Agreement Providing for the Amendment and Restatement of the Financing Agreement

(Smallholder Agriculture Development Project)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 9, 2008
As amended and restated on __/__/2012
FINANCING AGREEMENT

AGREEMENT dated July 9, 2008, as amended and restated on 24/09/2012, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II – FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to seventeen million seven hundred thousand Special Drawing Rights (SDR 17,700,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").

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

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

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are May 1 and November 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollars.
ARTICLE III – PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement and the Schedule to the Project Agreement.

ARTICLE IV – REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, the Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V – EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Agreement has been executed and delivered and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(b) The Co-financing Agreement has been executed and delivered by the Recipient, the Project Implementing Entity and PNGSDP and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

(c) The Project Steering Committee has been established and its composition is acceptable to the Association in accordance with paragraph 1 of Schedule 2 to this Agreement.

(d) (i) The Project Implementation Manual, acceptable to the Association, has been adopted by the Recipient and the Project Implementing Entity; and (ii) the Smallholder Oil Palm In-fill Planting Sub-Manual and the Road Reconstruction Sub-Manual, acceptable to the Association, have been adopted by PNGSDP.
The Project Implementing Entity has established the Project Office with qualified personnel acceptable to the Association in accordance with paragraph 1 of Section I(A) of the Schedule to the Project Agreement, and has selected two accountants and a procurement specialist, in each case acceptable to the Association.

5.02. The Additional Legal Matters consist of the following, namely, the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

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

ARTICLE VI – REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister for Finance and Treasury of the Recipient.

6.02. The Recipient’s Address is:

Department of Treasury
Vulupindi Haus 4th floor
P.O. Box 542
Waigani, 131 NCD
Papua New Guinea

Facsimile:
(675) 3128213

6.03. The Association’s Address is:

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

Cable: INDEEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
AGREED at ________________________, as of the day and year first above written.

INDEPENDENT STATE OF PAPUA NEW GUINEA

By: [Signature]

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: [Signature]

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to increase, in a sustainable manner, the level of involvement of targeted communities in their local development through increasing oil palm revenue and local participation.

The Project consists of the following parts:

Part 1. Smallholder Productivity Enhancement

(a) Smallholder Oil Palm In-Fill Planting: Planting of about 2,500 hectares of oil palm through Smallholder Oil Palm In-fill Planting Subprojects along existing provincial access roads in areas covered by existing oil palm infrastructure.

(b) Road Reconstruction and Maintenance: (i) Upgrading of about 190 kilometers of provincial access roads to existing Smallholder oil palm blocks and construction of related bridges; and (ii) supporting the design of Road Maintenance Trust Funds to provide a sustainable financing mechanism for road maintenance.

(c) Extension Services: Provision of extension services to Smallholders for design and implementation of programs to address oil palm production constraints, and provision of training to Project Implementing Entity field staff in managing extension programs.

Part 2. Project Management and Institutional Support

(a) Provision of project management and institutional support to the Project Implementing Entity, including for: (i) establishment of OPID offices; (ii) strengthening of Project Implementing Entity staff capacity in delivering agricultural extension programs; (iii) establishment of a Project monitoring and evaluation system; and (iv) improvement of environmental and social monitoring.

(b) Provision of institutional support to: (i) Smallholders in the Project Area, through training and equipment; (ii) PNGOPRA for agricultural research and environmental monitoring; and (iii) the Project Implementing Entity for carrying out an FFB pricing formula review, studies for designing the Road Maintenance Trust Funds and other Project studies.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Implementation Arrangements.

1. The Recipient shall establish and maintain until completion of the Project, a Project Steering Committee (PSC), with composition and terms of reference acceptable to the Association, to provide guidance on policy matters and quality control for Project annual work programs and budgets, chaired by the Secretary of the Department of National Planning and Monitoring, or the Secretary’s nominated representative, and comprising representatives from the Department of Treasury, the Department of Agriculture and Livestock, the Department of Environment and Conservation, the Department of Works, the Department of Provincial and Local Government Affairs, the Department of Community Development, Project Province provincial governments, and PNGSDP.

2. The Recipient shall maintain until completion of the Project arrangements, satisfactory to the Association, for purposes of channeling in a timely manner the Recipient’s funding for the costs of works, goods and services required for the carrying out of the Project, not financed out of the proceeds of the Financing.

