

Papua and New Guinea Loan (International Bank)

No. 27 of 1971

An Act to approve the Guarantee by the Commonwealth of the Discharge of the Obligations of the Administration of the Territory of Papua and New Guinea under a Loan Agreement made with the International Bank for Reconstruction and Development, and for purposes connected therewith.

[Assented to 13 May 1971]

BE it enacted by the Queen's Most Excellent Majesty, the Senate, and the House of Representatives of the Commonwealth of Australia, as follows:—

Short title.

1. This Act may be cited as the *Papua and New Guinea Loan (International Bank) Act 1971*.

Commence-
ment.

2. This Act shall come into operation on the day on which it receives the Royal Assent.

Definitions.

3. In this Act—

“the Bank” means the International Bank for Reconstruction and Development;

“the Guarantee Agreement” means an agreement between the Commonwealth and the Bank, in accordance with the form in the First Schedule to this Act;

“the Loan Agreement” means an agreement between the Territory Administration and the Bank, in accordance with the form in the Second Schedule to this Act, being the Loan Agreement referred to in the Guarantee Agreement;

“the Territory Administration” means the Administration or Government of the Territory of Papua and New Guinea, being the Territory of Papua and the Territory of New Guinea together called by that name by virtue of section 10 of the *Papua and New Guinea Act 1949–1968*.

Project
Agreement
and General
Conditions.

4.—(1.) A copy of the agreement to be made between the Bank and the Papua and New Guinea Electricity Commission, being the Project Agreement referred to in the Guarantee Agreement and the Loan Agreement, is set out in the Third Schedule to this Act.

(2.) A copy of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, being the General Conditions Applicable to Loan and Guarantee Agreements referred to in the Guarantee Agreement and the Loan Agreement, is set out in the Third Schedule to the *Papua and New Guinea Loan (International Bank) Act 1970*.

5.—(1.) The execution and delivery, on behalf of the Commonwealth, of the Guarantee Agreement is approved.

Approval of
Guarantee
Agreement.

(2.) Upon being executed and delivered, the Guarantee Agreement constitutes a valid and binding obligation of the Commonwealth in accordance with its terms.

6.—(1.) The endorsement, on behalf of the Commonwealth, on the Bonds referred to in Section 2.02 of the Guarantee Agreement, of the guarantee is authorized.

Authorization
of endorsement
of guarantee
on Bonds.

(2.) Upon the guarantee being so endorsed and the Bonds being executed and delivered, the guarantee constitutes a valid and binding obligation of the Commonwealth in accordance with its terms.

7. Any payments by the Commonwealth under the Guarantee Agreement are payable out of the Consolidated Revenue Fund, which is appropriated accordingly.

Appropriation.

8. Notwithstanding anything in any law of the Commonwealth or of a State or Territory of the Commonwealth, whether passed or made before or after the commencement of this Act—

Moneys to be
paid, and
documents to
be, free of
taxes, &c.

- (a) all moneys payable as mentioned in Section 5.01 of the Guarantee Agreement shall be paid without deduction for, and free from, all taxes, as mentioned in that Section;
- (b) the documents referred to in Section 5.02 of the Guarantee Agreement shall be free from all taxes, as mentioned in that Section;
- (c) all moneys payable as mentioned in Section 5.03 of the Guarantee Agreement shall be paid free from all restrictions, regulations, controls and moratoria, as mentioned in that Section;
- (d) all moneys payable as mentioned in Section 6.01 of the Loan Agreement shall be paid without deduction for, and free from, all taxes, as mentioned in that Section;
- (e) the documents referred to in Section 6.02 of the Loan Agreement shall be free from all taxes, as mentioned in that Section; and
- (f) all moneys payable as mentioned in Section 6.03 of the Loan Agreement shall be paid free from all restrictions, regulations, controls and moratoria, as mentioned in that Section.

THE SCHEDULES

FIRST SCHEDULE

Section 3.

GUARANTEE AGREEMENT

AGREEMENT, dated 1971, between THE COMMONWEALTH OF AUSTRALIA (hereinafter called the Guarantor) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) by the Loan Agreement of even date herewith between the Bank and the Administration of the Territory of Papua and New Guinea (hereinafter called the Borrower) the Bank has agreed to make to the Borrower a loan in various currencies equivalent to twenty-three million two hundred thousand dollars (\$23,200,000), on the terms and conditions set forth in the Loan Agreement and in a project agreement of even date herewith between the Bank and the Papua and New Guinea Electricity Commission (hereinafter called ELCOM), but only on condition that the Guarantor agree to guarantee the obligations of the Borrower in respect of such loan as hereinafter provided; and

(B) the Guarantor, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed so to guarantee such obligations of the Borrower;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

SECTION 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 4 to the Loan Agreement (said General Conditions Applicable to Loan and Guarantee Agreements, as so modified, being hereinafter called the General Conditions).

SECTION 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in Section 1.02 of the Loan Agreement have the respective meanings therein set forth.

