

UNITED STATES GOVERNMENT

# Memorandum

4970244 (8)<sub>2</sub>

PD-AAD 852

TO : Distribution

DATE: January 25, 1978

FROM : ASIA/PD/EA, M. P. Leifert

zp

SUBJECT: A.I.D. Loan No. 497-T-038 dated 23 October 1975  
Luwu Area and Transmigration Project  
Implementation Letter No. 8

Attached for your information and files is a copy of subject document.

Attachment: a/s

Distribution:

FM/LD:SHudec

FM/BFD:JO'Neill

GC/ASIA:Hmorris

ASIA/PD/ENGR:RMacDonald

ASIA/TR:TMarndt

ASIA/DP:RHalligan

DS/DIU/DI: Room 105 SA 18 (2)

SER/COM:RWiley

ASIA/ISPA:HPetrequin



AGENCY FOR INTERNATIONAL DEVELOPMENT  
AMERICAN EMBASSY  
Jakarta, Indonesia

Date: January 11, 1979

Departemen Luar Negeri  
Jalan Taman Pejambon No.6  
Jakarta Pusat

Attention: Directorate General of Foreign Economic  
Relations

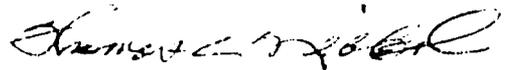
Subject : A.I.D. Loan 497-T-038 dated 23 October 1975  
Luwu Area and Transmigration Project  
Implementation Letter No. 8

Gentlemen:

This is to advise you that in accordance with Section 5.05 (b) and (c) of the Loan Agreement, USAID approves Amendment No. 2 of 20 December 1978 to the contract between Government of Indonesia (Directorate General of Transmigration) and the joint venture of Checchi and Company and Daniel, Mann, Johnson and Mendenhall (DMJM), originally signed on March 7, 1977.

As per Section 5.05 (b) and (c) of the Loan Agreement, USAID also approves Amendment No. 1 to the subcontract between Checchi/DMJM and the Cooperative League of the United States of America for the subject project.

Sincerely,



Thomas C. Niblock  
Director

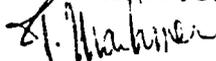
cc.: 15 - DEPLU  
5 - BAPPENAS  
5 - DGCOOPERATIVES  
5 - DGTRANSMIGRATION (Luwu Project Office)  
1 - COL. HERU SUSANTO, Luwu Project Manager,  
Palopo, South Sulawesi  
1 - Mr. CLIFF NUNN, Resident Manager,  
Checchi/DMJM, Palopo, South Sulawesi

Clearances:

RD/AD:KABaldwin (draft)	PRO:LMarshall (draft)
LA :JKahle (draft)	RD :WCLarson (draft)
OMF :RDoucette (draft)	DD :WGBollinger (draft)

Distr.: DIR/DD, LA, MGT, PRO-2, C&R-3, ASIA/PD-10, BAL-RD

Drafted by: RD/AD:FMachmer:tsl:1/11/79



UNITED STATES GOVERNMENT

# Memorandum

497-0244①

~~PD-AD-852~~  
PD-AD-852

TO : Distribution

DATE: 4/10/79

4p

FROM : ASIA/PD/EA, R.J. Asselin *RJA*

SUBJECT: INDONESIA - A.I.D. Loan No. 497-T-038 (Project No. 497-0244)  
Luwu Area and Transportation  
Development Project  
Implementation Letter No. 9

Attached for your information and files is copy of subject document.

Distribution:

FM/LD: SHudec  
FM/BFD: JO'Neill  
ASIA/PD/ENGR: RMacDonald  
ASIA/ISPA: BDupuis  
ASIA/TR: TMarndt  
ASIA/DP: RHalligan  
ASIA/ISPA: CStephenson  
DS/DIU: JHafenrichter  
SER/COM: RWiley

Attachment (s): a/s



file 497-0244

AGENCY FOR INTERNATIONAL DEVELOPMENT  
AMERICAN EMBASSY  
JAKARTA, INDONESIA

March 5, 1979

Departemen Luar Negeri  
Jl. Taman Pejambon No. 6  
Jakarta Pusat

Attention : Directorate General of  
Foreign Economic Relations

Subject : A.I.D. Loan No. 497-T-038 (Project No. 497-0244)  
Luwu Area and Transmigration  
Development Project  
Implementation Letter No. 9

Gentlemen:

Regarding : Reimbursement Procedures -  
Luwu Irrigation Subprojects

This letter establishes the procedure to be utilized to establish the cost of irrigation subprojects, which in turn, will be used as the basis for fixed amount reimbursement (FAR), and sets forth certain procedures with regard to reimbursement of the eligible portion of these costs.

