

CONFORMED COPY

CREDIT NUMBER 4716 -PG

Financing Agreement

(Productive Partnerships in Agriculture Project)

between

INDEPENDENT STATE OF PAPUA NEW GUINEA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 9, 2010

FINANCING AGREEMENT

AGREEMENT dated August 9, 2010, entered into between INDEPENDENT STATE OF PAPUA NEW GUINEA (the "Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION (the "Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined, and modified, 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 sixteen million four hundred thousand Special Drawing Rights (SDR16,400,000) (the "Credit" or the "Financing") to assist in financing the project described in Schedule 1 to this Agreement (the "Project").
- 2.02. The Recipient may withdraw the proceeds of the Credit 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 objective of the Project. To this end, the Recipient shall, under the overall guidance of the Project Steering Committee and the overall coordination and monitoring of DAL:
- (a) carry out through DAL Part 1(d) (ii) and (iii) of the Project; and
 - (b) cause the CIC Components and the Cocoa Board Components to be carried out by CIC and the Cocoa Board respectively (CIC and the Cocoa Board together referred to here as the “Project Implementing Entities”), all in accordance with the provisions of Article IV of the General Conditions and the Project Agreements.
- 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.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) Any of the Project Implementing Entities Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entities to perform any of their obligations under their respective Project Agreements.
 - (b) The Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) have been fulfilled.
 - (c) Any of the Partnerships shall have failed to perform any of their respective obligations under their respective Partnership Agreements.
- 4.02. The Additional Event of Acceleration consists of the following namely that any of the events specified in Section 4.01(a) of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) that the Project Implementation Manual has been adopted by DAL, CIC and the Cocoa Board;
 - (b) that CIC Subsidiary Agreement has been entered into by the parties thereto in form and substance satisfactory to the Association;
 - (c) (i) that the Cocoa Board Subsidiary Agreement has been entered into by the parties thereto in form and substance satisfactory to the Association; and (ii) the Cocoa Board has furnished to the Association the audits of its financial statements for fiscal years 2005, 2006, 2007 and 2008 together with the Cocoa Board Management response, all acceptable to the Association; and
 - (d) The Co-financing Agreement has been executed and delivered and all conditions to its entry into force (other than the effectiveness of the Financing Agreement) have been fulfilled.

- 5.02. The Additional Legal Matter consists of the following:

The Subsidiary Agreements have been duly authorized or ratified by the Recipient and the Project Implementing Entities and are legally binding upon the Recipient and the Project Implementing Entities in accordance with their 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Minister for Treasury and Finance.

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) 3128804
(675) 3128808

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at Port Moresby, Papua New Guinea, as of the day and year first above written.

INDEPENDENT STATE OF PAPUA NEW GUINEA

By/s/ Peter O'Neill

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By/s/ Ferid Belhaj

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to improve the livelihoods of smallholder cocoa and coffee producers through the improvement of the performance and sustainability of value chains in the Cocoa-growing Areas and the Coffee-growing Areas.

The Project consists of the following parts:

Part 1: Institutional Strengthening and Industry Coordination

- (a) Improving the performance of cocoa and coffee sub-sector institutions and enhancing industry coordination by building the capacity of the Industry Coordination Committees to support dialogue and policy development through, *inter alia*: (i) the carrying out of policy studies on priority topics proposed by the Industry Coordination Committees and approved by the Association and aimed to enable the structural changes required in the sectors; and (ii) the provision of training, technical assistance and operational support to such Committees, and CIC's and the Cocoa Board's staff.
- (b) Improving transparency in the cocoa and coffee sub-sectors and supporting policy development through, *inter alia*: (i) the carrying out of targeted communication campaigns on key policy and farming practices needed changes; (ii) the development of effective information management systems for the Cocoa Board and CIC to address the current gaps in the collection, generation and dissemination of technical and market information to stakeholders; and (iii) the provision of related technical assistance, training, data collection, surveys and information dissemination.
- (c) Strengthening quality promotion in the cocoa and coffee industries and promoting, where appropriate, the adoption of certified sustainability practices through, *inter alia*: (i) retraining of cocoa fermentery owners, traders and inspectors working with exporters in view of the CPB impact on cocoa quality; (ii) carrying out of studies on export standards and licensing regulations in response to the impact of the CPB; (iii) a survey of fermenteries status, and improvements in the capacity of the Cocoa Board inspections; (iv) an analysis of options and benefits for farmers of differentiated coffees; (v) training of trainers to reduce the costs of certification in the Recipient's territory and other assistance for certification; and (vi) the promotion of the Recipient's products origin.
- (d) Provision of technical advisory services, operational support and training to support: (i) the Project management and monitoring and evaluation functions of the Cocoa Board Project Management Unit and the CIC

