

No. 10654

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
AUSTRALIA**

Letter Agreement regarding undertakings made by the Commonwealth of Australia with reference to the Development Credit Agreement—*Agricultural Development Project*—of 30 January 1970 between the Association and the Administration of the Territory of Papua and New Guinea (with, as annexes, the said Development Credit Agreement, the General Conditions Applicable to Development Credit Agreements and related letter). Washington, 30 January 1970

Authentic text: English.

Registered by the International Development Association on 11 August 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
AUSTRALIE**

Accord par lettre touchant certains engagements pris par le Gouvernement australien en ce qui concerne le Contrat de crédit de développement — *Projet relatif au développement agricole* — en date du 30 janvier 1970 entre l'Association et l'Administration du Territoire du Papua et de la Nouvelle-Guinée (avec, en annexe, ledit Contrat de crédit de développement, les Conditions générales applicables aux contrats de crédit de développement et lettre connexe). Washington, 30 janvier 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 11 août 1970.

LETTER AGREEMENT¹ BETWEEN THE INTERNATIONAL DEVELOPMENT ASSOCIATION AND AUSTRALIA REGARDING UNDERTAKINGS MADE BY THE COMMONWEALTH OF AUSTRALIA WITH REFERENCE TO THE DEVELOPMENT CREDIT AGREEMENT—*AGRICULTURAL DEVELOPMENT PROJECT*—OF 30 JANUARY 1970² BETWEEN THE ASSOCIATION AND THE ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA

THE COMMONWEALTH OF AUSTRALIA

January 30, 1970

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

Re: *Credit No. 175-PNG (Agricultural Development Project)*
Undertakings by the Commonwealth of Australia

Dear Sirs:

We refer to the Development Credit Agreement² (*Agricultural Development Project*) between the International Development Association (the Association) and the Administration of the Territory of Papua and New Guinea (the Borrower), of even date herewith.

It is the policy of the Commonwealth Government in relation to the Territory of Papua and New Guinea to assist towards its economic advancement by providing help through budgetary support. So long as the Commonwealth remains responsible for the said Territory this policy will be continued to the extent that the said Territory's needs are not met by financial help from other sources.

The Commonwealth Government understands that in connection with the above-mentioned Project, arrangements have been made by the Borrower to provide funds in an amount sufficient to meet the cost thereof,

¹ Came into force on 3 June 1970, the date when the Development Credit Agreement of 30 January 1970 entered into force (see p. 120 of this volume).

² See p. 120 of this volume.

presently estimated in the equivalent of U.S. \$8,766,000. The equivalent of U.S. \$5,000,000 would come from the above-mentioned Credit and the remainder from the Borrower's own resources, including financial assistance from the Commonwealth Government, if necessary. The Commonwealth Government confirms that the funds to be provided from such assistance will be made available to the Borrower promptly as required to enable it to meet the cost of the Project. Should the cost of the Project exceed the equivalent of U.S. \$8,766,000, the Commonwealth Government, so long as it remains responsible for the said Territory, will take such action, in consultation with the Association and the Borrower, as shall be appropriate and feasible in the light of all the circumstances to assist the Borrower to obtain the needed funds. If, before the completion of the Project, a constitutional change were made whereby the Commonwealth Government would no longer be responsible for the said Territory or for any part thereof within which any part of the Project is to be carried out, the Commonwealth Government will, before the effective date of such change, use their best endeavors, in consultation with the Association and the Borrower, to ensure that sufficient funds will be available to the said Territory.

We wish to confirm that, (i) pursuant to Sub-Section (1) of Section 75A of the Papua and New Guinea Act 1949-1968, where any moneys are borrowed by the Borrower by way of a public loan, as defined in Sub-Section (2) of said Section, the Commonwealth is deemed, by force of the said Section, to guarantee the due payment of all moneys (including interest) payable by the Borrower under the terms and conditions in accordance with which the moneys are borrowed and the provisions relating to public loans contained in the laws of the said Territory in force at the time of the borrowing; (ii) pursuant to Sub-Section (2) of the said Section, the above-mentioned Credit qualifies as a public loan for purposes of Sub-Section (1) of the said Section; and (iii) so long as the Commonwealth Government remains responsible for the said Territory, the Commonwealth Government will ensure that any necessary permission is granted to the Borrower to enable it to purchase the currencies required to service the above mentioned Credit.

