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A.I.D. LOAN NO. 497-T-058  
PROJECT NO. 497-0276

PROJECT  
LOAN AGREEMENT  
BETWEEN  
THE REPUBLIC OF INDONESIA  
AND THE  
UNITED STATES OF AMERICA  
FOR  
PROVINCIAL AREA DEVELOPMENT PROGRAM II

Date: May 23, 1979

CONFORMED COPY

A.I.D. Loan No.497-T-058  
Project No. 497-0276

PROJECT LOAN AGREEMENT

Date: May 23, 1979

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.

Article 2. The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, is designed to enable the provincial and lower levels of government in Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java Provinces to improve their capability for the identification, planning, implementation, management and evaluation of rural/area development projects and activities that reach and assist the rural poor.

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 authorized representatives of the Parties named above 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 total project (both grant and loan) will be not less than the equivalent of U.S.\$ 3,950,000 including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The Project Assistance Completion Date (PACD), which is May 23, 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 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 contemplated 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 semi-annually. 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 semi annual 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, 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 acceler-

ation 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 the office of Borrower's Ministry of Finance in Indonesia except as otherwise mutually agreed by the representatives of the Parties.

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. Disbursement for Individual Provincial Programs. Except as the Parties may otherwise agree in writing, prior to disbursement under the loan or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for any individual provincial area development program, the Borrower and

A.I.D. shall review and approve in writing the overall conceptual framework for that program which will include a description of the socio-economic-administrative conditions within the province; a description of such conditions within the target area; a statement describing the target groups of the rural poor and their problems; a description of the main thrusts of components of the program including examples of likely subprojects; and a general plan for organization/implementation of the program.

SECTION 5.3. Disbursement for Annual Programs.

Except as the Parties may otherwise agree in writing, prior to disbursement under the loan or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for any activity in an annual provincial program, the Borrower and A.I.D. shall review and approve in writing the provincial annual program which shall include the annual objectives, approach, plans, listing of activities, cost estimates, implementation schedules, operations and other relevant information such as disbursement procedures for each of the activities.

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

SECTION 5.5. 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.

Article 7. Procurement Source

SECTION 7.1. Foreign Exchange Costs.

Disbursements pursuant to Section 8.1 will be used

exclusively to finance the cost 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 agreeeent, by submitting to A.I.D., with necessary supporting documentation as prescribed in project implementation letters, requests to finance such costs.

These disbursement 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 designed, or to a bank, contractor

or supplier pursuant to a Letter of Commitment, contact, or purchase order; or

(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.

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  
Jalan Pejambon 6  
Jakarta Pusat  
Indonesia

Alternate address for telegrams: DEPLU Jakarta.

To A.I.D.:

Mail Address: United States Agency for  
International Development  
American Embassy  
Jalan Medan Merdeka Selatan 5  
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.

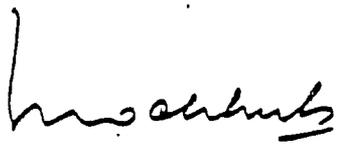
SECTION 9.2. Representatives. For all purposes relevant to this agreement, the Borrower will be represented by the individual holding or acting in the Office of Chairman or Vice Chariman, National Development Planning Agency ("BAPPENAS") and A.I.D. will be represented by the individual holding or acting in the Office of Director, United States A.I.D. 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.

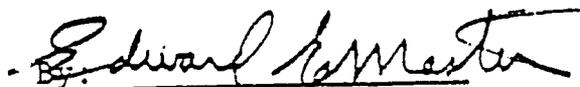
IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF INDONESIA

UNITED STATES OF AMERICA

By: 

Prof. Dr. Mochtar Kusumaatmadja  
Minister of Foreign Affairs

By: 

Edward E. Masters  
Ambassador

## ANNEX 1

### AMPLIFIED DESCRIPTION OF THE PROJECT Same for Loan and Grant

#### I. Project Purpose

The Provincial Area Development Program (PDP) II is a local government program which seeks to: (i) improve the capabilities of local government within the provinces of Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java to undertake rural development activities which impact on the productive capacity of the rural poor; (ii) improve the capabilities of key central government agencies to support local government rural development activities which impact on the income of the rural poor; and (iii) increase the incomes of the rural poor within the project areas.

#### II. Project Outputs, Inputs and Financial Plan

PDP II will help to finance activities which primarily are: (i) targeted on increasing the incomes of the rural poor as directly and immediately as possible; (ii) relatively small scale, of a pilot nature, and capable of execution within a reasonable time frame; (iii) technically, economically, financially, socially, environmentally and administratively sound; (iv) capable of replication; (v) focused spatially to maximize the likelihood of beneficial linkages between activities under auspices of the PDP as well as other governmental efforts undertaken (e.g. an INPRESS road), to the extent possible; and (vi) within the framework, or major objectives, of the individual provincial programs.

Loan funds will be utilized primarily for implementation of subprojects while grant assistance will be utilized primarily to finance technical advisory services, commodities and training. On page 4 is the PDP II financial plan for both loan and grant elements. Although the maximum A.I.D. and the the minimum GOI contributions specified in Article 3 of the grant and loan agreements remain fixed, changes in the amounts of funds allocated to individual project inputs may be made during implementation of the project without formal change of this amplified description of the project provided that A.I.D. approves any such changes in writing.

It is agreed that in event any of the funds planned for funding a portion of the project should not be made avail-

able to A.I.D., GOI would not be responsible for providing such funds for the project. Under such circumstances it is agreed between GOI and A.I.D. that the scope of the overall project would be reduced to correlate with the reduction of available funds.

Financial mechanisms to be applied for the A.I.D. local currency contributions for subproject implementation may include fixed amount reimbursement (FAR) and direct disbursement of local currency. The most appropriate mechanisms for each activity as well as the amount of the A.I.D. and GOI contribution, will be decided at the joint review of provincial plans and agreed to in writing.