ARTICLE II

Guarantee; Bonds; Provision of Funds

SECTION 2.01. Without limitation or restriction upon any of its other obligations under the Guarantee Agreement, the Guarantor hereby unconditionally guarantees, as primary obligor and not as surety merely, the due and punctual payment of the principal of, and interest and other charges on, the Loan and the Bonds, the premium, if any, on the prepayment of the Loan or the redemption of the Bonds prior to their maturity.

SECTION 2.02. The Guarantor shall endorse, in accordance with the provisions of the General Conditions, its guarantee on the Bonds to be executed and delivered by the Borrower. The Treasurer of the Guarantor and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Guarantor for the purposes of Section 8.10 of the General Conditions.

SECTION 2.03. Without limitation or restriction upon the provisions of Section 2.01 of this Agreement, the Guarantor specifically undertakes, whenever there is reasonable cause to believe that the funds available to ELCOM will be inadequate to meet the estimated expenditures required for the carrying out of the Project, to make arrangements, satisfactory to the Bank, promptly to provide ELCOM or cause the Borrower to provide ELCOM with such funds as are needed to meet such expenditures.

ARTICLE III

Other Covenants

SECTION 3.01. (a) It is the mutual intention of the Guarantor and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on public assets.

(b) To that end the Guarantor (i) represents that at the date of this Agreement no lien exists on any public assets as security for any external debt except as otherwise disclosed in writing by the Guarantor to the Bank, and (ii) undertakes that, except as the Bank shall otherwise agree, if any lien shall be created on any assets of the Guarantor or any agency of the

FIRST SCHEDULE—*continued*

Guarantor as security for any external debt, such lien shall equally and ratably secure the payment of the principal of and interest and other charges on the Loan and the Bonds, and that in the creation of any such lien express provision shall be made to that effect; and, within the limits of its constitutional powers, the Guarantor will make the foregoing undertaking effective with respect to liens on assets of the States and Territories of the Guarantor and their agencies (including local governing authorities). The Guarantor shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to: (i) any lien created on any property at the time of purchase thereof solely as security for the payment of the purchase price of such property; or (ii) any lien created by the Reserve Bank of Australia or the Commonwealth Trading Bank of Australia on any of their assets in the ordinary course of their banking business to secure any indebtedness maturing not more than one year after its date.

SECTION 3.02. The Guarantor covenants that it will not take any action which would prevent or interfere with the performance by the Borrower of its obligations contained in the Loan Agreement or by ELCOM of its obligations contained in the Project Agreement.

ARTICLE IV

Consultation and Information

SECTION 4.01. The Guarantor and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end the Guarantor and the Bank shall from time to time, at the request of either party: (i) exchange views through their representatives with regard to the performance of their respective obligations under the Guarantee Agreement and other matters relating to the purposes of the Loan; and (ii) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Guarantor, such information shall include information with respect to financial and economic conditions in the territories of the Guarantor, including the balance of payments of the Guarantor, and the external debt of the Guarantor, of any of its political subdivisions and of any agency of the Guarantor or of any such political subdivision.

SECTION 4.02. (a) The Guarantor shall promptly inform the Bank of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan or the maintenance of the service thereof.

(b) The Guarantor shall afford all reasonable opportunity for accredited representatives of the Bank to visit any part of the territories of the Guarantor and, insofar as it is within its powers, those of the Borrower, for purposes related to the Loan.

ARTICLE V

Taxes and Restrictions

SECTION 5.01. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Guarantor or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Guarantor or of its territories.

SECTION 5.02. The Guarantee Agreement, the Loan Agreement, any instrument made pursuant to Section 3.01 of this Agreement, the Project Agreement, the Subsidiary Loan Agreement and the Bonds shall be free from any taxes that shall be imposed under the laws of the Guarantor or laws in effect in its territories on or in connection with the execution, issue, delivery or registration thereof and the Guarantor shall, in respect of any instrument made pursuant to such Section 3.01, pay all such taxes, if any, imposed under the laws of any other country or countries.

SECTION 5.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls or moratoria of any nature imposed under the laws of the Guarantor or laws in effect in its territories.

ARTICLE VI

Representative of the Guarantor; Addresses

SECTION 6.01. The Treasurer of the Guarantor is designated as representative of the Guarantor for the purposes of Section 10.03 of the General Conditions.

FIRST SCHEDULE—*continued*

SECTION 6.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Guarantor:

The Treasurer
The Commonwealth of Australia
Canberra, A.C.T. 2600
Australia

Cable address:

Comtreasury
Canberra, Australia

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

THE COMMONWEALTH OF AUSTRALIA

By

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

President

SECOND SCHEDULE

Section 3.

LOAN AGREEMENT

AGREEMENT, dated 1971, between ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) the Project will be carried out by the Papua and New Guinea Electricity Commission (hereinafter called ELCOM) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to ELCOM the proceeds of the Loan as hereinafter provided; and

(C) the Bank is willing to make the Loan available upon the terms and conditions set forth hereinafter, in a project agreement (hereinafter called the Project Agreement) of even date herewith between the Bank and ELCOM and in a guarantee agreement (hereinafter called the Guarantee Agreement) of even date herewith between the Commonwealth of Australia (hereinafter called the Guarantor) and the Bank;

SECOND SCHEDULE—*continued*

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

SECTION 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the modifications thereof set forth in Schedule 4 to this Agreement (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank, as so modified, being hereinafter called the General Conditions).

