

No. 10989

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

**Development Credit Agreement — *Fisheries Project* (with
annexed General Conditions Applicable to Development
Credit Agreements). Signed at Washington on 13 July
1970**

Authentic text: English.

Registered by the International Development Association on 3 March 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

**Contrat de crédit de développement — *Projet relatif aux
pêcheries* (avec, en annexe, les Conditions générales
applicables aux contrats de crédit de développement).
Signé à Washington le 13 juillet 1970**

Texte authentique: anglais

Enregistré par l'Association internationale de développement le 3 mars 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated July 13, 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 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 following additional terms have the following meanings:

(a) "Unit" means the State Fisheries Enterprise North-Central Sulawesi at Aer Tembaga, a public corporation (*Perum*) established and operating under the laws of the Borrower;

(b) "Project Committee" means the committee coordinating and supervising the carrying out of the Project;

(c) "Participating Enterprise" means a fisherman or private fishing enterprise in Aer Tembaga which shall have undertaken to purchase or shall have purchased one or more of the fishing vessels included in the Project;

(d) "Financial Agreement" means the agreement to be concluded between the Borrower and the Unit pursuant to Section 4.02 of this Agreement, as such agreement shall be amended from time to time;

(e) "ton" means metric ton.

¹ Came into force on 15 January 1971, upon notification by the Association to the Government of Indonesia.

² See p. 74 of this volume.

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 three million five hundred thousand dollars (\$3,500,000).

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 II and IV of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement; and
- (ii) the equivalent of twenty per cent (20 %) 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 Categories I and III of the allocation of the proceeds of the Credit referred to in Section 2.02 of this Agreement, which percentage represents the estimated foreign exchange component of the cost of such goods or services;

provided, however, that (1) if there shall be an increase in the estimate of such payments for goods or services included in any of the Categories I and III, 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; and (2) no withdrawals from the

Credit Account shall be made on account of payments for more than fifteen fishing vessels to be owned by the Unit unless the Borrower proves before 1973 (or such other time as shall be agreed by the Association) to the satisfaction of the Association that, notwithstanding the best efforts of the Borrower and the Unit, such additional vessels cannot be sold to fishermen or private fishing enterprises in Aer Tembaga.

Section 2.04. It is hereby agreed, pursuant to Section 5.01 of the General Conditions, that no withdrawals from the Credit Account shall be made under Categories II and IV 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 THE PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except 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 cause the Project to be carried out by the Unit, under the supervision of a Project Committee of a composition satisfactory to the Association, with due diligence and efficiency and in conformity with sound administrative, engineering, commercial and fisheries practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Except as otherwise agreed between the Borrower and the Association, the construction of the vessels included in Parts B and C of the Project shall be completed within the periods specified in the Annex to Schedule 2 to this Agreement.

(c) The Borrower shall cause its Director General of Fisheries to complete the study included in Part C of the Project by September 1972.

(d) The Borrower shall promptly furnish or cause to be furnished 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 reasonably request.

(e) The Borrower shall cause the Unit to employ qualified and experienced contractors, acceptable to the Association, on terms and conditions satisfactory to the Association, to carry out the works included in Part A of the Project.

Section 4.02. (a) The Borrower shall enter into a Financing Agreement with the Unit, on terms and conditions satisfactory to the Association, to provide the Unit with the funds (including proceeds of the Credit) required

to carry out the Project other than funds extended to Participating Enterprises to purchase vessels included in the Project.

(b) Except as the Association shall otherwise agree, the Borrower shall not take or concur in any action the effect of which would be to modify the financial obligations of the parties under the Financing Agreement.

Section 4.03. (a) The Borrower shall cause the Unit at all times to manage its affairs, maintain its financial position, plan its future expansion and carry on its operations, all in accordance with sound business, financial and fisheries practices and under the supervision of experienced and competent management.

(b) The Borrower shall cause the Unit to employ a qualified chief of project operations, master fisherman, chief of shore facilities and accountant, with such duties and responsibilities as shall be agreed by the Association. Until 1976, appointments of said officers shall be made only after agreement thereon shall have been reached between the Borrower and the Association.

(c) The Borrower shall cause the Unit, promptly as required, to take all action within its powers to acquire, maintain and renew such licenses, powers, franchises and other rights, as may be necessary or useful in the conduct of its business, and at all times to operate and maintain its plants, equipment and property, and promptly to make all necessary repairs and renewals thereof, in accordance with sound engineering and fisheries practices.

Section 4.04. (a) The Borrower shall take or cause to be taken all reasonable action which shall be necessary to enable Participating Enterprises to purchase an aggregate number of fifteen fishing vessels included in Part B of the Project.