We also wish to confirm that:

1. The Commonwealth Government will take or cause to be taken all action necessary or appropriate to enable the Borrower to perform all covenants, agreements and obligations of the Borrower set forth in the above mentioned Development Credit Agreement and will not take or, within the limits of the Commonwealth's constitutional powers, permit any of its political subdivisions or agencies to take any action which would

prevent or interfere with the performance by the Borrower of such covenants, agreements and obligations;

2. The principal of, and service charges on, the above mentioned Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Commonwealth of Australia or laws in effect in its territories; and
3. The above-mentioned Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Commonwealth of Australia or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Very truly yours,

The Commonwealth of Australia:

[Signed]

KEITH WALLER

Authorized Representative

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated January 30, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA (hereinafter called the Borrower).

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association as so modified being hereinafter called the General Conditions), namely:

(a) Paragraph 5 of Section 2.01 is deleted and the following paragraph is substituted therefor:

“5. The term ‘Borrower’ means the Administration of the Territory of Papua and New Guinea.”

¹ Came into force on 3 June 1970, upon notification by the Association to the Government of Australia and the Administration of the Territory of Papua and New Guinea.

² See p. 148 of this volume.

(b) Paragraph (d) of Section 6.02 is deleted and the following paragraph is substituted therefor:

“(d) An extraordinary situation shall have arisen which shall make it improbable that the Project can be carried out or that the Borrower will be able to perform its obligations under the Development Credit Agreement or there shall occur any such change in the nature and constitution of the Borrower as shall make it improbable that the Borrower will be able to carry out its obligations under the Development Credit Agreement.”

(c) The words “The Borrower” are deleted in the second sentence of Section 4.01 and in paragraph (e) of Section 6.02, and the words “The Commonwealth of Australia” are substituted therefor.

(d) Paragraph (a) of Section 10.01 is deleted and the following paragraph is substituted therefor:

“(a) the execution and delivery of the Development Credit Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, including action of the Commonwealth of Australia; and”

Section 1.02. Unless the context otherwise requires, the following terms, wherever used in this Development Credit Agreement, have the following meanings:

(a) “NBPOD” means “New Britain Palm Oil Development Limited”, a company limited by shares, established under the Borrower’s Companies Ordinance 1963 and in accordance with a Memorandum of Association and Articles of Association, both dated May 12, 1967; and such term “NBPOD” also includes:

- (i) “Mosa Plantation Pty. Limited”, a company limited by shares, established under the Borrower’s Companies Ordinance 1963 and in accordance with a Memorandum of Association and Articles of Association, both dated May 23, 1967, which company is wholly owned by NBPOD and is sometimes hereinafter referred to as “the Plantation Company”; and
- (ii) “Mosa Oil Mill Pty. Limited”, a company limited by shares, established under the Borrower’s Companies Ordinance 1963 and in accordance with a Memorandum of Association and Articles of Association, both dated May 23, 1967, which company is wholly owned by NBPOD and is sometimes hereinafter referred to as “the Factory Company”.

(b) “PNGDB” means “The Papua and New Guinea Development Bank”, an instrumentality of the Borrower established by the Papua and New Guinea Development Bank Ordinance 1965 (No. 2 of 1966).

(c) “Management Agreement” means the Management Agreement and Amending Agreement between NBPOD, the Plantation Company and the Factory Company, of the one part, and Harrison’s and Crosfield (A.N.Z.) Limited, a Company incorporated under the laws of the State of Victoria, Commonwealth of Australia, of the other part, dated May 29, 1967, as the same may be amended or supplemented from time to time.