Project Management Unit; (ii) the Project coordination and monitoring and evaluation functions of the Project Coordinating Unit; and (iii) the operations of the Technical Appraisal Committee.

Part 2: Productive Partnerships

- (a) Provision of grants to Partnerships to support Activities in Cocoa-growing Areas aimed to increase smallholder cocoa productivity, quality and sustainability and improve cocoa-farming systems such as training in good farming practices, production of improved planting material, improvement of business skills and farm management, building capacity of extension agents and farmer groups and cooperatives, certification systems and post-harvest and processing.
- (b) Provision of grants to Partnerships to support Activities such as those set forth in Part 2(a) above in Coffee-growing Areas aimed to increase smallholder coffee productivity, quality and sustainability and improve coffee-farming systems.
- (c) Provision of technical assistance for the preparation of Partnership proposals for financing by the abovementioned Productive Partnership Grants.

Part 3: Market Access Infrastructure

Improving the access to markets for the Partnerships supported by Productive Partnership Grants through:

- (a) the identification and selection of the rehabilitation and maintenance needed to feeder roads, access tracks and other transport infrastructure linking farmers to markets; and
- (b) carrying out of Priority Investments and training of communities in the maintenance of the Priority Investments.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall:

- (a) maintain throughout the period of Project implementation the Project Steering Committee to provide overall policy guidance and strategic direction for Project implementation, with the composition and powers described in the Project Implementation Manual; and
- (b) establish, prior to initiating implementation of the Project, and thereafter maintain throughout the period of Project implementation, a Project Coordination Unit within DAL for the monitoring and evaluation of Project with the powers and staffing set forth in the Project Implementation Manual.

2. The Recipient shall:

- (a) through DAL cause CIC and the Cocoa Board to, prior to initiating the implementation of Part 2 of the Project, establish and thereafter maintain throughout the period of Project implementation, a Technical Appraisal Committee each and not later than three (3) months after the Effective Date train its members as required for Project implementation; and
- (b) establish, prior to the finalization of the first annual work plan for the Project, and thereafter maintain throughout Project implementation, an Industry Coordination Committee each for cocoa and coffee matters,

all such committees with the powers and composition set forth in the Project Implementation Manual.

3. The Recipient shall:

- (a) not later than six (6) months from the Effective Date carry out, under terms of reference acceptable to the Association, a baseline survey of smallholder households' conditions as a basis to measure the extent to which the Project objective and associated outcomes have been achieved by the end of the Project implementation period;
- (b) implement an information management system satisfactory to the Association;

- (c) carry out the financial management plan included in the Project Implementation Manual in accordance with its terms; and
- (d) inform the Association of the progress made in the implementation of the Environmental and Social Management Framework and Compensation Policy Framework and of any issues that may arise.

B. Subsidiary Agreement

1. To facilitate the carrying out of each Project Implementing Entity's Respective Part of the Project, the Recipient shall make part of the proceeds of the Credit available to each Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall include:
 - (a) the proceeds of the Credit shall be made available by the Recipient to each Project Implementing Entity on a non-refundable basis;
 - (b) the Project Implementing Entity shall undertake to carry out the Project in accordance with the provisions of this Agreement and the Project Implementation Manual and the Anti-Corruption Guidelines;
 - (c) the Recipient shall have the right to suspend or terminate the right of each Project Implementing Entity to the use of the proceeds of the Credit made available under each respective 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 Credit provided to each Project Implementing Entity is not used for Eligible Expenditures or is otherwise used in breach of this Agreement, its respective Project Agreement, or its respective 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 each Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subsidiary Agreement or any of their provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Project Implementation Manual

