

No. 19894

**UNITED STATES OF AMERICA
and
INDONESIA**

**Project Loan Agreement for Sumatra agricultural research
(with annex). Signed at Jakarta on 12 April 1978**

Authentic text: English.

Registered by the United States of America on 10 June 1981.

**ÉTATS-UNIS D'AMÉRIQUE
et
INDONÉSIE**

**Accord de prêt relatif à un projet de recherche agricole à
Sumatra (avec annexe). Signé à Jakarta le 12 avril 1978**

Texte authentique : anglais.

Enregistré par les États-Unis d'Amérique le 10 juin 1981.

PROJECT LOAN AGREEMENT¹ BETWEEN THE REPUBLIC OF INDONESIA AND THE UNITED STATES OF AMERICA FOR SUMATRA AGRICULTURAL RESEARCH

Dated: April 12, 1978

A.I.D. Loan No. 497-T-048
Project No. 497-263

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PROJECT LOAN AGREEMENT dated April 12, 1978, between the REPUBLIC OF INDONESIA ("Borrower") 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 Borrower of

¹ Came into force on 12 April 1978 by signature.

² Not printed herein; for the text of the annex, see "Project Loan Agreement between the United States of America and the Philippines for Bicol integrated area development. Signed at Manila on 13 January 1978" in the United Nations, *Treaty Series*, vol. 1229, p. 393.

the Project described below, and with respect to the financing of the Project by the Parties.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of expanding and improving a network of agricultural research stations for food crops in the provinces of Sumatra, Indonesia. Annex 1, attached, 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 9.2, without formal amendment of this Agreement.

Article 3. FINANCING

Section 3.1. THE LOAN. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed Seven Million United States ("U.S.") Dollars (\$7,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal".

The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

Section 3.2. BORROWER RESOURCES FOR THE PROJECT. (a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than the equivalent of U.S. \$7,300,000 including costs borne on an "in-kind" basis.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The Project Assistance Completion Date (PACD), which is April 12, 1984, or such other date as the Parties agree to in writing, is the date by which the Parties estimate that all portions of the Project financed jointly by them on a Fixed Amount Reimbursement (FAR) basis will have been completed, that all services financed under the Loan other than on a FAR basis will have been performed, and that all goods financed under the Loan other than on a FAR basis 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 Loan for FAR portions of the Project completed subsequent to the PACD, or, in the case of portions of the Project financed under the Loan other than on a FAR basis, for services performed subsequent to the PACD or 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 8.1 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 Borrower, may at any time or times reduce

the amount of the Loan 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. LOAN TERMS

Section 4.1. INTEREST. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semiannually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

Section 4.2. REPAYMENT. The Borrower will repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

Section 4.3. APPLICATION, CURRENCY, AND PLACE OF PAYMENT. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

Section 4.4. PREPAYMENT. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

Section 4.5. RENEGOTIATION OF TERMS. (a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Indonesia, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.2, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication

under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's Minister of Finance in Indonesia.

Section 4.6. TERMINATION ON FULL PAYMENT. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 5. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 5.1. FIRST DISBURSEMENT. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, 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) An opinion of the Minister of Justice of the Borrower that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement; and
- (c) A schedule for the evaluation program referred to in Section 6.1.

Section 5.2. DISBURSEMENT FOR TRAINING. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for training, 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. prior to commencement of each individual training activity:

- (a) For long-term training a cost estimate for the training and a certification by the Central Research Institute for Agriculture (CRIA) of the Agency for Agricultural Research and Development, Department of Agriculture, that the training requested is in accord with the Project Plans previously approved by A.I.D. and that the participants meet the selection criteria previously agreed to by Borrower and A.I.D.;
- (b) For short-term training, a description of the training course, names of the participants and a cost estimate for the training.

Section 5.3. DISBURSEMENT FOR COMMODITIES. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for imported commodities, 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. prior to procurement of such commodities a certification that the commodities are appropriate for the Project and in accord with the Project Plans previously approved by A.I.D.

Section 5.4. DISBURSEMENT FOR CONSTRUCTION. Prior to disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for construction, 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. prior to commencement of such construction activity:

- (a) A detailed cost estimate for each construction activity to be approved by A.I.D.;
- (b) A certification that the construction activity is in accord with the Project Plans previously approved by the Borrower and A.I.D. and that the preliminary specifications are appropriate for the particular construction activity;
- (c) Detailed plans and specifications for each construction activity for approval by the Borrower and A.I.D. and for compliance with Section C.3 of the Standard Provisions Annex of this Agreement;
- (d) Evidence that adequate amount of land has been or will be provided for use by CRIA for each substation site.

Section 5.5. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in Section 5.1, 5.2, 5.3 and 5.4 have been met, it will promptly notify the Borrower.

