

No. 11180

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

Development Credit Agreement—*Third Irrigation Rehabilitation Project* (with annexed General Conditions Applicable to Development Credit Agreements and related letter). Signed at Washington on 6 November 1970

Authentic text : English.

Registered by the International Development Association on 22 June 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

Contrat de crédit de développement—*Troisième projet relatif à la remise en état du système d'irrigation* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et lettre connexe). Signé à Washington le 6 novembre 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 22 juin 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated November 6, 1970, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

Article I

GENERAL CONDITIONS; 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, 1969,² with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Section 5.01 thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, 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 the following additional terms have the following meanings :

(a) " PROSIDA " means Proyek Irigasi IDA, an executive body within the Directorate General of Water Resources Development of the Borrower's Ministry of Public Works and Electric Power;

(b) " First Development Credit Agreement " means the Development Credit Agreement (*Irrigation Rehabilitation Project*) dated September 6, 1968³ between the Borrower and the Association; and

(c) " Irrigation System " means any of the irrigation systems as described in Schedule 2 to this Agreement and, if the context so requires, such term shall include any of the irrigation systems as described in Schedule 2 to the First Development Credit Agreement, such term being synonymous with the term " sub-project " as presently employed by PROSIDA.

¹ Came into force on 28 May 1971, upon notification by the Association to the Government of Indonesia.

² See p. 110 of this volume.

³ United Nations, *Treaty Series*, vol. 676, p. 151.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fourteen million five hundred thousand dollars (\$14,500,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree : (i) the civil works contracts required for the Project shall be procured under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement; and (ii) other goods and services (other than consultants's services) to be financed out of the proceeds of the Credit shall be procured on the basis of international competition under the same procedures.

Section 2.04. The Closing Date shall be December 31, 1975 or such other date as shall be agreed between the Borrower and the Association.

Section 2.05. 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 2.06. Service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 1 and December 1 commencing December 1, 1980 and ending June 1, 2020, each installment to and including the installment payable on June 1, 1990 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 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Article III

EXECUTION OF THE PROJECT

Section 3.01. (a) The Borrower shall carry out the Project through PROSIDA with due diligence and efficiency and in conformity with sound agricultural, engineering, economic and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) The Borrower shall through PROSIDA and its appropriate local agencies guide and direct farmers in completing the construction of each tertiary canal included in the Project and shall complete each such canal or cause each such canal to be completed within twelve months after the first fifty meters thereof have been constructed by the Borrower.

(c) Without limitation on the obligations of the Borrower under paragraph (a) of this Section, the Borrower shall ensure that sufficient liquid funds to cover the budgeted expenditures estimated by PROSIDA to be made during each quarter for the Project shall be available to PROSIDA not later than the fifteenth day of such quarter.

Section 3.02. (a) In order to assist the Borrower in the detailed planning, design and construction supervision of the works included in the Project, the Borrower shall employ engineering consultants acceptable to the Association upon terms and conditions satisfactory to the Association.

(b) In order to assist the Borrower in strengthening the staff of PROSIDA, the Borrower shall employ under two-year contracts satisfactory to the Association three internationally recruited experts acceptable to the Association and specialized in construction and contract procedures, training, operations and maintenance, and accounting and administration, respectively.

Section 3.03. Until the Project shall have been completed :

(a) The Borrower shall cause PROSIDA to be at all times adequately staffed with qualified and competent personnel under the supervision of a competent and experienced General Manager, and, to that end, the Borrower shall promptly take such measures to strengthen PROSIDA's staff as shall be agreed upon between the Borrower and the Association;

(b) Before making any new appointment to the position of General Manager of PROSIDA, the Borrower shall inform the Association of the names, qualifications and experience of the persons considered for such appointment and afford the Association a reasonable opportunity to exchange views with the Borrower on the qualifications and experience of such persons; and

(c) Without limitation on the obligations of the Borrower under paragraph (a) of this Section, the Borrower shall, from a date before April 1, 1971 onwards, employ for each of the Irrigation Systems then entrusted to PROSIDA a

qualified competent Sub-project Manager and in PROSIDA on a full-time basis a qualified and competent Deputy Sub-project Manager (Engineering), shall cause such officials to be vested with all necessary powers and authorities, and shall charge each such Sub-project Manager, and in his absence his Deputy Sub-project Manager (Engineering), with full responsibility for the rehabilitation and development, and the operation and maintenance during construction, of the Irrigation System to which he is assigned.