1. The Recipient shall carry out the Project in accordance with a Project Implementation Manual, satisfactory to the Association, which shall include, *inter alia*:
 - (a) the implementation and dispute resolution arrangements for the Project;
 - (b) the eligibility, ranking and other criteria for the selection of Partnerships and Activities, and for the financing of Productive Partnership Grants including the cost sharing arrangements and the model Partnership Agreement;
 - (c) the eligibility and selection criteria for the Priority Investments, including the maintenance requirements;
 - (d) financial management, disbursement and procurement guidelines and procedures for the implementation, and monitoring and evaluation of the Project; including the plan for the strengthening of the financial management capacity of the Project Implementing Entities;
 - (e) the Environmental and Social Management Framework, including the Integrated Pest Management Plan, the Compensation Policy Framework, the Beneficiary Participatory Plan and other special features of the Project to ensure that the Project activities are carried out in an environmentally and culturally appropriate manner; and
 - (f) the Project monitoring indicators.
2. The Recipient shall not amend or waive any provision of the Project Implementation Manual without the prior written agreement of the Association. In case of any discrepancies between the provisions of the Project Implementation Manual and those of this Agreement, the provisions of this Agreement shall prevail.

E. Environment and Social Safeguards

- (a) The Recipient shall carry out the Project in accordance with the Environmental and Social Management Framework, including the Integrated Pest Management Plan, the Beneficiary Participatory Plan, and the Compensation Policy Framework.
- (b) The Recipient shall ensure that the EMPs and the Compensation Plans prepared in accordance with the Environmental and Social Management Framework are carried out in accordance with their terms.

- (c) The Recipient shall not amend the Environmental and Social Management Framework, including the Integrated Pest Management Plan, the Beneficiary Participatory Plan, and the Compensation Policy Framework, and any EMP or Compensation Plan without the prior written approval of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

- 1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association and set forth in a letter of even date herewith. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
- (b) Without limitation to the provisions of paragraph (a) above the Recipient shall furnish to the Association:
 - (i) no later than three (3) months after the Effective Date, and by September 30 of each year thereafter, an annual work plan and budget thereof for each Part of the Project; and
 - (ii) no later than three (3) months prior to the end of the second and fourth years of Project implementation, reports assessing progress in the implementation of the Project measured against Project design at appraisal.

B. Financial Management, Financial Reports and Audits

- 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 prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
- 3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

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:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Community Participation following the procedures described in the Project Implementation Manual

C. Special Procedures for National Competitive Bidding

The following provisions shall be applied in National Competitive Bidding:

Participation in Bidding

1. The eligibility of bidders shall be as defined under the Procurement Guidelines.
2. 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 a Project Implementing Entity.
3. 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.
4. A firm which has been engaged by the Recipient or a 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.
5. 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

6. 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

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

Bid Security

8. 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

9. 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

10. 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

11. 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

12. Bidders may submit bids, at their option, either in person or by courier service or by mail.
13. 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.
14. 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.
15. 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.

16. The relevant 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

17. 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

18. 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

19. 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

20. 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 the Association.
21. 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

22. Suppliers and contractors that have a business or family relationship with a senior member of a Project Implementing Entity’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

23. The relevant 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.

D. 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.

Procurement Method
(a) Quality-Based Selection
(b) Least-Cost Selection
(c) Selection Based on the Consultants’ Qualifications
(d) Single Source Selection
(e) Individual Consultants
(f) Community Participation following the procedures described in the Project Implementation Manual

E. Review by the Association of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association:

- (a) each contract for goods or works procured on the basis of International Competitive Bidding;
- (b) each contract for goods or works estimated to cost the equivalent of \$100,000 or more procured on the basis of National Competitive Bidding;
- (c) the first three (3) contracts each for goods and works procured on the basis of Shopping;
- (d) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more; and
- (e) each contract for consultants' services provided by an individual based on a specific request by the Association and indicated in the Procurement Plan.