(d) "NBPOD Agreement" means the agreement between the Borrower and NBPOD, providing for the undertaking by NBPOD of certain obligations in respect of the carrying out of Part C of the Project and related matters, dated May 30, 1969, as the same may be amended or supplemented from time to time.

(e) "Subsidiary Loan Agreement" means the loan agreement to be entered into between the Borrower and PNGDB, pursuant to Section 3.01 (b) of this Agreement, on terms and conditions satisfactory to the Association, as the same may be amended or supplemented from time to time.

(f) "Freight and Disease Control Subsidy" means any subsidies to reimburse ranchers for expenditures incurred in connection with the importation of livestock into the territories of the Borrower, including, but without limitation, shipping expenses, disease inspection and control at port of origin, freight to the port of destination and agent's fees, whether pursuant to the provisions of the Animal Disease and Control Ordinance of 1952-1966 of the Borrower or otherwise.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, a development credit in an amount in various currencies equivalent to five million dollars (\$5,000,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Development Credit Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Association and the Borrower.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods and services required for the Project and to be financed under this Development Credit Agreement:

- (i) such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for loans included in Category 2 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;
- (ii) the equivalent of thirty-six per cent (36%) of such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for loans included in Category 1 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;

- (iii) the equivalent of sixty-four per cent (64%) of such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for loans or for goods or services included in Categories 4, 5 and 6 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;
- (iv) the equivalent of sixty-eight per cent (68%) of such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Category 7 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement; and
- (v) the equivalent of eighty-four per cent (84%) of such amounts as shall have been paid (or, if the Association shall so agree, as shall be required to meet payments to be made) for goods or services included in Category 3 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement;

provided, however, that if there shall be an increase in the estimate of such payments under loans or for goods or services included in any of the Categories 1, 3, 4, 5, 6 or 7, the Association may by notice to the Borrower adjust the stated percentage applicable to any such Category as required in order that withdrawals of the amount of the Credit then allocated to any such Category and not withdrawn may continue *pro rata* with the payments remaining to be made for goods or services included in any such category.

Section 2.04. (a) No withdrawal from the Credit Account shall be made on account of payments for taxes imposed by the Borrower or by the Commonwealth of Australia or any of their political subdivisions on or in connection with the importation or supply of goods or services included in Category 2 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement.

(b) It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that withdrawals from the Credit Account may be made on account of payments made prior to the date of this Development Credit Agreement but after July 1, 1969.

Section 2.05. The currency of the United States of America is hereby specified for purposes of Section 4.02 of the General Conditions.

Section 2.06. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.07. Service and other charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing December 15, 1979 and ending June 15, 2019, each installment to and including the installment payable on June 15, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

Article III

USE OF THE PROCEEDS OF THE CREDIT

Section 3.01. (a) The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Development Credit Agreement.

(b) In the carrying out of the provisions of the foregoing paragraph (a) of this Section, the Borrower shall relend to PNGDB, pursuant to the Subsidiary Loan Agreement, the amount of the Credit allocated from time to time to Categories 1, 2 and 4 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement.

Section 3.02. Except as the Association shall otherwise agree, (a) the goods and services to be financed out of the proceeds of the Credit shall be procured (i) in the case of goods and services included in Category 7 of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Development Credit Agreement, on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969; and (ii) in all other cases, in accordance with such methods and procedures as shall be determined by agreement between the Association and the Borrower, subject to modification by further agreement between them; and (b) contracts for the procurement of goods and services referred to in subparagraph (a) (i) of this Section shall be subject to the prior approval of the Association.

Section 3.03. Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project (other than Part C.1 thereof).