Section 3.04. (a) In carrying out Part A of the Project, the Borrower shall employ qualified and experienced contractors upon terms and conditions satisfactory to the Association.

(b) Civil works included in Part A of the Project may be carried out by force account, provided, however, that at no time the then estimated aggregate cost of such civil works carried out by force account shall exceed fifteen per cent (15%) of the then estimated aggregate cost of all civil works required for the Project.

Section 3.05. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, 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.

(b) 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 for the Project.

Section 3.06. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications and construction and work schedules for the Project, and any material modifications or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

(c) PROSIDA's accounts to be kept pursuant to paragraph (b) of this Section shall be audited each fiscal year, in accordance with sound auditing

principles consistently applied, by independent auditors acceptable to the Association, and as soon as available, but in any case not later than four months after the end of each such year, the Association shall be furnished with certified copies of such accounts for such year as so audited and the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested.

(d) From April 1, 1971 onwards, the expenditures of PROSIDA for its headquarters shall be budgeted and accounted for separately from the budgets or accounts of any of its sub-projects.

Section 3.07. The Borrower shall ensure that PROSIDA shall not be engaged in new rehabilitation projects unless the Association is satisfied that such engagement would not adversely affect the carrying out of the Project or the project described in Schedule 2 to the First Development Credit Agreement.

Article IV

OTHER COVENANTS

Section 4.01. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.02. (a) The Borrower shall cause all canals, structures, roads, equipment and other facilities of any Irrigation System included in the Project to be operated and maintained by the Province in whose territory such system is situated, and all necessary repairs and renewals thereof to be made from time to time, all in accordance with sound agricultural, engineering and financial policies and practices, and shall cause such action to be taken as shall be reasonably required to ensure the economic use of the water made available by such systems for agricultural development and operations. To that end, the Borrower shall promptly take or cause to be taken such measures to increase the effectiveness of the operation and maintenance of the Irrigation Systems included in the Project as shall be agreed upon between the Borrower and the Association.

(b) Within twelve months after the Development Credit Agreement shall have come into force and effect, the Borrower shall cause an irrigation advisory sub-committee to be established for each sub-district in each of the Irrigation Systems included in the Project and the project described in Schedule 2 to the First Development Credit Agreement, for the purpose of advising and assisting the existing reGENCY irrigation committees in respect of the operation and main-

tenance of the Irrigation System in such area. Such sub-committees shall consist of the head of the sub-district in question, irrigation personnel, agricultural personnel, police and *ulu-ulu*'s, and shall function under satisfactory terms of reference.

Section 4.03. (a) The Borrower shall take such action as shall be necessary to provide adequate agricultural supporting services in each area benefiting from any of the Irrigation Systems, including provision of agricultural extension services and agricultural inputs (improved seed, fertilizers, pesticides and agricultural credit) in order to encourage the optimum use of irrigation water for agricultural production.

(b) The Borrower shall cause adequate programs to be established and maintained for monitoring the economic benefits of the Project and determining the effectiveness of the supporting services provided pursuant to paragraph (a) of this Section.

Section 4.04. (a) As each of the Irrigation Systems included in the Project is rehabilitated, the Borrower, through the Province of West Java, the Province of Central Java and the Province of South Sulawesi, shall adopt and thereafter maintain and enforce appropriate legislation for the levy and collection of charges on irrigable agricultural land served by such Irrigation System, or on the users of such land, and shall commence to collect such charges within one year after each such system is rehabilitated. Within two years after each such Irrigation System is rehabilitated such charges shall have reached, and thereafter such charges shall be maintained at, levels adequate to provide the Province operating such Irrigation System with revenues sufficient to cover the operating and maintenance costs of that Province attributable to such Irrigation System, shall cause all such charges to be paid to that Province, and shall cause that Province to apply the funds so received exclusively to the operation and maintenance of such systems.

