

No. 10959

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

Development Credit Agreement—*Second Irrigation Rehabilitation Project* (with annexed General Conditions Applicable to Development Credit Agreements). Signed at Washington on 15 June 1970

Authentic text: English.

Registered by the International Development Association on 26 February 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

Contrat de crédit de développement — *Deuxième projet de la remise en état du système d'irrigation* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement). Signé à Washington le 15 juin 1970

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 26 février 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 15, 1970, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to assist in the financing of a rehabilitation project for the Djatiluhur irrigation system and of engineering and supervision for other irrigation rehabilitation works, described in Schedule 2 to this Agreement;

WHEREAS the Borrower will carry out the said engineering and supervision through consultants and has established the public corporation (PERUM) Otorita Djatiluhur for the execution of the rehabilitation and for the operation of the Djatiluhur irrigation system;

WHEREAS the Borrower will make available to the Otorita Djatiluhur all funds required to carry out the said irrigation rehabilitation project, including proceeds of the development credit provided for herein; and

WHEREAS the Association has, on the basis *inter alia* of the foregoing, agreed to make a development credit available to the Borrower on the terms and conditions set forth herein;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties of 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 (said General Conditions Applicable to Development Credit Agreements of the Association being hereinafter called the General Conditions).

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

¹ Came into force on 31 December 1970, upon notification by the Association to the Government of Indonesia.

² See p. 212 of this volume.

term "Authority" means Otorita Djatiluhur, a public corporation (PERUM) established by, and operating under, Government Regulation No. 20/1970 of the Borrower.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to eighteen million five hundred thousand dollars (\$18,500,000).

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 I to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods or 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, shall be required to meet payments to be made) for goods or services included in Categories I, II, III and V of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of fifty per cent (50%) of such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) for goods or services included in Category IV of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement;

provided, however, that if there shall be an increase in the estimate of such payments for goods or services included in Category IV, the Association may by notice to the Borrower adjust the stated percentage applicable to such Category 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 payments remaining to be made for goods or services included in such Category.

Section 2.04. No withdrawals from the Credit Account shall be made under Categories I, II, III or V of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement on account of payments in the currency of the Borrower, or for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.05. The currency of the United States of America is hereby specified for the 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 charges shall be payable semi-annually on May 1 and November 1 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 May 1 and November 1 commencing November 1, 1980 and ending May 1, 2020, each installment to and including the installment payable on May 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.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall apply the proceeds of the Credit allocated to Part B of the Project, described in Schedule 2 to this Agreement, to expenditures on such Part B and shall make the proceeds of the Credit allocated to Part A of the Project available to the Authority and cause the Authority to apply such proceeds to expenditures on such Part A of the Project, in accordance with the provisions of this Development Credit Agreement.

Section 3.02. Except as provided in Schedule 3 to this Agreement or as the Association shall otherwise agree, (i) the goods and 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 Bank in August 1969, and in accordance with such other procedures supplementary thereto as are set forth in Schedule 3 to this Agreement or as

shall be agreed between the Borrower and the Association, and (ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association.

Section 3.03. Except as the Association may 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.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall carry out Part B of the Project and cause the Authority to carry out Part A of 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 to be made available, promptly as needed the funds, facilities, services and other resources required for the purpose.

(b) Without limitation on the obligations of the Borrower under paragraph (a) hereof, the Borrower shall ensure that sufficient liquid funds to cover the budgeted expenditures estimated by the Authority to be made for Part A of the Project during each quarter shall be available to the Authority not later than 30 days prior to the first day of such quarter.

(c) In carrying out Part A of the Project the Borrower shall cause the Authority to employ consultants acceptable to the Association on terms and conditions satisfactory to the Association (i) to assist the Authority in the design and supervision of the works included in Part A of the Project; (ii) to assess maintenance and operation requirements for Part A of the Project and to prepare guidelines for its operation; and (iii) to carry out the studies described in Part A IV of Schedule 2 to this Agreement.

(d) For the purpose of carrying out Part B of the Project the Borrower shall employ consultants acceptable to the Association, on terms and conditions satisfactory to the Association.

(e) Except as otherwise agreed between the Association and the Borrower, the Borrower shall cause the Authority to employ contractors on terms and conditions satisfactory to the Association, to carry out the works included in Part A I of the Project.

(f) The Borrower shall promptly furnish and cause the Authority promptly to furnish to the Association the plans, specifications and work

schedules for Parts B and A of the Project, respectively, and any material modifications subsequently made therein, in such detail as the Association shall request.