SECTION 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Subsidiary Loan Agreement" means the agreement referred to in Section 3.01(b) of this Agreement, as such agreement may be amended from time to time with the approval of the Bank; and

(b) "\$A" means dollars in the currency of the Guarantor.

ARTICLE II

The Loan

SECTION 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-three million two hundred thousand dollars (\$23,200,000).

SECTION 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed under the Loan Agreement; provided, however, that, except as the Bank shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

SECTION 2.03. Except as the Bank shall otherwise agree, the goods and services required for the Project and to be financed out of the proceeds of the Loan shall be procured pursuant to the provisions set forth or referred to in Section 2.04 of the Project Agreement.

SECTION 2.04. The Closing Date shall be September 30, 1976 or such other date as shall be agreed between the Bank and the Borrower.

SECTION 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

SECTION 2.06. The Borrower shall pay interest at the rate of seven and one-fourth per cent ($7\frac{1}{4}\%$) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

SECTION 2.07. Interest and other charges shall be payable semi-annually on April 15 and October 15 in each year.

SECTION 2.08. The Borrower shall repay the principal of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

SECTION 2.09. If and as the Bank shall from time to time request, the Borrower shall execute and deliver Bonds representing the principal amount of the Loan as provided in Article VIII of the General Conditions.

SECTION 2.10. The Treasurer of the Borrower and such other person or persons as he shall appoint in writing are designated as authorized representatives of the Borrower for the purposes of Section 8.10 of the General Conditions.

SECOND SCHEDULE—*continued*

ARTICLE III

Execution of the Project

SECTION 3.01. (a) The Borrower shall cause ELCOM to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices, and shall provide to ELCOM, promptly as needed, any additional funds, facilities, services and other resources required by ELCOM for the purpose.

(b) The Borrower shall relend the proceeds of the Loan to ELCOM under a subsidiary loan agreement to be entered into between the Borrower and ELCOM, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

SECTION 3.02. Without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause ELCOM to perform punctually all of ELCOM's obligations as set forth in the Project Agreement.

ARTICLE IV

Other Covenants

SECTION 4.01. (a) It is the mutual intention of the Borrower and the Bank that no other external debt shall enjoy any priority over the Loan or the Bonds by way of a lien on the assets of the Borrower.

(b) To that end the Borrower (i) represents that at the date of this Agreement no lien exists on any assets of the Borrower as security for any external debt except as otherwise disclosed in writing by the Borrower to the Bank, and (ii) undertakes that if any such lien shall be created, it will *ipso facto* equally and ratably secure the payment of the principal of, and interest and other charges on, the Loan and the Bonds and in the creation of any such lien express provision will be made to that effect. The Borrower shall promptly inform the Bank of the creation of any such lien.

(c) The foregoing representation and undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(d) As used in this Section, the term "assets of the Borrower" means assets of the Borrower or of any of its political subdivisions or of any agency of the Borrower or of any such political subdivision, including any institution performing the functions of a central bank for the Borrower.

SECTION 4.02. The Borrower shall make funds available to ELCOM:

(a) in an amount of not less than \$A90,000 in each fiscal year beginning July 1, 1971 and up to and including the year beginning July 1, 1977, to assist ELCOM in continuing to operate a training center;

(b) in such amounts as shall be sufficient to cover the losses of any power systems transferred by the Borrower to ELCOM after the date of this Agreement, in accordance with formulae to be agreed at the time of each such transfer.

SECTION 4.03. The Borrower shall:

(a) arrange with ELCOM to convert, not later than July 1, 1971, the long-term debt in the amount of \$A5,764,822 incurred as a result of the prior transfer of assets from the Borrower to ELCOM and owed by the latter to the Borrower, into a suitable form of equity in ELCOM to be held by the Borrower;

(b) on transferring to ELCOM after the date of this Agreement any assets, accept in payment therefor a suitable form of equity in ELCOM corresponding to the agreed value of such assets at the time of such transfer.

SECOND SCHEDULE—*continued*

ARTICLE V

Consultation, Information and Inspection

SECTION 5.01. The Borrower and the Bank shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Borrower and the Bank shall from time to time, at the request of either party:

(a) exchange views through their representatives with regard to the performance of their respective obligations under the Loan Agreement, the performance by the Borrower and ELCOM of their respective obligations under the Subsidiary Loan Agreement, the performance by ELCOM of its obligations under the Project Agreement, the administration, operations and financial condition of ELCOM and, in respect of the Project, of the departments or agencies of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Loan; and

(b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Loan. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

SECTION 5.02. (a) The Borrower shall furnish or cause to be furnished to the Bank all such information as the Bank shall reasonably request concerning the operations and financial condition of ELCOM and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Bank shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the maintenance of the service thereof, or the performance by either of them of its obligations under the Loan Agreement, or the performance by the Borrower or ELCOM of its obligations under the Subsidiary Loan Agreement or the performance by ELCOM of its obligations under the Project Agreement.