(b) The Borrower shall make or cause to be made lending arrangements, satisfactory to the Association, to provide or cause to be provided to Participating Enterprises, acceptable to the Association, such amounts (including proceeds of the Credit) as shall be required to purchase fishing vessels included in Part B of the Project, including *inter alia* the following terms and conditions:

- (i) except as the Borrower and the Association shall otherwise agree, the loan shall bear interest at a rate not exceeding twelve per cent (12 %) per annum and shall be repaid in ten equal annual installments after a grace period of one year starting on the date said vessels are placed into service;

- (ii) the fishing vessels financed out of the proceeds of the loan shall serve as collateral for debt service;
- (iii) the Participating Enterprise shall not incur future debt beyond an acceptable level;
- (iv) the Participating Enterprise shall take out and maintain with responsible insurers insurance against such risks and in such amounts as shall be consistent with sound practice;
- (v) the Participating Enterprise shall manage its affairs and carry on its operations in accordance with sound business and fisheries practices; and
- (vi) the Participating Enterprise shall maintain profit and loss statements and other records adequate to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition, shall have such statements for each fiscal year audited by a qualified independent auditor, and shall furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, a copy of such audited statements, a copy of the auditor's report and any other information concerning its assets, operations and financial condition.

Section 4.05. (a) The Borrower shall cause the Unit to: (i) maintain 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 operations and financial condition of the Unit; and (ii) enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit, all other plants, sites, works, properties and equipment of the Unit and any relevant records and documents.

(b) The Borrower shall cause the Unit to: (i) have its accounts and financial statements (balance sheet, statement of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning its accounts and financial

statements and the audit thereof as the Association shall from time to time reasonably request.

Section 4.06. (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 Unit, the Participating Enterprises and any 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 Unit, the Participating Enterprises and any 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 this Development Credit Agreement.

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

Section 4.07. (a) The Borrower shall cause the Unit to take out and maintain with responsible insurers, or make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to cause the Unit to insure the imported goods 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 Unit to replace or repair such goods.

Section 4.08. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.09. 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 4.10. (a) The Borrower shall cause the Unit to conclude time charter arrangements to transport fish from Aer Tembaga to overseas markets. If carriers are purchased by the Unit, the carriers shall be operated by an experienced and qualified charter company until such time as the Unit's staff shall have acquired sufficient experience in operating the carriers. The Borrower shall cause the Unit to consult with the Association before any such charter or operating arrangement is concluded.

(b) The Borrower shall cause the Unit: (i) to appoint a sales agent abroad to be responsible for marketing the fish processed by the Unit, and (ii) to sell such fish at c.i.f. prices published for the market in question.

(c) The Borrower shall use its best efforts to have at all times adequate supplies of marine diesel fuel made available in Aer Tembaga to operate the facilities and vessels included in the Project.

Section 4.11. (a) Except as the Borrower and the Association shall otherwise agree, the Borrower shall cause the Unit within the constraints of its freezing capacity to purchase all skipjack suitable for export offered to the Unit by Participating Enterprises against such purchase prices as shall on the average be equal to a target price to be established by the Unit for each fiscal year in accordance with the provisions of this Section. In purchasing skipjack, the Unit shall give priority to Participating Enterprises.

(b) The Borrower shall cause the Unit to review at the end of each three months' period said target price and to adjust such price to reflect any differences between the estimated and the actual net revenues and processing costs of the Unit for that period.

(c) The target price per ton of skipjack shall be equal to the difference between the average net revenues per ton from the sales by the Unit of skipjack and the processing costs per ton of skipjack, estimated for the

fiscal year in which the target price shall apply. For the purposes of this Section:

- (i) "net revenues per ton" shall mean the estimated average selling price of one ton of skipjack after deduction of all marketing costs, including cost of freight, marine insurance, shrinkage, dealers' commissions and taxes;
- (ii) "processing costs per ton" shall mean the sum of the estimated operating costs per ton of skipjack of the Unit's freezing and cold-storage facilities (including maintenance, but before provision for depreciation and interest and other charges on debt); an amount (representing capital recovery costs) equivalent to seventeen and one-tenth per cent (17.1 %) of the original cost of said facilities as revalued from time to time in accordance with methods satisfactory to the Borrower and the Association to be calculated per ton on the basis of a production of 9,600 tons per annum; and an amount (representing administrative costs) equivalent to ten per cent (10 %) of said operating and capital recovery costs per ton.

Section 4.12. The Borrower shall cause the Unit not to undertake capital investments which would cause the aggregate amount of all expenditures on account of such investments in any fiscal year to exceed the equivalent of fifty thousand dollars (\$50,000), unless the Borrower and the Association shall otherwise agree.

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 Section 7.01 of the General Conditions, the following additional events are specified:

- (a) The Unit shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by the Unit or by others

whereby any of the property of the Unit shall or may be distributed among its creditors.

- (b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Unit or for the suspension of the Unit's operations.
- (c) The Borrower's Government's Regulation No. 51 of 1961, establishing the Unit, or any provision thereof, shall have been amended, suspended or abrogated.

Article VI

EFFECTIVE DATE; TERMINATION

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

- (a) The execution and delivery of the Financing Agreement on behalf of the Borrower and the Unit respectively have been duly authorized or ratified by all necessary governmental and corporate action.
- (b) The Unit shall have appointed a chief of project operations and an accountant in accordance with Section 4.03 (b) of this Agreement and said officers shall have assumed their duties.