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 Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (exclusive of Taxes)
Consultants' services	3,660,000	100%
Goods and works	6,060,000	100%
Training and Incremental Operating Costs	650,000	100%
Productive Partnership Grants	6,030,000	100%
TOTAL AMOUNT	16,400,000	

3. Pursuant to the Loans and Assistance (International Agencies) Act, Chapter No. 132 of the Revised Laws of Papua New Guinea (the "Act"), and by this Agreement and the Project Agreements with the Association, the Recipient confirms that any persons, income, matter or thing that is directly engaged in and directly forms part of this Agreement with the Association, is exempt from any tax, duty, or imposition under the revenue laws administered by the Commissioner General of the Internal Revenue Commission. If any change is made to the Act that will affect this exemption from tax, duty or imposition under the Project, the Recipient shall notify the Association in writing.
4. For purposes of this Agreement:
 - (a) the term "Incremental Operating Costs" means the reasonable and necessary incremental expenses incurred on account of Project implementation, support and management, which would not have been incurred absent the Project, included in an annual budget approved by the Association, including communications, utilities, stationary, and transportation costs, and accommodation and travel allowances of Project staff, but excluding salaries of the Recipient's civil servants; and
 - (b) the term "Training" means expenditures incurred by DAL, CIC and the Cocoa Board to finance reasonable transportation costs and per diem of trainees and trainers (if applicable), rental of training facilities, materials and equipment under the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
3. The Closing Date is June 30, 2016.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each May 1 and November 1:	
commencing May 1, 2020 to and including November 1, 2029	1.25%
commencing May 1, 2030 to and including November 1, 2044	2.5%

* 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

Section 1. Definitions

1. “Activity” means any activity eligible for financing by a Productive Partnership Grant (as defined hereafter) in accordance with the provisions of the Project Implementation Manual (as defined hereafter).
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Beneficiary Participatory Plan” means the plan included in the Environmental and Social Management Framework setting forth the special features to address indigenous peoples concerns in Project implementation.
4. “Category” means any of the categories set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “CIC” or “Coffee Industry Corporation” means the Coffee Industry Corporation Limited, a corporation limited by guarantee pursuant to the terms of the Coffee Industry Corporation (Statutory Functions and Powers) Act of 1991.
6. “CIC Components” means Part 1 (a), (b), (c) and (d)(i), Part 2(b) and (c) and Part 3 of the Project as they each relate to the coffee subsector.
7. “CIC Subsidiary Agreement” means the agreement referred to in Section 5.01(b) and Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Credit available to the Coffee Industry Corporation.
8. “CIC Project Management Unit” means the unit to be established within CIC as referred to in Section 1.A of the Schedule to the CIC Project Agreement.
9. “Cocoa Board” means the Cocoa Board of Papua New Guinea established and operating in accordance with the Cocoa Act of 1981, as amended to the date of this Agreement.
10. “Cocoa Board Components” means Part 1 (a), (b), (c) and (d)(i), Part 2(a) and (c) and Part 3 of the Project as they each relate to the cocoa subsector.
11. “Cocoa Board Project Management Unit” means the unit to be established within the Cocoa Board as referred to in Section 1.A of the Schedule to the Cocoa Board Project Agreement.
12. “Cocoa Board Subsidiary Agreement” means the agreement referred to in Section 5.01(c) and Section I.B of Schedule 2 to this Agreement pursuant to

which the Recipient shall make part of the proceeds of the Credit available to the Cocoa Board.

13. “Cocoa-growing Area” means any of the cocoa growing areas included in the Recipient’s East New Britain Province and the Autonomous Region of Bougainville, set forth in the Project Implementation Manual, and any other area that following the eligibility criteria set forth in the Project Implementation Manual shall be proposed by the Recipient and approved by the Association.
14. “Coffee-growing Area” means any of the coffee growing areas included in the Recipient’s Eastern Highlands Province, Simbu Province, Western Highlands Province and Jiwaka Province, set forth in the Project Implementation Manual, and any other area that following the eligibility criteria set forth in the Project Implementation Manual shall be proposed by the Recipient and approved by the Association.
15. “Co-financier” means International Fund for Agricultural Development (IFAD), referred to in paragraph 10 of the Appendix to the General Conditions.
16. “Co-financing” means an amount of \$14,000,000 to be provided by the Co-financier to assist in financing 36% of the cost of the Project.
17. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.
18. “Compensation Plan” means any plan prepared by the Recipient and satisfactory to the Association, in accordance with the Compensation Policy Framework.
19. “Compensation Policy Framework” means the framework prepared by the Recipient, satisfactory to the Association, included in the Environmental and Social Management Framework, providing the procedures to be followed in the event of loss or damage to assets resulting from transport infrastructure rehabilitation, and land acquisitions required therefore.
20. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
21. “CPB” means cocoa pod borer.
22. “DAL” means the Recipient’s Department of Agriculture and Livestock or any successor thereto.
23. “Environmental and Social Management Framework” means the Recipient’s environmental and social framework for the Project dated February 22, 2010, setting forth, *inter alia*, the potential negative and positive Project impacts and recommendations to prevent or minimize adverse social and environmental impacts, procedures to screen activities to be financed by the Credit, and

guidelines for capacity building and monitoring, as the same may be amended from time to time with the prior agreement of the Association.

