No. 19899

UNITED STATES OF AMERICA and INDONESIA

Project Grant Agreement for Sederhana (simple) irrigation and land development project II (with annex and tables). Signed at Jakarta on 31 August 1978

Authentic text: English. Registered by the United States of America on 10 June 1981.

ÉTATS-UNIS D'AMÉRIQUE et INDONÉSIE

Accord de don relatif au projet II relatif à l'irrigation (sommaire) et à la mise en valeur des terres dans la région de Sederhana (avec annexe et tableaux). Signé à Jakarta le 31 août 1978

Texte authentique : anglais. Enregistré par les États-Unis d'Amérique le 10 juin 1981.

PROJECT GRANT AGREEMENT¹ BETWEEN THE REPUBLIC OF INDONESIA AND THE UNITED STATES OF AMERICA FOR SEDERHANA (SIMPLE) IRRIGATION AND LAND DEVELOP-MENT PROJECT II

Dated: August 31, 1978

Project No. 497-0252

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A.I.D. Project No. 497-0252

PROJECT GRANT AGREEMENT dated August 31, 1978, between [the] GOVERNMENT OF INDONESIA and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

CONTENTS T Agreement Section 5.2. Traini

¹ Came into force on 31 August 1978 by signature.

² Not printed herein. For the text of the annex, see "Project Grant Agreement between the United States of America and Haiti relating to health services. Signed at Port-au-Prince on 30 August 1977" in the United Nations, *Treaty Series*, vol. 1229, p. 287.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of financing the foreign exchange and local currency costs of consultant services and training for Grantee's simple irrigation program. Such services are designed to assist the Grantee in planning and implementing Sederhana (Simple) irrigation systems including both the physical systems and the social infrastructure which are essential for adequate operation and maintenance of the systems.

Annex 1, attached which forms a part of this Agreement amplifies the above definition of the Project. Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in section 8.3, without formal amendment of this Agreement.

Article 3. FINANCING

Section 3.1. THE GRANT. To assist the Grantee to meet the costs (consultant services and training) of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement not to exceed four million five hundred thousand United States ("U.S.") dollars (\$4,500,000) ("Grant").

The Grant may be used to finance foreign exchange and local currency costs, as defined in sections 6.1 and 6.2 of services required for the Project.

Section 3.2. GRANTEE RESOURCES FOR THE PROJECT. (a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner. The Government of Indonesia agrees that its contributions will be provided on a timely basis.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of twelve million two hundred thousand United States dollars (\$12,200,000) including costs borne on an "in-kind" basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is August 31, 1983, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 4.1. FIRST DISBURSEMENT. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) A statement of the name of the person holding or acting in the offices of the Grantee specified in section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (b) A time schedule for the evaluation program referred to in section 5.1.

Section 4.2. DISBURSEMENT FOR TRAINING. Prior to disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for training costs, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) A plan which sets forth the purpose, scope and curricula for the proposed training; and
- (b) A cost estimate for the training.

Section 4.3. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

Section 4.4. TERMINAL DATES FOR CONDITIONS PRECEDENT. If the conditions specified in section 4.1 have not been met within 90 days from the date of this Agreement or such later date or dates as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5. SPECIAL COVENANTS

Section 5.1. PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project at one or more points thereafter:

- (a) Evaluation of progress toward attainment of the objectives of the Project;
- (b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) Assessment of how such information may be used to help overcome such problems; and
- (d) Evaluation, to the degree feasible, of the overall development impact of the Project.

Section 5.2. TRAINING. The Grantee covenants that all training carried out under the Grant will conform with the training plan submitted by the Grantee pursuant to the provisions of section 4.2.

Article 6. PROCUREMENT SOURCE

Section 6.1. FOREIGN EXCHANGE COSTS. Disbursements pursuant to section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States except as A.I.D. may otherwise agree in writing, and except as provided in the

Project Grant Standard Provisions Annex, section C.1(b), with respect to marine insurance.

Section 6.2. LOCAL CURRENCY COSTS. Disbursement pursuant to section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Indonesia.

Article 7. DISBURSEMENT

Section 7.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of the conditions precedent, the Grantee may obtain disbursement of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon: (1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in Grantee's behalf for the Project; or, (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

Section 7.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS. (a) After satisfaction of the Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) These disbursements may be made by A.I.D. at A.I.D.'s option in local currency acquired by A.I.D. by purchase or from local currency already owned by the U.S. Government.