SECTION 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Bank to inspect all plants, installations, sites, works, buildings, property and equipment of ELCOM and any relevant records and documents and to visit any part of the territories of the Borrower for purposes related to the Loan.

ARTICLE VI

Taxes and Restrictions

SECTION 6.01. The principal of, and interest and other charges on, the Loan and the Bonds shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories; provided, however, that the foregoing shall not apply to taxation of payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of the Borrower or the Guarantor.

SECTION 6.02. The Loan Agreement, any instrument made pursuant to Section 4.01 of this Agreement, the Project Agreement, the Subsidiary Loan Agreement and the Bonds shall be free from any taxes on or in connection with the execution, issue, delivery or registration thereof imposed under the laws of the Borrower or laws in effect in its territories and the Borrower shall pay all such taxes, if any, imposed under the laws of any other country or countries.

SECTION 6.03. The payment of the principal of, and interest and other charges on, the Loan and the Bonds shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

ARTICLE VII

Remedies of the Bank

SECTION 7.01. If any event specified in Section 7.01 of the General Conditions shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Bank, at its option, may by notice to the Borrower and the Guarantor declare the principal of the loan and of all the Bonds then outstanding to be due and payable immediately together with the interest and other charges thereon and upon any such declaration such principal, interest and charges shall become due and payable immediately, anything to the contrary in the Loan Agreement or in the Bonds notwithstanding.

SECOND SCHEDULE—*continued*

ARTICLE VIII

Effective Date; Termination

SECTION 8.01. The Loan Agreement and the Guarantee Agreement shall not become effective until evidence satisfactory to the Bank shall have been furnished to the Bank:

(a) That the execution and delivery of the Loan Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, including action of the Guarantor;

(b) that the execution and delivery of the Guarantee Agreement on behalf of the Guarantor have been duly authorized or ratified by all necessary governmental action;

(c) that the execution and delivery of the Project Agreement on behalf of ELCOM have been duly authorized or ratified by all necessary corporate and governmental action;

(d) that the Subsidiary Loan Agreement in form and substance satisfactory to the Bank has been duly executed and authorized by all necessary governmental and corporate action and is in full force and effect, subject only to the effectiveness of the Loan Agreement;

(e) if the Bank shall so request, that the condition of ELCOM, as represented or warranted to the Bank as of the date of the Loan Agreement, has undergone no material adverse change between such date and the date agreed upon between the Borrower and the Bank for the purposes of this Section; and

(f) that ELCOM has been provided with all rights to use land and water necessary for its operations.

SECTION 8.02. The following are specified as additional matters, within the meaning of Section 11.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, ELCOM and constitutes a valid and binding obligation of ELCOM in accordance with its terms; and

(b) that the Subsidiary Loan Agreement has been duly executed and authorized by all necessary governmental and corporate action, constitutes valid and binding obligations of the parties thereto in accordance with its terms and is in full force and effect, subject only to the effectiveness of the Loan Agreement.

SECTION 8.03. The date [*A date approximately 90 days after the date of signature of this Agreement will be inserted here.*] is hereby specified for the purposes of Section 11.04 of the General Conditions.

ARTICLE IX

Addresses

SECTION 9.01. The Treasurer of the Borrower is designated as representative of the Borrower for the purposes of Section 10.03 of the General Conditions.

SECTION 9.02. The following addresses are specified for the purposes of Section 10.01 of the General Conditions:

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

For the Borrower:

His Honour
The Administrator of the Territory of
Papua and New Guinea
Port Moresby
Papua and New Guinea

SECOND SCHEDULE—*continued*

Cable address:

Admin
Port Moresby

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

President

ADMINISTRATION OF THE TERRITORY OF
PAPUA AND NEW GUINEA

By

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the categories of imported items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each category:

Category	Amount of the Loan Allocated (expressed in Dollar Equivalent)
I. Civil works, including preliminary works	8,400,000
II. Electrical and mechanical equipment for and erection of Upper Ramu No. 1 Power Station and outdoor step-up transformer substation	4,100,000
III. Equipment for and erection of transmission lines and step-down transformer substations	7,700,000
IV. Consultants' services	1,200,000
V. Unallocated	1,800,000
Total	23,200,000

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods produced in, or services supplied from, the territories of the Borrower;

(b) expenditures prior to the date of this Agreement; and

(c) payments for taxes imposed under the laws of the Borrower, or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof.

3. Notwithstanding the allocation of an amount of the Loan set forth in the second column of the table in paragraph 1 above:

(a) if the estimate of the expenditures under any Category shall decrease, the amount of the Loan then allocated to such Category and no longer required therefor will be reallocated by the Bank by increasing correspondingly the unallocated amount of the Loan; and

(b) if the estimate of the expenditures under any Category shall increase, a corresponding amount will be allocated by the Bank, at the request of the Borrower, to such Category from the unallocated amount of the Loan, subject, however, to the requirements for contingencies, as determined by the Bank, in respect of any other expenditures.