Article IV

PARTICULAR COVENANTS

Section 4.01. The Borrower shall (i) carry out Parts B.2, B.3, C.2, C.3, C.4, C.5 and D of the Project, (ii) make and maintain arrangements with PNGDB under the Subsidiary Loan Agreement, satisfactory to the Association, for the carrying out by PNGDB of Parts A, B.1 and C.6 of the Project, and (iii) make and maintain arrangements with NBPOD under the NBPOD Agreement, for the carrying out by NBPOD of Part C.1 of the Project, all with due diligence and efficiency and in conformity with sound agricultural, engineering, administrative, economic and financial practices and shall provide, and cause PNGDB and NBPOD to be provided with, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 4.02. (a) The Borrower shall (i) cause PNGDB punctually to perform all the covenants, agreements and obligations of PNGDB set forth in the Subsidiary Loan Agreement and (ii) take or cause to be taken all action necessary

or appropriate to enable PNGDB and NBPOD to perform all covenants, agreements and obligations of PNGDB and NBPOD respectively set forth in the Subsidiary Loan Agreement and the NBPOD Agreement and shall not take or permit any of its political subdivisions or agencies to take any action which would prevent or interfere with the performance by PNGDB or NBPOD of such covenants, agreements and obligations.

(b) The Borrower shall exercise its rights in relation to the Subsidiary Loan Agreement and the NBPOD Agreement in such manner as to protect the interests of the Borrower and the Association; and except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving any provision of the Subsidiary Loan Agreement or the NBPOD Agreement.

Section 4.03. The Borrower shall make arrangements satisfactory to the Association under the Subsidiary Loan Agreement for the establishment and maintenance by PNGDB of operating policies and procedures which shall be followed by PNGDB in executing the Project. The provisions of such arrangements dealing with interest rates shall not be altered so as to decrease interest rates without the prior approval of the Borrower and the Association. Otherwise, such arrangements shall be subject to modification in consultation with the Borrower and the Association.

Section 4.04. The Borrower shall promptly take all steps required on its part under the Borrower's Land Ordinance 1962-66 in order to acquire the ownership of fifty thousand acres of land suitable for leasing to ranchers engaged or to be engaged in the execution of the ranch development plans referred to in Part B.1 (ii) of the Project.

Section 4.05. The Borrower in consultation with the Association shall review the Freight and Disease Control Subsidy on or before December 31, 1972 with a view to its termination by December 31, 1973 or as soon thereafter as the development of the cattle industry in the territories of the Borrower shall permit.

Section 4.06. In the carrying out of Parts C.2, C.3, C.4 and C.5 of the Project, the Borrower shall:

- (a) grant to qualified settlers (hereinafter called the smallholders) 99-year leases on Borrower's plots, each containing about 15 acres of land suitable for oil palm cultivation, under good husbandry and residence conditions and under such other conditions as shall be satisfactory to the Borrower and the Association, including, but without being limited to, the Borrower's right to terminate any such lease in the event of failure by the smallholder to perform his obligations thereunder;
- (b) cause the smallholders to (i) plant with oil palms a minimum aggregate of about 7,800 acres not later than June 30, 1975, and to properly maintain and harvest such minimum aggregate acreage thereafter; provided, however, that if any or all of such smallholders fail to plant, maintain or harvest as specified in the foregoing, the Borrower shall take steps, satisfactory to the Association, to

accomplish such planting, maintaining and/or harvesting; and (ii) supply to the Factory Company, until they have fully repaid the principal of, and interest and other charges on, the loans made to them by PNGDB under Part C.6 of the Project, their entire production of fresh fruit bunch, or make alternative arrangements, satisfactory to the Association, the Borrower and NBPOD; and

- (c) make arrangements satisfactory to the Association for the prompt reallocation of the Borrower's plots referred to in paragraph (a) of this Section in the case of any smallholder failing to execute a lease within three months from the date such lease is offered by the Borrower to such smallholder.

Section 4.07. Unless the Association shall otherwise agree, the Borrower shall make and maintain arrangements, satisfactory to the Association, with NBPOD, under the NBPOD Agreement, for:

- (a) the Plantation Company to grow or import high-yield oil palm seeds and to sell adequate quantities of seedlings therefrom to the smallholders to be settled under Part C of the Project; and
- (b) the Factory Company to (i) accept, process and market for a period of twenty-five years the fresh fruit bunch production of not less than 7,840 acres of oil palms planted by such smallholders at a purchase price to be established in accordance with a formula to be agreed from time to time between the Borrower and NBPOD in consultation with the Association, on the basis set forth in Schedule 3 to this Development Credit Agreement and (ii) withhold, for PNGDB's account, from any amounts payable to such smallholders on account of such production such part thereof as shall be established by PNGDB as amortization and interest on PNGDB loans made under Part C.6 of the Project, such withholding not to exceed one-half of any amounts so payable to such smallholders.

