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A.I.D. GRANT NO. 497-0357

PROGRAM  
GRANT AGREEMENT  
BETWEEN THE  
REPUBLIC OF INDONESIA  
AND THE  
UNITED STATES OF AMERICA  
FOR  
AGRICULTURE AND RURAL SECTOR SUPPORT

DATED: August 31, 1987

# GRANT AGREEMENT

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PROGRAM GRANT AGREEMENT

Dated: August 31, 1987

Between the REPUBLIC OF INDONESIA (hereinafter referred to as the "Grantee") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (hereinafter referred to as "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 Program described below, and with respect to the financing of the Program by the Parties.

Article 2. The Program.

SECTION 2.1. Definition of Program. The Program will assist the Grantee to increase rural employment opportunities and incomes through agricultural diversification and domestic resource mobilization. Grant funds will assist the Grantee in pursuing policies and maintaining budget levels in areas of particular importance to successful agricultural diversification and resource mobilization, and will fund up to \$1,500,000 in Foreign Exchange or

Local Currency Costs of related technical assistance. Annex 1, attached, amplifies the above definition of the Program.

Within the limits of the above definition of the Program, 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 Program.

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

(b) Within the overall Program Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Program Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance. It is anticipated, subject to the conditions set forth in paragraph (a) of this Section 2.2, that A.I.D.'s total Grant contribution to the Program will be not less than \$43,000,000.

Article 3. Financing.

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Program, A.I.D., pursuant to the Foreign

Assistance Act of 1961, as amended, agrees to grant to the Grantee under the terms of this Agreement not to exceed Eighteen Million Three Hundred Eighty Thousand United States ("U.S.") Dollars (\$18,380,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 7.1., for technical and related assistance; and local currency costs, as defined in Section 7.2 or under Section 7.3, for maintaining budget support or technical assistance required by the Program.

SECTION 3.2. Grantee Resources for the Program. The resources provided by the Grantee for the Program will be not less than the equivalent of U.S. \$19,000,000.

SECTION 3.3. Program Assistance Completion Date.

(a) The "Program Assistance Completion Date" (PACD), which is March 31, 1990, 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 budget support under the Grant will have been financed for the Program 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 that would authorize disbursement of the Grant for services performed subsequent to the PACD or for budget support for the Program, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, with any supporting documentation prescribed in Program Implementation Letters, are to

be received by A.I.D. 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 technical assistance funds for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Program Implementation Letters, were not received before the expiration of said period.

(d) Any funds in the special account at the conclusion of the time period set forth in paragraph (c) above, shall, except as the parties may otherwise agree in writing, be returned to A.I.D. in Rupiah.

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. Disbursement For Budget Support. Prior to disbursement under the Grant, or to issuance by A.I.D. of documentation pursuant to which disbursement will be made for budget

support, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) for Indonesian Fiscal Year (IFY) 1987/1988,

(1) a budget plan for the Ministries of Agriculture and Finance with projected needs per quarter for the remainder of Indonesian Fiscal Year (IFY) 1987/1988.

(2) evidence that a non-interest bearing separate special account for the Program has been established in the Bank Indonesia for Grant funds to be used to maintain budget levels.

(3) evidence that the Grantee has established written procedures to manage the Program, including establishment of an appropriate management structure for the program, designation of responsible persons representing the Grantee for purposes of requesting funds under the Program, and issuance of a system of internal controls adequate to ensure that Program funds are expended solely in accordance with the terms of this Agreement.

(b) for IFYs 1988/1989 and 1989/1990, budget plans for the Ministries of Agriculture and Finance with projected needs per quarter for IFYs 1988/1989 and 1989/1990, respectively.

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 in writing.

SECTION 4.4. Terminal Dates for Conditions Precedent. If the condition specified in Section 4.1 has not been met within ninety (90) days from the date of this Agreement, or such later date as

A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

Article 5. Special Covenants.