SECOND SCHEDULE—*continued*

SCHEDULE 2

Description of the Project

The Project consists of:

1. the construction and installation of: a 75MW underground power station on the Ramu River, with an initial installed capacity of 3 times 15MW, and including a step-up transformer substation; approximately 90 miles of 132 kV and 230 miles of 66 kV transmission lines; and four step-down transformer substations at Lae, Madang, Goroka and Mt. Hagen; and
2. the enlargement of transformer capacity at the Kundiawa and Kainatu transformer substations.

The Project is expected to be completed by December 31, 1975.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
October 15, 1976	265,000
April 15, 1977	275,000
October 15, 1977	285,000
April 15, 1978	295,000
October 15, 1978	305,000
April 15, 1979	320,000
October 15, 1979	330,000
April 15, 1980	340,000
October 15, 1980	355,000
April 15, 1981	365,000
October 15, 1981	380,000
April 15, 1982	395,000
October 15, 1982	410,000
April 15, 1983	425,000
October 15, 1983	440,000
April 15, 1984	455,000
October 15, 1984	470,000
April 15, 1985	490,000
October 15, 1985	505,000
April 15, 1986	525,000
October 15, 1986	545,000
April 15, 1987	565,000
October 15, 1987	585,000
April 15, 1988	605,000
October 15, 1988	625,000
April 15, 1989	650,000
October 15, 1989	675,000
April 15, 1990	695,000
October 15, 1990	720,000
April 15, 1991	750,000
October 15, 1991	775,000
April 15, 1992	805,000
October 15, 1992	835,000
April 15, 1993	865,000
October 15, 1993	895,000
April 15, 1994	925,000
October 15, 1994	960,000
April 15, 1995	995,000
October 15, 1995	1,030,000
April 15, 1996	1,070,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

SECOND SCHEDULE—*continued*

Premiums on Prepayment and Redemption

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions or on the redemption of any Bond prior to its maturity pursuant to Section 8.15 of the General Conditions:

Time of Prepayment or Redemption	Premium
Not more than three years before maturity	$\frac{1}{2}\%$
More than three years but not more than six years before maturity	$2\frac{1}{2}\%$
More than six years but not more than eleven years before maturity	3%
More than eleven years but not more than sixteen years before maturity	$4\frac{1}{2}\%$
More than sixteen years but not more than twenty-one years before maturity	$5\frac{1}{2}\%$
More than twenty-one years but not more than twenty-three years before maturity	$6\frac{1}{2}\%$
More than twenty-three years before maturity	$7\frac{1}{2}\%$

SCHEDULE 4

Modifications of General Conditions

For the purpose of this Agreement, the provisions of the General Conditions are modified as follows:

A. Paragraph 13 of Section 2.01 is deleted and the following paragraph is substituted therefor:

"13. The term external debt means any debt payable in any medium other than the currency of the Guarantor or the Borrower, whether such debt is or may become payable absolutely or at the option of the creditor in such other medium; provided, however, that if the Guarantor and the Borrower shall cease to have a currency common to them, a debt incurred by one of them in the currency of the other shall be deemed to be the external debt of the former."

B. The following paragraphs 20, 21 and 22 are added to Section 2.01:

"20. The term "ELCOM" means the Papua and New Guinea Electricity Commission.

21. The term "Project Agreement" means the first agreement referred to in recital (C) to the Loan Agreement.

22. The term "Subsidiary Loan Agreement" means the agreement defined in Section 1.02 (a) of the Loan Agreement."

C. The last sentence of Section 4.01 is deleted and the following sentence is substituted therefor:

"Withdrawals from the Loan Account shall be made either in the respective currencies in which the cost of goods and services has been paid or is payable or in dollars, as the Bank may from time to time elect, except that where withdrawals may be made in respect of expenditures in the currency of the Guarantor or of the Borrower, such withdrawals shall be made in such currency or currencies as the Bank shall from time to time reasonably select."

D. Section 5.01 is deleted.

E. Paragraph (e) of Section 6.02 is deleted and the following paragraph is substituted therefor:

"(e) The Guarantor: (i) shall have been suspended from membership in or ceased to be a member of the Bank, or (ii) shall have ceased to be a member of the International Monetary Fund or shall have become, or shall have been declared, ineligible to use the resources of said Fund."

SECOND SCHEDULE—*continued*

F. Paragraph (g) of Section 6.02 is deleted and the following paragraph is substituted therefor:

“(g) Prior to the Effective Date, any material adverse change in the condition of ELCOM, as represented by the Borrower and ELCOM, shall have occurred.”

G. Paragraphs (i) and (j) of Section 6.02 are deleted and the following new paragraphs (i), (j), (k), (l) and (m) are added to the Section:

“(i) There shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Loan Agreement, the Subsidiary Loan Agreement or the Bonds.