### III. Project Direction and Organization

The Provincial Area Development Program II will be under the overall direction and guidance of the National level Steering and Technical Committees representing primarily the Ministry of Home Affairs, BAPPENAS and the Ministry of Public Works established by the Ministry of Home Affairs Decree No. 309 of 1976, and the Ministry of Finance. The Directorate General for General Administration and Regional Autonomy (PUOD) of the Ministry of Home Affairs will be responsible for overall execution of PDP II for the central government. The operating level PDP II project management unit will be located within PUOD's Directorate for Regional Development. In the provinces of Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java, the governors and their provincial planning boards (BAPPEDA) will be the primary counterparts responsible for guiding, directing and coordinating the participating technical service agencies and kabupaten.

### IV. Implementation Plan

The program will function within the context of the GOI budget cycle for planning, preparation of annual budgets and implementation. It is anticipated that four full years of programming, implementation, monitoring and evaluation will prove sufficient for making the substantive improvements in local government administration sought, and therefore PDP II will be most concerned with Indonesian Fiscal Years (IFY) 1979/80, 1981/82 and 1982/83.

Implementation will follow along the lines of the major, nationally financed rural development/local government programs (INPRES) with annual instructions/guidelines being

sent to the provinces and kabupaten; annual programs being developed at these local levels; a joint national steering/technical committee and USAID review following submission of these provincial plans; and actual execution being a responsibility of the appropriate technical agency in the field.

## PROJECT FINANCIAL PLAN

(Source and Application of Funding - \$ Thousands)

	G R A N T					L O A N				
	FY 79 Obligation		Future Years		Total	FY 79 Obligation		Future Years		Total
	AID	GOI	AID	GOI		AID	GOI	AID	GOI	
<b>I. National level support</b>										
1. Technical assistance	-	70	200	210	480	-	-	-	-	-
2. Training	-	-	4	20	24	-	-	-	-	-
3. Commodities	-	-	-	30	30	-	-	-	-	-
<b>II. Bengkulu PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	1750	875	1250	1250	5125
<b>III. South Kalimantan PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	1750	875	1250	1250	5125
<b>IV. Nusa Tenggara Timur PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	1750	875	1250	1250	5125
<b>V. East Java PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	1750	875	1250	1250	5125
<b>VI. T O T A L</b>	<u>1200</u>	<u>450</u>	<u>2800</u>	<u>1360</u>	<u>5810</u>	<u>7000</u>	<u>3500</u>	<u>5000</u>	<u>5000</u>	<u>20500</u>

## PROJECT FINANCIAL PLAN

(Source and Application of Funding - \$ Thousands)

	G R A N T					L O A N				
	FY 79 Obligation		Future Years		Total	FY 79 Obligation		Future Years		Total
	AID	GOI	AID	GOI		AID	GOI	AID	GOI	
<b>I. National level support</b>										
1. Technical assistance	-	70	200	210	480	-	-	-	-	-
2. Training	-	-	4	20	24	-	-	-	-	-
3. Commodities	-	-	-	30	30	-	-	-	-	-
<b>II. Bengkulu PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	-	-	-	-	-
						1750	875	1250	1250	5125
<b>III. South Kalimantan PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	-	-	-	-	-
						1750	875	1250	1250	5125
<b>IV. Nusa Tenggara Timur PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	-	-	-	-	-
						1750	875	1250	1250	5125
<b>V. East Java PDP</b>										
1. Technical assistance	250	70	500	210	1030	-	-	-	-	-
2. Training	34	-	124	20	178	-	-	-	-	-
3. Commodities	16	25	25	45	111	-	-	-	-	-
4. Subprojects financing	-	-	-	-	-	-	-	-	-	-
						1750	875	1250	1250	5125
<b>VI. T O T A L</b>	<u>1200</u>	<u>450</u>	<u>2800</u>	<u>1360</u>	<u>5810</u>	<u>1750</u>	<u>875</u>	<u>1250</u>	<u>1250</u>	<u>5125</u>
						<u>7000</u>	<u>3500</u>	<u>5000</u>	<u>5000</u>	<u>20500</u>

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Project Grant Standard Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project Grant Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

Article A: Project Implementation Letters. To assist Grantee in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

Article B: General Covenants

SECTION B.1. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

SECTION B.2. Execution of Project. The Grantee will:

(a) carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and

(b) provide qualified and experience management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

SECTION B.3. Utilization of Goods and Services

(a) Any resources financed under the Grant will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Grant, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION B.4. Taxation

(a) This Agreement and the Grant will be free from any taxation or fees imposed under laws in effect in the territory of the Grantee.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Grant, and any property or transaction relating to such contracts and (2) any commodity procurement transaction financed under the Grant, are not exempt from identifiable taxes, tariffs, duties or other levies imposed under laws in effect in the territory of the Grantee, the Grantee will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.5. Reports, Records, Inspections, Audit.

The Grantee will:

(a) furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;

(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Grant. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after

SECTION B.5.(b)

the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and

(c) afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Grant.

SECTION B.6. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or cause A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Grant, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;

(b) that it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

SECTION B.7. Other Payments. Grantee affirms that no payments have been or will be received by any official of the Grantee in connection with the procurement of goods or services financed under the Grant, except fees, taxes, or similar payments legally established in the country of the Grantee.

SECTION B.8. Information and Marking. The Grantee will give appropriate publicity to the Grant and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

Article C: Procurement Provisions

SECTION C.1. Special Rules.

(a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Grantee will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Grant will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

(d) Transportation by air, financed under the Grant, of property or persons, will be on carriers holding United States certification, to the extent service by such carriers is available. Details on this requirement will be described in a Project Implementation Letter.

SECTION C.2. Eligibility Date. No goods or services may be financed under the Grant which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.

