

LOAN AGREEMENT
(Special Operations)

(Civil Aviation Development Investment Program - Project 1)

between

THE INDEPENDENT STATE OF PAPUA NEW GUINEA

and

ASIAN DEVELOPMENT BANK

DATED 28 JANUARY 2010

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 28 January 2010 between the INDEPENDENT STATE OF PAPUA NEW GUINEA (hereinafter called the "Borrower") and ASIAN DEVELOPMENT BANK (hereinafter called "ADB").

WHEREAS

(A) by a framework financing agreement dated 9 October 2009 between the Borrower and ADB, ADB has agreed to provide a multitranches financing facility to the Borrower for purposes of financing projects under the Civil Aviation Development Investment Program;

(B) by a periodic financing request dated 15 October 2009 submitted by the Borrower, the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(C) by an agreement of even date herewith between the Borrower and ADB (hereinafter called the "Special Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty-one million five hundred twenty-three thousand Special Drawing Rights (SDR 31,523,000) in connection with the Project;

(D) by an agreement of even date herewith between the Borrower and ADB (hereinafter called the "Ordinary Operations Loan Agreement"), ADB has agreed to lend to the Borrower from ADB's Ordinary Capital resources an amount equivalent to twenty-five million dollars (\$25,000,000) in connection with the Project;

(E) the Project will be carried out by the Civil Aviation Authority (hereinafter called CAA), and for this purpose the Borrower will make available to CAA the proceeds of the Loan provided for herein; and

(F) ADB has agreed to make a loan to the Borrower from ADB's Special Operations resources upon the terms and conditions hereinafter set forth and in the Project Agreement of even date herewith between ADB and CAA;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (hereinafter called the "Loan Regulations"), are

hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, the several terms defined in the Loan Regulations and Special Operations Loan Agreement have the respective meanings therein set forth.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to twelve million six hundred nine thousand Special Drawing Rights (SDR 12,609,000).

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of one point six percent (1.6%) per annum, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 April and 1 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make the proceeds of the Loan available to CAA upon terms and conditions satisfactory to ADB and shall cause CAA to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement.

Section 3.02. The Goods, Works, consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, consulting services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Withdrawals from the Loan Account in respect of Goods, Works and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works and consulting services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.04. Except as ADB may otherwise agree, all Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to the Special Operations Loan Agreement.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2013 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Special Operations Loan Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works financed out of the proceeds of the Loan, all other plants, sites, properties and equipment of the Borrower, and any relevant records and documents.

Section 4.03. The Borrower shall take all action which shall be necessary on its part to enable CAA to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

ARTICLE V

Suspension; Acceleration of Maturity

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations:

(a) CAA shall have failed to perform any of its obligations under the Project Agreement.

(b) Any of the Special Operations Loan Agreement or Ordinary Operations Loan Agreement shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Special Operations Loan Agreement and Ordinary Operations Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and shall have become fully effective and binding upon the Borrower in accordance with its terms, subject only to the effectiveness of this Loan Agreement.

Section 6.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates CAA its agent for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02 and 3.04 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by CAA pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on CAA under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

ARTICLE VIII

Miscellaneous

Section 8.01. The Minister of Treasury of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Secretary
Department of Treasury
Vulupindi Haus
P.O. Box 542
Waigani, National Capital District
Papua New Guinea

Facsimile Numbers:

(675) 312-8804
(675) 312-8808

For ADB

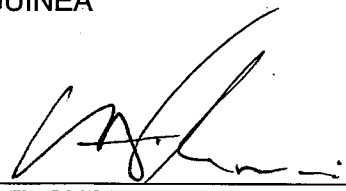
Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2446.


IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

THE INDEPENDENT STATE OF PAPUA
NEW GUINEA

By 

H.E. CHRISTIAN A. VIHRURI
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

C. LAWRENCE GREENWOOD, JR
Vice-President (Operations 2)

SCHEDULE 1

Description of the Project

1. The impact of the Investment Program is expected to be an established sustainable civil aviation network. The outcome of the Program is safer, more secure, and more efficient all-weather access to air transport services through (i) improved airport facilities; (ii) increased safety and security; (iii) better accessibility to markets, natural resource and mineral sites and livelihood opportunities; and (iv) reduced air travel costs. The Project is the first Project of the Investment Program.