(g) The Borrower shall, in respect of Part B of the Project, maintain and, in respect of Part A of the Project, cause the Authority to maintain 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 revenues, expenditures and financial condition of the Authority 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.

(h) The accounts of the Authority shall be audited annually by an independent auditor acceptable to the Association, and copies of the reports of such auditor shall be furnished to the Association not later than four months after the end of the fiscal year to which they relate.

Section 4.02. (a) The Borrower shall cause the Authority to operate and maintain all its works, plants, equipment and other facilities, including those which are part of the Project, and to make from time to time all necessary renewals, in accordance with sound agricultural, engineering, financial and public utility policies and practices and to 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) To the extent that the funds available to the Authority from its own revenues are insufficient to cover the expenditures estimated to be required for operation and maintenance in accordance with paragraph (a) hereof, the Borrower shall make available, or cause to be made available, to the Authority, promptly as needed, the funds required for the purpose.

(c) The Borrower shall ensure that the positions of President Director and Director of the Authority shall at all times be filled by qualified and experienced persons and, before an appointment is made to any such position, shall inform the Association of the name, qualifications and experience of the persons considered for appointment to such position and afford the Association a reasonable opportunity to exchange views with the Borrower on the qualifications and experience of such persons.

Section 4.03. The Borrower, through the Province of West Java and the Special District of Djakarta, shall, in accordance with the legislation now in force, establish as each part of the irrigation system under the

jurisdiction of the Authority is rehabilitated, and thereafter maintain and collect charges on irrigable agricultural land served by such part of the irrigation system, or on the users of such land, at such levels as shall be required to provide the Authority with revenues sufficient (i) to cover the operating and maintenance costs of the Authority attributable to said part of the irrigation system not later than 2 years after completion of such part, and (ii) to recover over the useful life of the irrigation system a reasonable portion of the capital expenditures of the Authority attributable to such system, and shall cause all such charges to be paid to the Authority for use in its operation. To that end, operating and maintenance costs and capital expenditures incurred for facilities and services which are common also to other water uses shall be apportioned among the various users in an equitable manner.

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 of the Authority 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 of the Authority 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. (a) The Borrower shall take such action as shall be necessary to provide adequate agricultural supporting services in each area benefiting from any part of the irrigation system rehabilitated as part of Part A of the Project, as soon as each part of such system is completed, 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 the Authority to establish and maintain an adequate program for monitoring the economic benefits of the Project and determining the effectiveness of the supporting services provided pursuant to paragraph (a) hereof.

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 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 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.

Section 5.02. For the purposes of Sections 6.02 and 7.01 of the General Conditions, the following additional event is specified:

Government Regulation No. 20/1970 of the Borrower or any provision thereof shall have been repealed or amended.

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) Such assets of the Djatiluhur State Enterprise, the Djatiluhur Irrigation Project, the Djatiluhur Irrigation Board and the Djatiluhur Tertiary Canals Project in the area under the jurisdiction of the Authority as shall be required for the initial operations of the Authority have been transferred to the Authority.
- (b) The Minister of State for Economy, Finance and Industry of the Borrower has issued all necessary general directives to the Authority in accordance with Government Regulation No. 20/1970 of the Borrower, and the governor of West Java has, in accordance with such directives, issued to the Authority all necessary guidance to carry out the Project in accordance with the Development Credit Agreement and to comply with the provisions of the said Agreement relating to the Authority.
- (c) The Authority has been empowered by the competent governmental authorities to obtain the transfer to its own staff of such members of the existing staff presently employed by the government departments or agencies for services related to the Project as the President Director shall request from time to time.

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) The directives and guidance referred to in Section 6.01 (b) have been duly issued to, and are binding on, the Authority.
- (b) The Province of West Java and the Special District of Djarkarta have the power and duty to enact regulations providing for the establishment and collection of charges in accordance with Section 4.03.

Section 6.03. The date of September 30, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.01 (f) and (g), 4.02, 4.03 and 4.09 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be November 30, 1976 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. 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 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

Alternative address for cables:

Ministry of Finance
Djakarta, Indonesia

For the Association:

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

Alternative address for cables:

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 SIMON ALDEWERELD
Vice President

SCHEDULE I

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Communication and maintenance equipment	2,200,000
II. Construction equipment for civil works contractors (up to 15% of value of each contract)	2,500,000
III. Consultant's services for Part A of the Project	1,800,000
IV. Civil works (except advances to contractors for construction equipment)	7,200,000
V. Consultant's services for Part B of the Project	500,000
VI. Unallocated	<u>4,300,000</u>
	TOTAL <u>18,500,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories I to V 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 VI.

