

No. 19897

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**UNITED STATES OF AMERICA  
and  
INDONESIA**

**Project Loan Agreement for family planning oral contraceptives (with annex). Signed at Jakarta on 13 July 1978**

*Authentic text: English.*

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

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

**Accord de prêt pour un projet relatif à l'emploi de contraceptifs oraux aux fins de la planification de la famille (avec annexe). Signé à Jakarta le 13 juillet 1978**

*Texte authentique : anglais.*

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

# PROJECT LOAN AGREEMENT<sup>1</sup> BETWEEN THE REPUBLIC OF INDONESIA AND THE UNITED STATES OF AMERICA FOR FAMILY PLANNING ORAL CONTRACEPTIVES

Dated: July 13, 1978

A.I.D. Loan No. 497-Q-053

Project No. 497-0271

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PROJECT LOAN AGREEMENT dated July 13, 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 the Project described below, and with respect to the financing of the Project by the Parties.

<sup>1</sup> Came into force on 13 July 1978 by signature.

<sup>2</sup> 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.

## Article 2. THE PROJECT

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in Annex 1, will consist of assisting the Borrower in financing the United States Dollar costs of commodities and related services for the Family Planning Program in 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, 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. \$33,100,000, including costs borne on an "in-kind" basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The "Project Assistance Completion Date" ("PACD"), which is July 13, 1981, 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 Loan will have been performed and all goods financed under the Loan 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 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 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 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 8.3) 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 thirty (30) years from the date of the first disbursement of the Loan in forty-one (41) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9½) 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, payment 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 9.1, 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 9.1, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representative 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 Department 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, 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) 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. NOTIFICATION.* When A.I.D. has determined that the conditions precedent specified in Section 5.1 have been met, it will promptly notify the Borrower.

*Section 5.3. TERMINAL DATES FOR CONDITIONS PRECEDENT.* If all of the conditions specified in Section 5.1 have not been met within ninety (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 the 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.

*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.

*Article 8. DISBURSEMENT*

*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. 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 8.3. DATE OF DISBURSEMENT.* Disbursement by A.I.D. will be deemed to occur 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.

#### *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 addresses:

To the Borrower:

Mail address:

Departemen Luar Negeri  
Jalan Pejambon No. 6  
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

#### *Purpose*

The purpose of the Project is to finance Calendar Year (CY) 1979 importation of approximately 39 million cycles of oral contraceptives (OCs) to be used in the National Family Planning Program.

#### *Program description*

The term "Program" refers to the Indonesian five-year (1979-1983) comprehensive family planning program which includes assistance from A.I.D. through:

- (a) Project 497-0270, Family Planning Development and Services, to provide up to \$25 million in grants to assist the Indonesian National Family Planning Coordinating

Board (BKKBN) in five interrelated areas: program development and evaluation; family planning services; voluntary surgical contraception; training; and population policy studies; and

- (b) Project 497-0271, Oral Contraceptives, to provide loans totalling up to \$40 million over a five-year period to finance importation of OCs.

*Project description*

The term "Project" is used in this Loan Agreement to refer to the OCs being financed for CY 1979 by this loan and the Borrower. It is anticipated that A.I.D. and the Borrower will enter into loan agreements in subsequent years to finance future OC requirements as described below.

It is currently estimated that the total OC delivery requirement CY 1979 through CY 1983 is approximately 254,403,000 cycles. Through either importation of raw materials and local production, importation of finished cycles, or local procurement of finished cycles, the Borrower plans to supply between 60 million cycles and 135 million cycles of OCs during this five-year period. To fill the balance of the OC delivery requirements, A.I.D. plans to finance CY 1979-83 importation of 122,067,000 to 194,403,000 cycles of finished OCs.

In order to safeguard the program, the higher figure of 194 million cycles of A.I.D. inputs is being used for long-range planning. However, each year OC forecasts will be revised and actual annual obligations will be adjusted in accordance with these forecasts. The annual loan agreements will be limited to finished cycles of OCs to be procured through the A.I.D. central OC procurement procedures.

The funds needed to provide the required number of OCs from CY 1979 through CY 1983 total \$62.8 million. Of this amount, the maximum A.I.D. inputs and minimum Borrower inputs have been planned as follows:

CY	Required total	Maximum A.I.D. Inputs		Minimum Borrower Inputs	
	Cycles (000s)	Cycles (000s)	\$(000)	Cycles (000s)	\$(000)
1979 .....	42,824	38,824	7,000	4,000	721
1980 .....	44,288	36,288	7,000	8,000	1,543
1981 .....	50,760	38,760	8,000	12,000	2,477
1982 .....	56,761	40,761	9,000	16,000	3,533
1983 .....	59,770	39,770	9,000	20,000	4,526
TOTALS	254,403	194,403	40,000	60,000	12,800

The actual apportionment of financial inputs likely will fall somewhere between the maximum A.I.D. and minimum Borrower levels. However, it is understood that the Borrower inputs, as detailed above, represent the minimal level of Borrower financing of OCs necessary for successful project implementation.

*Management and implementation*

A.I.D. direct hire population staff in Jakarta will work with the BKKBN and BAPPENAS to facilitate the Borrower OC inputs and OC usage prevalence. Based on these factors, USAID and BKKBN will make annual estimates of OC requirements. These estimates will form the basis of annual loan agreements which A.I.D. will execute with the Borrower. It is expected that BAPPENAS will authorize at least two BKKBN officials to work with A.I.D. in loan implementation. It is further expected that BKKBN will authorize and request A.I.D. procurement of the finished OCs. A.I.D. will prepare a PIO/C co-signed by BKKBN to request that the loan financed procurement be integrated with A.I.D. central OC procurement affected at least annually through the U.S. General Services Administration.



*Duration*

Under this initial loan agreement, A.I.D. will finance only CY 1979 importation of OCs. Subsequent annual loan agreements will provide continued project assistance for CY 1980-83.

*Financing*

The Project will provide up to U.S. \$7,000,000 in loan funds for procurement of OCs to be imported during CY 1979. During the period of the Project, it is expected that the Borrower will provide U.S. \$33,100,000, including "in-kind" costs, in support of Project and Program Implementation.

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