SECTION C.3. Plans, Specifications, and Contracts. In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Grantee will furnish to A.I.D. upon preparation,

(1) any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Grant, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;

(2) such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services, which, though not financed under the Grant, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this subsection (a) (2) will be identified in Project Implementation Letters;

### SECTION C.3.

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Grant will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Grant for engineering and other professional services, for construction services, and for such other services, equipment or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Grantee for the Project but not financed under the Grant, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Grantee for the Project but not financed under the Grant, shall be acceptable to A.I.D.

SECTION C.4. Reasonable Price. No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Grant. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

SECTION C.5. Notification to Potential Suppliers. To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Grant, the Grantee will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

### SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Grantee may not be financed under the Grant if transported either: (1) on an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment, or (2) on an ocean vessel which A.I.D., by written notice to the Grantee has designated as ineligible; or (3) under an ocean or air charter which has not received prior A.I.D. approval.

SECTION C.6.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Grant, if such goods or persons are carried: (1) on an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or (2) on an ocean vessel which A.I.D., by written notice to the Grantee, has designated as ineligible; or (3) under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels, (1) at least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and (2) at least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Grantee on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to both any cargo transported from U.S. ports and any cargo transported from non-U.S. ports, computed separately.

SECTION C.7. Insurance.

(a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Grantee may be financed as a Foreign Exchange Cost under this Agreement provided (1) such insurance is placed at the lowest available competitive rate, and (2) claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Grantee (or government of Grantee), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Grantee financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

SECTION C.7.

(b) Except as A.I.D. may otherwise agree in writing, the Grantee will insure, or cause to be insured, goods financed under the Grant imported for the Project against risks incident to their transit to the point of their use in the Project; such insurances will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Grantee under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Grantee for the replacement or repair of such goods. Any such replacements will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

SECTION C.8. U.S. Government-Owned Excess Property. The Grantee agrees that wherever practicable, United States Government-owned excess personal property, in lieu of new items financed under the Grant, should be utilized. Funds under the Grant may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Termination. Either Party may terminate this Agreement by giving the other Party 30 days written notice. Termination of this Agreement will terminate any obligations of the Parties to provide financial or other resources to the Project pursuant to this Agreement, except for payment which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of this Agreement. In addition, upon such termination A.I.D. may, at A.I.D.'s expense, direct that title to goods financed under the Grant be transferred to A.I.D. if the goods are from a source outside Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of Grantee's country.

SECTION D.2. Refunds.

(a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D.,

SECTION D.2.

notwithstanding the availability or exercise of any other remedies under this Agreement, may require the Grantee to refund the amount of such disbursement in U.S. Dollars to A.I.D. within sixty (60) days after receipt of a request therefor.

(b) If the failure of Grantee to comply with any of its obligations under this Agreement has the result that goods or services financed under the Grant are not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement for such goods or services in U.S. Dollars to A.I.D. within sixty days after receipt of a request therefor.

(c) The right under subsection (a) or (b) to require a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

(d) (1) Any refund under subsection (a) or (b), or (2) any refund to A.I.D. from a contractor, supplier, bank or other third party with respect to goods or services financed under the Grant, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will (A) be made available first for the cost of goods and services required for the Project, to the extent justified, and (B) the remainder, if any, will be applied to reduce the amount of the Grant.

(e) Any interest or other earnings on Grant funds disbursed by A.I.D. to the Grantee under this Agreement prior to the authorized use of such funds for the Project will be returned to A.I.D. in U.S. Dollars by the Grantee.

SECTION D.3. Nonwaiver of Remedies. No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

SECTION D.4. Assignment. The Grantee agrees, upon request, to execute an assignment to A.I.D. of any cause of action which may accrue to the Grantee in connection with or arising out of the contractual performance or breach of performance by a party to a direct U.S. Dollar contract with A.I.D. financed in whole or in part out of funds granted by A.I.D. under this Agreement.

4970276 (5)  
PO-ADD-925

Project No. 497-0276

15p

PROJECT  
GRANT AGREEMENT  
BETWEEN  
THE REPUBLIC OF INDONESIA  
AND  
THE UNITED STATES OF AMERICA  
FOR  
PROVINCIAL AREA DEVELOPMENT PROGRAM II

CONFORMED COPY

Dated: June 1, 1979

PROVINCIAL AREA DEVELOPMENT PROGRAM II  
Project Grant Agreement

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A.I.D. Project No. 497-0276

PROJECT GRANT AGREEMENT

Date: June 1 , 1979

Between THE REPUBLIC OF INDONESIA ("Grantee") 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.

Article 2. The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will consist of assistance to the Grantee to enable provincial and lower levels of government in Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java provinces to improve their capabilities for the identification, planning, implementation, management, and evaluation of rural/area development projects and activities that reach and assist the rural poor.

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 8.2, without formal amendment of this agreement.

SECTION 2.2. Incremental Nature of Project

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3. Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs 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 one million two hundred thousand United States ("U.S.") dollars (\$1,200,000) ("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 and training 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 to carry out the project effectively and in a timely manner. The Government of

Indonesia agrees that its contribution will be provided on a timely basis.

(b) The resources provided by the Grantee for the total project (both Grant and Loan) will be not less than the equivalent of \$3,950,000 including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is May 23, 1984 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 statement of the name of the person holding or acting in the office 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.

SECTION 4.2. Additional Disbursement. Prior to disbursements under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursements will be made for technical assistance, training and related support costs, the Grantee and A.I.D. shall agree in writing to the plans and cost estimates for such assistance.

SECTION 4.3. Notification. When A.I.D. has determined that the condition precedent specified in Section 4.1 has been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent If the condition specified in Section 4.1 has 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 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 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 (Code 000 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 grant standard provisions annex, Section C.1(b) with respect to marine insurance.