B. Subsidiary Agreement.

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity as a grant under a Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association, which shall include the following:

   (a) the proceeds of the Financing shall be made available by the Recipient to the Project Implementing Entity on a grant basis;

   (b) the Project Implementing Entity shall undertake to carry out the Project: (i) with due diligence and efficiency and in accordance with appropriate management, financial, engineering and social and environmental standards acceptable to the Association, and provide, promptly as needed, the funds, facilities and other resources required for the purpose; and (ii) in accordance with the Project Implementation Manual, including the Environmental Management Plan and the Resettlement Policy Framework;
(c) the Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to the use of the proceeds of the Financing made available under the Subsidiary Agreement upon failure by the Project Implementing Entity to perform its obligations thereunder; and

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

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Safeguards.

1. The Project shall be implemented in accordance with the Project Implementation Manual, including the Environmental Management Plan and the Resettlement Policy Framework.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports.

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports through the Project Implementing Entity in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of Project Performance Indicators agreed with the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than sixty (60) days after the end of the period covered by such report.


1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause to be prepared and furnished to the Association for each calendar quarter interim unaudited financial reports for the Project covering the quarter, in form
and substance satisfactory to the Association. For those quarters in which a Project Report is due under paragraph 1 of Section II(A) of this Schedule 2, such quarterly interim unaudited financial report shall be submitted with and included in the Project Report. For all other quarters, such quarterly interim unaudited financial report shall be submitted not later than forty-five (45) days after the end of the calendar quarter.

3. The Recipient shall cause the Financial Statements for the Project to be audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements for the Project shall cover the period of one (1) fiscal year of the Project Implementing Entity. The audited Financial Statements for the Project for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

4. The Recipient shall cause to be provided to PNGSDP copies of each Project Report, interim unaudited financial report and audit of the Financial Statements for the Project provided for in this Section II.

Section III. **Procurement**

A. **General.**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods and Works.**

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

2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive
Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the additional procedures set out in the Annex to this Schedule 2.</td>
</tr>
<tr>
<td>(b) Shopping.</td>
</tr>
<tr>
<td>(c) Direct Contracting.</td>
</tr>
<tr>
<td>(d) Vehicles, computers and related equipment may be procured directly from the Inter-Agency Procurement Services Office of the United Nations in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.</td>
</tr>
</tbody>
</table>

C. Particular Methods of Procurement of Consultants’ Services.

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection.</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications.</td>
</tr>
<tr>
<td>(c) Least Cost Selection.</td>
</tr>
<tr>
<td>(d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants.</td>
</tr>
<tr>
<td>(e) Sole Source Procedures for the Selection of Individual Consultants.</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions.

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

Section IV. Withdrawal of the Proceeds of the Financing

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

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil Works</td>
<td>10,014,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>1,140,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants Services and Training</td>
<td>4,994,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>(5) Incremental Operating Costs</td>
<td>1,552,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>17,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
   (a) for payments made prior to the date of this Agreement; or
   (b) under Category (1) until the Project Engineering Unit has been established and staffed with qualified personnel acceptable to the Association in accordance with paragraph 1 of Section I(A) of the Schedule to the Project Agreement.

2. The Closing Date is December 31, 2013.
ANNEX to SECTION III of SCHEDULE 2

Special Procedures for National Competitive Bidding in Papua New Guinea

National Competitive Bidding: Mandatory Provisions

1. In order to ensure economy, efficiency, transparency, and broad consistency with the provisions included in Section I of the Procurement Guidelines (as required by paragraph 3.3 of the Procurement Guidelines), goods and works shall be procured in accordance with the following paragraphs.

Participation in Bidding

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

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

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

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

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

Advertising: Time for Submission of Bids

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

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

Bid Security

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

Classification of Contractors: Qualification: Post-qualification

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

Registration of Bidders

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

Evaluation Criteria

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

Bid Submission, Opening; and Bid Evaluation

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

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

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

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

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

Rejection of Bids

18. Rejection of all bids and re-bidding shall not be carried out without the Association's prior written concurrence.

Extension of the Validity of Bids

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

No Contract Negotiations

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

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

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

Conflict of Interest

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

Bid Protest Mechanism

24. The Project Implementing Entity shall establish an effective bid protest mechanism related to the procurement process and contract award, acceptable to the Association, that allows for bidder protests and the timely handling of such protests. The procedures to receive and handle complaints shall be disclosed in the bidding documents.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 1 and November 1:</td>
<td></td>
</tr>
<tr>
<td>commencing May 1, 2018 to and including November 1, 2027</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing May 1 2028 to and including November 1, 2042</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.
APPENDIX

Definitions

1. "Beneficiaries Assessment" means the beneficiaries assessment, dated February 20, 2007, conducted by the Project Implementing Entity to identify beneficiaries in the Project Area, including Indigenous Peoples groups and their economic, social and cultural preferences.

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

3. “Co-financier” means PNGSDP, referred to in paragraph 10 of the Appendix to the General Conditions.

