthening the capacity of DoW for collecting and using gender disaggregated beneficiary data.

(g) Supporting the implementation and management of the Project, including financing of the Employer’s Project Manager.
Part 3. **Contingency for Disaster Risk Response**

Carrying out a program of activities designed to provide rapid response to disaster, emergency and/or catastrophic events, as needed.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Steering Committee

The Recipient shall maintain, throughout the Project implementation period, the Steering Committee chaired by the Secretary of DoW; comprised of, *inter alia*, representatives at Secretary level of the Recipient’s: (a) Department of National Planning and Monitoring, (b) Department of Treasury; (c) NRA; and (d) Department of Transport; and with responsibility for providing policy guidance and oversight of the Project, including ensuring effective coordination and alignment of the Project with the Recipient’s strategic priorities.

2. Employer’s Project Manager

The Recipient shall maintain, throughout Project implementation period, the Employer’s Project Manager, to be responsible for assisting DoW in the implementing, coordination, monitoring and supervision of Part I of the Project, including assigning a Project manager and other qualified and experienced staff to DoW.

3. Environmental Branch

The Recipient shall, throughout the Project implementation period, maintain the Environmental Branch within DoW, headed by a qualified and experienced manager, with qualified staff in adequate numbers, including at least one (1) environmental specialist, and provided with such powers, responsibilities and funding as shall be required to coordinate and monitor environmental and social safeguards works for the Project.

B. Implementation Covenants

1. Annual Work Program

(a) The Recipient shall, throughout Project implementation period, prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Association not later than June 30 of each calendar year, a plan of activities proposed for inclusion in the Project for the next calendar year, together with a budget for such activities (including a specification of the counterpart funds and any other source or sources of financing for Part 1 of the Project), and a timetable for their implementation.
(b) The Recipient shall: (i) afford the Association a reasonable opportunity to exchange views with the Recipient on such proposed work program; and (ii) thereafter carry out such annual work program during the period covered by said program, according to such budget, both as shall have been approved by the Association ("Annual Work Program").

(c) Only such activities as shall have been included in the Annual Work Program shall be eligible for inclusion in the Project and financing out of the proceeds of the Financing.

2. Counterpart Funds

The Recipient shall maintain, throughout Project implementation period, a trust account in a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association for purposes of depositing the Recipient’s counterpart funds for Part I of the Project. To this end, the Recipient shall, by not later than April 30 of each calendar year, ensure that the balance of the account is sufficient to cover counterpart funds for estimated disbursements under Part I of the Project for the that calendar year.

3. Operational Manual

(a) The Recipient shall carry out the Project in accordance with the Operational Manual, and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived any provision of the Operational Manual.

(b) In case of a conflict between the provisions of the Operational Manual and this Agreement, those of this Agreement shall prevail.

4. Maintenance of Provincial Roads

The Recipient shall: (a) prior to financing of rehabilitation of any Provincial roads under the Project, enter into agreements with Provincial Authorities, in form and substance acceptable to the Association, setting forth the arrangements for maintenance of Provincial roads rehabilitated under the Project; and (b) thereafter, ensure that the said Provincial roads are maintained, in accordance with said agreements.

C. Anti-Corruption

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

1. The Recipient shall: (a) carry out the Project in accordance with the provisions of the Safeguard Instruments; and (b) ensure that each contract for civil works financed under the Project includes the obligation of the relevant contractor to implement the respective activities under the contract in accordance with the Safeguards Instruments.

2. If any Project activities would, pursuant to the ESMF, require the preparation of an Additional Environmental Management Plan, the Recipient shall ensure that no such activities shall be implemented unless and until such Additional Environmental Management Plan is prepared in accordance with the ESMF and furnished to the Association for review and approval, and is disclosed as required by the ESMF and approved by the Association.

3. If a RAP would be required for any Project activities on the basis of the Land Acquisition and Resettlement Framework, the Recipient shall ensure that: (a) said RAP has been prepared in accordance with the requirements of the LARF, furnished to the Association for approval, and disclosed locally; and (b) no such activities shall commence until: (i) all measures required to be taken under said RAP prior to the initiation of said activities have been taken; (ii) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP has been prepared and furnished to the Association; and (iii) the Association has confirmed that said activities may be commenced.

4. Without limitation upon its other reporting obligations under this Agreement, the Recipient, through EPM and the Environmental Branch, 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 D, 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 of a conflict between the provisions of any of the Safeguard
Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 indicators acceptable to the Association and set forth in the Operational Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days 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. 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

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines or Consultant Guidelines, as the case may be.