SECTION 5.1. Program Evaluation. The Parties agree to establish an evaluation program as part of the Program. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Program and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Program; (b) identification and evaluation of problem areas or constraints that may inhibit such attainment; (c) assessment of how such information can be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Program.

SECTION 5.2. Additional Special Covenants. Except as A.I.D. may otherwise agree in writing, the Parties agree to the following additional special covenants:

(a) Periodic Meetings. The Parties agree on the importance of periodic consultations to discuss progress under the Program and agree to meet whenever either Party considers consultation with the other necessary with respect to the Program.

(b) Annual Audit. The Grantee shall arrange for the State Audit Board (BPKP) to conduct an annual audit of the Program, with the results of the audit to be shared with A.I.D.

(c) Reports, Records, Payment Verifications and Refunds.

(1) The Grantee shall:

(A) furnish A.I.D. with such information and reports as A.I.D. may reasonably request, showing that Rupiah advanced by A.I.D. into the special account pursuant to Section 7.2 below were used for agreed upon purposes and in accordance with agreed upon procedures and documentation;

(B) maintain supporting documentation for data required by paragraph (A) above for at least three (3) years from the date of last disbursement by A.I.D. under the Program;

(C) allow representatives of A.I.D. at all reasonable times to inspect the documentation required under paragraph (B) above to enable such representatives to make such expenditure verifications as they deem necessary;

(2) In the case of any disbursement which is not supported by documentation in accordance with the requirements of this Agreement, or which is not used for purposes agreed upon hereunder, A.I.D. may require the Grantee to redeposit the amount of such disbursement into the special account for such further use as the parties may agree upon in writing.

(d) Comprehensive Policy Agenda. The Grantee agrees that it shall diligently pursue the Comprehensive Policy Agenda and its expected benchmarks submitted with the Grantee's request for assistance dated July 20, 1987 and set forth as Part II of Annex 1 to this Agreement.

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 services and related goods required for the Program having, with respect to goods, their source and origin, and with respect to services, their nationality 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.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to assist the Grantee to maintain budget levels in accordance with the terms of this Agreement.

Article 7. Disbursements.

SECTION 7.1. Disbursement for Foreign Exchange Costs. After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of services and related incidental goods required for the Program in accordance with the terms of this Agreement by submitting to A.I.D., with necessary supporting documentation as prescribed in Program Implementation Letters, requests for A.I.D. to procure services or related goods on the Grantee's behalf for the Program.

SECTION 7.2. Disbursement for Local Currency Costs. After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Program in accordance with the terms of this Agreement by requesting A.I.D. to advance Grant funds into a special account established by the Grantee. Such funds shall be maintained in the special account without commingling with any other funds. The Grantee may withdraw and utilize funds from the special account only for the purposes, and in accordance with procedures and documentation, as may be agreed upon in Annex 1 attached hereto, or as may be otherwise agreed upon in writing by the Parties.

The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

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. Except as may be more specifically provided under Section 7.2, 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 the Republic 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:

Mail Address: National Development Planning Agency (BAPPENAS)  
Jl. Taman Suropati 2  
Jakarta, Indonesia

To A.I.D.:

Mail Address: U.S. Agency for International Development  
American Embassy  
Jl. 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.

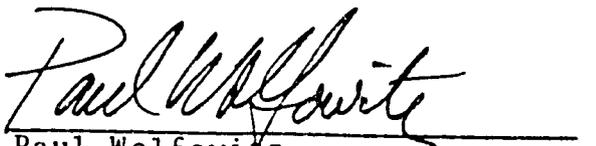
SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Chairman or Vice Chairman, National Development Planning Agency (BAPPENAS) and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, 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 Grantee, 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.

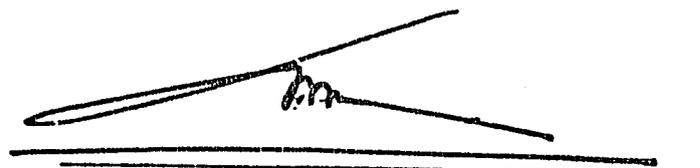
SECTION 8.3. Standard Provisions Annex. A "Program Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement with respect to the financing of technical and related assistance and, where specifically noted, budget support financed under the Program.