##### SECTION 6.2. Local Currency Costs.

Disbursements 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: (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 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:

To the Grantee: Ministry of Home Affairs  
 Directorate General for General  
 Administration and Regional  
 Autonomy (PUOD)  
 Jl. Medan Merdeka Utara 7  
 Jakarta, Indonesia

To A.I.D. : Mr. Thomas C. Niblock  
 Director  
 U.S. Agency for International  
 Development  
 American Embassy  
 Jl. Medan Merdeka Selatan 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 office of Director General PUOD, Ministry of Home Affairs 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 a 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.

THE REPUBLIC OF INDONESIA

By: \_\_\_\_\_

ORIGINAL SIGNED BY

Director General PUOD  
Ministry of Home Affairs

UNITED STATES AGENCY FOR  
INTERNATIONAL DEVELOPMENT

By: \_\_\_\_\_

ORIGINAL SIGNED BY

Thomas C. Niblock  
Director

## ANNEX 1

### AMPLIFIED DESCRIPTION OF THE PROJECT Same for Loan and Grant

#### I. Project Purpose

The Provincial Area Development Program (PDP) II is a local government program which seeks to: (i) improve the capabilities of local government within the provinces of Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java to undertake rural development activities which impact on the productive capacity of the rural poor; (ii) improve the capabilities of key central government agencies to support local government rural development activities which impact on the income of the rural poor; and (iii) increase the incomes of the rural poor within the project areas.

#### II. Project Outputs, Inputs and Financial Plan

PDP II will help to finance activities which primarily are: (i) targeted on increasing the incomes of the rural poor as directly and immediately as possible; (ii) relatively small scale, of a pilot nature, and capable of execution within a reasonable time frame; (iii) technically, economically, financially, socially, environmentally and administratively sound; (iv) capable of replication; (v) focused spatially to maximize the likelihood of beneficial linkages between activities under auspices of the PDP as well as other governmental efforts undertaken (e.g. an INPRESS road), to the extent possible; and (vi) within the framework, or major objectives, of the individual provincial programs.

Loan funds will be utilized primarily for implementation of subprojects while grant assistance will be utilized primarily to finance technical advisory services, commodities and training. On page 4 is the PDP II financial plan for both loan and grant elements. Although the maximum A.I.D. and the the minimum GOI contributions specified in Article 3 of the grant and loan agreements remain fixed, changes in the amounts of funds allocated to individual project inputs may be made during implementation of the project without formal change of this amplified description of the project provided that A.I.D. approves any such changes in writing.

It is agreed that in event any of the funds planned for funding a portion of the project should not be made avail-

able to A.I.D., GOI would not be responsible for providing such funds for the project. Under such circumstances it is agreed between GOI and A.I.D. that the scope of the overall project would be reduced to correlate with the reduction of available funds.

Financial mechanisms to be applied for the A.I.D. local currency contributions for subproject implementation may include fixed amount reimbursement (FAR) and direct disbursement of local currency. The most appropriate mechanisms for each activity as well as the amount of the A.I.D. and GOI contribution, will be decided at the joint review of provincial plans and agreed to in writing.

### III. Project Direction and Organization

The Provincial Area Development Program II will be under the overall direction and guidance of the National level Steering and Technical Committees representing primarily the Ministry of Home Affairs, BAPPENAS and the Ministry of Public Works established by the Ministry of Home Affairs Decree No. 309 of 1976, and the Ministry of Finance. The Directorate General for General Administration and Regional Autonomy (PUOD) of the Ministry of Home Affairs will be responsible for overall execution of PDP II for the central government. The operating level PDP II project management unit will be located within PUOD's Directorate for Regional Development. In the provinces of Bengkulu, South Kalimantan, Nusa Tenggara Timur and East Java, the governors and their provincial planning boards (BAPPEDA) will be the primary counterparts responsible for guiding, directing and coordinating the participating technical service agencies and kabupatens.

### IV. Implementation Plan

The program will function within the context of the GOI budget cycle for planning, preparation of annual budgets and implementation. It is anticipated that four full years of programming, implementation, monitoring and evaluation will prove sufficient for making the substantive improvements in local government administration sought, and therefore PDP II will be most concerned with Indonesian Fiscal Years (IFY) 1979/80, 1980/81, 1981/82 and 1982/83.

Implementation will follow along the lines of the major, nationally financed rural development/local government programs (INPRES) with annual instructions/guidelines being

sent to the provinces and kabupaten; annual programs being developed at these local levels; a joint national steering/technical committee and USAID review following submission of these provincial plans; and actual execution being a responsibility of the appropriate technical agency in the field.

UNITED STATES GOVERNMENT

# Memorandum

1c DS/810/01

4970276 (6)  
PO-AAA-925  
3p

TO : Distribution

DATE: November 22, 1971

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

SUBJECT: Indonesia: ✓ 1. A.I.D. Loan No. 497-H-031, Project No. 497-0223,  
Jagorawi Highway Construction, Implementation Letter  
No. 6.  
✓ 2. A.I.D. Loan NO. 497-T-048, Project No. 497-0263,  
Sumatra Agricultural Research, Implementation Letter  
No. 4.

Attached for your information and files are copies of subject documents.

Attachments: a/s

Distribution:

SER/FM/LD:SHudec  
SER/FM/BFD:JO'Neill  
GC/ASIA:HMorris  
ASIA/PD/ENGR:JSloan  
ASIA/TR:TCClark  
ASIA/DP:RHalligan  
ASIA/ISPA:HPetrequin



AGENCY FOR INTERNATIONAL DEVELOPMENT  
AMERICAN EMBASSY

Jakarta, Indonesia

October 18, 1978

Departemen Luar Negeri  
Jl. Pejambon No. 6  
Jakarta Pusat

Attention: Directorate General of Foreign Economic Relations

Subject : A.I.D. Loan No. 497-T-048 *Proj 497-263*  
Sumatra Agricultural Research  
Project Implementation Letter No. 4

Gentlemen:

This letter acknowledges the submission of the National Development Planning Agency (BAPPENAS), dated October 9, 1978, ref. 2476/wk/10/1978, that of the Central Research Institute for Agriculture (CRIIA), dated October 7, 1978 and that of the Minister of Justice, dated June 9, 1978, pursuant to Article five (5) of the subject Loan Agreement.