4. **Transitional Covenant:** Notwithstanding the foregoing, any contracts for goods, works and non-consulting services to be financed out of the proceeds of the Financing and for which the invitation to bid or the request for expressions of interest was issued prior to the date of this Agreement shall be procured in accordance with Section III of Schedule 2 to the Original Financing Agreement.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting 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, subject to modifications in Schedule 4 to this</td>
</tr>
<tr>
<td>Agreement</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Force Account</td>
</tr>
<tr>
<td>(e) Community Participation procedures which have been found acceptable to the</td>
</tr>
<tr>
<td>Association</td>
</tr>
</tbody>
</table>

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

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works under Part 1 of the Project</td>
<td>70,450,000</td>
<td>78%</td>
</tr>
<tr>
<td>(2) Goods, non-consulting services and consultants’ services for Parts 1 and 2 of the Project</td>
<td>10,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs and Training for the Project (excluding Part 3 of the Project)</td>
<td>1,050,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Goods, works and services under Part 3 of the Project (Contingency for Disaster Risk Response)</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>82,400,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made:

(a) prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 500,000 equivalent out of the proceeds of the Credit may be made for payments made prior to this date but on or after December 1, 2013 for Eligible Expenditures; or

(b) under Category (4), unless the Recipient has: (i) declared that an Eligible Crisis or Emergency has occurred, and the Association has agreed with such determination: (ii) prepared and disclosed all safeguards instruments required for activities under said Part 3 of the Project, if any, and the Recipient has implemented any actions which are required to be taken under said instruments, all in accordance with the provisions of Section 1.D(2) and (3) of Schedule 2 to this Agreement; and (iii) established adequate implementation arrangements, satisfactory to the Association, including staff and resources for the purposes of said activities

2. The Closing Date is April 30, 2021.
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>
</table>
| On each April 15 and October 15:  
commencing April 15, 2019 to and including October 15, 2028 | 1.65% |
| commencing April 15, 2029 to and including October 15, 2038 | 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.
SCHEDULE 4

Special Procedures for National Competitive Bidding

The procedure to be followed for National Competitive Bidding shall be those set forth in the provisions on competitive bidding in the Public Financial Management Act of 1995 (Part VII, State Tenders and Contracts) and the Financial Instruction 1/2005 with modifications set forth below:

Participation in Bidding

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

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

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

4. A firm which has been engaged by the Recipient to provide consulting services for the preparation or implementation of a project, and any of its affiliates, shall be disqualified from subsequently providing goods or works resulting from or directly related to the firm's consulting services for such preparation or implementation. This provision does not apply to the various firms which together are performing the contractor's obligations under a turnkey or design and build contract.

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

Advertising; Time for Submission of Bids

6. Invitations to bid shall be advertised in at least one (1) newspaper of national circulation, allowing a minimum of thirty (30) days for the preparation and submission of bids, such thirty (30) days to begin with the date of availability of the bid documents or the date of the advertisement, whichever is later.
Bidding Documents

7. Until national standard bidding documents approved by the Association are available, bidding documents approved by the Association shall be used.

Bid Security

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

Classification of Contractors; Qualification; Post-qualification

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

Registration of Bidders

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

Evaluation Criteria

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

Bid Submission, Opening; and Bid Evaluation

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

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

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

15. No bid shall be rejected merely on the basis of a comparison with the owner's estimate or budget ceiling without the Association's prior written no-objection.

16. The Recipient shall publish the following information on contract award on a free and open access website when that website becomes operational, or on another means of publication acceptable to the Association: (i) name of each bidder who submitted a bid; (ii) bid prices as read out at bid opening; (iii) name and evaluated price of each bid that was evaluated; (iv) names of bidders whose bids were rejected and the reasons for the rejection; and (v) name of the winning bidder, price it offered, as well as the duration and summary scope of the contract awarded. This publication shall be updated at least quarterly.

Rejection of Bids

17. Rejection of all bids and re-bidding shall not be carried out without the Association's prior written no-objection.

Extension of the Validity of Bids

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

No Contract Negotiations

19. There shall be no negotiation of contracts, even with the lowest evaluated bidder, without the Association's prior written no-objection. A bidder shall not be required, as a condition of award of contract, to undertake obligations not specified in the bidding documents, or otherwise to modify its bid as originally submitted.
Suppliers, Contractors and Subcontractors

20. The Association shall declare a firm ineligible, either indefinitely or for a stated period, to be awarded a contract financed by the Association, if it at any time determines that the firm has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for, or in executing, a contract financed by the Association.

21. Each contract financed from the proceeds of the Credit shall provide that the suppliers, contractors and subcontractors shall permit the Association, at its request, to inspect their accounts and records relating to the performance of the contract and to have said accounts and records audited by auditors appointed by the Association. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

Conflict of Interest

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

Bid Protest Mechanism

23. The Recipient shall establish an effective bid protest mechanism related to the procurement process and contract award, acceptable to the Association that allows for bidder protests and the timely handling of such protests. The procedures to receive and handle complaints shall be disclosed in the bidding documents.
APPENDIX

Section I. Definitions

1. “Additional Environmental Management Plan” means a plan, to be prepared or caused to be prepared by DoW and to be agreed with the Association in accordance with the ESMF, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of Project activities, offset them, reduce them, 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 or schedules to such plan; and “Additional Environmental Management Plans” means more than one such plan.