IN WITNESS WHEREOF, the Republic of Indonesia 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.

UNITED STATES OF AMERICA

  
Paul Wolfowitz  
Ambassador  
Embassy of The United States  
of America

REPUBLIC OF INDONESIA

  
J.B. Sumarlin  
Minister of National Development  
Planning/Chairman of BAPPENAS

AMPLIFIED PROGRAM DESCRIPTION

Agriculture and Rural Sector Support Program (497-0357)

I. Program Description

A. Objectives

This Program is intended to provide support to improve rural employment and incomes during a major economic crisis precipitated by the dramatic decrease in the price of oil, Indonesia's major export. The Program will support a policy agenda important to employment and incomes and provide budget support. Policy objectives of the Government of Indonesia (GOI) and the Program include: (1) the creation of the conditions conducive to expanding and diversifying the agricultural sector, including improvement of the environment for agricultural processing and trade; and (2) planning for and initiation of steps to expand and improve the efficiency of domestic financial markets.

In conjunction with the agreed policy objectives, the Program will provide resources for agreed expenditure levels for selected budget categories of the Ministry of Agriculture (MOA) and Ministry of Finance (MOF) budgets consistent with these policy objectives. Part of the resources will also be provided for technical assistance and related needs to help carry out the Program.

B. Strategy

The Program will establish a process and administrative framework to periodically review progress on agreed policy objectives culminating in an evaluation of progress before the end of the second year. While the pace of progress on policy objectives is difficult to predict, given the many variables that affect it, it is expected that commitment to the objectives will be maintained during the Program and that significant progress will be measurable by the end of the Program.

Budget support funds and additional Grantee counterpart funds under the Program will be provided consistent with the absorptive capacity of the Grantee to permit additional expenditures phased over the length of the Program for designated Agencies within the MOA and MOF. Designated Agencies will comprise the Secretary General's Office, Directorate General of Food Crops, the Agency for Agriculture Research and Development, and the Agency for Agricultural Education, Training and Extension within MOA, and the Secretary General's Office, Directorate General of Monetary Affairs, and Office of Education and Training within the MOF unless otherwise agreed in writing. It is expected that the additional funds will assist the Agencies to assure adequate financing for high priority activities including the integrated pest management

program, extension activities to promote non-rice crops production, agricultural planning improvements, support for agriculture research programs, and support for programs for developing financial markets. A.I.D. will administer funds for technical assistance and related program management needs under flexible procedures which will be documented in a countersigned program implementation letter.

## II. The Agenda

The policy agenda for the Program is summarized below. Clarification or modifications of the items, relative priorities, and steps for carrying them out will be documented as necessary in Program Implementation Letters.

### A. Objectives and Milestones for Agricultural Diversification

1. Program objective: Promote agricultural diversification, related agro processing and more optimal use of resources through increased efficiency and stronger participation by the private sector.

(a) Pricing sub-objective: Establish input and output prices at levels that encourage both efficient and expanded production of secondary crops.

(1) Extend and monitor trade and licensing reforms of 6 May and 25 October, 1986 to include agricultural inputs (i.e., livestock feeds, shrimp larva feeds and product packaging items) needed in the production and processing of agriculture-based export items with a view to lowering production costs and increasing trade.

(2) Reduce pesticide subsidies.

(3) Review fertilizer subsidy levels and user rates with a view to developing and implementing a strategy to adjust downward fertilizer subsidies in a way that minimizes disruptions in fertilizer demand and crop production.

(4) Assess incentive and disincentive effects of current pricing strategy for rice and non-rice crops and establish pricing levels that maintain appropriate rice production levels and encourage secondary crops production.

(b) Trade sub-objective: Reduce transportation and licensing costs associated with food and export crops processing and trade, thereby stimulating demand for and production of processed agricultural products.