Section 7.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

Section 7.4. RATE OF EXCHANGE. If funds provided under the Grant are introduced into Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

Article 8. MISCELLANEOUS

Section 8.1. COMMUNICATIONS. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be

in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

Grantee:

Director General, Water Resources Development, Ministry of Public Works Jalan Pattimura 20 Kebayoran Baru Jakarta, Indonesia Director General of Food Crops,

Ministry of Agriculture Pasar Minggu Jakarta, Indonesia

A.I.D.:

Mr. Thomas C. Niblock, Director U.S. Agency for International Development American Embassy Jl. Medan Merdeka Selatan No. 5 Jakarta, Indonesia

Section 8.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Grantee will be represented by the individuals holding or acting in the offices of Director General of Water Resources Development, Ministry of Public Works and Director General of Food Crops, Ministry of Agriculture, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Indonesia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instruments signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 8.3. STANDARD PROVISIONS ANNEX. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Grantee and the United States of America, each acting through its duly authorized representative(s), have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Republic of Indonesia:

[Signed]

By: M. PANGGABEAN Minister for Foreign Affairs ad interim

United States of America:

[Signed]

By: THOMAS C. NIBLOCK Director, USAID/Indonesia

ANNEX 1

AMPLIFIED DESCRIPTION OF THE PROJECT (SAME FOR LOAN AND GRANT AGREEMENT)

1. Purpose

To assist the Government of Indonesia (GOI) in planning, implementing, and operating and maintaining Sederhana irrigation schemes; in increasing Indonesia's food crops production, particularly rice production; and in increasing the income and employment opportunities in the rural areas of Indonesia.

2. Financing

The Project will be financed from funds provided both by A.I.D. and the Government of Indonesia. A.I.D. will provide in US FY 1978 up to \$14,700,000 in loan funds under A.I.D. Loan No. 497-T-054 and up to \$4,500,000 in grant funds under A.I.D. Grant No. 497-0252. These funds will assist the GOI in carrying out its Sederhana Program for fiscal years 1978/79 and 1979/80. In consideration of A.I.D.'s providing \$19,200,000 in FY 1978 and FY 1979, the GOI agrees to provide not less than \$12,200,000 making total funds available of \$31,400,000 for the Project as described in the detailed Financial Plan (Table I, page 8).¹ This plan sets forth the estimated expenditures for the various components of the Project and the estimated implementation targets.

Subject to the availability of funds, an additional \$10,300,000 of loan funds will be made available in US FY 1979 by amendment to this Agreement (still within the GOI FY 78/79). This would increase the loan amount to \$25,000,000 and the grant amount remain the same at \$4,500,000, thus making a total A.I.D. contribution of \$29,500,000. At such time the GOI would provide an additional amount of not less than \$8,500,000 for the Project making a total GOI contribution of \$20,700,000. In such event the total contributions of A.I.D. and the GOI for the Project would be \$50,200,000. This is detailed in Table II, page 9.2

Subject to the availability of funds and the Agreement of the Parties, the Loan amount furnished by A.I.D. may be increased in subsequent years by \$91,200,000 up to a total of \$116,200,000 and the Grant amount may be increased by \$8,700,000 up to a total of \$13,200,000. This proposed additional funding of \$99,900,000 is intended to assist the GOI in the design and construction of approximately 120,000 ha. of major works and 110,000 ha. of the complementary tertiary program for Sederhana subprojects during GOI FY 79/80 and 80/81, together with other Sederhana activities. In event of this additional funding by A.I.D., the GOI would provide additional funding of \$75,600,000 making a total GOI contribution for the Project of not less than \$96,300,000. The combined contribution of A.I.D. and the GOI for the Project would then be \$225,700,000 as is detailed in Table III, page 10.³

Changes up to 30% may be made to line item amounts shown in the Financial Plans (Tables I and II) for this phase without formal amendment of this Agreement provided that A.I.D. approves any such changes in writing, and that the total A.I.D. contribution is not increased or the Borrower's agreed contribution for this phase is not decreased below that shown on the applicable plan.

3. Project duration

Funds from the A.I.D. loan and grant will be available from August 1978 through August 1983 in accordance with Section 3.3 of the Loan Agreement and Section 3.3 of the Grant Agreement. It is anticipated that funds provided in these Agreements will assist in the financing of the Sederhana Program activities in GOI FY 1978/79 and part of OGI FY 1979/80.

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¹ See p. 283 of this volume.