4. “Co-financing” means an amount of approximately US$10,200,000, to be provided by the Co-financier to assist in financing Part 1(a) of the Project in accordance with the Smallholder Oil Palm In-fill Planting Sub-Manual; Part 1(b)(i) of the Project in accordance with the Road Reconstruction Sub-Manual and Part 1(b)(ii) of the Project subject to the results of the Road Maintenance Trust Fund Study.

5. “Co-financing Agreement” means the memorandum of understanding to be entered into among the Recipient, the Project Implementing Entity and the Co-financier providing for the Co-financing.


7. “Department of Agriculture and Livestock” means the Department of Agriculture and Livestock of the Recipient, or any successor thereto.

8. “Department of Community Development” means the Department of Community Development of the Recipient, or any successor thereto.


10. “Department of National Planning and Monitoring” means the Department of National Planning and Monitoring of the Recipient, or any successor thereto.

11. “Department of Provincial and Local Government Affairs” means the Department of Provincial and Local Government Affairs of the Recipient, or any successor thereto.
12. “Department of Treasury” means the Department of Treasury of the Recipient, or any successor thereto.


14. “Displaced Persons” means a person who may experience direct economic and social impacts that result from the Project and are caused by: (a) the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such persons; and “Displaced Person” means any one of such Displaced Persons.

15. “Environmental and Social Management Framework” means the framework, dated April 23, 2007 adopted by the Project Implementing Entity in the Project Implementation Manual, acceptable to the Association, for public and beneficiary participation programs, community identification of environmental and social issues and environmental and social awareness training, as such framework may be amended from time to time with the prior agreement of the Association.

16. “Environmental Assessment Report” means the environmental assessment report dated, March 4, 2007, carried out by the Recipient for the Project which describes the environment in which the Project activities will be undertaken and identifies potential adverse environmental impacts.

17. “Environmental Management Plan” means the environmental management plan, dated February 20, 2007, and adopted by the Recipient and the Project Implementing Entity on June 21, 2007 and acceptable to the Association for managing and monitoring environmental impacts under the Project, including those related to natural habitats, pest management, and chance cultural finds, as such Environmental Management Plan may be amended from time to time with the prior agreement of the Association.

18. “FFB” means oil palm fresh fruit bunches.


20. “Incremental Operating Costs” for the purposes of the table in paragraph 2 of Section IV(A) of Schedule 2 to this Agreement means field and travel staff allowances, office lease and administrative expenditures, building and vehicle
maintenance, and vehicle rental and fuel associated with the Project; but excludes
staff salaries.

21. “Indigenous Peoples” means those social groups in Papua New Guinea that have
a distinct social and cultural identity, that are susceptible to being disadvantaged
in the development process induced by the Project or any part thereof, as
identified by the Beneficiaries Assessment and the Social Assessment and as the
same may be updated during Project implementation.

22. “In-fill Planting” refers to the technique to be used in the Project of planting
additional oil palm on vacant land along existing access roads within existing oil
palm areas in the Project Area.

23. “Kina” means kina, the currency of the Recipient.

24. “Oil Palm Industry Corporation” or “OPIC” means the Oil Palm Industry
Corporation, established under the Project Implementing Entity Legislation, or
any successor thereto.

25. “OPID Office” means each oil palm infrastructure development unit established
by the Project Implementing Entity in accordance with paragraph 1 of
Section I(B) of the Schedule to the Project Agreement; and “OPID Offices”
refers to more than one OPID Office.

26. “Part” means a Part of the Project as described in Schedule 1 to this Agreement.

27. “PNGOPRA” means the Papua New Guinea Oil Palm Research Association,
established under the Recipient’s Associations Incorporation Act, 1968,
Chapter 142, and any successor thereto.

28. “PNGSDP” means PNG Sustainable Development Program Limited, an
organization incorporated on October 20, 2001 under the laws of the Republic of
Singapore with the purpose of promoting sustainable development in Western
Province and Papua New Guinea, and any successor thereto.

29. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD
Loans and IDA Credits” published by the Association in May 2004.

30. “Procurement Plan” means the Recipient’s procurement plan for the Project,
dated March 30, 2007 and referred to in paragraph 1.16 of the Procurement
Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be
updated from time to time in accordance with the provisions of such paragraphs.

31. “Project Area” means the geographical area covered by the Project Provinces.
32. "Project Engineering Unit" means the Project Engineering Unit in the Project Office consisting of one (1) senior engineer and three (3) junior engineers acceptable to the Recipient and the Association.

