Hon. Patrick Pruaitch, MP  
Minister for Treasury  
Department of Treasury  
Vulupindi Haus 4th Floor  
P.O. Box 542  
Waigain, 131 NCD  
PAPUA NEW GUINEA

Dear Minister,

Amending and Restating Grant Agreement for the Inclusive Development in Post-Conflict Bougainville Project  
(SPF Grant No. TF098558)

In response to the request of financial assistance made on behalf of the Independent State of Papua New Guinea (the “Recipient”), the International Bank for Reconstruction and Development/International Development Association (the “World Bank”), acting as administrator of grant funds provided by various donors (the “Donors”) under the State-and Peace-Building Fund, has provided a grant in the amount of two million five hundred eighteen thousand two hundred thirty United States Dollars (U.S. $2,518,230) (the “Original Grant”) to assist in financing the project described in the Annex to the original agreement (the “Original Agreement”), entered into between the World Bank and the Recipient dated March 3, 2011 (the “Original Project”).

The Recipient has further requested the World Bank to provide additional financing in support of scaling-up the activities under the Original Project. The World Bank has considered the request and proposes to extend to the Recipient, a grant in an amount not to exceed two million four hundred thousand United States Dollars (U.S. $2,400,000) (the “Additional Grant”). The World Bank further proposes to extend to the Recipient the Original Grant and the Additional Grant (collectively, the “Grant”) on the terms and conditions set forth or referred to in this amended and restated agreement (the “Agreement”), which includes the attached Annex, to assist in the financing of the Original Project and the scaled-up activities, both described in the Annex to this Agreement (the “Project”).

The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is 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 the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Sincerely,

[Signature]  
Franz R. Drees-Gross  
Country Director  
Timor-Leste, Papua New Guinea and Pacific Islands  
East Asia and Pacific Region

AGREED:

INDEPENDENT STATE OF PAPUA NEW GUINEA

By:  
Authorized Representative

Name:  
Patrick Pruitch

Title:  
Minister for Treasury

Date:  
07 July 2015
ANNEX

Article I
Standard Conditions; Definitions


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, and the following additional terms have the following meanings:

(a) "Bougainville Women’s Federation" means the autonomous region’s peak body representing women across government, the church, the private sector and civil society;

(b) "Community Government Appraisal Committee" means the committee consisting of representatives from the Community Governments, Districts, Bougainville Women’s Federation, and others as may be determined by DCD, responsible for appraising expressions of interest from women’s groups within their respective geographic areas and periodically selecting Sub-projects for preparation and implementation; and the term “Community Government Appraisal Committees” means, collectively, all of such Community Government Appraisal Committees;

(c) "Community Government" means a level of formal government below the Autonomous Bougainville Government, previously referred to as Council of Elders;

(d) "Department of Community Development" or “DCD” means the Recipient's Autonomous Region of Bougainville's administrative unit by that name, and any successor thereto;

(e) "Eligible Recipient" means women's organizations and civil society organizations that support the involvement of women in development activities and which advance the priorities of women in development, and which meet at least one of the following criteria: highest executive is a woman; majority of members are women; current programs have significant focus on women as primary beneficiaries; experience in implementing community development projects, and the term “Eligible Recipients” means, collectively, all of such Eligible Recipients;

(f) "Environmental and Social Management Framework" means the Recipient’s framework, dated November 17, 2014 agreed with the World Bank and setting out guidelines relating to mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of the Project, including the integration of Indigenous Peoples plan in the design of the Project and Sub-projects to be implemented, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time, and such term includes any annexes or schedules to such framework;

(g) "Environmental and Social Management Plan" or “ESMP” means the Project Implementing Entity’s plan, referred to in Section 2.03(f) of the Annex to this Agreement and to be agreed with the World Bank, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities to be implemented under the Project,
offset them, or reduce them to acceptable levels, or enhance positive impacts, in accordance with the provisions of the Environmental and Social Management Framework, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such plan;

(h) "Inclusive Development Grant" means a non-refundable grant out of the Proceeds of the Grant allocated from time to time to Part (2) of the Project to be provided to Eligible Recipients, for the carrying out of Sub-projects, and the term "Inclusive Development Grants" means, collectively, all of such Inclusive Development Grants;