(j) The Borrower or ELCOM shall have failed to perform any covenant, agreement or obligation under the Subsidiary Loan Agreement;

(k) ELCOM shall have failed to perform any covenant, agreement or obligation of ELCOM under the Project Agreement.

(l) An extraordinary situation shall have arisen which shall make it improbable that ELCOM will be able to perform its obligations under the Project Agreement.

(m) The Borrower or the Guarantor shall have taken any action for the dissolution or disestablishment of ELCOM or for the suspension of its operations, or shall have enacted legislation materially and adversely affecting the establishment, powers, organization, responsibilities or financial structure of ELCOM.”

H. Paragraphs (e), (f) and (g) of Section 7.01 are deleted and the following new paragraph (e) is added to the Section:

“(e) Any event specified in paragraph (m) of Section 6.02 shall have occurred.”

I. Section 9.02 is deleted and the following Section is substituted therefor:

“SECTION 9.02. *Obligations of the Guarantor.* The obligations of the Guarantor under the Guarantee Agreement shall not be discharged except by performance and then only to the extent of such performance. Such obligations shall not be subject to any prior notice to, demand upon or action against the Borrower or ELCOM or to any prior notice to or demand upon the Guarantor with regard to any default by the Borrower or ELCOM, and shall not be impaired by any of the following: any extension of time, forbearance or concession given to the Borrower or ELCOM; any assertion of, or failure to assert, or delay in asserting, any right, power or remedy against the Borrower or ELCOM or in respect of any security for the Loan; any modification or amplification of the provisions of the Loan Agreement or the Project Agreement contemplated by the terms thereof; any failure of the Borrower or ELCOM to comply with any requirement of any law, regulation or order of the Guarantor or of any political subdivision or agency of the Guarantor.”

J. The last sentence of paragraph (k) of Section 9.04 is deleted and the following sentence is substituted therefor:

“Notwithstanding the foregoing, this Section shall not authorize any entry of judgment or enforcement of the award against the Borrower or the Guarantor (as the case may be) except as such procedure may be available against the Borrower or the Guarantor (as the case may be) otherwise than by reason of the provisions of this Section.”

K. The first and second sentences of Section 10.03 are deleted and the following sentences are substituted therefor:

“Any action required or permitted to be taken, and any documents required or permitted to be executed, under the Loan Agreement, or the Guarantee Agreement, on behalf of the Borrower or the Guarantor may be taken or executed by the representative of the Borrower or the Guarantor designated in the Loan Agreement or the Guarantee Agreement for the purposes of this Section or any person thereunto authorized in writing by him. Any modification or amplification of the provisions of the Loan Agreement or the Guarantee Agreement, may be agreed to on behalf of the Borrower or the Guarantor by written instrument executed on behalf of the Borrower or the Guarantor by the representative so designated or any person thereunto authorized in writing by him; provided that, in the opinion of such representative, such modification or amplification is reasonable in the circumstances and will not substantially increase the obligations of the Borrower under the Loan Agreement or of the Guarantor under the Guarantee Agreement.”

SECOND SCHEDULE—continued

L. Section 11.01 is deleted and the following Section is substituted therefor:

"SECTION 11.01. *Conditions Precedent to Effectiveness of Loan Agreement and Guarantee Agreement.* The Loan Agreement and the Guarantee Agreement shall not become effective until the conditions specified in Section 8.01 of the Loan Agreement shall have been fulfilled."

M. The eighth paragraph of the Form of Registered Bond without Coupons payable in Dollars set forth in Schedule 1 is deleted and the following paragraph is substituted therefor:

"The principal of the Bonds, the interest accruing thereon and the premium, if any, on the redemption thereof shall be paid without deduction for and free from any taxes, imposts, levies or duties of any nature or any restrictions now or at any time hereafter imposed under the laws of the [name of Guarantor], or of [the Borrower] or laws in effect in their territories; provided, however, that the provisions of this paragraph shall not apply to taxation imposed (a) under the laws of [name of Guarantor] or laws in effect in its territories on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [name of Guarantor] or of its territories or (b) under the laws of [the Borrower] or laws in effect in its territories on or in connection with payments under any Bond to a holder thereof other than the Bank when such Bond is beneficially owned by an individual or corporate resident of [the Borrower] or [the Guarantor]."

THIRD SCHEDULE

Section 4 (1.).

PROJECT AGREEMENT

AGREEMENT, dated _____, 1971, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank) and PAPUA AND NEW GUINEA ELECTRICITY COMMISSION (hereinafter called ELCOM).

WHEREAS (A) by the Loan Agreement of even date herewith between the Administration of the Territory of Papua and New Guinea (hereinafter called the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount in various currencies equivalent to twenty-three million two hundred thousand dollars (\$23,200,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that ELCOM agree to undertake such obligations toward the Bank as hereinafter set forth and that the Commonwealth of Australia (hereinafter called the Guarantor) agree to guarantee the obligations of the Borrower in respect of such loan as provided in the Guarantee Agreement of even date herewith between the Guarantor and the Bank; and

(B) by a subsidiary loan agreement between the Borrower and ELCOM, the proceeds of the loan provided for under the Loan Agreement will be made available to ELCOM on the terms and conditions therein set forth; and

(C) ELCOM, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

SECTION 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Loan Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth.

