Agreement Providing for the Amendment and Restatement of the Project Agreement

(Smallholder Agriculture Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

OIL PALM INDUSTRY CORPORATION

Dated July 9, 2008

As amended and restated on 11/07/2012
4.02. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391

Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

Oil Palm Industry Corporation
PO Box 73
Port Moresby, NCD
Papua New Guinea

Facsimile:

(675) 320 1577

Port Moresby

AGREED at ———— as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: 
Authorized Representative

OIL PALM INDUSTRY CORPORATION

By: 
Authorized Representative
the purposes of withdrawals in accordance with Section IV of Schedule 2 to the Financing Agreement.

4. The Project Implementing Entity shall submit to the Association for prior review all terms of reference for consultant services to be procured in accordance with Section III of Schedule 2 to the Financing Agreement regardless of the estimated contract value for such consultant services.

B. Implementation of Part 1 of the Project (Smallholder Oil Palm Sector Productivity Enhancement).

1. In carrying out Part 1 of the Project, the Project Implementing Entity shall establish by June 30, 2009 and thereafter maintain in each of its regional offices in the Project Area in Bialla, Hoskins and Popondetta, an OPID Office with a team of dedicated project staff, headed by an engineer seconded from the Recipient’s Department of Works (or another engineer acceptable to the Association) and reporting to the Project Implementing Entity. The Project Implementing Entity shall ensure that each OPID Office is provided at all times with adequate funds and other resources, and with qualified and experienced personnel in adequate numbers, acceptable to the Association and in all cases as shall be necessary to accomplish its functions, responsibilities and objectives as set out in the Project Implementation Manual.

2. Smallholder Oil Palm In-fill Planting. In carrying out Part 1(a) of the Project, the Project Implementing Entity shall enter into a project funding agreement with PNGSDP, such project funding agreement to include:

   (i) the undertaking of PNGSDP to provide financing for Part 1(a) of the Project in accordance with the Smallholder Oil Palm In-fill Planting Sub-Manual, including the arrangements for Smallholder Sub-Loans to be made on behalf of PNGSDP on the following terms and conditions:

   (A) a term not to exceed twelve (12) years, including a grace period of three (3) years;

   (B) interest to be charged on amounts withdrawn and outstanding at the rate of eight (8%) percent per annum;

   (C) interest to be capitalized during the grace period;

   (D) payments of interest and principal to be made through the following mechanism: that the Smallholder shall be required to deliver FFB to a participating palm oil milling company and that a maximum of thirty (30%) percent of the proceeds of the sale of which shall be required to be used for repayment of the Smallholder Sub-Loan; and
(v) monitoring and evaluation activities and criteria.

(b) the Project Implementing Entity shall review with the Association, by March 30, 2013, or such later date as the Association shall agree, the report of the study referred to in sub-paragraph (a) of this paragraph, and, take into account the Association's views in the conclusions and recommendations of such report.

C. Safeguards.

1. In carrying out the Project, the Project Implementing Entity shall ensure that:

   (a) environmental screening has been completed for each Project activity in accordance with the environmental screening criteria set out in the Environmental Assessment Report and the Environmental Management Plan;

   (b) the recommended environmental mitigation measures set out in the Environmental Management Plan and the recommended mechanisms for community identification of environmental and social issues set out in the Project Implementation Manual are:

       (i) included: (A) for Part 1(a) of the Project in the Smallholder Oil Palm In-fill Planting Sub-Manual and each Smallholder Sub-loan Agreement; (B) for Part 1(b)(i) of the Project in each contract for road reconstruction activities; and (C) for Part 1(b)(ii) of the Project in the documents establishing each Road Maintenance Trust Fund; and

       (ii) implemented in respect of each Project activity, and the implementation thereof is monitored and reported in Project Reports.

2. In carrying out the Project, the Project Implementing Entity shall:

   (a) take measures to avoid or minimize the acquisition of land or assets or actions that would result in Displaced Persons; and

   (b) where the acquisition of land or assets or an action that results in Displaced Persons is unavoidable as a result of any Project activity:

       (i) prepare or cause to be prepared a resettlement plan in accordance with the Resettlement Policy Framework and furnish such plan to the Association for approval; and
measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date.

(b) The Project Implementing Entity shall review with the Association, by June 30, 2010, or such later date as the Association shall request, the report referred to in sub-paragraph (a) of this paragraph, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association’s views on the matter.

(c) The Project Implementing Entity make publicly available the report referred to in sub-paragraph (b) of this paragraph.


1. The Project Implementing Entity shall maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity and to register separately the operations, resources and expenditures of the Project Implementing Entity related to the Project.

2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association for each calendar quarter interim unaudited financial reports for the Project, in form and substance satisfactory to the Association. For those quarters in which a Project Report is due under paragraph 1(a) of Section II(A) of this Schedule, 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 Project Implementing Entity shall have its Financial Statements and the Project financial statements each separately audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of the Financial Statements and the Project financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity and shall include separate audit opinions on the Project Implementing Entity’s Financial Statements and the Project financial statements. The audited Financial Statements and Project financial statements for each period shall be furnished to the Association not later than six (6) months after the end of such period.
Papua New Guinea: Smallholder Agriculture Development Project (P079140) - Request for Authorization for an Exception to BP10.02, Annex A for a Project Restructuring and Extension of Closing Date

Audit Action Plan

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