Dear Minister, Dear Acting Secretary General,

Re: Papua New Guinea: Smallholder Agriculture Development Project (Credit No. 4374-PNG)

Amendment to the IDA Financing Agreement and the Project Agreement

We refer to the IDA Financing Agreement between the Independent State of Papua New Guinea and the International Development Association (the Association) for the above referenced Project, dated July 9, 2008. We also refer to the IDA Project Agreement between Oil Palm Industry Cooperation (OPIC) and the International Development Association (the Association) for the above referenced Project, dated July 9, 2008.

We received the Minister for Treasury and Finance's letter dated January 20, 2012 requesting certain amendments to the Financing Agreement. We agree to the request and hereby amend the Financing Agreement as follows;

1. The Project closing date is extended by one year to December 31, 2013;
2. There has been a reallocation of credit proceeds between disbursement categories;
3. The pilot component on Local Governance and Community Participation (Component 2) has been dropped; and
4. The Association's financing shares for different disbursement categories have been revised and the Association will finance up to 100 percent of all eligible expenditures inclusive of taxes.

The Bank as agreed to the one year extension in the Project closing date on an exceptional basis as here are several audit reports for the Implementing Agency, OPIC, that are outstanding. The Bank as agreed to an Audit Action Plan with OPIC to ensure timely submission of the remaining outstanding audit reports. We trust that the deadlines that have been agreed to will be met.
The one year extension is effective immediately. Our office will be in touch in the coming days with the Department of Treasury to arrange a suitable time for the signing of the amended Financing and Project Agreements. The amendments, other than the extension in the closing date, will become effective once the revised Agreements are signed.

We look forward to continuing our close collaboration on this important project.

Sincerely yours,

Laura E. Bailey
Country Manager
for Papua New Guinea

Cc:
Honorable Charles Abel, MP, Minister for National Planning
Honorable Tommy Tomscoll, MP, Minister for Agriculture and Livestock
Mr. Manasupe Zurenouc, Chief Secretary to Government
Mr. Simon Tosalii, Secretary, Department of Treasury
Dr. Peter Ga’allah Kora, Secretary, Department of National Planning and Monitoring
Mr. Steven Gibson, Secretary, Department of Finance
Dr. Vele Pat Ila’ava, Acting Secretary, Department of Agriculture and Livestock
Mr. Reichert Thanda, Acting First Assistant Secretary for Foreign Aid Coordination & Multilateral Relations, DNPM
Mr. Koney Samuel, Assistant Secretary – Multilateral Branch, DNPM
Mr. Martin Pomat, Senior Aid Coordinator, Aid Coordination Division, DNPM
Mr. Damien Horiambe, Assistant Secretary, Loans Execution Branch, Department of Treasury
Mr. John Uware, First Assistant Secretary, Financial Management Division, Department of Treasury
Mr. Mike Scott, SADP Project Coordinator, Oil Palm Industry Cooperation
Mr. David Whitehead, Executive Director, World Bank

Attachments:
1. Extension of Closing Date notice
2. Restructuring Paper
3. Amended Financing Agreement
4. Amended Project Agreement
5. Audit Action Plan
Hon. Don Pomb Polye
Mr. Lesley Wungen

August 17, 2012

Bcc: Messrs/Mss: Belhaj, Shankar, Jauncey, Ponnappa, Ponnambalam (EACNF); Feinstein; Sur, Aiello, Oliver (EASNS); Roome (EASSD); Bailey, Mas, Sinai (EACGF); Msadek, Whitehead, Sydney Financial Management Hub (EAPFM); Moss, Nunes, Sydney Hub Procurement (EAPPR); Walker (LEGES); WBDocs.