Please be advised that these submissions are in order and accordingly, AID considers Conditions Precedent to First Disbursement, (Section) 5.1(a), 5.1(b) and 5.1(c) of the Loan Agreement, satisfied.

Sincerely,

*Thomas C. Niblock*  
Thomas C. Niblock  
Director

DISTRIBUTION: 15 - DEPLU  
5 - BAPPENAS  
5 - DOA  
2 - CRIA  
2 - MOJ  
10 - ASIA/PD  
DIR/DD, LA-3, OMF, PRO-2, C&R-2  
Project Officer-1; AGR-extras

Drafted: *LM*  
PRO: LMMarshall: as

Clearance: PRO: RCohen *RC*  
AGR: WCTappan *Tappan*  
OMF: RLBourquein *RLB*  
LA: JRKahle *JRK*  
DD: WGBollinger *WGB*

*Petf*  
*V...*  
*PL*  
*H.C.H. File*  
*Jakarta*

UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
AMERICAN EMBASSY  
JAKARTA, INDONESIA

October 26, 1978

Departemen Luar Negeri  
Jalan Taman Pejambon No. 6  
Jakarta Pusat

Attention: Directorate General of Foreign  
Economic Relations

Subject: AID Loan No. 497-H-031  
Jagorawi Highway Construction  
Implementation Letter No. 6

497-223

Gentlemen:

This is to advise you that the terminal date for requesting  
disbursement authorization under this loan, pursuant to  
Section 7.04 of the Loan Agreement, has been extended from  
October 30, 1978 to April 30, 1979.

Please give us your letter acknowledging receipt of this  
Implementation Letter.

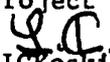
Sincerely yours,



Thomas C. Niblock  
Director

cc:  
35-DEPLU  
5-BAPPENAS  
5-BINA MARGA  
10-ASIA/PD  
1-DIR  
1-DD  
1-LA  
1-OMF  
2-PRO  
2-PTE  
3-C&R  
1-Project Officer

Clearances:  
PTE:AGrayson  
PRO:RCohen  
OMF:RBourquein  
LA:JRKahle  
DD:WGBollinger

  
PTE:LCKoski:wr:10/26/78

UNITED STATES GOVERNMENT

# Memorandum

4970276①  
DO-ADD-925

2p

TO : Distribution

DATE: December 19, 1978

FROM : ASIA/PD/EA, <sup>MLP</sup>MNP. Leifert

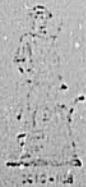
SUBJECT: Indonesia - AID Loan 497-T-051  
Agricultural Development Planning and Administration  
Loan Project Implementation Letter No. 4

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: TCClark  
GC/ASIA: CStephenson  
ASIA/DP: RHalligan  
DS/DIU: JHafenrichter ✓

Attachment: a/s



AGENCY FOR INTERNATIONAL DEVELOPMENT  
AMERICAN EMBASSY  
JAKARTA, INDONESIA

October 26, 1978

Departemen Luar Negeri  
Jalan Pejambon No. 6  
Jakarta Pusat

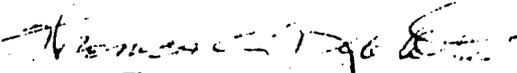
Attention: Directorate General of Foreign Economic Relations

Subject : AID Loan 497-T-051  
Agricultural Development Planning and Administration  
Loan Project Implementation Letter No. 4

This letter acknowledges the submissions of the National Planning Agency, No. 1533/WK/VI/1978, dated June 29, 1978, and that of the Department of Agriculture, No. 1433/B/1978, dated October 4, 1978, and No. 254/Pr/N, dated October 10, 1978, pursuant to Article Five (5) of the subject Loan Agreement.

Please be advised that these submissions are in order and accordingly, AID considers Conditions Precedent to First Disbursements, (Section) 5.1(b), 5.1(c), 5.1(d) of the Loan Agreement, satisfied.

Sincerely yours,

  
Thomas C. Niblock  
Director

Distribution: 15 - DEPLU  
5 - BAPPENAS  
5 - DOA  
  
10 - ASIA/PD  
DIR, DD, LA-3, OMF, PRO-2, C&R-2  
Project Officer-1, AGR-extras

Clearance: AGR:WCTappan  
OMF/D:SDMitchell  
LA :JRKahle  
PRO:RCohen  
DD:WGBollinger

AGR:MKorin/DHammer:hs: 10/26/78

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON

4970276⑧  
PD-ADD-925

JAN 13 11 11 AM '79  
EXECUTIVE SECRETARIAT

Sp

THE ADMINISTRATOR

JAN 22 1979

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: ES  
THRU: AA/PPC, Alexander Shakow AS  
FROM: A/AA/ASIA, Robert Halligan R.H.  
SUBJECT: INDONESIA - Provincial Area Development Program II (497-0276)  
\$18 Million Loan; \$6 Million Grant

Problem: Attached is a Project Paper (Tab B) proposing \$24,000,000 of grant and loan financing for the Provincial Area Development Program II in Indonesia. Your approval is required because life-of-project funding exceeds \$10 million.

Discussion: The purpose of the proposed project is to address the issue that, although the Government of Indonesia (GOI) has since 1974 substantially expanded its rural infrastructure program including the initiation of a series of local revenue-sharing programs, incomes of the poorer groups in rural areas have not necessarily increased. Provincial and lower level governments in Indonesia are in need of upgrading their manpower capabilities, operating procedures, and the entire process of project identification, implementation, management, and evaluation. Furthermore, there is a need for more effective administrative arrangements between the central and local levels of government.