(b) In the event and to the extent that the funds available to the Province of West Java, the Province of Central Java or the Province of South Sulawesi from its own resources are insufficient to cover the expenditures estimated to be required for operation and maintenance in accordance with paragraph (a) of Section 4.02 hereof, the Borrower shall, promptly as needed, take such measures as shall be required to cover such expenditures.

Article V

CONSULTATION, INFORMATION AND INSPECTION

Section 5.01. The Borrower and the Association shall cooperate fully to assure 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 :

- (a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations and financial condition of PROSIDA and, in respect of the Project, of the other departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, and other matters relating to the purposes of the Credit; and
- (b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the operations and financial condition of PROSIDA and, in respect of the Project, of the other departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) 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 other obligations under the Development Credit Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to inspect all sites, works, property and equipment entrusted to PROSIDA and to visit any part of the territories of the Borrower for purposes related to the Credit.

Article VI

TAXES AND RESTRICTIONS

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

Article VII

REMEDIES OF THE ASSOCIATION

Section 7.01. 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 and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. The Borrower and the Association agree that any event of default under the First Development Agreement or this Development Credit Agreement shall be deemed to be an event of default under said other Development Credit Agreement; provided, however, that such event of default shall continue for the period, if any, set forth in the First Development Credit Agreement or this Development Credit Agreement after notice thereof shall have been given by the Association to the Borrower.

Article VIII

EFFECTIVE DATE; TERMINATION

Section 8.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01 (b) of the General Conditions :

Three experts have been retained by the Borrower in accordance with the provisions of Section 3.02 (b) of this Agreement.

Section 8.02. The date of April 1, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.03. The obligations of the Borrower under Article IV of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

Article IX

REPRESENTATIVE OF THE BORROWER; ADDRESSES

Section 9.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 9.02. 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 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 ABDUL MOEIS
Authorized Representative

International Development Association :
By J. BURKE KNAPP
Vice President

SCHEDULE 1

WITHDRAWAL OF THE PROCEEDS OF THE CREDIT

1. The table below sets forth the categories of items to be financed out of the proceeds of the Credit, the allocation of amounts of the Credit to each category and the percentage of eligible expenditures so to be financed in each category :

<i>Category</i>	<i>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</i>	<i>% of Expenditures to be Financed</i>
I. Civil Works Contracts	8,000,000	66% of total expenditures
II. Equipment and Spare Parts	1,000,000	100% of foreign expenditures
III. Vehicles and Spare Parts	300,000	100% of foreign expenditures and 100% of local expenditures ex-factory
IV. Technical and Management Assistance	2,300,000	100% of foreign expenditures
V. Unallocated	2,900,000	
	<u>TOTAL</u> 14,500,000	

2. For the purposes of this Schedule :

(a) The term " foreign expenditures " means expenditures for goods produced in, or services supplied from, the territories, and in the currency, of any member of the Bank (other than the Borrower) or of Switzerland;

(b) the term " local expenditures " means expenditures in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower; and

(c) the term " total expenditures " means the aggregate of foreign and local expenditures.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of :

(a) expenditures under Category I, and on account of technical assistance under Category IV, prior to April 1, 1971 and other expenditures under Categories II, III and IV prior to the date of this Agreement; and

(b) payments for taxes imposed under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply of such goods (including their imported components) or services. To the extent that the amount represented by the percentage applicable to such goods or services as set forth in the third column of the table in paragraph 1 above would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above :

- (a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit;
- (b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above :

- (i) whenever the unallocated amount of the Credit, or any part thereof, will not be required for contingencies, as determined by the Association, in respect of any expenditures, the Association, at the request of the Borrower, will allocate such amount or part thereof to Category I and increase correspondingly (up to a maximum of 100%) the percentage applicable to Category I;
- (ii) if the estimate of total expenditures under Category I shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project consists of the following parts :