² See p. 284 of this volume. ³ See p. 285 of this volume.

4. Targets

The consulting services and training components of the Project will assist in strengthening the capability of the GOI agencies concerned and the local private consulting and construction sectors to design and construct Sederhana irrigation facilities. The consulting services will be aimed primarily at on-the-job training for Indonesian government and local private sector technicians involved in the design and construction of Sederhana irrigation works. These consulting services are anticipated to be funded from the A.I.D. grant as shown in the Financial Plans. Assistance also will be provided to assist in upgrading GOI training facilities as to curriculum, equipment, training materials and training facilities. The consultants, who will assist the GOI in reviewing and recommending improvements in their training programs as well as the training for technicians from the local private sector, may be funded from the A.I.D. Grant. Local private sector training shall be administered by the DGFC and DGWRD. In-country training as well as any training equipment, facilities and/or training materials are expected to be funded in part from the A.I.D. Loan.

Although the GOI had planned to construct irrigation facilities for 60,000 ha. under its Sederhana Program in GOI FY 79/80 with the assistance of funds provided by the A.I.D. Loan, the Loan funds if increased to \$25,000,000 as forth in Table II are considered sufficient for construction of irrigation facilities for only 30,000 ha. The Sederhana irrigation facilities to be financed in part by A.I.D. Loan funds may include new irrigation systems, rehabilitation of existing irrigation systems, and/or extension irrigation systems.

Loan funds will also assist in the design and construction of tertiary canals included in the Complementary Tertiary Program. Loan funding if increased to \$25,000,000 as set forth in Table II, is provided for approximately 35,000 ha. of the 110,000 ha. within Sederhana subprojects for which tertiary canals are presently needed and which are not included in the GOI's Special Tertiary Program.

Loan and grant funds will be provided to assist the small farmers in the formation of water user associations, for the operation and maintenance (O&M) of tertiary systems, and for training of members and employees of water user associations in O&M. Training in O&M may also be provided to central and local government employees associated with O&M of Sederhana systems. In addition, A.I.D. loan funds may be used to finance clearing, leveling and draining land in preparation of forming paddies or shaping of the land for cultivation. It is estimated that the farmers will contribute the equivalent of \$2.9 million through their labor for paddy formation and land shaping. All areas for which A.I.D. funds are used for design, construction, water user associations, land clearing, and land leveling, must be included within the GOI's Sederhana Irrigation and Reclamation Program. However, consulting services will also be provided for the Borrower's Special Tertiary Program, approximately a third of which is comprised of Sederhana subprojects.

5. Complementary Activities

The funds being provided by this Loan Agreement and companion Grant Agreement will contribute to meeting the targets described in paragraph 2 above and as shown in the attached Financial Plans. In addition to these activities, the Borrower, with funds other than those being provided by this Loan Agreement and companion Grant Agreement, will carry out the following activities which are an integral part of the Borrower's FY 78/79 Sederhana Program: (a) construct the major works for new Sederhana irrigation systems covering an estimated 30,000 hectares; and (b) upgrade Sederhana irrigation systems serving approximately 90,000 hectares. In addition the Borrower during the next three or four years will construct tertiary irrigation and drainage systems for an estimated 360,000 hectares is within previously constructed Sederhana irrigation systems.

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6. Project Management

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The Project shall be managed by DGWRD and DGFC unless the GOI, by written notice to A.I.D., requests the transfer of responsibility for element(s) of the Project to another GOI agency. The design and construction of irrigation and drainage facilities down to the tertiary level shall be administered by the Directorate General of Water Resources Development (DGWRD) through the provincial public works, except that the Complementary Tertiary Program may be administered by the DGFC. The agricultural components of on-farm works and land clearing and preparation shall be administered by the DGFC through the provincial agricultural services. Both the DGWRD and DGFC shall coordinate their training programs with their respective training offices. The assistance to water user associations shall be administered by the DGFC who shall coordinate all assistance in this area with Departemen Dalam Negeri (Ministry of Home Affairs) and local government officials. Consulting services shall be provided under the grant and shall be administered by the Department having the primary responsibility for the services contracted. However, if a single contract is used to provide consulting services for both the DGFC and DGWRD, the DGWRD shall be the administrator of such a contract and shall be responsible for coordinating contractual matters with the DGFC.

7. Commodities

Purchase of commodities for activities supported under this loan is authorized. All purchases funded in part or whole under the loan must be mutually agreed upon by the Borrower and A.I.D.