I. Subproject Cost and Amount Available for Reimbursement

Irrigation subproject cost for the purpose of determining fixed amount reimbursement (FAR) is defined as the "Total contract costs" less the cost of land clearing for each subproject as shown in Annex 2, Cost Estimate, of the Masterplan, Irrigation Development for the North Luwu Plain, Sulawesi Selatan, dated March 1977, which was prepared for the Republic of Indonesia, Ministry of Public Works and Power, Directorate General of Water Resources Development, under the auspices of the Kingdom of the Netherlands, Ministry of Foreign Affairs, Directorate of International Technical Assistance.

USAID has determined that US\$2,650,000 currently remains in the Loan for fixed amount reimbursement for construction of the two irrigation subprojects provided for in the Loan Agreement. This amount, when converted to rupiahs at an exchange rate of one United States dollar to 625 Indonesian rupiahs, is approximately 37 percent of the irrigation sub-projects cost.

## II. Proportionate Division of Reimbursement Within Subprojects

USAID recognizes that individual construction contracts will not necessarily encompass complete subprojects. Therefore, individual contracts defined as units of work will, upon their completion, be eligible for FAR reimbursement provided the work contracted for is an integral part of subproject cost as defined in paragraph I. The cost of individual contracts meeting this criteria shall be computed as the total cost of all inclusive items noted in the applicable Annex 2, Cost Estimate of the Masterplan, plus a proportionate amount of miscellaneous costs, considered to be contingencies. Where only portions of noted individual items are contracted, the FAR cost for these items shall be determined by applying a percentage, obtained by dividing the net subproject area under contract by the total net subproject area noted in Annex 2, Cost Estimate of the Masterplan, to the sum of all included item and contingency costs.

It is understood that although the actual cost of construction of a subproject may be more or less than the subproject cost as defined above, the G.O.I. will be reimbursed on the basis of the defined subproject cost and not on the basis of actual cost.

## III. Request for Reimbursement Procedure

Upon satisfactory completion of each individual contract the G.O.I. may request reimbursement of the eligible portion thereof. Each request for reimbursement shall include the following:

1. A computation of subproject cost as defined above accompanied by the total amount to be reimbursed.  
For IFY 1976-1977, 1978-1979 and 1979-1980 construction

contracts, reimbursement will be 37 percent of defined subproject cost. This percentage figure, however, will be adjusted on an annual basis and so stated in future project implementation letters to properly reflect monies remaining in the Loan which are available for FAR.

2. A certification that reimbursement for this work has not and will not be obtained from any other source as required by section 6.03(b) of the Loan Agreement.

3. A certification by the Ministry of Public Works, Directorate of Irrigation, that all work has been satisfactorily completed by an approved prequalified contractor according to the plans and specifications without major modification, unless such modification shall have been mutually agreed upon in writing, and, unless previously waived in writing, that all work was performed under a mutually agreed upon competitively tendered and awarded contract.

4. A signed letter or notation of acceptance from the designated GOI Luwu Project Manager attesting that the contracted work is an integral part of the Luwu Project as defined in the Loan Agreement.

Nothing in this letter alters the scope of the Loan Agreement or terms of the specific sections referred to or explained in this communication. It should be noted, however, that the terms "approved cost estimate" and "pre-determined cost" as used in the last paragraph on page 2 of Implementation Letter No. 4, dated July 16, 1976, are further defined and are synonymous with "subproject cost" as used herein.

Please acknowledge receipt of this Implementation Letter No. 9. We are ready at your convenience to discuss any questions you may have regarding the implementation of this Loan and the Project it supports.

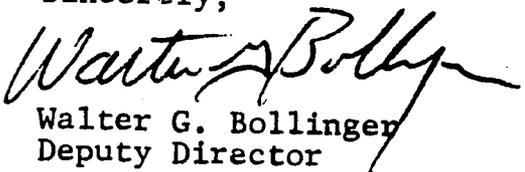
Distribution:

DEPLU - 10  
DGWRD - 5  
BAPPENAS - 5  
ASIA/PD - 10  
DIR, DD, LA, PRO, PTE,  
RD-10, C&R-3

Clearances (in draft)

RD/AD:FEMachmer, KABaldwin; RD:RCKriegel; MGT/F:ABEvans;  
PRO:RMSingleton; LA:JRKahle

Sincerely,

  
Walter G. Bollinger  
Deputy Director

RD/AD:WALibby:eh *WLB 3/31/77*

UNITED STATES GOVERNMENT

# Memorandum

4970244 (10)

PD-AAD-852

TO : Distribution

DATE: May 15, 1979

FROM : ASIA/PD/EA, Paulyette F. Rogers

3p

SUBJECT: INDONESIA - A.I.D. Loan No. 497-T-038 (497-0244)  
Luwu Area and Transmigration Development Project  
Implementation Letter No. 10

Attached for your information and files is copy of subject document.

