

No. 10571

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**INTERNATIONAL DEVELOPMENT ASSOCIATION  
and  
INDONESIA**

**Development Credit Agreement—*Highway Project* (with annexed  
General Conditions Applicable to Development Credit Agree-  
ments). Signed at Washington on 20 June 1969**

*Authentic text: English.*

*Registered by the International Development Association on 1 July 1970.*

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**ASSOCIATION INTERNATIONALE  
DE DÉVELOPPEMENT  
et  
INDONÉSIE**

**Contrat de crédit de développement — *Projet relatif au réseau  
routier* (avec, en annexe, les Conditions générales applicables  
aux contrats de crédit de développement). Signé à Washington  
le 20 juin 1969**

*Texte authentique: anglais.*

*Enregistré par l'Association internationale de développement le 1<sup>er</sup> juillet 1970.*

## DEVELOPMENT CREDIT AGREEMENT<sup>1</sup>

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AGREEMENT, dated June 20, 1969, 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 the General Conditions Applicable to Development Credit Agreements of the Association dated January 31, 1969<sup>2</sup> with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Development Credit Agreements being hereinafter called the General Conditions).

*Section 1.02.* Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth, and in the Development Credit Agreement, the following additional terms have the following meanings:

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

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

(c) "UNDP Study" means the project being carried out under the Contract for Consultants' Services between KAMPSAX and the International Bank for Reconstruction and Development dated September 20, 1968 and pursuant to the Plan of Operation between the Borrower, the United National Development Programme (Special Fund) and the Bank dated September 30, 1968.

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<sup>1</sup> Came into force on 2 October 1969, upon notification by the Association to the Government of Indonesia.

<sup>2</sup> See p. 274 of this volume.

*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 twenty-eight million dollars (\$28,000,000).

*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 General Conditions and in accordance with 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 and services 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 described under Categories 1 through 6 of the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement; and
- (ii)* the equivalent of sixty per cent (60%) of such amounts as shall have been expended by the Borrower for locally-procured hand tools procured under Category 3 of such Schedule 1.

*(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 June 15 and December 15 in each year.

*Section 2.06.* The Borrower shall repay the principal amount of the Credit in semi-annual instalments payable on each June 15 and December 15 commencing December 15, 1979 and ending June 15, 2019, each instalment to and including the instalment payable on June 15, 1989 to be one-half of one per cent ( $\frac{1}{2}$  of 1%) of such principal amount, and each instalment 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 4.02 (a) of the General Conditions.

### Article III

#### USE OF PROCEEDS OF THE CREDIT

*Section 3.01.* 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 Agreement. For the purpose, such proceeds shall be made available to the Ministry for use by the Directorate General.

*Section 3.02.* (a) Except as the Association shall otherwise agree, (i) all equipment and materials, except the hand tools to be procured under part B of the Project, 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 such equipment and materials shall be subject to the approval of the Association.

(b) The specific equipment and materials to be procured for the rehabilitation under part A of the Project and for the maintenance program and for each of the workshops under part B thereof are listed in Schedule 3 to this Agreement. Such Schedule is subject to modification from time to time by agreement between the Borrower and the Association.

*Section 3.03.* Until completion of the Project and except as the Borrower and 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 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 highway 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 General. 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) The specific national and regional roads to be rehabilitated under part A of the Project, and the specific works and design standards therefor to be carried out for the purpose, shall be determined by agreement between the Borrower and the Association on the basis of the inventory produced by the consultants under the UNDP Study. Such agreement shall be subject to modification from time to time by further agreement between the Borrower and the Association.

(d) 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.

(e) The Borrower shall maintain or cause to be maintained records adequate to identify the goods and services 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, such goods and any relevant records and documents.

*Section 4.02.* (a) The Borrower shall cause the roads included in the Project to be maintained, and the machinery and equipment to be financed out of the proceeds of the Credit to be operated, maintained and renewed as necessary, in accordance with sound engineering and economic practices.

(b) In the provision of funds for the maintenance of the roads included in the Project, the Borrower shall, in making its allocations for such funds, take into account the findings of the UNDP Study.