2. If the estimate of the cost of the items included in any of the Categories I to V shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit (or, in the case of Category IV, an amount equal to 50% of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category VI, 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 THE PROJECT

The Project consists in:

Part A. (Djatiluhur rehabilitation project)

Studies by the Authority of the Djatiluhur catchment area in the Province of West Java and rehabilitation and improvement by the Authority of irrigation,

drainage and flood protection in the existing irrigation system of about 180,000 ha situated between the East and the West Tarum Canals and the sea in the province of West Java to permit year-round irrigation of rice. Part A of the Project includes:

- I. (i) Renovation and improvements to Tjurug Barrage and pumping plants;
 - (ii) Rehabilitation of the East and West Tarum Main Canals and associated structures;
 - (iii) Rehabilitation and improvement of the irrigation distribution systems in the North, West and East Tarum and Tjipunegara command areas; and
 - (iv) Construction of drains, flood protection works, roads, and telecommunication facilities in the command areas.
- II. Rehabilitation and improvement of the tertiary canals in the command areas.
- III. Procurement of equipment, housing and supplies for operation and maintenance of the irrigation system.
- IV. (i) A study of the optimum utilization of the Djatiluhur reservoir and the unregulated water supplies in other rivers for irrigation, power and water supply; and
 - (ii) Depending on water availability, feasibility studies and detailed engineering for extension of the irrigation systems within the Authority's area.

Part B. (Engineering and Supervision in other areas)

Detailed planning, design and supervision of irrigation rehabilitation works in the following areas: Tjiudung, West Java; Pemali-Tjomal, Central Java; and Sadang, South Sulawesi.

The Project is scheduled to be completed by November 1975.

SCHEDULE 3

PROCUREMENT

1. Items of communication and maintenance equipment (Category I of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement) shall be grouped in amounts sufficient to attract international competitive bidding. The specific items to be procured as well as the groupings of items and the schedule for procurement shall be agreed between the Borrower and the Association.

2. With respect to contracts or letters of intent to award a contract for such communication and maintenance equipment, the following procedure shall be followed:

- (i) invitations to bid, specifications and other terms and conditions of contract, together with a description of the advertising procedures to be followed, will be submitted to the Association for review and approval before advertising or issuing invitations to bid;
- (ii) after bids have been received and analyzed, the analyses of bids and recommendations thereon by the Authority's proposal for award, will be furnished to the Association and an award shall be made or a letter of intent issued only after approval by the Association.

3. Civil works for Part A of the Project (Category IV of said allocation) shall be grouped in sufficiently large sized contracts to attract interest from experienced prequalified contractors and shall provide for advances in foreign exchange to be contracted, up to 15% of the value of his contract, for the purchase of such imported construction equipment, spare parts and materials as the Authority, on the advice of its consultants, shall determine to be required and suitable for the execution of the contract and not otherwise available to the contractor (Category II of the said allocation); such advances shall be repaid by the contractor by means of deductions from his earnings under the contract.

4. With respect to contracts or letters of intent to award contracts for civil works, the following procedure will be followed:

- (i) only experienced civilian contractors will be prequalified;
- (ii) invitations to prequalify, prequalification standards and a description of the advertising procedures for soliciting prequalification will be submitted to the Association for review and approval before prequalification is invited;
- (iii) the Authority's recommendations for prequalification, together with invitations to bid, specifications and other proposed terms and conditions of contract will be submitted to the Association for review and approval before the prequalified contractors are invited to submit bids;
- (iv) after bids have been received and analyzed, the analyses of bids and recommendations thereon by the Authority's consultants, as well as the Authority's proposal for award, will be furnished to the Association and an award shall be made or a letter of intent issued only after approval by the Association.

5. With respect to all contracts:

- (i) if the final contract or letter of intent is to differ substantially from the terms and conditions contained in the respective documents approved by the Association under paragraphs 2 or 4 above, the text of the proposed changes will be submitted to the Association for review and approval prior to the execution of such contract or issuance of such letter of intent;
- (ii) two conformed copies of any letter of intent issued and of any contract executed shall be sent to the Association promptly upon their issuance or execution.

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.]