In response to these needs, the Provincial Area Development Program (PDP) was designed by the GOI with USAID assistance. Its purpose is to improve the integrated area/rural development planning and management capability of provincial and lower level governments in: identifying problems and planning, executing, managing, and monitoring activities addressed to those problems, as well as evaluating the results. PDP I (497-0264) was authorized in FY 1977 and began in the Provinces of Central Java and Aceh.

It is proposed in the attached PP to expand the PDP activity to six additional provinces in two stages: Bengkulu, South Kalimantan, Nusa Tenggara Timur, and East Java in FY 1979, and two additional provinces

later on. The expansion of PDP activities into a total of eight provinces is considered essential to provide a sufficient base of experience to test the approach prior to its national replication. PDP II will fund both short-term and longer-term advisory services to the additional provinces, short-term training of local government officials as well as national level counterparts in third-countries and the U.S., and it will help to finance a portion of the local currency costs for specific small scale subprojects in each of the provinces. All subprojects are focused on increased productive capacity and employment opportunities of the rural poor and include such activities as production and processing of food and cash crops, livestock management, rural credit, cooperative development, and promotion of small rural-based industries.

The project has been examined for overall soundness, including technical, financial, economic, social, institutional and environmental soundness. The Asia Projects Advisory Committee (APAC) approved the project in FY 1973. As this occurred in June 1973, the PP was also approved by the DLSC and the Human Rights Committee, and it was considered favorably by the BAS. A negative environmental determination was signed.

The project appears in the FY 79 Congressional Presentation (p. 473) and a Congressional Notification is therefore not needed. However, the funding levels proposed for authorization in FY 79 differ from the approved OYB. In an exchange of cables, it was agreed with USAID/Indonesia to reduce the level of the grant somewhat in order to avoid the need for a Congressional Notification.

The Provincial Area Development program has not been the subject of either a Government Accounting Office audit or an A.I.D. Auditor General audit. PDP I has not been formally audited; an evaluation plan for PDP II anticipates providing both the GOI and USAID with relevant information for decision-making regarding PDP national replication and possible A.I.D. involvement in such an expansion should the GOI request it. There are no Congressional questions or issues pending.

Because the proposed life-of-project funding exceeds \$10 million, your approval of the project is needed. Authorization of \$7,000,000 of loan funding and \$1,200,000 of grant funding is sought at this time.

Recommendation: That you approve \$18,000,000 in loan funding and \$6,000,000 in grant funding for the life-of-project period FY 1979 through FY 1982, and that you authorize \$7,000,000 in loan funding and \$1,200,000 in grant funding in FY 1979, with future increments subject to the availability of funds, by signing the attached Project Authorization (Tab A).

**Attachments:**

- Tab A - Project Authorization
- Tab B - PADP II Project Paper

**Clearances:**

DA/AID:Robert Nooter \_\_\_\_\_ date \_\_\_\_\_  
GC:Markham Ball \_\_\_\_\_ date \_\_\_\_\_

AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT AUTHORIZATION AND REQUEST  
 FOR ALLOTMENT OF FUNDS PART I**

1. TRANSACTION CODE

A

A ADD  
 C CHANGE  
 D DELETE

PAF

2. DOCUMENT CODE  
 5

3. COUNTRY/ENTITY  
 INDONESIA

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)

497-0236

6. BUREAU/OFFICE

A. SYMBOL  
 ASIA

B. CODE  
 04

7. PROJECT TITLE (Maximum 40 characters)

Provincial Area Development Program II

8. PROJECT  
 APPROVAL  
 DECISION

ACTION TAKEN

A

A APPROVED  
 D DISAPPROVED  
 DE DEAUTHORIZED

9. EST. PERIOD OF IMPLEMENTATION

MOS.  0  5

YRS.  0

10. APPROVED BUDGET AND APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		E. 1ST FY <u>79</u>		F. 2ND FY <u>80</u>		G. 3RD FY <u>81</u>	
		C. GRANT	D. LOAN	E. GRANT	F. LOAN	G. GRANT	H. LOAN	I. GRANT	J. LOAN
(1) ARD&N	B200	033	033	1,200	7,000	3,000	10,000	1,800	1,000
(2)									
(3)									
(4)									
TOTALS				1,200	7,000	3,000	10,000	1,800	1,000

A. APPROPRIATION	H. 4TH FY		I. 5TH FY		LIFE OF PROJECT		PROJECT FUNDING AUTHORIZED	
	C. GRANT	D. LOAN	E. GRANT	F. LOAN	G. GRANT	H. LOAN	1. LIFE OF PROJECT	2. INCREMENTAL LIFE OF PROJECT
(1) ARD&N	-	-	-	-	0,000	18,000	2	2
(2)								
(3)								
(4)								
TOTALS					6,000	18,000	PROJECT FUNDING AUTHORIZED THRU <input type="checkbox"/> 8 <input type="checkbox"/> 2	

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)

A. APPROPRIATION	B. ALLOTMENT REQUEST NO.	
	C. GRANT	D. LOAN
(1)		
(2)		
(3)		
(4)		
TOTALS		

13. FUNDS RESERVED FOR ALLOTMENT

TYPED NAME (Chief, SER/PM/FSD)

SIGNATURE

DATE

14. SOURCE/ORIGIN OF GOODS AND SERVICES

300

341

LOCAL

OTHER

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

FOR AUTHORIZING OFFICE SYMBOL

17. ACTION DATE

MM | DD | YY

18. ACTION REFERENCE (Optional)

ACTION REFERENCE DATE

MM | DD | YY

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON

Deputy  
THE/ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

PART II

INDONESIA

PROVINCIAL AREA DEVELOPMENT  
PROGRAM (PDP) II  
A.I.D. PROJECT NO. 497-0276

Pursuant to Part I, Chapter 1, Section 103(a) of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan and a Grant to Indonesia (the "Cooperating Country") of not to exceed Eight Million, Two Hundred Thousand United States Dollars (\$8,200,000) (the "Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described below. Of the Authorized Amount, Seven Million Dollars ("Loan") will be loaned and One Million, Two Hundred Thousand Dollars ("Grant") will be granted to the Cooperating Country. The entire amount of the A.I.D. financing herein authorized for the project will be obligated when the Project Agreement is signed.