Section 4.08. In the event that the Factory Company's processing and marketing facilities shall not be available as provided in Section 4.07 (b) (i) of this Development Credit Agreement, the Borrower shall make arrangements, satisfactory to the Association, providing for alternative fresh fruit bunch processing and marketing facilities.

Section 4.09. If, at any time, the Borrower, or the Governor-General of the Commonwealth of Australia, pursuant to Sections 65 (b) and 78 of the Papua and New Guinea Act 1949-1968 of the Commonwealth of Australia, shall enact or amend, or propose to enact or amend, any regulations applicable in the territories of the Borrower, on the marketing of coconut, copra, cattle, palm oil, palm kernels or derivatives thereof, the Borrower shall promptly inform the Association and exchange views with it thereon.

Section 4.10. The Borrower shall adequately maintain or cause to be maintained all works, facilities and equipment related to the Project and from time to time shall make or cause to be made all necessary renewals and repairs thereof in accordance with sound agricultural and engineering practices and shall provide,

promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 4.11. The Borrower undertakes to insure or cause to be insured, or make other provisions satisfactory to the Association for the insurance of, the imported goods to be financed out of the proceeds of the Credit or out of the proceeds of PNGDB loans made under Parts A, B.1 and C.6 of the Project against marine, transit and other hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.

Section 4.12. The Borrower shall: (a) furnish or cause to be furnished to the Association, promptly upon their preparation, the reports, plans, specifications, contract documents and work schedules for the Project and any material modifications subsequently made therein, in such detail as the Association shall reasonably request; and (b) not start construction of Part D of the Project until such plans, specifications, contract documents and work schedules for Part D of the Project have been approved by the Association.

Section 4.13. (a) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit and out of the proceeds of PNGDB loans made under Parts A, B.1 and C.6 of the Project, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations, administration and financial condition, in respect of the Project, of any department or agency of the Borrower (including PNGDB) responsible for the carrying out of the Project or any part thereof or the maintenance of all works, facilities and equipment related thereto and shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and out of the proceeds of PNGDB loans made under Parts A, B.1 and C.6 of the Project, and any relevant records and documents.

(b) The Borrower shall at all times maintain auditing arrangements satisfactory to the Association, with regard to all expenditures made in connection with Parts A, B, C.2 through 6 and D of the Project.

Section 4.14 (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party, exchange views through their representatives with regard to: the performance by the Borrower of its obligations under this Development Credit Agreement, the administration, operations and financial condition of any department or agency of the Borrower (including PNGDB) responsible for the carrying out of the Project or any part thereof or the maintenance of all works, facilities and equipment related thereto, and other matters relating to the purposes of the Credit.

(b) The Borrower shall furnish to the Association all such information as the Association shall reasonably request concerning: the expenditure of the proceeds of the Credit and of the proceeds of PNGDB loans made under Parts A, B.1 and C.6 of the Project, the goods financed out of such proceeds, the Project, and the

administration, operations and financial condition of any department or agency of the Borrower (including PNGDB) responsible for the carrying out of the Project or any part thereof or the maintenance of all works, facilities and equipment related thereto.

(c) The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof or the performance by the Borrower, PNGDB or NBPOD of their obligations under this Development Credit Agreement, the Subsidiary Loan Agreement and the NBPOD Agreement. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and, to the extent possible, the international balance of payments position of the Borrower.

(d) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.15. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.16. This Development Credit Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Development Credit Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon and upon any such declaration such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purpose of Section 7.01 of the General Conditions, the following additional events are specified, namely:

any event specified in paragraph (a), paragraph (b), paragraph (c), paragraph (d), paragraph (e) or paragraph (f) of Section 5.03 of this Development Credit Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower.