Attachment: a/s

Distribution:

FM/LD:SHudec

619 SA 12, Stop 6

FM/BFD:JO'Neill

534 C, SA 12, Stop 6

ASIA/PD/ENGR:RMacDonald

ASIA/ISPA:BDupuis

4214 NS

ASIA/TR:TArndt

609 RPC

ASIA/DP:RHalligan

3208 NS

GC/ASIA:CStephenson

6312 NS

DS/DIU

105 RPC

SER/COM:RWiley

803 D RPC



AGENCY FOR INTERNATIONAL DEVELOPMENT  
AMERICAN EMBASSY  
Jakarta, Indonesia

Date: April 23, 1979

Departemen Luar Negeri  
Jalan Taman Pejambon No.6  
Jakarta Pusat

Attention: Directorate General of Foreign Relations

Subject : A.I.D. Loan No. 497-T-038  
Luwu Area and Transmigration Development Project  
Implementation Letter No. 10

Gentlemen:

This Implementation Letter No. 10 pertains to the requirements for satisfaction of the Conditions Precedent of the subject Loan.

Article III of the Loan Agreement sets forth the Conditions Precedent which need to be satisfied in order for USAID to reimburse for activities completed under the Loan. USAID Implementation Letter No. 4 of July 16, 1976 also deals in some detail with this subject. The first group of Conditions Precedent, as set forth in Section 3.01, "Conditions Precedent to Initial Disbursement", have been satisfied as stated in USAID Implementation Letter No. 3 of March 17, 1976.

Sections 3.02, 3.04, 3.05, 3.06, 3.07 and 3.08 contain additional Conditions Precedent which need to be satisfied prior to the commencement of activities under the various subprojects. It is USAID's understanding that certain subproject activities have been commenced even though these Conditions Precedent have not in all cases been satisfied in full. USAID recognizes that the realities of project implementation in an undertaking as complex and remote as the Luwu Project may make impractical strict adherence to the requirement that all Conditions Precedent must be satisfied before any subproject activity is commenced. Therefore, under the provisions of Sections 3.04, 3.05, 3.06, 3.07 and 3.08, and under the terms of Amendment No. 2 (of May 24, 1978) to the Loan Agreement, which pertains

to Section 3.02, USAID is prepared to reimburse according to the terms of Article VI of the Loan Agreement for activities of the various subprojects even though not all Conditions Precedent were satisfied prior to the commencement of activities of the appropriate subproject, but not until all such Conditions Precedent for each activity have been satisfied and each activity has been satisfactorily completed.

Further, with regard to the irrigation subproject only, the certifications called for in Section 3.02(b) and (c) will not be required provided that the identity of the contractor(s) is given and a copy of the contract(s) is submitted as required in Section 3.02(c), and further provided that the name(s) of the contractor(s) so identified also appears on the then-current list of prequalified contractors.

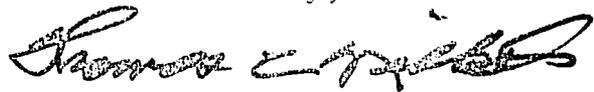
Inasmuch as numerous approvals for satisfaction of Conditions Precedent will be necessary over the life of this project, USAID will communicate notification of satisfaction of the Conditions Precedent through letters from the USAID Project Officer to the appropriate Government of Indonesia Authorized Representative under the terms of the Loan Agreement.

Acknowledgement of receipt of this Implementation Letter will be appreciated and will be deemed to constitute agreement in writing with the statements set forth above.

cc.:

- 15 - DEPLU
- 5 - BAPPENAS
- 5 - DGCOOPERATIVES
- 5 - DGTRANSMIGRATION (Luwu Project Office)
- 1 - COL. HERU SUSANTO, Luwu Project Manager, Palopo, South Sulawesi
- 1 - Mr. CLIFF NUNN, Resident Manager, Checchi/DMJM, Palopo, South Sulawesi

Sincerely,



Thomas C. Niblock  
Director

Clearances:

RD/AD:KABaldwin (draft)	PRO :RMSingleton (draft)
RD/AD:WALibby (draft)	RCohen (draft)
RD :WCLarson (draft)	LA :JKahle (draft)
	DD :WGBollinger (draft)

Distr.: DIR/DD, LA, PRO-2, OMF, C&R-3, ASIA/PD-10, BAL-RD

Drafted by: RD/AD:FEMachmer:tsl:4/23/79



# Memorandum

**TO :** Distribution

**DATE:** September 22, 1978

**FROM :** ASIA/PD/EA, G. R. Van Raalte

**SUBJECT:** Indonesia - Luwu Area and Transmigration Development  
AID Loan No. 497-T-038  
Amendment No. 2, Loan Agreement

4p

Attached for your information and files is subject document.