The project (hereinafter referred to as the "Project") consists of technical assistance, training, and financial assistance to the Government of Indonesia to enable provincial and lower level governments in selected provinces to improve their capability for the identification, planning, implementation, management and evaluation of rural/area development projects and activities that reach and assist the rural poor.

I approve the total level of A.I.D. appropriated funding planned for this Project of not to exceed \$24,000,000 including the \$8,200,000 authorized above, of which total \$18,000,000 will be Loan funded and \$6,000,000 Grant funded during the period FY 1979 through FY 1982. I approve further increments during that period of Loan and Grant funding up to the total level of \$24,000,000 subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement or Agreements by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and delegations of authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A.I.D. may deem appropriate:

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in United States Dollars within Forty (40) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in United States Dollars interest from the date of first disbursement of the Loan at the rate of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or in the United States (in the case of the Grant) and in the Cooperating Country or in countries included in A.I.D. Geographic Code 941 (in the case of the Loan) except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Project shall be procured in accordance with current A.I.D. policy.

P. H. H. H. H.  
Deputy Administrator  
Agency for International Development

3/7/71  
Date

UNITED STATES GOVERNMENT

# Memorandum

24

4970276  
PD-AA-925

6p

**TO :** Distribution

**DATE:** March 13, 1979

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

**SUBJECT:** INDONESIA - Provincial Area Development Program II (497-0276)  
\$18 Million Loan; \$6 Million Grant

Attached is copy of subject authorization, signed by  
DA/AID Robert Nooter on March 7, 1979.

Attachment: a/s

Distribution:

AA/ASIA:JHSullivan, FWSchieck  
AA/PPC:AShakow  
PPC/PDPR:RMalley  
PPC/PB/PDS:NCopeland  
FM/LD:ASmith  
FM/RDC:DBaker  
ASIA/ISPA:HPetrequin, DFredrick  
ASIA/DP:RHalligan, CJohnson, RLeonard(2)  
ASIA/TR:TArndt  
SER/CM/SD:JMurphy  
DS/DIU (2)  
ASIA/PD:DBrennan, RVanRaalte, MMehl, RMacDonald  
GC:MBall  
GC/ASIA:H.Morris, CStephenson  
USAID/Indonesia (2)



DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON

JAN 15 11 11 AM '79  
EXECUTIVE SECRETARIAT

THE ADMINISTRATOR

JAN 22 1979

ACTION MEMORANDUM FOR THE ADMINISTRATOR

THRU: ES

THRU: AA/PPC, Alexander Shakow AS

FROM: A/AA/ASIA, Robert Halligan R.H.

SUBJECT: INDONESIA - Provincial Area Development Program II (497-0276)  
\$18 Million Loan; \$6 Million Grant

Problem: Attached is a Project Paper (Tab B) proposing \$24,000,000 of grant and loan financing for the Provincial Area Development Program II in Indonesia. Your approval is required because life-of-project funding exceeds \$10 million.

Discussion: The purpose of the proposed project is to address the issue that, although the Government of Indonesia (GOI) has since 1974 substantially expanded its rural infrastructure program including the initiation of a series of local revenue-sharing programs, incomes of the poorer groups in rural areas have not necessarily increased. Provincial and lower level governments in Indonesia are in need of upgrading their manpower capabilities, operating procedures, and the entire process of project identification, implementation, management, and evaluation. Furthermore, there is a need for more effective administrative arrangements between the central and local levels of government.

In response to these needs, the Provincial Area Development Program (PDP) was designed by the GOI with USAID assistance. Its purpose is to improve the integrated area/rural development planning and management capability of provincial and lower level governments in: identifying problems and planning, executing, managing, and monitoring activities addressed to those problems, as well as evaluating the results. PDP I (497-0264) was authorized in FY 1977 and began in the Provinces of Central Java and Aceh.

It is proposed in the attached PP to expand the PDP activity to six additional provinces in two stages: Bengkulu, South Kalimantan, Nusa Tenggara Timur, and East Java in FY 1979, and two additional provinces

later on. The expansion of PDP activities into a total of eight provinces is considered essential to provide a sufficient base of experience to test the approach prior to its national replication. PDP II will fund both short-term and longer-term advisory services to the additional provinces, short-term training of local government officials as well as national level counterparts in third-countries and the U.S., and it will help to finance a portion of the local currency costs for specific small scale subprojects in each of the provinces. All subprojects are focused on increased productive capacity and employment opportunities of the rural poor and include such activities as production and processing of food and cash crops, livestock management, rural credit, cooperative development, and promotion of small rural-based industries.

The project has been examined for overall soundness, including technical, financial, economic, social, institutional and environmental soundness. The Asia Projects Advisory Committee (APAC) approved the project in FY 1973. As this occurred in June 1973, the PP was also approved by the DLSC and the Human Rights Committee, and it was considered favorably by the BAS. A negative environmental determination was signed.

The project appears in the FY 79 Congressional Presentation (p. 473) and a Congressional Notification is therefore not needed. However, the funding levels proposed for authorization in FY 79 differ from the approved OYB. In an exchange of cables, it was agreed with USAID/Indonesia to reduce the level of the grant somewhat in order to avoid the need for a Congressional Notification.

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Because the proposed life-of-project funding exceeds \$10 million, your approval of the project is needed. Authorization of \$7,000,000 of loan funding and \$1,200,000 of grant funding is sought at this time.

Recommendation: That you approve \$18,000,000 in loan funding and \$6,000,000 in grant funding for the life-of-project period FY 1979 through FY 1982, and that you authorize \$7,000,000 in loan funding and \$1,200,000 in grant funding in FY 1979, with future increments subject to the availability of funds, by signing the attached Project Authorization (Tab A).