Section 5.6. TERMINAL DATES FOR CONDITIONS PRECEDENT. If all of the conditions specified in Section 5.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

Article 6. SPECIAL COVENANTS

Section 6.1. 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 and 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 6.2. PROJECT IMPLEMENTATION. Borrower covenants and agrees to carry out the Project in accordance with the Project Plans previously approved by the Borrower and A.I.D. and shall not pursue any activities under the Project at major variance with such plans without the prior written concurrence of A.I.D.

Article 7. PROCUREMENT SOURCE

Section 7.1. FOREIGN EXCHANGE COSTS. Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1 (b), with respect to marine insurance.

Section 7.2. LOCAL CURRENCY COSTS. Disbursements pursuant to Section 8.2 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 ("Local Currency Costs"). To the extent

provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 8. DISBURSEMENTS

Section 8.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan 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 Borrower'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 Letter 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 Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

Section 8.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS. After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan 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. These disbursements may be made by A.I.D.:

- (1) In U.S. Dollars equivalent to the Local Currency Cost, or
- (2) In local currency acquired by A.I.D. by purchase or from local currency already owned by the U.S. Government.

Section 8.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

Section 8.4. RATE OF EXCHANGE. If funds provided under the Loan 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 Borrower 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.

Section 8.5. DATE OF DISBURSEMENT. Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2 (b).

Article 9. MISCELLANEOUS

Section 9.1. 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 address:

To the Borrower:

Mail address:

Departemen Luar Negeri
Jl. Pejambon No. 2
Jakarta Pusat
Indonesia

Alternate address for telegrams:

DEPLU Jakarta

To A.I.D.:

Mail address:

United States Agency for International Development
American Embassy
Jakarta, Indonesia

Alternate address for telegrams:

USAID AMEMB Jakarta

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

Section 9.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Chairman or Vice Chairman, National Development Planning Agency (“BAPPENAS”) and A.I.D. will be represented by the individual holding or acting in the office of 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 Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 9.3. STANDARD PROVISIONS ANNEX. A “Project Loan Standard Provisions Annex” (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, 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: Prof. Dr. MOCHTAR KUSUMAATMADJA
Minister for Foreign Affairs

United States of America:

[Signed]

By: EDWARD E. MASTERS
Ambassador

ANNEX 1

AMPLIFIED DESCRIPTION OF THE PROJECT

1. Purpose

To expand and improve agricultural research to address agro-climatic factors peculiar to Sumatra.

2. Targets

The project will further strengthen national agricultural research capability by increasing the network of regional research stations designed to address particular agro-climatic factors peculiar to the varied conditions in the Provinces of Sumatra. Working through the established structure of the Central Research Institute for Agriculture (CRIA), research findings will be transferred to the farmer through Subject Matter Specialists in cooperation with the regional extension service and the information centers. The project will receive the following support over a six (6) year period: (a) constructing and equipping research facilities at approximately nine (9) representative sites; (b) training of Indonesian researchers; and (c) technical assistance.

3. Project Management

CRIA will have overall responsibility for general guidance and implementation with the assistance of the technical assistance advisory team being financed by an A.I.D. grant. The Public Works Office in each province will aid in the contracting and supervision of design and construction of the physical facilities in the province, and will be responsible for ensuring that the buildings are designed and built according to specifications.

4. Project Duration

April 1978 through April 1984.

5. Financing

USAID loan of \$7,000,000 and grant of \$2,500,000 to assist the GOI in carrying out the project. GOI contribution is to be at least \$7,500,000, making a total project cost a minimum of \$17,000,000. Since the contingency and inflation allowances included in the Project Financial Plan (page [188]) have not been allocated to individual inputs, change up to 40% may be made to line item amounts without formal revision of the Financial Plan, provided the total A.I.D. contribution is not increased or the Borrower's contribution decreased.

6. *Implementation and Reimbursement*

CRIA monitors the project in cooperation with A.I.D. to insure compliance with jointly approved project descriptions, plans specifications and cost estimates. A host country contract between CRIA and a U.S. consulting firm provides technical assistance, and manages commodity orders and out-of-country training. Disbursements for foreign exchange costs are by letter of commitment. Fixed Amount Reimbursement (FAR) may be used for local currency costs.

ANNEX I. ATTACHMENT 1

PROJECT FINANCIAL PLAN

(thousands U.S. \$)

(As of April 12, 1978)

	AID				Borrower/Grantee		Total All costs
	Grant	Loan		Grant	Loan		
	FX	FX	LC	Total AID			
<i>Inputs</i>							
Technical assistance	1,728				150		1,878
Construction		255	1,600			3,965	5,820
Farm development						545	545
Vehicles		410					410
Field equipment		675					675
Misc. station development .		1,235				405	1,640
Training (long term)		685				325	1,010
Training (short term)		130				40	170
TOTAL	1,728	3,390	1,600		150	5,280	12,148
Contingency (10%)	172	340	160		15	520	1,207
Inflation (30%)	600	1,000	510		35	1,500	3,645
GRAND TOTAL	2,500	4,730	2,270		200	7,300	17,000