		AID Funding						
		Grant		Loan				
		FX	LC	FX	LC	Total	GOI	Total
I.	Construction of major works (est. 18,000 ha)	0	0	0	7.0	7.0	7.0	14.0
П.	Complementary Tertiary Program (est. 21,000 ha)	0	0	0	3.6	3.6	1.2	4.8
Ш.	Water user associations (est. 200 P3A)	0	0	0	0.7	0.7	0.7	1.4
IV.	Land clearing and preparations (est. 10,000 ha)	0	0	0	2.9	2.9	2.9	5.8
v.	Consulting services and evaluation A. DGWRD B. DOA	1.7 1.1	0.8 0.5	0 0	0 0	2.5 1.6	0 0	2.5 1.6
VI.	Training A. DGWRD B. DOA	0.1 0.1	0.1 0.1	0 0	0.1 0.1	0.3 0.3	0.2 0.2	0.5 0.5
VII.	Equipment	0	0	0.3	0	0.3	0	0.3
	TOTALS	3.0	1.5	0.3	14.4	19.2	12.2	31.4
A.I.D. Grant A.I.D. Loan TOTAL			million <u>million</u>					
		\$19.2	million					

TABLE I. FY 1978/79 SEDERHANA II PROJECT FINANCIAL PLAN WITH A.I.D. FUNDING OF U.S.\$ 19.2 MILLION

(millions of U.S.\$)

FX—Foreign Exchange Costs. LC—Local Currency Costs. NOTES.

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	(m	illions	of U.S.\$)				
		AID Funding						
	-	Grant		Loan				
		FX	LC	FX	LC	Total	G01	Total
I.	Construction of irrigation works (est. 30,000 ha)	0	0	0	11.9	11.9	11.9	23.8
II.	Complementary Tertiary Program (est. 35,000 ha)	0	0	0	6.2	6.2	2.1	8.3
III.	Water user associations (est. 400 P3A)	0	0	0	1.2	1.2	1.2	2.4
IV.	Land clearing and preparation (est. 20,000 ha)	0	0	0	4.9	4.9	4.9	9.8
v.	Consulting services and evaluation A. DGWRD B. DOA	1.7 1.1	0.8 0.5	0 0	0 0	2.5 1.6	0 0	2.5 1.6
VI.	Training A. DGWRD B. DOA	0.1 0.1	0.1 0.1	0 0	0.2 0.2	0.4 0.4	0.3 0.3	0.7 0.7
VII.	Equipment	0	0	0.4	0	0.4	0	0.4
	TOTALS	3.0	1.5	0.4	24.6	29.5	20.7	50.2
). Grant D. Loan TOTAL	. <u>\$25.0 million</u>						

TABLE II. FY 1978/79 SEDERHANA II PROJECT FINANCIAL PLAN WITH A.I.D. FUNDING OF US\$ 29.5 MILLION

NOTES. FX—Foreign Exchange Costs. LC—Local Currency Costs.

		AID Funding					<u> </u>	
		Grant		Loan				
		FX	LC	FX		Total	GOI	Total
I.	Construction of irrigation works (est. 120,000 ha)	0	0	0	43.4	43.4	43.4	86.8
п.	Complementary Tertiary Program (est. 110,000 ha)	0	0	0	23.7	23.7	8.0	31.7
ш.	Water user associations (est. 950 P3A)	0	0	0	2.8	2.8	2.7	5.5
IV.	Land clearing and preparing (est. 100,000 ha)	0	0	0	20.9	20.9	20.9	41.8
V.	Consulting service and evaluation A. DGWRD B. DOA	4.9 2.2	2.3 1.0	0 0	0 0	7.2 3.2	0 0	7.2 3.2
VI.	Training A. DGWRD B. DOA	0.2 0.2	0.1 0.1	0 0	1.1 1.1	1.4 1.4	1.1 1.1	2.5 2.5
VII.	Equipment Inflation and Contingency	0 1.5	0 0.7	0.4 0.1	0 22.7	0.4	0 <u>19.1</u>	0.4
	Totals	9.0	4.2	0.5	115.7	129.4	96.3	225.7
). Loan \$	13,20 <u>116,20</u> 129,40	<u>0,000</u>					

TABLE III. FY 1978/79, 79/80 AND 80/81 SEDERHANA II PROJECT FINANCIAL PLAN (millions of U.S.\$)

NOTES. FX—Foreign Exchange Costs. LC—Local Currency Costs.

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