24. “Environmental Management Plan” or “EMP” means any plan prepared by the Recipient in accordance with the Environmental and Social Management Framework with special mitigating measures as needed for the implementation of the Project.
25. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
26. “Industry Coordination Committee” means a committee to be established by the Recipient as set forth in Section I. A. 2(b) of the Schedule 2 to this Agreement.
27. “Integrated Pest Management Plan” means the plan prepared by the Recipient included in the Environmental and Social Management Framework, dated February 22, 2010, setting forth the guidelines for pest management in the cocoa and the coffee sectors.
28. “Kina” means the lawful currency of the Recipient.
29. “Part” means a Part of the Project as described in Schedule 1 to this Agreement.
30. “Partnership” means a partnership or association formed in accordance with the laws of the Recipient between: (a) a farmer group on the one hand; and (b) on the other hand an agribusiness or private sector firm or association engaged in the sector, a knowledge or service provider, a smallholder farmer cooperative or association or a multiple partnership involving more than two of the above, which meets the requirements of the Project Implementation Manual to receive a Productive Partnership Grant (as defined hereafter).
31. “Partnership Agreement” means any of the agreements referred to in Section I.C. of the Schedule to each of the Project Agreements.
32. “Priority Investment” means a road, path or other transport infrastructure rehabilitation activity eligible for implementation under Part 3 of the Project in accordance with the eligibility criteria and requirements of the Project Implementation Manual.
33. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
34. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 16, 2010 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 said paragraphs.

35. “Productive Partnership Grant” means a grant made or to be made by CIC or the Cocoa Board to a Partnership under a Partnership Agreement for the implementation of an Activity under Part 2 (a) and (b) of the Project.
36. “Project Coordination Unit” means the unit to be established within DAL and referred to in Section I A.1(b) of Schedule 2 to this Agreement
37. “Project Implementation Manual” means the manual referred to in Section 5.01 (a) and Section I. D of Schedule 2 to this Agreement, acceptable to the Association to be adopted by the Recipient, CIC and the Cocoa Board setting out policies and procedures for the implementation of the Project, which manual shall include an annex on financial management and accounting, and as the same may be amended from time to time with the prior written agreement of the Association.
38. “Project Implementing Entity” means either or both of CIC and Cocoa Board as the context determines, and “Project Implementing Entities” means CIC and Cocoa Board.
39. “Project Implementing Entity’s Legislation” means, in the case of CIC, the Coffee Industry Corporation (Statutory Functions and Powers) Act No. 28 of 1991, and in the case of Cocoa Board, the Cocoa Act of 1981, all as amended to the date of this Agreement.
40. “Project Steering Committee” means the committee established by the Recipient in April 2008, as informed to the Association through a letter to the Association dated April 21, 2008 and referred to in Section 3.01 and Section I. A. 1 of Schedule 2 to this Agreement.
41. “Respective Part” means for CIC the CIC Components, and for the Cocoa Board the Cocoa Board Components.
42. “Subsidiary Agreement” means the agreements referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Credit available to each of the Project Implementing Entities, and “Subsidiary Agreements” means together, the CIC Subsidiary Agreement and the Cocoa Board Subsidiary Agreement.
43. “Technical Appraisal Committee” means each of the committees referred to in Section I.A.2 (a) of the Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

Paragraph (a) of Section 2.05 is modified to read as follows:

“Section 2.05. *Eligible Expenditures*

(a) the payment is for the financing of the reasonable goods, works, services, Training, Incremental Operating Costs, and Productive Partnership Grants (as said terms are defined in the Financing Agreement) required for the Project, to be financed out of the proceeds of the Financing and procured, all in accordance with the provisions of the Legal Agreements;”.