33. "Project Implementation Manual" means the manual adopted by the Project Implementing Entity, setting forth the implementation arrangements for the Project acceptable to the Association, including: (i) overall Project implementation arrangements; (ii) the procurement procedures consistent with those set forth in Section III of Schedule 2 to this Agreement, Section III of the Schedule to the Project Agreement and in the Procurement Plan, including standard procurement documentation; (iii) reporting requirements, financial management procedures and audit arrangements and procedures consistent with those set forth in Section II of Schedule 2 to this Agreement; (iv) annual budget and work plan procedures; (v) monitoring and evaluation criteria including the agreed Project Performance Indicators; (vi) the Environmental and Social Management Framework and Environmental Management Plan; (vii) the Resettlement Policy Framework; (viii) the Smallholder Oil Palm In-fill Planting Sub-Manual; and (ix) the Road Reconstruction Sub-Manual, as such Project Implementation Manual, or any component thereof may be amended from time to time with the agreement of the Association.

34. "Project Implementing Entity" means the Oil Palm Industry Corporation.


36. "Project Office" means the project office acceptable to the Association established by the Project Implementing Entity for the purpose of managing project implementation in accordance with paragraph 1 of Section I(A) of the Schedule to the Project Agreement; and "Project Offices" refers to more than one Project Office.

37. "Project Performance Indicators" means the indicators used by the Recipient and the Project Implementing Entity to monitor and evaluate the progress of the Project in accordance with paragraph 1 of Section II(A) of Schedule 2 to this Agreement and paragraph 1 of Section II(A) of the Schedule to the Project Agreement, dated May 2, 2007.

38. "Project Provinces" means the Recipient’s provinces of Oro and West New Britain, and "Project Province" means any one of the Project Provinces.

39. "Project Steering Committee" or “PSC” means the national-level steering committee for the Project established pursuant to paragraph 1 of Section I(A) of Schedule 2 to this Agreement.
40. "Resettlement Policy Framework" means the Resettlement Policy Framework acceptable to the Association, dated February 20, 2007, and adopted by the Recipient and the Project Implementing Entity on July 5, 2007, which sets out the principles and procedures governing land acquisition from and compensation to Displaced Persons, as well as administrative, reporting and monitoring arrangements to ensure compliance with such framework, as such framework may be revised from time to time with the prior agreement of the Association.

41. "Road Maintenance Trust Fund" means a trust fund for road maintenance to be established based on the results of the Road Maintenance Trust Fund Study; and "Road Maintenance Trust Funds" refers to more than one Road Maintenance Trust Fund.

42. "Road Maintenance Trust Fund Study" means the study for the establishment of the Road Maintenance Trust Funds under Part 1(b)(ii) of the Project to be undertaken pursuant to paragraph 5 of Section 1(B) of the Schedule to the Project Agreement.

43. "Road Reconstruction Sub-Manual" means a distinct manual or chapter in the Project Implementation Manual for implementation of Part 1(b)(i) of the Project.

44. "Smallholder" means a person or entity cultivating oil palm on twenty (20) hectares of land or less; and "Smallholders" refers to more than one (1) Smallholder.

45. "Smallholder Oil Palm In-fill Planting Sub-Manual" means a distinct manual or chapter of the Project Implementation Manual for the implementation of Part 1(a) of the Project, including the criteria for selection of Smallholder Oil Palm In-fill Planting Subprojects and the terms and conditions for Smallholder Sub-Loans.

46. "Smallholder Oil Palm In-fill Planting Subproject" means a subproject eligible for financing under Part 1(a) of the Project as described in paragraphs 2 and 3 of Section I(B) of the Schedule to the Project Agreement and meeting the requirements set out in the Smallholder Oil Palm In-fill Planting Sub-Manual; and "Smallholder Oil Palm In-fill Planting Subprojects" refers to more than one (1) Smallholder Oil Palm In-fill Planting Subproject.

47. "Smallholder Sub-Loan" means a portion of the proceeds of the Co-financing to be made available by PNGSDP for a Smallholder Oil Palm In-fill Planting Subproject; and "Smallholder Sub-Loans" refers to more than one (1) Smallholder Sub-Loan.

48. "Smallholder Sub-Loan Agreement" means each agreement to be entered into on behalf of PNGSDP with a Smallholder for a Smallholder Sub-Loan in accordance with the Smallholder Oil Palm In-fill Planting Sub-Manual; and
“Smallholder Sub-Loan Agreements” refers to more than one (1) Smallholder Sub-Loan Agreement.

49. “Social Assessment” means the social assessment, dated February 21, 2007, conducted by the Project Implementing Entity to identify social impacts of the Project.

50. “Subsidiary Agreement” means the arrangements between the Recipient and the Project Implementing Entity for the transfer of the proceeds of the Financing to the Project Implementing Entity as a grant.

51. “Training” means training related to Project activities, as may be provided through consultant services, courses, and workshops, including travel and course fees.