(i) "Incremental Operating Costs" means the reasonable expenses incurred on account of Project implementation, support and management, which would not have been incurred absent the Project, including communications, utilities, stationary, transportation costs, accommodation and travel allowances of Project staff, but excluding salaries of the Recipient's civil servants;

(j) "Indigenous Peoples" means social groups with a distinct social and cultural identity that makes them vulnerable to being disadvantaged in the development process, including the presence in varying degrees of the following characteristics: (i) a close attachment to ancestral territories and to the natural resources in these areas; (ii) self-identification and identification by others as members of a distinct cultural group; (iii) an indigenous language, often different from the national language; (iv) presence of customary social and political institutions; and (v) primarily subsistence-oriented production;

(k) "Project Implementing Agency" means the Department of Community Development;

(l) "Project Operations Manual" means the manual prepared and adopted by the Recipient dated August 14, 2013, and updated on November 18, 2014, setting forth the implementation arrangements for the Project, covering, among other things, the process and criteria for identifying Sub-projects and providing Inclusive Development Grants, and procedures for procurement, financial management, monitoring and evaluation, and environmental and social safeguards, including all annexes and supplements thereto, as such Project Operations Manual may be updated from time to time with the prior written agreement of the Recipient and the World Bank;

(m) "Sub-project" means a specific project carried out by the Project Implementing Entity or Eligible Recipients of Inclusive Development Grant, financed in part or in full out of the proceeds of the Inclusive Development Grant;

(n) "Training" means reasonable cost of training, study tours and workshops required for the absent the Project, including communications, utilities, stationary, transportation costs, accommodation and travel allowances of Project staff, but excluding salaries of the Agreement; and

(o) "Sub-grant Agreement" means the agreement to be entered into between the Project Implementing Entity and Eligible Recipients for carrying out of Sub-projects, and the term "Sub-grant Agreements" means, collectively, all of such Sub-grant Agreements.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to increase the provision of community-prioritized services and income-generating opportunities driven by women and women’s groups in Bougainville.

The Project consists of the following parts:

Part 1. Building Capacity for Inclusive Community Development

(a) Community development training

Provision of training, in partnership with relevant women’s groups including Bougainville Women’s Federation, to build the capacity of civil servants, community leaders, women’s groups and other civil society groups and individuals in topics related to community-driven development and the strengthening of women’s groups, including: participatory planning, monitoring and evaluation, managing a community-based organization (CBO), and organizational assessment and strategic planning.

(b) Sub-project review, design and implementation training

Provision of training to support stakeholders involved in the Inclusive Development Grants including: appraisal, Sub-project design, Inclusive Development Grants management and reporting.

(c) Knowledge sharing, networking and advocacy

Carrying out of knowledge sharing activities for stakeholders, mainly Eligible Recipients, and structured around women and women’s groups which share different types of interests, including practical interests such as water supply and resource center management (communities of practice) and policy interests such as early childhood education and maternal health services (policy networks).

Part 2. Small Grants for Inclusive Community Development

Provision of Inclusive Development Grants to women organizations and civil society organizations that support the involvement of women in development activities to implement community development activities which advance the priorities of women in local development and which increase the ability of women to initiate and manage development activities.

Part 3. Project Management, Monitoring and Evaluation

Management and coordination of the day-to-day implementation of the Project, including financial management, accounting, procurement, safeguards, monitoring and evaluation, supervision activities, and 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 cause the Project Implementing Entity to carry out the
Project, 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”); and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) The Recipient shall cause the Project Implementing Entity to maintain throughout the period of Project implementation, within the Department of Community Development, a project management team, consisting of qualified staff in sufficient numbers and under terms of reference satisfactory to the World Bank, including a Project manager, a finance officer, and an administrative assistant, and provided at all times with adequate funds and other resources, which shall be responsible for the overall coordination, procurement, implementation, financial management, reporting, and monitoring and evaluation of the Project activities.

(b) The Recipient shall cause the Project Implementing Entity to recruit a Project coordinator with qualifications and terms of reference satisfactory to the World Bank, by not later than two (2) months after the countersignature date of this Agreement, and thereafter maintain such Project coordinator throughout the implementation of the Project.

(c) The Recipient shall cause the Project Implementing Entity to establish a Community Government Appraisal Committee in each participating Community Government by not later than two (2) months after the countersignature date of this Agreement, and thereafter maintain such committee throughout the implementation of the Project.

