

No. 11625

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

**Development Credit Agreement—*Second Highway Project*
(with schedules and General Conditions Applicable to
Development Credit Agreements). Signed at Washing-
ton on 24 June 1971**

Authentic text: English.

Registered by the International Development Association on 6 March 1972.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

**Contrat de crédit de développement — *Deuxième projet re-
latif au réseau routier* (avec annexes et Conditions
générales applicables aux contrats de crédit de
développement). Signé à Washington le 24 juin 1971**

Texte authentique : anglais.

*Enregistré par l'Association internationale de developpement le 6 mars
1972.*

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 24, 1971, 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 Sections 5.01 and 6.02 (*h*) thereof and to the renumbering of Section 6.02 (*i*) into 6.02 (*h*) 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 term "First Project" means the project as described in Schedule 2 to the Development Credit Agreement (*Highway Project*) of June 20, 1969³ between the Borrower and the Association, as such Schedule shall be amended from time to time.

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 thirty-four million dollars (\$34,000,000).

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 The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this

¹ Came into force on 10 August 1971, upon notification by the Association to the Government of Indonesia.

² See p. 234 of this volume.

³ United Nations, *Treaty Series*, vol. 736, p. 251.

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, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August 1969, as revised in May 1971 and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be September 30, 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 March 1 and September 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 March 1, and September 1 commencing September 1, 1981, and ending March 1, 2021, each installment to and including the installment payable on March 1, 1991, 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. The Borrower shall carry out the Project with due diligence and efficiency and in conformity with sound highway engineering,

administrative and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

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

(b) The general design standards for the national highway included in Part A of the Project shall be those set forth or referred to in Schedule 4 to this Agreement as such Schedule shall be amended from time to time by agreement between the Borrower and the Association.

Section 3.03. In carrying out the highway construction included in the Project, the Borrower shall employ contractors acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 3.04. The Borrower shall exchange views with the Association on the progress of the preparation of the program included in Part A (4) of the Project and on the measures to be taken as part of such program.

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 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, all goods and services financed out of the proceeds of the Credit shall be used exclusively for the Project until its completion.

Section 3.06. (a) The Borrower shall furnish to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules, for the Project, and any material modifications thereof 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.

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, resources and expenditures, 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 undertakes that the highways (including related bridges and other road structures) constructed under the Project or rehabilitated under the First Project shall be adequately maintained and that all necessary repairs thereof shall be made, all in accordance with sound highway engineering and financial practices, and that the funds, equipment, workshop facilities and other resources required for the purpose shall be provided promptly as needed.

(b) The Borrower shall continue to take all steps required to improve the maintenance of its national and provincial highways (including related bridges and other road structures) other than those referred to in the preceding paragraph in order to reach as soon as possible in respect of all such highways an adequate level of maintenance in accordance with sound highway engineering and financial practices.

(c) The Borrower undertakes that all maintenance and repair works on its national and provincial highways (including related bridges and other road structures) shall be adequately prepared, that the expenditure of the national funds by its Provinces to finance such works shall be duly monitored and that upon their completion all such works shall be submitted to a detailed inspection, all in accordance with sound highway engineering, financial and accounting practices.

Section 4.03. The Borrower shall continue to collect and record, in accordance with appropriate statistical methods and procedures, such information concerning road traffic, road construction and road maintenance costs and other data as shall be reasonably required for the formulation of a comprehensive transport policy and for proper planning of maintenance,

improvements and extensions of its highway system. To that end, the Borrower shall *inter alia* carry out an expanded program of traffic counting including selective counts by vehicle type.

Section 4.04. The Borrower shall take all measures required to introduce as soon as practicable appropriate regulations limiting the dimensions and axle-loads of vehicles to those consistent with the structural and geometric design standards of its highway network and to ensure that such regulations are effectively enforced.

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, resources and expenditures, in respect of the Project, of the 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, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower and the Association shall promptly inform each other 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 either of them of its obligations under the Development Credit Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Article 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.

Article VIII

TERMINATION

Section 8.01. The date August 25, 1971 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 8.02. The obligations of the Borrower under Section 3.04 and 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	20,800,000	65% of total expenditures (representing the estimated foreign expenditure component)
II. Consultants' services for Parts A and B of the Project	7,500,000	100% of foreign expenditures
III. Unallocated	<u>5,700,000</u>	
	TOTAL	<u><u>34,000,000</u></u>

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 country other than the Borrower; and
- (b) the term "total expenditures" means the aggregate of foreign expenditures and expenditures for goods produced in, or services supplied from, the territories of the Borrower.

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

- (a) expenditures prior to the date of this Agreement;

(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 thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category 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, 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 forms part of the Borrower's ongoing highway program and consists of the following parts:

Part A. Sawatambang – Muarabungo – Lubuklinggau National Highway

- (1) Completion of the detailed engineering of the Sawatambang – Muarabungo – Lubuklinggau national highway on Sumatra;
- (2) The construction in accordance with two-lane paved standards of the Sawatambang – Muarabungo section of said highway;
- (3) A study to formulate a master plan for regional development aimed at maximizing the developmental benefits of said highway and the detailed engineering of feeder roads in that area if, after said study and the presently ongoing feasibility study covering such feeder roads has been com-

pleted, the Borrower and the Association agree that such engineering is justified; and

- (4) The preparation of a program satisfactory to the Association for the development of the area served by said highway based on the recommendations emanating from the before-mentioned study and on the before-mentioned master plan for regional development while taking into account other demands on the Borrower's resources.

Part B. Padang – Medan National Highway

The detailed engineering of the Padang – Medan national highway on Sumatra and related feeder roads if, after the presently ongoing feasibility study covering the highway and feeder roads has been completed, the Borrower and the Association agree that such engineering is justified.

Part C. Road User Charges

A comprehensive national study of the levels and distribution of road user charges.

The Project is expected to be completed by March 1975.

SCHEDULE 3

PROCUREMENT

1. The civil works shall be grouped into bid packages of sufficient value to attract widespread international competition. Contractors shall be permitted to undertake more than one of said groups only after suitable prequalification.

2. Bidders are to prequalify. 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 prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, 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.

3. Contracts shall be based on unit rates. 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 procedures 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 to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

4. 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 consultants referred to in Section 3.02 (a) of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the 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 the *Guidelines for Procurement under World Bank Loans and IDA Credits* referred to in Section 2.03 of this Agreement or with the Development Credit Agreement, and shall state the reasons for any objections it may have.

5. If the contract shall be awarded over the Association's reasonable objection, or if its terms and conditions shall, without the Association's concurrence, materially differ from those on which bids were asked, no expenditure thereunder shall be financed out of the proceeds of the Credit.

6. Two copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

SCHEDULE 4

HIGHWAY DESIGN STANDARDS

The Sawatambang – Muarabungo – Lubuklinggau national highway shall be constructed in accordance with the design standards set out below:

	<i>Terrain</i>		
	<i>Flat</i>	<i>Rolling</i>	<i>Mountainous</i>
Design Speed (km/h)	80	60	40
Pavement Width (meters)	7.00	7.00	7.00
Shoulder Width (meters)	2.00	2.00	2.00
Maximum Grade (%)	5	7	8
Surfacing Type	Bituminous Surface Treatment		

It shall be permitted to reduce the specified shoulder width to meet difficult conditions. Pavement design shall be based on a 10 metric ton single axle-load and structural designs shall be according to Regulation No. 12/1970 of the Borrower's Directorate General of Highways.

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.]