ARTICLE II

Execution of the Project

SECTION 2.01. ELCOM shall carry out the Project described in Schedule 2 to the Loan Agreement with due diligence and efficiency and in conformity with sound administrative, financial, engineering and public utility practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the purpose.

SECTION 2.02. In order to assist ELCOM in the design of the Project, in the procurement of equipment required therefor and in the supervision of construction, ELCOM shall continue to employ engineering consultants acceptable to the Bank upon terms and conditions satisfactory to the Bank.

THIRD SCHEDULE—*continued*

SECTION 2.03. In carrying out the Project, ELCOM shall, in respect of contracts in excess of \$A100,000 equivalent, employ contractors acceptable to the Bank upon terms and conditions satisfactory to the Bank.

SECTION 2.04. Except as the Bank shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Loan, shall be procured on the basis of international competition under procedures consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 1 to this Agreement.

SECTION 2.05. (a) ELCOM undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan relented to it by the Borrower against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by ELCOM to replace or repair such goods.

(b) Except as the Bank may otherwise agree, ELCOM shall cause all goods and services financed out of the proceeds of the Loan relented to it by the Borrower to be used exclusively for the Project.

SECTION 2.06. (a) ELCOM shall furnish to the Bank, promptly upon their preparation, the plans, reports, specifications, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) ELCOM shall: (i) maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan relented to it by the Borrower, and to disclose the use thereof in the Project; (ii) enable the Bank's representatives to inspect the Project, the goods financed out of such proceeds and any relevant records and documents; and (iii) furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan so relented to it and the goods and services financed out of such proceeds.

SECTION 2.07. ELCOM shall take all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land and water as shall be required for the construction and operation of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land and water are available for purposes related to the Project.

SECTION 2.08. ELCOM shall duly perform all its obligations under the Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, ELCOM shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Loan Agreement or any provision thereof.

ARTICLE III

Management and Operations of ELCOM

SECTION 3.01. ELCOM shall:

(a) at all times maintain its right to carry on operations and shall, except as the Bank shall otherwise agree, take all steps necessary to acquire, maintain and renew all rights, powers, privileges and franchises which are necessary or useful in the conduct of its business;

(b) operate and maintain, or cause to be operated and maintained, all its plants, equipment and property and from time to time make, or cause to be made, all necessary renewals and repairs thereof, all in accordance with sound administrative, financial, engineering and public utility practices;

(c) at all times manage its affairs, plan its future expansion and maintain its financial position in accordance with sound administrative, financial, engineering and public utility practices and under the supervision of experienced and competent management; and

(d) consult the Bank before making any new appointments to the positions of General Manager, Assistant General Manager (Finance and Administration) and Assistant General Manager (Engineering).

SECTION 3.02. ELCOM shall no later than September 30, 1971, repeal its Electricity Commission (Form of Financial Statements) By-laws 1965.

THIRD SCHEDULE—*continued*

SECTION 3.03. (a) ELCOM shall employ an insurance consultant acceptable to the Bank to advise ELCOM with respect to the adequacy and any necessary revisions of its self-insurance scheme as currently applied, and shall require this consultant to submit a report to it no later than June 30, 1972.

(b) Until it has received the report of the insurance consultants, ELCOM shall, except as agreed by the Bank, continue its current practice of self-insurance; upon receiving the report, ELCOM shall make provisions satisfactory to the Bank for insurance against such risks and in such amounts as shall be consistent with sound public utility practices.

ARTICLE IV

Financial Covenants

SECTION 4.01. ELCOM shall maintain records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition.

SECTION 4.02. ELCOM shall: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements, including cash-flow statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the accounts and financial statements of ELCOM and the audit thereof as the Bank shall from time to time reasonably request.

SECTION 4.03. (a) Except as the Bank shall otherwise agree, ELCOM shall: (i) make no reduction in its existing level of tariffs for electric power services from the date of this Agreement until June 30, 1976; and (ii) take all necessary steps to establish and maintain tariffs for electric power services and take such other actions as shall be required to provide revenues sufficient to produce an annual rate of return of not less than 9% in the fiscal years 1972 through 1976 and not less than 10% thereafter.

(b) For the purposes of this Section: (i) the annual rate of return shall be calculated by relating the operating income for the fiscal year in question to the average of the value of the net fixed assets in operation at the beginning and at the end of that year; (ii) the term "value of the net fixed assets in operation" shall mean the gross book value of such assets, less the amount of accumulated depreciation, as valued from time to time in accordance with sound and consistently maintained methods of valuation acceptable to the Bank; (iii) the term "operating income" shall mean the difference between: (A) gross operating revenue; and (B) the operating, maintenance and administration expenses, taxes (if any), and depreciation computed in accordance with the rates specified in ELCOM's Direction No. 8/4 of March 1971, but excluding interest and other charges on debt; and (iv) the term "fiscal year" shall mean the period of 12 months commencing on July 1 of the previous year and ending on June 30 of the indicated year.