Project Operations Manual

(d) The Recipient shall cause the Project Implementing Entity to adopt, and thereafter apply during the implementation of the Project, the Project Operations Manual, in form and substance satisfactory to the World Bank setting out project procedures and guidelines including:

(i) The procedures and criteria for the selection of participants under Part I(a) of the Project;

(ii) Eligibility criteria and selection procedures for activities that may be funded by Inclusive Development Grants;

(iii) Terms and conditions to be included in Sub-grant Agreements;

(iv) Financial management, disbursement, procurement and reporting requirements and procedures for the implementation, and the monitoring and evaluation, of the Project;

(v) Environmental and social safeguard procedures (including guidelines on community consultation, and a grievance mechanism), and other special features of the Project to ensure that the Project activities are carried out in an environmentally and culturally appropriate manner; and

(vi) Project monitoring indicators.
(e) The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the Project Operations Manual, and, except as the World Bank shall otherwise agree, shall not assign, amend, abrogate or waive or permit to be assigned, amended, abrogated or waived, the aforementioned manual or any provision thereof. In case of any discrepancies between the Project Operations Manual and this Agreement, the provisions of this Agreement shall prevail.

**Subsidiary Agreement**

(f) To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant 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 World Bank, which shall include:

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

(ii) the Project Implementing Entity shall undertake to carry out the Project in accordance with the provisions of this Agreement, the Project Operations Manual, the Anti-Corruption Guidelines and the ESMF, as required;

(iii) the Recipient shall have the right to suspend or terminate the right of Project Implementing Entity to the use of the proceeds of the Grant made available under the Subsidiary Agreement upon failure by the Project Implementing Entity to perform its obligations thereunder; and

(iv) in the event that any portion of the proceeds of the Grant provided to Project Implementing Entity is not used for Eligible Expenditures or is otherwise used in breach of this Agreement, or the Subsidiary Agreement, the Project Implementing Entity shall, upon notice from the Recipient or from the World Bank, refund the notified amount to the account provided in such notice.

(g) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subsidiary Agreement or any of their provisions.

**Inclusive Development Grants**

(h) Except as the World Bank shall otherwise agree, the Recipient shall cause the Project Implementing Entity to make the proceeds of the Grant allocated from time to time to Inclusive Development Grants available on a non-refundable grant basis to Eligible Recipients in accordance with: (i) the Project Operations Manual; and (ii) the Sub-grant Agreements.

(i) The Recipient shall and shall cause the Project Implementing Entity to exercise its rights in relation to each such Inclusive Development Grant in such manner as to: (i) protect the interests of the Recipient and the World Bank; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project. Except as the World Bank shall otherwise agree, the Recipient shall cause the Project Implementing Entity not assign, amend, abrogate or waive any Sub-grant Agreement or any of its provisions.
(j) The Recipient shall ensure and shall cause the Project Implementing Entity to ensure that the proceeds of the Inclusive Development Grants shall not be used to finance the acquisition of land.

Safeguards

(k) The Recipient shall cause the Project Implementing Entity to ensure that the Project is carried out in accordance with the provisions of the Environmental and Social Management Framework, as may be required, and except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the aforementioned, or any provision thereof.

2.04. Donor and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor(s) to visit any part of the Recipient's territory for purposes related to the Project.

2.05. 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 the indicators acceptable to the World Bank and as set forth in the Project Operations Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month 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 (6) months after the Closing Date.

2.06. 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 one (1) month 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.07. Procurement

(a) General. All goods, works, non-consulting services and consultants' 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 of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers"
(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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services 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, works and non-consulting services for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding subject to the additional provisions in the Attachment to this Agreement; (C) Shopping; (D) Community Participation procedures which have been found acceptable to the World Bank.

(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, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Selection based on Consultants’ Qualifications; (C) Single-source Selection of consulting firms; (D) Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

(e) 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 (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Consultants’ Services, Training and Incremental Operating Costs</td>
<td>2,691,230</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Inclusive Development Grants</td>
<td>2,227,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,918,230</td>
<td></td>
</tr>
</tbody>
</table>

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 March 31, 2018.
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 of 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) 3128804

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  
INDEVAS  
Washington, D.C.

Telex:  
248423 (MCI) or  
64145 (MCI)

Facsimile:  
1-202-477-6391