

No. 9626

INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA

Development Credit Agreement—*Irrigation Rehabilitation Project* (with annexed Credit Regulations No. 1, as amended). Signed at Washington on 6 September 1968

Authentic text : English.

Registered by the International Development Association on 13 June 1969.

ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE

Contrat de crédit de développement — *Projet relatif à la remise en état du système d'irrigation* (avec, en annexe, le Règlement n° 1 sur les crédits de développement, tel qu'il a été modifié). Signé à Washington le 6 septembre 1968

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 13 juin 1969.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated September 6, 1968, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

CREDIT REGULATIONS; SPECIAL DEFINITIONS

Section 1.01. The parties to this Agreement accept all the provisions of Development Credit Regulations No. 1 of the Association dated June 1, 1961, as amended February 9, 1967,² with the same force and effect as if they were fully set forth herein (said Development Credit Regulations No. 1 being hereinafter called the Regulations).

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

(a) "Ministry" means the Ministry of Public Works and Power of the Borrower;

(b) "Directorate" means the Directorate General of Water Resources Development, an agency of the Borrower within the Ministry, and includes any successor to such agency.

Article II

THE CREDIT

Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions in the 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(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Agreement and the Regulations and in accordance with

¹ Came into force on 25 March 1969, upon notification by the Association to the Government of Indonesia.

² See p. 168 of this volume.

the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time as provided in such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. (a) The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods required for the Project and to be financed under this 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) in currencies other than that of the Borrower, for expenditures under Categories 1 through 5 of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement; and
- (ii) the equivalent of seventy-five per cent (75 %) of such amounts as shall have been expended by the Borrower on the operation and maintenance described under Category 6 of such Schedule 1; provided, however, that if there shall be a change in the estimate of such expenditures or in the total amount of the proceeds of the Credit allocated to such Category, the Association shall by notice to the Borrower adjust the above percentage as required in order that withdrawals of the amount of the Credit then allocated to such Category and not withdrawn may continue *pro rata* with the expenditures to be made under such Category.

(b) Except as shall be otherwise agreed by the Association, no withdrawals shall be made on account of expenditures made prior to the date of this Agreement.

Section 2.04. 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 2.05. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 1 and October 1 commencing October 1, 1978 and ending April 1, 2018, each installment to and including the installment payable on April 1, 1988 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.

Section 2.07. The currency of the United States of America is hereby specified for purposes of Section 3.02 of the Regulations.

Article III

USE OF THE PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit in accordance with the provisions of this Agreement to expenditures on the Project, described in Schedule 2 to this Agreement. For the purpose, such proceeds shall be made available to the Ministry for use by the Directorate.

Section 3.02. Except as the Association shall otherwise agree, (i) goods, other than consulting services, to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the Guidelines for Procurement under World Bank Loans and IDA Credits published by the Association in February, 1968 and in accordance with such other procedures supplementary thereto as shall be agreed between the Borrower and the Association, and (ii) contracts for the procurement of all goods shall be subject to the approval of the Association.

Section 3.03. Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause all goods financed out of the proceeds of the Credit to be used exclusively in the carrying out of the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out the Project with due diligence and efficiency and in accordance with sound agricultural, engineering, economic and financial policies and practices and shall make available, or cause the regional administrations to make available, promptly as needed the funds, facilities, services and other resources required for the purpose.

(b) In carrying out the Project the Borrower shall employ consultants acceptable to the Borrower and the Association to work with the Directorate. The nature and scope of the responsibilities of such consultants and the other terms and conditions of their employment shall be determined in respect of each part of the Project by agreement between the Borrower and the Association.

(c) Upon request from time to time by the Association, the Borrower shall promptly furnish to the Association the plans, specifications and work schedules for the Project, and any material modifications subsequently made therein, in such detail as the Association shall request.

(d) The Borrower shall maintain or cause to be maintained records adequate to identify the goods financed out of the proceeds of the Credit, 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 expenditures and availability of funds in respect of the works and facilities included in the Project, of any agency or regional administration of the Borrower responsible for the construction, operation or maintenance of such works and facilities or any part thereof and shall enable the Association's representatives to inspect the Project, the operation of the works and facilities included therein, the goods and any relevant records and documents.

(e) The accounts relating to the Project to be kept pursuant to paragraph (d) above shall be audited annually by an independent auditor acceptable to the Association, and copies of the reports of such auditor shall be furnished promptly to the Association.

Section 4.02. (a) The Borrower shall cause the works and facilities included in the Project, and the machinery and equipment to be financed out of the proceeds of the Credit, to be operated and maintained, and to be renewed from time to time as necessary, in accordance with sound agricultural, engineering, economic and financial policies and practices and shall take such action as shall be reasonably required to ensure the economic use of the water made available by such works for agricultural development.

(b) In order to assist in the provision of funds for the operation and maintenance of the facilities included in the Project, the Borrower shall obtain, from the users of such facilities, a substantial contribution towards the cost of such operation and maintenance.

(c) For the Way Seputih system, the Borrower, through the regional administration, shall establish, maintain and enforce the collection of charges which, upon completion of the system, will enable the recovery on an experimental basis from the users of the irrigation system of the full costs of operation and maintenance of such system.

(d) With the assistance of the consultants, the Borrower shall study the actual costs of operation and maintenance of all systems included in the Project, and will submit to the Association its proposals for methods for the financing of such costs, including the proportions thereof to be borne by the users of the systems.

Section 4.03. (a) In carrying out and operating the Project the Borrower shall coordinate the activities of its ministries, departments, regional administrations and other agencies in accordance with sound administrative policies and practices and under experienced and competent personnel.