**Attachments:**

- Tab A - Project Authorization
- Tab B - PADP II Project Paper

**Clearances:**

DA/AID: Robert Nooter \_\_\_\_\_ date \_\_\_\_\_  
GC: Markham Ball \_\_\_\_\_ date \_\_\_\_\_

AGENCY FOR INTERNATIONAL DEVELOPMENT  
**PROJECT AUTHORIZATION AND REQUEST  
 FOR ALLOTMENT OF FUNDS PART I**

1. TRANSACTION CODE

A ADD  
 C CHANGE  
 D DELETE

PAF

2. DOCUMENT CODE  
 5

3. COUNTRY/ENTITY  
 INDONESIA

4. DOCUMENT REVISION NUMBER

5. PROJECT NUMBER (7 digits)

497-0236

6. BUREAU OFFICE

A. SYMBOL ASIA  
 B. CODE 04

7. PROJECT TITLE (Maximum 40 characters)

Provincial Area Development Program II

8. PROJECT APPROVAL DECISION

A APPROVED  
 B DISAPPROVED  
 C UNAUTHORIZED

ACTION TAKEN

9. EST. PERIOD OF IMPLEMENTATION

YRS. 0 5  
 Mths. 0

10. APPROVED BUDGET AND APPROPRIATED FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	PRIMARY TECH. CODE		3. 1ST FY 79		4. 2ND FY 80		5. 3RD FY 81	
		C. GRANT	D. LOAN	F. GRANT	G. LOAN	H. GRANT	I. LOAN	J. GRANT	K. LOAN
(1) ARD&N	B200	033	033	1,200	7,000	3,000	10,000	1,800	1,000
(2)									
(3)									
(4)									
TOTALS				1,200	7,000	3,000	10,000	1,500	1,000

A. APPROPRIATION	N. 4TH FY		O. 5TH FY		LIFE OF PROJECT		PROJECT FUNDING AUTHORIZED		2. INCREMENTAL LIFE OF PROJECT	3. FISCAL YEAR
	P. GRANT	Q. LOAN	R. GRANT	S. LOAN	T. GRANT	U. LOAN	V. PROJECT FUNDING AUTHORIZED	W. FISCAL YEAR		
(1) ARD&N	-	-	-	-	6,000	18,000			2	2
(2)										
(3)										
(4)										
TOTALS					6,000	18,000				8 2

12. INITIAL PROJECT FUNDING ALLOTMENT REQUESTED (\$000)

A. APPROPRIATION	B. ALLOTMENT REQUEST NO.	
	C. GRANT	D. LOAN
(1)		
(2)		
(3)		
(4)		
TOTALS		

13. FUNDS RESERVED FOR ALLOTMENT

TYPED NAME (Chief, SER/FM/FSD)

SIGNATURE

DATE

14. SOURCE/ORIGIN OF GOODS AND SERVICES  
 300  341  LOCAL  OTHER

15. FOR AMENDMENTS, NATURE OF CHANGE PROPOSED

DEPARTMENT OF STATE  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON

Deputy  
THE/ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

PART II

INDONESIA

PROVINCIAL AREA DEVELOPMENT  
PROGRAM (PDP) II  
A.I.D. PROJECT NO. 497-0276

Pursuant to Part I, Chapter 1, Section 103(a) of the Foreign Assistance Act of 1961, as amended, I hereby authorize a Loan and a Grant to Indonesia (the "Cooperating Country") of not to exceed Eight Million, Two Hundred Thousand United States Dollars (\$8,200,000) (the "Authorized Amount") to help in financing certain foreign exchange and local currency costs of goods and services required for the project as described below. Of the Authorized Amount, Seven Million Dollars ("Loan") will be loaned and One Million, Two Hundred Thousand Dollars ("Grant") will be granted to the Cooperating Country. The entire amount of the A.I.D. financing herein authorized for the project will be obligated when the Project Agreement is signed.

The project (hereinafter referred to as the "Project") consists of technical assistance, training, and financial assistance to the Government of Indonesia to enable provincial and lower level governments in selected provinces to improve their capability for the identification, planning, implementation, management and evaluation of rural/area development projects and activities that reach and assist the rural poor.

I approve the total level of A.I.D. appropriated funding planned for this Project of not to exceed \$24,000,000 including the \$8,200,000 authorized above, of which total \$18,000,000 will be Loan funded and \$6,000,000 Grant funded during the period FY 1979 through FY 1982. I approve further increments during that period of Loan and Grant funding up to the total level of \$24,000,000 subject to the availability of funds in accordance with A.I.D. allotment procedures.

I hereby authorize the initiation of negotiation and execution of the Project Agreement or Agreements by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and delegations of authority subject to the following essential terms and covenants and major conditions; together with such other terms and conditions as A.I.D. may deem appropriate:

a. Interest Rate and Terms of Repayment

The Cooperating Country shall repay the Loan to A.I.D. in United States Dollars within Forty (40) years from the date of first disbursement of the Loan, including a grace period of not to exceed ten (10) years. The Cooperating Country shall pay to A.I.D. in United States Dollars interest from the date of first disbursement of the Loan at the rate of (a) two percent (2%) per annum during the first ten (10) years, and (b) three percent (3%) per annum thereafter, on the outstanding disbursed balance of the Loan and on any due and unpaid interest accrued thereon.

b. Source and Origin of Goods and Services

Goods and services, except for ocean shipping, financed by A.I.D. under the Project shall have their source and origin in the Cooperating Country or in the United States (in the case of the Grant) and in the Cooperating Country or in countries included in A.I.D. Geographic Code 941 (in the case of the Loan) except as A.I.D. may otherwise agree in writing. Ocean shipping financed under the Project shall be procured in accordance with current A.I.D. policy.

Blanca  
Deputy Administrator  
Agency for International Development

3/7/71  
Date