Part A. The rehabilitation and improvement of existing, and the engineering and construction of new, irrigation and drainage canals and structures as well as service roads and inspection paths for the sustained operation of irrigated agriculture in the irrigation systems known as Tjudjung in West Java (comprising about 24,000 ha), Pemali-Tjomal in Central Java (comprising about 123,000 ha) and Sadang in South Sulawesi (comprising about 55,000 ha). Part A of the Project includes :

- (1) rehabilitation of the Pamarajan Barrage on the Tjudjung River, the Benteng Barrage on the Sadang River and various weirs on rivers in the Pemali-Tjomal area, and engineering and construction of new weirs at Tjisadap, Tjiawitali, Danawarih and Kaliwadas in said area;
- (2) rehabilitation of existing structures on, and canal side slopes and embankments of, primary and secondary canals, desilting and cleaning of such canals, and construction of step-landings on such canals in villages;

- (3) rehabilitation of existing, and engineering and construction of new, tertiary canals (the first fifty meters thereof by the Borrower and the remainder by farmers) and all new structures on such canals;
- (4) improvement of existing, and engineering and construction of new, drainage canals and structures as required within said irrigation systems;
- (5) rehabilitation of existing, and engineering and construction of new, service roads along primary canals and inspection paths along secondary canals;
- (6) engineering and construction of new canals, structures, drains and inspection paths in the Sidenreng and Alitta extension areas of the Sadang system; and
- (7) operation and maintenance of each of the irrigation systems included in the Project until the completion of its rehabilitation under the Project.

Part B. The procurement and installation of hydrological, construction, maintenance and communications equipment, housing and supplies for the operation and maintenance of the irrigation systems included in the Project.

Part C. Detailed planning, design and construction supervision of the works included in the Project, and strengthening of the staff of PROSIDA.

The Project is expected to be completed by December 31, 1974.

SCHEDULE 3 PROCUREMENT

1. *Grouping of Contracts*

Civil works contracts shall be grouped in sufficiently large-sized contracts (with a value of at least \$15,000 equivalent) to attract interest from experienced contractors. Contracts for equipment, vehicles and spare parts shall be grouped in amounts sufficient to attract international competition.

2. *Large Civil Works Contracts and Contracts for Equipment, Vehicles and Spare Parts*

With respect to any contract for civil works estimated to cost \$75,000 equivalent or more and for equipment, vehicles and spare parts :

(a) Bidders for civil works contracts shall be required to pre-qualify. Only experienced civilian (government or privately owned) contractors shall be prequalified. The Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of pre-qualified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for pre-qualification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions or deletions from the said list as the Association shall reasonably request.

(b) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedure to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification or addition to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

(c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report by the Borrower's engineering consultants on the evaluation and comparison of the bids received, together with the recommendations for award of said consultants, and the reasons for the intended award. The Association shall promptly inform the Borrower whether it has any objection to the intended award on the ground that it would be inconsistent with any of the procedures set forth or referred to in Section 2.03 of the Development Credit Agreement and shall state the reasons for any objection it may have.

(d) If a contract for equipment, vehicles or spare parts shall be awarded according to procedures inconsistent with those set forth or referred to in Section 2.03 of the Development Credit Agreement or over the Association's reasonable objection on the ground of inconsistency with such procedures or if the terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditures thereunder shall be financed out of the proceeds of the Credit.

(e) Copy of the contract shall be furnished to the Association promptly after its execution.

3. *Other Civil Works Contracts*

With respect to any other contract for civil works, the Borrower shall, promptly after the contract is awarded, furnish to the Association a copy of the contract as well as a copy of the record of public opening of the bids, the bid evaluation report and recommendations for award of the Borrower's engineering consultants and a statement of the reasons for any departure from such recommendations. The Association shall promptly inform the Borrower if it finds that the award of the contract is not consistent with any of said procedures.

4. *Exceptions to Guidelines for Procurement*

Notwithstanding the provisions of Section 2.03 of the Development Credit Agreement and the *Guidelines for Procurement under World Bank Loans and IDA Credits* :

(a) Bid invitations for civil works contracts may be limited to advertisements in newspapers of general circulation in the Borrower's country; and

(b) Contracts for the manufacturing of steel sluice gates need not be procured on the basis of international competition but may be negotiated with selected manufacturers.