Section 5.03. For the purpose of Section 6.02 of the General Conditions, the following additional events are specified:

(a) Any provision of (i) the Palm Oil Industry (New Britain Agreement) Ordinance 1967 (No. 23 of 1967) of the Borrower including the Schedule thereto; or (ii) the Memoranda and Articles of Association, referred to in Section 1.02 (a) of this Development Credit Agreement, of New Britain Palm Oil Development Limited, the Plantation Company or the Factory Company; or (iii) the Management Agreement, shall have been amended, suspended or abrogated so as to adversely affect the Project or the performance by NBPOD of its obligations under the NBPOD Agreement.

(b) Any provision of the Papua and New Guinea Development Bank Ordinance 1965 (No. 2 of 1966) of the Borrower shall have been amended, suspended or abrogated so as to adversely affect the Project, the operations or financial condition of PNGDB or the performance by PNGDB of its obligations under the Subsidiary Loan Agreement.

(c) Any provision of the Subsidiary Loan Agreement shall have been amended without the prior agreement of the Association.

(d) NBPOD shall have failed to perform any covenant or agreement of NBPOD under the NBPOD Agreement.

(e) PNGDB shall have failed to perform any covenant or agreement of PNGDB under the Subsidiary Loan Agreement.

(f) A default shall have occurred in the performance of any covenant or agreement on the part of the Borrower under the NBPOD Agreement or the Subsidiary Loan Agreement.

(g) An extraordinary situation shall have arisen which shall make it improbable that NBPOD or PNGDB will be able to perform their respective obligations under the NBPOD Agreement or the Subsidiary Loan Agreement.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions:

- (a) the NBPOD Agreement has been amended so as to be in accordance with this Development Credit Agreement, in a manner satisfactory to the Association, the Borrower and NBPOD and the execution and delivery of such amendment on behalf of the Borrower and NBPOD have been duly authorized or ratified by all necessary corporate and governmental action; and
- (b) the execution and delivery of the Subsidiary Loan Agreement on behalf of the Borrower and PNGDB have been duly authorized or ratified by all necessary corporate and governmental action.

Section 6.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the Ordinance of the Borrower authorizing or ratifying this Development Credit Agreement has been laid before each House of Parliament of the Commonwealth of Australia;
- (b) that the amendment to the NBPOD Agreement referred to in Section 6.01. (a) of this Development Credit Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and NBPOD and constitutes a valid and binding obligation of the Borrower and NBPOD in accordance with its terms; and
- (c) that the Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and PNGDB and constitutes a valid and binding obligation of the Borrower and PNGDB in accordance with its terms.

Section 6.03. The date of May 29, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be June 30, 1974 or such other date as may from time to time be agreed between the Borrower and the Association.

Section 7.02. The Administrator of Papua and New Guinea is designated for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Association:

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

Cable address:

Indevas
Washington, D.C.

For the Borrower:

His Honour
The Administrator of Papua and New Guinea
Port Moresby
Papua and New Guinea

Cable address:

Admin
Port Moresby

Section 7.04. Part A (v) of Schedule 2 to the development credit agreement between the Association and the Borrower, dated January 21, 1969, is hereby deleted.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Development Credit Agreement to be signed in their respective names and delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association:

By SIMON ALDEWERELD
Vice President

Administration of the Territory of Papua and New Guinea:

By GORDON A. LOW
Authorized Representative

SCHEDULE 1

ALLOCATION OF THE PROCEEDS OF THE CREDIT

<i>Category</i>	<i>Amounts Expressed in U.S. Dollar Equivalent</i>
<i>Coconuts</i>	
1. Long-term PNGDB loans to coconut planters	300,000
<i>Livestock</i>	
2. Long-term PNGDB loans to ranchers	1,075,000
3. On-farm investment, including livestock and educational facilities and freight and disease control, in Borrower's ranches	590,000
<i>Oil Palms</i>	
4. Long-term PNGDB loans to smallholders	940,000
Borrower's services to smallholders:	
5. Land sub-division and crop extraction roads	640,000
6. Agricultural extension services	360,000
7. Kimbe Wharf	680,000
8. Unallocated	415,000
TOTAL	<u>5,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in Categories 1 to 7 shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category 8.