(b) To ensure such coordination in the rehabilitation of the irrigation systems included in the Project, including the tertiary canals, the Directorate shall charge the regional Directors of Public Works with the responsibility for such rehabilitation, and the Borrower shall ensure, through the regional administration, that all district and village authorities follow the directives of such Directors in matters relating to the carrying out of the Project.

Section 4.04. (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 the Development Credit Agreement, and to the administration, operations and financial condition with respect to the Project, of the Ministry, the Directorate, the regional administrations and any other agency of the Borrower responsible for the carrying out of the Project or any part thereof, and other matters relating to the purposes of the Credit.

(b) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Credit and the maintenance of the service thereof, the expenditure of the proceeds of the Credit, the goods financed out of such proceeds, the Project, and the administration, operations and financial condition with respect to the Project, of the Ministry, the Directorate, the regional administrations and any other agency of the Borrower responsible for the carrying out of the Project or any part thereof. Such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(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, the maintenance of the service thereof or the performance by the Borrower of its obligations under the Development Credit Agreement.

Section 4.05. The principal of, and service charge 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 4.06. This 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, issue, delivery or registration thereof.

Section 4.07. Except as the Association and the Borrower shall otherwise agree, the Borrower undertakes to insure the imported goods to be financed out of the proceeds of the Credit 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 by the Borrower to replace or repair such goods.

Section 4.08. 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 4.09. The Borrower shall ensure the optimum rate of utilization of the earth-moving machinery and equipment to be financed out of the proceeds of the Credit for use in carrying out the Project.

Section 4.10 The Borrower shall take such action as shall be necessary to provide adequate supporting services in each area benefiting from any part of an irrigation system rehabilitated as part of the Project, including the offering to farmers of agricultural inputs and extension services under the plans currently known as BIMAS or INMAS, or under similar plans subsequently introduced.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. (i) If any event specified in paragraph (a) or paragraph (c) of Section 5.02 of the Regulations shall occur and shall continue for a period of thirty days, or (ii) if any event specified in paragraph (b) of Section 5.02 of the Regulations shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower, 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, and upon any such declaration such principal shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Article VI

EFFECTIVENESS; TERMINATION

Section 6.01. The following event is specified as an additional condition to the effectiveness of this Agreement within the meaning of Section 8.01 (b) of the Regulations, namely, that the consultants referred to in Section 4.01 (b) of this Agreement shall have been employed.

Section 6.02. If this Development Credit Agreement shall not have come into force and effect by January 1, 1969, this Development Credit Agreement and all obligations of the parties hereunder shall terminate, unless the Association, after consideration of the reasons for the delay, establishes a later date for the purposes of this Section. The Association shall promptly notify the Borrower of such later date.

Article VII

MISCELLANEOUS

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

Section 7.02. The Minister of Finance of the Borrower is designated for the purposes of Section 7.03 of the Regulations.

Section 7.03. The following addresses are specified for the purposes of Section 7.01 of the Regulations :

For the Borrower :

Ministry of Finance
Post Office Box 21
Djakarta, Indonesia

Cable address :

Ministry Finance
Djakarta

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.

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 to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Indonesia :
 By SOEDJATMOKO
 Authorized Representative
 International Development Association :
 By Robert S. McNAMARA
 President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>US Dollar Equivalent</i>
1. Dredgers	400,000
2. Draglines	400,000
3. Tractors, Scrapers, Graders and Dump Trucks	800,000
4. Vehicles, Equipment Transporters, Concrete Mixers, Compressors, Pumps and Equipment for Stationary Repair Shops; Mobile Repair Shops; Materials and Supplies	800,000
5. Consultants' Services	1,250,000
6. Operation and Maintenance of above-listed Machinery and Equipment	1,000,000
7. Unallocated	350,000
TOTAL	<u>5,000,000</u>

REALLOCATIONS UPON CHANGES IN COST ESTIMATES

1. If the estimate of the cost of items under any of Categories 1 through 5 shall decrease, the amount of the Credit allocated to, and no longer required for, such Category will be reallocated by the Association to Category 7. Any amount remaining in such Category 7 after all required reallocations to any of Categories 1 through 5 shall be reallocated to Category 6.

2. If the estimate of the cost of items under any of Categories 1 through 5 or of expenditures under Category 6, shall increase, the Association will, at the request of the Borrower, reallocate from Category 7 to the appropriate Category an amount equivalent to the portion, if any, of such increase to be financed out of the proceeds of the Credit; subject, however, to the requirements, as determined by the Association, for contingencies in respect of the cost of the items in the other Categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project includes the rehabilitation of the East Semarang, Rentang and Tjisedane irrigation systems in Java and the completion of the Way Seputih irrigation system in Sumatra within a five-year period, using earth-moving machinery and materials financed out of the proceeds of the Credit, together with manual labor. The Project also includes the following:

(a) *Technical Assistance*: an engineering study by consultants of the rehabilitation problem in the areas concerned, the drawing up of a detailed plan for the execution of the Project as well as rules for the future operation and maintenance of the systems, including the financing thereof, and the preparation of a further project for irrigation rehabilitation in other areas.

(b) *Training and Procurement*: the training of operators and mechanics and the procurement of earth-moving machinery and equipment, spare parts, repair shops and materials.

(c) *Pilot Area for Improved Irrigation Management*: the establishment of the Way Seputih irrigation system as a pilot area for unified irrigation management.

The Project is expected to be completed by December, 1973.

INTERNATIONAL DEVELOPMENT ASSOCIATION

DEVELOPMENT CREDIT REGULATIONS No. 1, DATED 1 JUNE 1961,
AS AMENDED 9 FEBRUARY 1967

REGULATIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS
WITH MEMBER GOVERNMENTS

[Not published herein. See United Nations, Treaty Series, vol. 617, p. 60.]