Attachment: a/s

Distribution:

FM/LD:ASmith (original)

FM/BFD:JO'Neill

FM/FCD:DBaker

SER/CM/SD:JMurphy

PPC/PDPR:NCohen

ASIA/ISPA:BDupuis

GC/ASIA:HMorris

ASIA/PD/ENGR:JSloan

ASIA/TR:TCClark

ASIA/DP:RHalligan

DS/DIU:DRader



A.I.D. Loan No. 497-T-038

AMENDMENT NO. 2

4p

AMENDMENT NO. 2 TO  
LOAN AGREEMENT BETWEEN THE  
REPUBLIC OF INDONESIA  
and the  
UNITED STATES OF AMERICA  
for  
LUWU AREA AND TRANSMIGRATION DEVELOPMENT

DATED: May 24, 1978

This AMENDMENT NO. 2 dated May 24, 1978, is entered into between the REPUBLIC OF INDONESIA ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

WITNESSETH THAT

WHEREAS, the Borrower and A.I.D. entered into a loan agreement, designated as A.I.D. Loan No. 497-T-038, on October 23, 1975, ("Loan Agreement"), whereby A.I.D. agreed to lend to the Borrower up to fifteen million United States dollars (\$15,000,000) to assist in financing Borrower's program for carrying out a package of high priority, agricultural development related activities in the Kabupaten of Luwu, Province of South Sulawesi; and

WHEREAS, the Loan Agreement was amended on July 27, 1977, to modify Section 5.07 regarding Port Charges; and

WHEREAS, the Borrower and A.I.D. desire to further amend the Loan Agreement as hereinafter set forth,

NOW, THEREFORE, the Borrower and A.I.D. agree that A.I.D. Loan Agreement No. 497-T-038 is hereby further amended as follows:

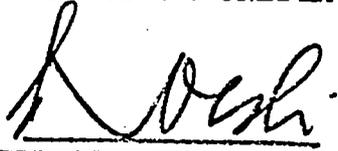
1. The first paragraph of Section 3.02 is hereby modified to read as follows:

"SECTION 3.02. Conditions Precedent to Commencement of any Subproject. Prior to the commencement of construction of any Subproject for which reimbursement will be sought by the Borrower under the Loan, the Borrower and A.I.D. shall, except as they may otherwise agree in writing, review and approve in writing:"

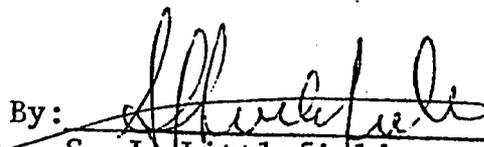
2. Except as hereinabove expressly amended, the Loan Agreement is confirmed and remains in full force and effect in accordance with all of its terms.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its respective duly authorized representative, have caused this Amendment No. 2 to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF INDONESIA

By:   
H.E. Gusti Rusli Noor  
Director General for Foreign  
Economic, Social and Cultural  
Relations,  
Department of Foreign Affairs

UNITED STATES OF AMERICA

By:   
S. J. Littlefield  
Acting Director  
USAID Mission to Indonesia

UNITED STATES GOVERNMENT

# Memorandum

4970244

(12)

PD-AAD-852

TO : DISTRIBUTION

3p  
DATE: May 22, 1975

FROM : EA/CCD, Alexander R. Love

SUBJECT: LUWU Agricultural Development Project Paper

Attached are the annexes and issue paper to the subject Project Paper which was distributed separately on May 20, 1975. Please note that Annex G, The Environmental Impact Statement, is being revised and will therefore be submitted at a later date.