2. If the estimate of the cost of the items included in any of the Categories 1 to 7 shall increase, an amount equal to such increase in the case of Category 2, or in the case of Categories 1, 3, 4, 5, 6 and 7 an amount equal to 36%, 84%, 64%, 64%, 64% and 68%, respectively, of such increase, will be allocated by the Association, at the request of the Borrower, to such Category from Category 8, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

DESCRIPTION OF PROJECT

The Project consists of:

PART A. *Coconuts*

Provision by PNGDB of long-term loans to about 25 planters to help finance planting and re-planting coconuts on about 10,000 acres of existing coconut estates.

PART B. *Cattle Ranching*

1. Provision by PNGDB of long-term loans to about 15 ranchers to help finance ranch development plans for (i) the improvement and stocking of about 100,000 acres on partly developed ranches and (ii) the development and stocking of about 50,000 acres of additional grazing land.
2. Completion of development of the Borrower's ranches at Baiyer River and Urimo, to produce cattle for sale to native ranchers.
3. Provision by the Borrower of cattle management training to native ranchers, including the construction, furnishing and equipping of educational facilities at two of the Borrower's ranches and extension of similar facilities in the Borrower's ranch at Baiyer River.

PART C. *Oil Palms*

1. Expansion of the Factory Company's oil mill capacity to process the fresh fruit bunch production of not less than 12,480 acres of oil palms planted by smallholders not later than June 30, 1974.

2. Settlement by the Borrower, before December 31, 1972, of about 980 smallholders on about 14,700 acres in two blocks adjacent to the Plantation Company's nucleus estate and in a third block within 10 miles of Mosa in the West New Britain District and, within 3 years after each settlement, clearing and planting with oil palms of 8 acres on each smallholder plot.
3. Provision by the Borrower of adequate educational and health services to the said smallholders.
4. Provision by the Borrower of adequate extension services, including supervision, for oil palm cultivation and harvesting by the said smallholders.
5. Construction by the Borrower of all-weather crop extraction roads linking each smallholder plot with the Factory Company's oil mill.
6. Provision by PNGDB of long-term loans to the said smallholders.

PART D. *Kimbe Wharf*

Construction by the Borrower of an overseas wharf at Kimbe in the West New Britain District, capable of handling the export by ocean-going freighters of the Factory Company's oil mill production, to be operative not later than June 30, 1971, and of an all-weather road and associated bridges linking the said wharf and oil mill.

SCHEDULE 3

Basic principles to be followed by NBPOD and the Borrower to formulate the purchase price of fresh fruit bunch, payable by NBPOD to the smallholders:

(a) Each calendar month, the Borrower will gazette a local f.o.b. equivalent of the European main port c.i.f. price for palm oil and palm kernels as of an agreed date in the preceding month, less agreed freight, insurance, commissions, normal wastage and overseas port rates.

(b) An agreed deduction will be made for wharf handling charges and for running NBPOD's oil pumping and storage facilities at the wharf to determine the "in-tank" value of palm oil and the "in-store" value of palm kernels.

(c) To cover the cost of financing bulk storage, a deduction of three months' simple interest at 0.5 per cent per annum over NBPOD's bankers' current lending rate on commercial advances will be allowed on the said "in-tank" and "in-store" values of oil and kernels.

(d) An agreed deduction will be made for transportation of palm oil and palm kernels from factory to wharf and for bulk handling, bagging, handling and storage of palm kernels to determine the factory tank value of palm oil and the factory store value of naked palm kernels.