Section 6.02. The following is specified as an additional matter, 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:

that the Financing Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the Unit respectively, and constitutes a valid and binding obligation of the Borrower and the Unit in accordance with its terms.

Section 6.03. The date of October 14, 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 4.03, 4.05, 4.07 (a), 4.10, 4.11 and 4.12 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date fifteen 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 June 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 Finance
Djakarta

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 MARDJUNI

Authorized Representative

International Development Association:

By J. BURKE KNAPP

Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
I. Civil works	110,000
II. Imported equipment, materials and supplies	2,700,000
III. Equipment, materials and supplies procured in Indonesia	140,000
IV. Technical assistance	300,000
V. Unallocated	250,000
	TOTAL <u>3,500,000</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 IV 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 V.

2. If the estimate of the cost of the items included in any of the Categories I to IV 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 Categories I and III, an amount equal to 20 % of such increase) will be allocated by the Association, at the request of the Borrower, to such Category from Category V, 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 is the first phase of the Borrower's skipjack export program and consists of the following:

Part A.

The construction in Aer Tembaga (North Sulawesi) by 1971 of an ice-making plant with an annual capacity of about 12,600 tons, a freezing plant with an annual capacity of about 10,000 tons of fish, cold storage facilities with a capacity of about 600 tons, improvement of the existing boat yard and mechanical workshop, an extension of the existing jetty, and the usual off-sites and auxiliaries.

Part B.

The construction of thirty wooden pole and line fishing vessels of about 30 gross tons, of which fifteen will be owned and operated by the Unit and fifteen will be owned and operated by Participating Entreprises or, to the extent that Participating Enterprises would together own and operate less than fifteen such vessels, by the Unit.

Part C.

The carrying out of a study comparing the economic benefits of fish transportation from Aer Tembaga to overseas markets by carriers owned by the Unit with the economic benefits of such transportation under time charter, and the importation of two steel fish carriers of 500 to 600 gross tons if the Borrower and the Association agree that the purchase of carriers by the Unit is appropriate.

Part D.

Technical assistance to the management of the Aer Tembaga Unit of the State Fisheries Corporation.

The Project is expected to be completed by December 1975.

ANNEX

PHASING OF CONSTRUCTION OF VESSELS INCLUDED IN THE PROJECT

The construction of the vessels included in the Project shall be completed by the beginning of the following years:

	<i>Fishing Vessels for Participating Fishermen</i>	<i>For Unit</i>	<i>Carriers</i>
1972	—	4	—
1973	—	6	—
1974	5	5	1
1975	10	—	1

SCHEDULE 3

PROCUREMENT

The following supplementary procedures shall apply to the procurement of goods and services to be financed out of the proceeds of the Credit:

1. The Borrower's Directorate General of Fisheries will be the agency directly responsible for all procurement under the Project.

2. All contracts for goods of \$20,000 equivalent or more will be awarded on the basis of international competitive bidding. Contracts of less than \$20,000 equivalent will be awarded on the basis of local competition.

3. Before inviting bids, the Borrower shall submit to the Association for approval the design and specifications for the shore facilities, the fishing vessels and the carriers, copies of the bid invitation documents and a description of the tendering procedures.

4. With respect to each contract involving an amount of \$50,000 equivalent or more and all contracts for short-wave communication equipment, the Borrower shall submit to the Association for approval, prior to awarding the contract, a summary of the bids received, an analysis report and recommendations, and a justification of the proposed contract award.

5. With respect to contracts, other than contracts for short-wave communication equipment, involving an amount below \$50,000 equivalent, the Borrower shall submit to the Association, at the time the award is made, a summary of bids or quotations, an analysis report and recommendations, and a brief justification of the contract award.

6. Bid documents for ice-making, freezing and cold storage equipment shall specify that the manufacturer shall supervise the installation of such equipment in the buildings, and that for at least three months the manufacturer shall train the staff of the Unit in the operation of the equipment.

7. Invitations to bid for the hulls of the fishing vessels will be for 30 hulls. The Directorate General of Fisheries shall arrange for the timely delivery of the engines and communication equipment of the fishing vessels to the shipyard constructing the hulls. The bid documents shall stipulate that an adequate inventory of spare parts for the engines will be carried by the manufacturer or his representative at Aer Tembaga. The Borrower shall reserve the right to cancel the contract for part or all of the hulls, engines and communication equipment to be delivered in 1973 and 1974. Four fishing vessels shall be delivered in 1971, 6 in 1972, 10 in 1973 and 10 in 1974.

8. Before inviting bids for the 2 carriers, the Borrower shall submit to the Association for its approval a copy of the study included in Part C of the Project and the recommendations emanating from such study.

9. Copies of contracts shall be sent to the Association promptly after their execution and delivery and before the first request for withdrawal from the Credit Account is made in respect of such contract.

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.*]