*Section 4.03.* The Borrower shall administer its highway system, and for the purpose shall coordinate the activities of its ministries, departments, regional administrations and other agencies and instrumentalities, in accordance with sound administrative and economic policies and practices and under experienced and competent personnel. For the purpose:

(a) The Borrower shall take such steps as shall be necessary to increase to adequate levels the number of professional and technical staff for all aspects of highway work at both national and regional levels.

(b) All machinery and equipment of the Borrower capable of being utilized on highway work, including that in the possession of agencies of the Borrower not normally charged with such work, as well as any technical expertise of such agencies, surplus to the operational requirement of such agencies and not committed to other tasks, shall be utilized for highway works of economic importance, taking into account the economic priorities compiled under the UNDP Study.

*Section 4.04.* In the formulation of its policies on transportation, the Borrower shall (i) take into consideration the recommendations concerning such policies of the advisory team under the UNDP Study; (ii) take into account the recommendations of the consultants under the UNDP Study in the regulation of vehicle weights and dimensions and (iii) shall provide for collection and recording, in accordance with sound statistical methods and procedures, of such technical, economic and financial information as shall be required for transport planning and, in particular, for the proper planning of maintenance, improvement and extension of the Borrower's highway system.

*Section 4.05.* (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 General, 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 and services financed out of such proceeds, the Project, and the administration, operations and financial condition with respect to the Project, of the Ministry, the Directorate General, 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 4.06.* 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 or the Borrower or laws in effect in its territories.

*Section 4.07.* 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 4.08.* 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 4.09.* 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.

#### *Article V*

##### REMEDIES OF THE ASSOCIATION

*Section 5.01.* If any event specified in Section 7.01 of the General Conditions 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 by notice to the Borrower 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.

#### *Article VI*

##### TERMINATION

*Section 6.01.* If this Development Credit Agreement shall not have come into force and effect by September 26, 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 December 31, 1973, 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 as the representative of the Borrower 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 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>Amounts Expressed<br/>in Dollar Equivalent</i> |
|---|---|
| 1. Equipment, spare parts and materials for highway rehabilitation and maintenance, including bridges . . . . .                 | 19,800,000  |
| 2. Equipment, other than hand tools, for workshops; mobile servicing units . . . . .  | 1,125,000   |
| 3. Hand tools for workshops and mobile serving units . . . . .  | 75,000  |
| 4. Equipment for pilot training and experimental programs including laboratory, field testing and surveying equipment . . . . . | 100,000   |
| 5. Office equipment for inventory control and cost accounting . . . . .   | 100,000   |
| 6. Consultants' services . . . . .  | 5,000,000   |
| 7. Unallocated . . . . .  | 1,800,000   |
|   | <u>TOTAL 28,000,000</u>                           |

## REALLOCATION UPON CHANGES IN COST ESTIMATES

1. If the estimate of the cost of items under any of Categories 1 through 6 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.

2. If the estimate of the cost of items under any of Categories 1 through 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 comprises the following parts:

A. The rehabilitation over a four-year period of about 110 high-priority roads and road sections, including bridges and culverts, totaling about 3,000 km, in East and West Java, South and West Sumatra and South Sulawesi, generally to the highest previous standards, and the procurement of equipment, materials and consultants'

services for the purpose. Such roads and road sections shall be selected on the basis of Drawings Nos. SN 3345/LN1.1 and SN 3343/LN1.3 dated March 6, 1969, SN 3343/LN2 dated February 28, 1969 and SN 3343/LN4 dated January 20, 1969, produced by the consultants under the UNDP Study.

B. The carrying out of a four-year program of road maintenance throughout the territories of the Borrower, with the exception of Djakarta, Central Kalimantan, Central and South-East Sulawesi, Maluku and West Irian, including for the purpose the rehabilitation and equipment of workshops, the provision of mobile servicing units and the procurement of consultants' services.

C. The carrying out in North Sumatra, West Java and South Sulawesi of four-year pilot training and experimental programs in all aspects of highway work, including construction, maintenance, administration and planning, with the assistance of consultants, and the procurement of equipment and supplies therefor.

D. The establishment and implementation, with the assistance of consultants, of inventory-control and cost-accounting procedures in the central and regional public works organizations, and the procurement of office equipment and supplies for the purpose.