2. The Project comprises the following components:

Component A: Improving the following airport facilities including pavements and fencing identified as requiring emergency works to be undertaken immediately to comply with International Civil Aviation Organization safety and security standards.

- Port Moresby Domestic apron extension
- Mt Hagen improvements
- Hoskins improvements
- Wewak improvements
- Gurney improvements
- Security fences for Hoskins, Wewak, Kavieng, Gurney and Goroka
- Port Moresby instrument landing system
- Port Moresby 3 fire tenders

Component B: Providing consulting services support for

- Detailed engineering design and preparation of bid documents for airports for Component A above;
- Other procurement support for airports under Component A;
- Preparation of investment proposals for subsequent projects under the Investment Program including detailed engineering, bid documents and procurement support;
- Supervision of airport improvement and long-term maintenance contracts for airports covered under the Project; and
- Capacity development and support for policy implementation described in Schedule 1 to FFA.

3. The Project is expected to be completed by 31 December 2012.

SCHEDULE 2

Amortization Schedule

(Civil Aviation Development Investment Program – Project 1)

Date Payment Due	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01-Apr-2018	262,688
01-Oct-2018	262,688
01-Apr-2019	262,688
01-Oct-2019	262,688
01-Apr-2020	262,688
01-Oct-2020	262,688
01-Apr-2021	262,688
01-Oct-2021	262,688
01-Apr-2022	262,688
01-Oct-2022	262,688
01-Apr-2023	262,688
01-Oct-2023	262,688
01-Apr-2024	262,688
01-Oct-2024	262,688
01-Apr-2025	262,688
01-Oct-2025	262,688
01-Apr-2026	262,688
01-Oct-2026	262,688
01-Apr-2027	262,688
01-Oct-2027	262,688
01-Apr-2028	262,688
01-Oct-2028	262,688
01-Apr-2029	262,688
01-Oct-2029	262,688
01-Apr-2030	262,688
01-Oct-2030	262,688
01-Apr-2031	262,688
01-Oct-2031	262,688
01-Apr-2032	262,688
01-Oct-2032	262,688
01-Apr-2033	262,688
01-Oct-2033	262,688
01-Apr-2034	262,688
01-Oct-2034	262,688
01-Apr-2035	262,688
01-Oct-2035	262,688
01-Apr-2036	262,688
01-Oct-2036	262,688
01-Apr-2037	262,688
01-Oct-2037	262,688
01-Apr-2038	262,688

Date Payment Due	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01-Oct-2038	262,688
01-Apr-2039	262,688
01-Oct-2039	262,688
01-Apr-2040	262,688
01-Oct-2040	262,688
01-Apr-2041	262,688
01-Oct-2041	262,664
TOTAL	12,609,000

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 4 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, consulting services and other items shall be disbursed in accordance with Loan Disbursement Handbook.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable expenditures incurred under the Project before the Effective Date, but not earlier than twelve (12) months before the date of this Loan Agreement, subject to a maximum amount equivalent to twenty percent (20%) of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Civil Aviation Development Investment Program – Project 1)				
CATEGORY				ADB FINANCING Percentage and Basis for Withdrawal from the Loan Account
Number	Item	Amount Allocated SDR		
		Category	Subcategory	
1	Works	8,385,000		21 percent of total expenditure*
2	Equipment	567,000		21 percent of total expenditure*
3	Consulting Services	1,766,000		
3A	Project Implementation Operational and Facility Enhancement Accounting and External Audit		946,000	21 percent of total expenditure*
3B	Design and Construction Supervision		694,000	21 percent of total expenditure*
3C	Survey and Geotechnical Investigation		126,000	21 percent of total expenditure*
4	Interest Charge	1,324,000		100 percent of amount due
5	Unallocated	567,000		
	Total	12,609,000		

* Exclusive of taxes and duties imposed within the territory of the Borrower.