5. *Evaluation of Foreign and Local Bids for Vehicles and Spare Parts*

With respect to all contracts for vehicles and spare parts, for the purpose of evaluating bids, bid prices shall be determined in accordance with the following rules :

(a) The term Local Bid means a bid submitted by a manufacturer, established in the territories of the Borrower, for such goods manufactured or processed in the territories of the Borrower; any other bid shall be deemed to be a Foreign Bid.

(b) The bid price under a Local Bid shall be the sum of the following amounts :

- (i) the ex-factory price of such goods excluding any taxes imposed under the laws of the Borrower or laws in effect in its territories on the importation of components of such goods; and
- (ii) domestic freight, insurance and other costs of delivery of such goods to the place of their use or installation.

(c) For the purpose of comparing any Foreign Bid with any Local Bid the bid price under a Foreign Bid shall be the sum of the following amounts :

- (i) the c.i.f. landed price of such goods net of any taxes on their importation; and
- (ii) domestic freight, insurance and other costs of delivery of such goods to the place of their use or installation.

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

INTERNATIONAL DEVELOPMENT ASSOCIATION

November 6, 1970

Republic of Indonesia
2020 Massachusetts Avenue, N.W.
Washington, D.C. 20036

Dear Sirs :

Re : Credit No. 127-IND (Irrigation Rehabilitation Project)
Credit No. 220-IND (Third Irrigation Rehabilitation Project)
Charges on Water Use—Amendment of Development Credit
Agreement

We refer to the provisions of paragraphs (b) and (c) of Section 4.02 of the Development Credit Agreement (*Irrigation Rehabilitation Project*), dated September 6, 1968, between us (hereinafter called the First Agreement), and to the provisions of Section 4.04 of the Development Credit Agreement (*Third Irrigation Rehabilitation Project*) of even date herewith between us (hereinafter called the Third Agreement).

Under Section 4.04 of the Third Agreement we have agreed that charges on irrigable agricultural land served by the irrigation systems included in the project described in that Agreement, or on the users of such land, shall be collected to cover all costs of operation and maintenance of such systems by the provinces in which they are located. The First Agreement provides for similar charges to be collected in respect of the irrigation systems described therein, which, however, would not cover the full operating and maintenance costs of such systems. Because we recognize the principle that all farmers should pay their share of the full costs of operation and maintenance of the irrigation system from which they benefit, we agreed to amend the First Agreement to harmonize its provisions applicable to charges on water use with those of the Third Agreement.

We, therefore, hereby agree that the First Agreement shall be amended by deleting paragraphs (b) and (c) of Section 4.02 thereof and by substituting the following new paragraphs therefor :

“(b) As each of the irrigation systems as described in Schedule 2 to this Agreement is rehabilitated, the Borrower, through the Province of West Java, the Province of Central Java and the Province of Lampung (Sumatra), shall adopt and thereafter maintain and enforce appropriate legislation for the levy and collection of charges on irrigable agricultural land served by such irrigation system, or on the users of such land, and shall commence to collect such charges within one year after each such system is rehabilitated. Within two years after each such irrigation system is rehabilitated such charges shall have reached, and thereafter such charges shall be maintained at, levels adequate to provide the Province operating such irrigation system with revenues sufficient to cover the operating

maintenance costs of that Province attributable to such irrigation system, shall cause all such charges to be paid to that Province, and shall cause that Province to apply the funds so received exclusively to the operation and maintenance of such system.

“(c) In the event and to the extent that the funds available to the Province of West Java, the Province of Central Java or the Province of Lampung (Sumatra) from its own resources are insufficient to cover the expenditures estimated to be required for operation and maintenance in accordance with paragraph (a) of this Section, the Borrower shall, promptly as needed, take such measures as shall be required to cover such expenditures.”

Very truly yours,

International Development Association :

[Signed]

R. J. GOODMAN
Authorized Representative

Confirmed:

Republic of Indonesia

[Signed]

ABDUL MOEIS
Authorized Representative