2. “Annual Work Program” means the annual program prepared in accordance with Section I.B1 of Schedule 2 to this Agreement.


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


6. “Department of National Planning and Monitoring” means the Recipient’s Department of National Planning and Monitoring, within the Ministry of National Planning, or any successor thereto.

7. “Department of Transport” means the Recipient’s Department of Transport, within the Ministry of Transport, or any successor thereto.

8. “Department of Treasury” means the Recipient’s Department of Treasury, within the Ministry of Treasury, or any successor thereto.

9. “Displaced Persons” means persons who, on account of the involuntary taking of land and other assets under the Project resulting in a direct economic and social adverse impact, whether or not said Displaced Persons must physically relocate, had or would have their: (i) standard of living adversely affected, whether or not the Displaced Persons must move to another location; (ii) right, title, interest in any house, land (including premises, agricultural and grazing land) or any other
fixed or movable asset acquired or possessed, temporarily or permanently, adversely affected; (iii) access to productive assets adversely affected, temporarily or permanently; or (iv) business, occupation, work or place of residence or habitat adversely affected; and “Displaced Person” means any of the Displaced Persons.

10. “DoW” means the Recipient’s Department of Works, within the Ministry of Works and Implementation, or any successor thereto.

11. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

12. “Employer’s Project Manager” or “EPM” means the consulting firm retained by DoW, in accordance with Section III of Schedule 2 to this Agreement; or, any other consulting firm to be selected and retained in the future in accordance with said Section III of Schedule 2 to this Agreement.

13. “Environmental and Social Management Framework” or “ESMF” means the framework dated October 2013, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of Project activities implemented in the second and subsequent years of Project implementation, offset them, reduce them, or enhance positive impacts, as well as guidelines and procedures for the preparation and disclosure of Additional Environmental Management Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such framework.

14. “Environmental Management Branch” means the office within DoW responsible for managing and monitoring environmental issues associated with activities carried out by DoW.

15. “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.


17. “Incremental Operating Costs” means reasonable and necessary incremental expenditures related to the operation of the Project and incurred on account of Project implementation, monitoring, evaluation, coordination and supervision, as approved by the Association based on annual budgets acceptable to the Association, which would not have been incurred but for the Project, including:
(i) maintenance and operation of equipment and vehicles used for the management of the Project; (ii) salaries paid to staff hired for the purposes of the Project, other than the Recipient's civil servants' salaries and honoraria; (iii) travel costs and per diems; (iv) consumable office supplies and utilities; (v) communication, printing and publications; (vi) bank charges; and (vii) other miscellaneous costs as may be agreed with the Association from time to time.

18. "Land Acquisition and Resettlement Framework" or "LARF" means the framework, dated October 2013, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and related assets under the Project, compensation, resettlement, and rehabilitation of Displaced Persons, as well as guidelines and procedures for the preparation of Resettlement Action Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.

19. "NRA" means the Recipient’s National Roads Authority established under the Recipient’s 2003 National Roads Authority Act, or any successor thereto.

20. "Operational Manual" means the manual dated December 16, 2013 setting forth the setting forth detailed guidelines and procedures for the implementation of the Project, including procurement, financial management, monitoring and evaluation, and environmental and social safeguard procedures.

21. "Original Financing Agreement" means the financing agreement for a Road maintenance and Rehabilitation Project II between the Recipient and the Association, dated June 9, 2011 as amended to the date of this Agreement (Credit No. 4931).

22. "Original Project" means the Project described in the Original Financing Agreement.

23. "Participating Provinces" means the Recipient’s Central, East New Britain, Gulf, Madang, Manus, Milne Bay, Morobe, Oro, Western, and West New Britain Provinces.


25. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated November 28, 2013 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
26. "Resettlement Action Plan" or "RAP" means a plan prepared by DoW and agreed with the Association pursuant to Section I.D.3 of Schedule 2 to this Agreement, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and related assets under the Project, compensation, resettlement, and rehabilitation of Displaced Persons, prepared in accordance with the provisions of the Land Acquisition and Resettlement Framework, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such plan.


28. "Training" means the cost of training financed under the Project, based on an annual budget for such costs approved ex-ante in writing by the Association, and attributable to seminars, workshops, and study tours for both domestic and international events, along with the cost of travel and subsistence for training participants, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are 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 retro", and renumbering the remaining 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).

Section III: Amendment to the Original Financing Agreement

The Original Financing Agreement is amended as follows:

1. The Project development objective in Schedule 1 to the Original Financing Agreement is amended to read as set out in Schedule 1 to this Agreement.