Attachment:

LUWU Agricultural Development PP Annexes and Issue Paper

Distribution:

- DAA/EA, G.A. Zimmerly
- GC/EA, C.W. Stephenson
- ✓ EA/EA, S.J. Littlefield (2)
- EA/EA, A. Rieffel
- EA/DP, L.A. Marinelli (2)
- EA/CCD, F. Collins, Jr.
- EA/CCD, H.M. Pehl
- EA/CCD, L.W. Bond
- EA/CCD, G. Zivadinovich
- EA/CCD, J.A. Tennant
- EA/ID, T.C. Clark (2)
- PPC/DPRE, B. Clary (6)
- SER/ENCR, J.L. Sloan (3)
- A/AID/WID, N.H. Long
- IGA, W.B. Todd
- AG/AUD, H.D. Mayes
- OMB, E. Leonard
- EA/CCD/UEA, A. Jacobs
- EA/CCD, J. McCabe
- EA/IMS, A. Dornheim
- GC/EA, H. Morris

MAY 22 REC'D



Luwu Agricultural Development Project Paper  
Potential Issues

After preliminary AID/Washington review of the Indonesian Luwu Agricultural Development Project Paper, the following comments are offered:

1. Since the time of the Luwu PRP submission completion of final designs increased the estimated cost of the Palopo-Malili trunk road substantially (from \$14.5 million to \$25 million). (It should be noted however, that approximately \$4.0 million of the \$25 million total estimated cost represents an equipment import tax and port handling charge which may be considered a GOI transfer cost and not a true cost of the road subproject.) Although the economic feasibility of the entire road appears satisfactory with the revised costs, the design standards were questioned. The general consensus among USAID, the GOI and AID/W engineers is that the design standards proposed are close to the lowest practical; however there may be some ways of reducing costs further (e.g., postponing investment for two steel truss bridges while improving ferry service across two rivers). Therefore, it has been suggested that prior to final USAID technical approval prior to construction, the Mission and GOI re-evaluate the economic analysis on these subprojects to determine if any cost saving alternatives may be warranted.

2. As stated in the Project Paper, it is felt that the agricultural credit now available in Luwu plus its projected expansion will satisfy credit requirements for the next two to four years. The concern is that as the LADP's infrastructure investments are completed and Luwu's development accelerates, agricultural credit to small farmers could become a constraint to the further development of the area. It was suggested during the AID/Washington Project Committee review that a special borrower covenant be inserted that a credit survey be undertaken in Luwu, that a long-term credit program be planned jointly by the GOI and USAID as a result of this survey, and that the GOI provide assurances that such a credit program will be subsequently established.

3. A question has been raised on whether foreign, technical assistance may be required for the Farm Service Center component of the LADP. USAID does not believe this to be necessary because (a) there are already 355 Rural Extension Centers operating in Indonesia with IBRD assistance provided on 150 of them, and (b) professional Indonesian business managers will be recruited to operate the proposed Farmer Association Complexes. Furthermore, it was pointed out that the four Farm Service Centers are to be phased in over a four-year period thereby giving adequate time to identify any problems with these Centers requiring expatriate assistance and that the loan

will contain provision of 24 man months of short-term consultancies. Any foreign advisory services requirement identified in the future will be funded from these funds.

4. The environmental impact statement drafted by the Mission is in the process of being revised by AID/Washington. Although no major environmental problems have been identified with respect to the road and irrigation systems, some important issues related to health are present. There is the concern that the IADP includes the movement of some 3,500 families from the central islands where the incidence of disease is relatively low to Iuwu which (typically of outer island areas) has a high incidence of disease. The transmigrants are particularly susceptible to illness.

The two specific problem diseases already identified in Iuwu are malaria and filariasis. With respect to malaria, AID is assisting the GOI with a malaria control loan (\$25 mil.) which includes priority attention to Iuwu and other transmigration areas. Land clearing, drainage improvement and overall betterment of the irrigation sub-projects should tend to reduce the transmission of the disease. However, the major control effort will be through DDT spraying. This spraying program has already been started and has effected a reduction in incidence rates. Filariasis is a more serious problem in that it is transmitted by a rice field breeder in Iuwu: the Mission is proposing to encourage collective efforts of vector biological control by the GOI Departments of Health and Agriculture. Based on discussion in AID/W with USAID's health advisor it is agreed that project costs should be increased by \$100,000 to cover a three year intensive study of filariasis and other health problems in the project area. During loan negotiations, the Mission had discussed this concern with the Department of Health and reached agreement to conduct a "one-time only" survey of common vector-borne diseases in Iuwu by the end of calendar year 1975.

5. USAID should encourage a broad-base sociological and anthropological study of Fabumaten Iuwu and to this end should build it into the scope of work for the IADP evaluation program.

6. The Project Paper should be expanded to include a discussion of the longer-term development potential and possibilities for the project.