SECTION 4.04. Prior to undertaking any construction project (other than the Project) estimated to cost in excess of \$A10 million, ELCOM shall obtain the approval of the Bank for the financial plan covering that project.

SECTION 4.05. (a) Except as the Bank shall otherwise agree, ELCOM shall not incur any debt unless its net revenue for the fiscal year next preceding the date of such incurrence or for a later twelve-month period ending prior to the date of such incurrence, whichever is greater, shall be not less than 1.5 times the maximum debt service requirements for any succeeding year on all the debt of ELCOM, including the debt to be incurred.

(b) For the purposes of this Section: (i) the term "debt" means all debt, including debt assumed or guaranteed by ELCOM, except debt incurred in the ordinary course of business and maturing by its terms on demand or less than one year after its incurrence; (ii) debt shall be deemed to be incurred on the date on which a contract or loan agreement or guarantee agreement is executed; (iii) the term "net revenue" means gross operating revenue of ELCOM, adjusted to take account of tariffs in effect at the time of the incurrence of debt even though they were not in effect during the entire fiscal year or twelve-month period to which such revenue relates, less all operating expenses, including adequate maintenance, taxes, if any, and administrative expenses, but before provision for depreciation, and interest and other charges

THIRD SCHEDULE—*continued*

on debt; (iv) the term “debt service requirements” means the aggregate amount of amortization (including sinking fund provisions), interest and other charges on debt; and (v) whenever it shall be necessary to value in the currency used in the territory of the Borrower debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by ELCOM, at the time such valuation is made, for the purposes of servicing such debt, or if such other currency is not obtainable, at a rate of exchange reasonably determined by the Bank.

SECTION 4.06. Except as the Bank shall otherwise agree, ELCOM shall not declare or pay any dividends from the date of this Agreement until July 1, 1978.

SECTION 4.07. ELCOM shall make the arrangements with the Borrower specified in Section 4.03(a) of the Loan Agreement.

ARTICLE V

Consultation, Information and Inspection

SECTION 5.01. The Bank and ELCOM shall cooperate fully to assure that the purposes of the Loan will be accomplished. To that end, the Bank and ELCOM shall from time to time, at the request of either party, exchange views through their representatives with regard to the performance of their respective obligations under this Agreement, the administration, operations and financial condition of ELCOM and other matters relating to the purpose of the Loan.

SECTION 5.02. The Bank and ELCOM shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Loan, the performance by either of them of its obligations under this Agreement or the performance by the Borrower and ELCOM of their respective obligations under the Subsidiary Loan Agreement.

SECTION 5.03. ELCOM shall enable the Bank's representatives to inspect all plants, sites, works, properties and equipment of ELCOM and any relevant records and documents.

ARTICLE VI

Effective Date; Termination; Cancellation and Suspension

SECTION 6.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

SECTION 6.02. This Agreement and all obligations of the Bank and of ELCOM thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms.

SECTION 6.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Loan Agreement.

ARTICLE VII

Miscellaneous Provisions

SECTION 7.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

Intbafrad
Washington, D.C.

THIRD SCHEDULE—*continued*

For ELCOM:

Commissioner
Papua and New Guinea
Electricity Commission
P.O. Box 1105
Boroko
Territory of Papua and New Guinea
Cable address:
Electricom
Port Moresby

SECTION 7.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Agreement on behalf of ELCOM may be taken or executed by its Commissioner or such other person or persons as ELCOM shall designate in writing.

SECTION 7.03. ELCOM shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of the person or persons who will, on behalf of ELCOM, take any action or execute any documents required or permitted to be taken or executed by ELCOM pursuant to any of the provisions of this Agreement.

SECTION 7.04. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
By

President

PAPUA AND NEW GUINEA
ELECTRICITY COMMISSION
By

Authorized Representative

SCHEDULE 1

Procurement

1. With respect to any contract for goods and services required for the Project (other than for services of consultants) estimated to cost the equivalent of \$A50,000 or more:

(a) Before bids are invited, ELCOM shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, ELCOM shall, before a final decision on the award is made, inform the Bank of the name of the bidder to whom it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the consultants referred to in Section 2.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Bank shall promptly inform ELCOM whether it has any objection to the intended award on the ground that it would be inconsistent with the Guidelines for Procurement under World Bank Loans and IDA Credits referred to in Section 2.04 of this Agreement or with the Loan Agreement, and shall state the reasons for any objections it may have.

(c) If the contract shall be awarded over the Bank's reasonable objection, or if its terms and conditions shall, without the Bank's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Loan.

THIRD SCHEDULE—*continued*

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of the funds from the Loan Account in respect of any such contract.

2. With respect to any other contract for goods and services required for the Project (other than for services of consultants), ELCOM shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall promptly inform ELCOM if it finds that the award of the contract is not consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits referred to in Section 2.04 of this Agreement or with the Loan Agreement and, in such event, no expenditure under such contract shall be financed out of the proceeds of the Loan.