(e) The ex-factory value of the derivatives of a ton of smallholders' fresh fruit bunch will be derived from the factory tank value of palm oil and the factory store value of naked palm kernels by:

- (i) first, deducting an agreed amount, per ton of palm oil and per ton of naked palm kernels, in lieu of profit, depreciation and working capital charges and standard company tax;
- (ii) second, deducting any levies, cesses, export or other charges or duties imposed by any taxing authority of the Borrower, other than standard company tax; and then
- (iii) applying rates of extraction of oil and kernels from smallholders' fresh fruit bunch, as agreed on the basis of monthly factory tests satisfactory to the Borrower.

(f) The purchase price of fresh fruit bunch payable by NBPOD to the smallholders shall be the ex-factory value of the derivatives of a ton of smallholders' fresh fruit bunch less the following agreed charges:

- (i) agreed factory operating costs, including management, but excluding depreciation and working capital charges; and
- (ii) transport costs for collection and delivery to the factory of smallholders' fresh fruit bunch, if this service is performed by NBPOD.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.]

RELATED LETTER

THE COMMONWEALTH OF AUSTRALIA

THE ADMINISTRATION OF THE TERRITORY OF PAPUA AND NEW GUINEA

January 30, 1970

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433

RE: *Credit No. 175- PNG (Agricultural Development Project)*
Marketing Regulations

Dear Sirs:

We refer to Section 4.09 of the Development Credit Agreement (*Agricultural Development Project*) between the International Development Association (the

Association) and the Administration of the Territory of Papua and New Guinea (the Borrower) of even date herewith.

We confirm that, as of this date, neither the Borrower nor the Commonwealth of Australia have enacted any regulations concerning the marketing of coconut, copra, beef cattle, palm oil, palm kernels or derivatives thereof, applicable in the territories of the Borrower, except for such regulations as are set forth in Annex A hereto, certified copies of which will be supplied to you.

If, at any time, the Governor-General of the Commonwealth shall, pursuant to Sections 65 (b) and 78 of the Papua and New Guinea Act 1949-1968 of the Commonwealth of Australia, enact or amend, or propose to enact or amend, any regulations on the marketing of coconut, copra, beef cattle, palm oil, palm kernels or derivatives thereof, applicable in the territories of the Borrower, the Commonwealth of Australia will promptly inform the Association and exchange views with it thereon.

Very truly yours,

The Commonwealth of Australia:

[Signed]

KEITH WALLER

Authorized Representative

The Administration of the Territory of Papua and New Guinea:

[Signed]

GORDON A. LOW

Authorized Representative

ANNEX A

1. Papua and New Guinea Copra Marketing Board Ordinance 1952-1967 which comprises the Papua and New Guinea Copra Marketing Board Ordinance 1952 (no. 70 of 1952) as amended by Ordinance Nos. 102 of 1952, 25 of 1956, 23 of 1957 and 60 of 1967.
2. Papua and New Guinea Copra Industry Stabilisation Ordinance 1954-1962 which comprises the Papua and New Guinea Copra Industry Stabilisation Ordinance 1954 (no. 16 of 1954) as amended by Ordinance Nos. 9 of 1955, 37 of 1956, 22 of 1957, 35 of 1959, 16 of 1962, 63 of 1968 and 74 of 1968.
3. Papua and New Guinea Copra Industry Stabilisation Regulations 1960 (No. 37 of 1960 and No. 15 of 1969).
4. Copra Ordinance 1952 (No. 3 of 1953).
5. Copra Inspection Regulations 1953 (no. 18 of 1953) as amended by Regulations Nos. 33 of 1956, 46 of 1957 and 11 of 1962.
6. Exports (Dessicated Coconut) Regulations 1956 (No. 2 of 1957) as amended by Regulation No. 28 of 1960.

7. Slaughtering Ordinance 1964 (No. 1 of 1965).
 8. Slaughtering Regulations 1965 (No. 32 of 1965).
 9. Sale of Meat Ordinance 1951 (No. 55 of 1951) as amended by Ordinance Nos. 29 of 1953, 40 of 1954, 8 of 1961 and 28 of 1962.
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