

# OFFICIAL DOCUMENTS



December 15, 2016

Hon. Patrick Pruaitch, MP  
Minister for Treasury and Finance  
Ministry of Treasury and Finance  
Vulupindi Haus, Level 4  
P.O. Box 710  
Waigani, NCD 131  
Papua New Guinea

Dear Minister,

***INDEPENDENT STATE OF PAPUA NEW GUINEA:  
Advance Agreement for Preparation of Proposed Tourism Sector Development Project  
Preparation Advance No. V059***

In response to the request for financial assistance made on behalf of the Independent State of Papua New Guinea ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed eight hundred and twenty thousand Dollars (\$ 820,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed project designed to improve tourism services in targeted destinations ("Project"), for the carrying out of which the Recipient has requested the World Bank's financial assistance.

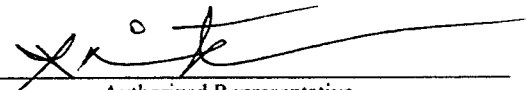
The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of 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.

Sincerely,  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Mona Sur  
Mona Sur  
Acting Country Director  
Timor-Leste, Papua New Guinea  
& Pacific Islands  
East Asia and Pacific Region

AGREED:  
INDEPENDENT STATE OF PAPUA NEW GUINEA

By:   
Authorized Representative

Name: PATRICK PRUAITCH

Title: MINISTER FOR TREASURY

Date: 24/03/2017

Enclosures:

- (1) "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
- (2) Disbursement Letter for the Advance of the same date as this Agreement, 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 Advances Made by the World Bank under its Project Preparation Facility 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, and the following additional terms shall have the following meanings:

- (a) "Incremental Operating Costs" means reasonable and necessary incremental expenditures related to implementation of the Activities and incurred by the Tourism Promotion Authority on account of implementation, monitoring, evaluation, coordination and supervision of Activities, which would not have been incurred but for the Activities, including utilities and supplies, bank charges, office rentals, communications, media campaigns, stationery, advertising expenses, vehicle operation, maintenance, and insurance, and domestic travel costs, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient's civil service.
- (b) "Tourism Promotion Authority" means the Recipient's tourism promotion entity established and operating under the Tourism Promotion Authority Act of 1993 in the Recipient laws.
- (c) "Training and Workshops" means the expenditures incurred to finance the reasonable cost associated with training and workshop participation under the Activities, encompassing of: travel and subsistence costs for training participants, costs (other than consulting services) associated with securing the services of trainers and presenters, rental of training facilities, translation and interpretation services, and preparation and reproduction of training materials.

**Article II  
Execution of the Activities**

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

- (a) Recruitment of consultants for the Tourism Promotion Authority, such consultants to include a national project coordinator, provincial project coordinators, and procurement and financial management specialists.
- (b) Carrying out feasibility studies and detailed designs for the proposed first year infrastructure rehabilitation subprojects under the Project and preparation of the bidding documents for the said subprojects.
- (c) Preparation of the safeguard instruments for the Project in particular for the first year subprojects, such instruments to include environmental and social impact assessments, environmental and social management plans, resettlement action plans and indigenous peoples plans.

- (d) Preparation of a national tourism strategy, and two provincial tourism strategies, including a prioritized list of investments.
- (e) Preparation of at least one urban development plan for some selected cities.
- (f) Carrying out consultation workshops.

2.02. **Execution of the Activities Generally.** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall cause the Activities to be carried out by the Tourism Promotion Authority in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. **Institutional and Other Arrangements.**

(a) **Subsidiary Agreement.**

- (i) To facilitate the carrying out of the Activities, the Recipient shall make the proceeds of the Advance available to the Tourism Promotion Authority under a subsidiary agreement (the "Subsidiary Agreement") between the Recipient and the Tourism Promotion Authority under terms and conditions approved by the World Bank.
- (ii) 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 Advance. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any Subsidiary Agreement or any of their provisions.

(b) **Safeguards.** The Recipient shall ensure that:

- (i) the terms of reference for any consultancies related to feasibility studies, preparation of development plans, technical assistance and/or capacity building activities under this Agreement shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank's Safeguard Policies then in force, as applied to the advice conveyed through such studies, development plans, technical assistance and/or capacity building activities.
- (ii) in drafting any regulations, guidelines or corporate procedures and carrying out capacity building activities under the Activities, due attention is given to said policies and laws.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.**

- (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.
- (b) The Recipient shall ensure that interim un-audited financial reports for the Activities 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 cause the Tourism Promotion Authority to have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for 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, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Advance 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" dated January 2011 (revised July 2014) ("Procurement Guidelines"), in the case of goods and non-consulting services;
  - (ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("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 Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 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 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 and Non-consulting Services**
  - (i) Except as otherwise provided in sub-paragraph (ii) below, goods 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 and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; and (B) 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) Selection of Individual Consultants; and (C) Selection based on Consultants' Qualifications.
- (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 the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of 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 each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, Incremental Operating Costs, Training and Workshops, non-consulting services and consultants' services under the Activities	820,000	100%
<b>TOTAL AMOUNT</b>	<b>820,000</b>	

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. **Refinancing Date.** The Refinancing Date is May 6, 2017.

**Article IV  
Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

- (a) *Refinancing under the Refinancing Agreement:* If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.
- (b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:
  - (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
  - (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date ("Notice Date") of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

#### **Article V Additional Remedies**

5.01. **Additional Events of Suspension.** The Additional Event of Suspension consists of the following, namely that, the Tourism Promotion Act of 1993 pursuant to which the Tourism Promotion Authority has been established and is operating has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Tourism Promotion Authority to perform any of its obligations under this Agreement.

#### **Article VI Effectiveness; Termination**

6.01 **Effectiveness Condition** This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Subsidiary Agreement referred to in Section 2.03(a) of this Agreement has been executed on behalf of the Recipient and the Tourism Promotion Authority.

6.02. *Termination for Failure to Become Effective.* This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VII**  
**Recipient's Representative; Addresses**

7.01. *Recipient's Representative.* The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is its Minister for Treasury and Finance.

7.02. *Recipient's Address.* The Recipient's Address referred to in Section 9.01 of the Standard Conditions is:

Minister for Treasury and Finance  
Ministry of Treasury and Finance  
Vulupindi Haus, Level 4  
P.O. Box 710  
Waigani, NCD 131  
Papua New Guinea

7.03. *World Bank's Address.* The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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

Telex:                      Facsimile:  
248423 (MCI) or        1-202-477-6391  
64145 (MCI)