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

### SCHEDULE 3

#### EQUIPMENT AND MATERIALS TO BE PROCURED

##### 1. REHABILITATION AND MAINTENANCE PROGRAM

###### (a) Equipment

| <i>Item</i>   | <i>Approximate<br/>Number<br/>to be Procured</i> |
|---|--|
| Truck-mounted asphalt distributor . . . . .             | 16   |
| Stationary asphalt melting tank. . . . .                | 86   |
| Trailer-mounted asphalt heater . . . . .                | 31   |
| Mechanical Broom and Tractor . . . . .                  | 8  |
| Compressor (100-150 cu. ft/minute) and tools . . . . .  | 68   |
| Compressor (350-400 cu. ft/minute) and tools . . . . .  | 35   |
| Drilling rig for quarry. . . . .                        | 2  |
| Crushing and Screening plant (30-40 ton/hour) . . . . . | 11   |
| Excavator with shovel. . . . .                          | 5  |
| Concrete mixer (14/10 cu. ft). . . . .                  | 57   |

| <i>Item</i>                            | <i>Approximate<br/>Number<br/>to be Procured</i> |
|--|--|
| Generating Set . . . . .               | 14   |
| Pick-up (or Jeep) . . . . .            | 130  |
| Loader, wheeled (1 cu. yd). . . . .    | 28   |
| Motor Grader (80-112 hp). . . . .      | 54   |
| Pulvi-mixer . . . . .                  | 10   |
| Mixing plant (gravel pit). . . . .     | 4  |
| Diesel pump (4 in.) . . . . .          | 63   |
| Roller, rubber-tired . . . . .         | 5  |
| Power saw. . . . .                     | 22   |
| Stone spreader . . . . .               | 4  |
| Chipping spreader . . . . .            | 13   |
| Crawler Tractor (D6) . . . . .         | 21   |
| Dump-trucks (5-6 ton) . . . . .        | 569  |
| Flat-bed truck . . . . .               | 291  |
| Water-tank truck . . . . .             | 50   |
| Lubrication truck. . . . .             | 26   |
| Repair truck . . . . .                 | 20   |
| Fuelling truck . . . . .               | 16   |
| Crane truck . . . . .                  | 78   |
| Recovery vehicle . . . . .             | 10   |
| Recovery vehicle and low-boy . . . . . | 8  |
| Quarry truck. . . . .                  | 28   |
| Industrial tractor . . . . .           | 19   |
| Mobile Welding set . . . . .           | 29   |
| Vibrating plate tamper . . . . .       | 22   |
| Concrete vibrator. . . . .             | 138  |

and miscellaneous smaller items

(b) Materials

| <i>Item</i>   | <i>Approximate<br/>Quantity</i> |
|---|---------------------------------|
| Ordinary Portland Cement . . . . .                            | 14,000 metric ton               |
| Structural and reinforcing mild steel . . . . .               | 8,500 metric ton                |
| Asphalt . . . . .   | 17,500 metric ton               |
| Prefabricated bridging (Bailey bridging or similar) . . . . . | 350 lin meter                   |
| Explosives . . . . .  | 50 metric ton                   |

## 2. EQUIPMENT FOR WORKSHOPS

One unit comprising:

|                                       |                         |
|---------------------------------------|-------------------------|
| Lathe and attachments                 | } per regional workshop |
| Floor drill press                     |                         |
| Floor dual grinder                    |                         |
| Bench-mounted drill press             |                         |
| Bench-mounted dual grinder            |                         |
| Work benches complete (3 No.)         |                         |
| Hand operated hydraulic press         |                         |
| Mobile gas-welder                     |                         |
| Power shears                          |                         |
| Power hacksaw                         |                         |
| Air compressor                        |                         |
| Fuel injection pressure tester        |                         |
| Battery charging equipment            |                         |
| Miscellaneous hand tools              |                         |
| Stationary oil and greasing equipment |                         |
| Mobile arc-welder                     |                         |

Equipment is to be procured together with an initial supply of spare parts, the ex-factory price of which represents about 15 % of the ex-factory price of the equipment in question.

The above-quoted capacities and sizes should be taken as an indication only.

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.*]