(1) Reduce input costs to processing by eliminating the provincial tax on copra, a major small holder crop.

(2) Review and eliminate unnecessary licenses and other policies that increase the cost of transporting agricultural products between districts and islands.

(3) Review local and national licenses limiting investment in agro-business, eliminate restrictive licenses and introduce simplified licensing procedures.

B. Objectives and Milestones for Domestic Resource Mobilization

1. Program objective: Expand and increase the efficiency of financial markets thereby increasing capital for investment.

(a) Banking sub-objective: Expand banking services at unsubsidized cost levels.

(1) Continue maintenance of market-oriented interest rates.

(2) Draft and introduce legislation permitting financial institutions to expand and extend services in both urban and rural areas.

(b) Pensions and insurance sub-objective: Promote schemes that will help mobilize funds for capital markets, thereby providing additional resources for investment.

(1) Draft and introduce legislation providing a legal framework and establish effective pension and insurance administration.

C. Objectives and Milestones for Institutional Changes in Agriculture and Finance

1. Program agricultural objective: Introduce institutional reforms required to improve planning and implementation of policies and programs aimed at agriculture diversification.

(a) Research

(1) Establish a staff planning unit in AARD to review commodity mandates and propose alternative approaches.

(2) Develop a management information system that will help in monitoring research performance against Program priorities.

(3) Implement changes required in organizational structure to improve agency management and staff performance.

(b) Planning

(1) Establish a working group to provide recommendations on ways to improve the planning, management and administrative functions in the Ministry of Agriculture.

(2) Prepare an analysis of international markets (prices, competition prospects) for selected agriculture commodities; plans to be incorporated in Repelita V.

(3) Prepare a plan to carry out environmental impact assessments throughout the Ministry.

2. Program financial objective: Introduce institutional reforms required to improve management of policy changes related to domestic resource mobilization.

(a) Management

(1) Within the Ministry of Finance, establish units responsible for development and supervision of the pension and insurance industries.

(2) Develop manpower plans and training programs for Ministry of Finance officials responsible for pension and insurance administration.

III. Program Administration, Management and Monitoring

A. Administration

The Program will require an administrative mechanism to:

1. assemble the necessary budget information to justify disbursement levels, monitor accounts, facilitate disbursement and prepare monthly expenditure reports.

2. allow adequate joint review by the GOI and USAID of progress under the Program, to permit modifications in the Program and draw upon outside technical assistance as required.

3. permit senior representatives of the parties to determine the Program's success and to decide whether subsequent program assistance is appropriate.

B. Management

1. Budget reporting requirements: Procedures for the implementation and administration of foreign loans and grants are clearly laid out in the January 27, 1987 joint decree by the Ministry of Finance and Bappenas. A Bappenas representative acting as project officer for the Program will ensure that the steps outlined in the decree are followed; he may be assisted by a USAID counterpart. They may draw upon the Directorate General of the Budget, Bank Indonesia, Directorate General of Monetary Affairs and budget officials from the technical ministries, as necessary, to prepare and process funding requests and to ensure follow-up documentation is prepared on a timely basis.

2. Program oversight: Oversight of the Program will be carried out by three GOI agencies: Bappenas, the Ministry of Agriculture and the Ministry of Finance. Representatives of each of these agencies, the Chairman for Bappenas, the Secretary General for the Ministry of Agriculture and the Secretary General for the Ministry of Finance, will

meet with the USAID Director at the beginning of the Program to approve implementation plans and after 16 months of the Program's operations to review progress and to make a determination as to the appropriateness of a follow-on program. Intermediate meetings at this level may also be called whenever either party deems it necessary pursuant to Additional Special Covenant 5.2.(a) of the Agreement.

#### C. Monitoring

As the program proceeds, functional working groups composed of designated representatives from USAID and Bappenas and from the Ministries of Agriculture and Finance will meet periodically as specified in Grantee's management plan submitted under Section 4.2.(a)(3) of the Agreement to track the Program, assess progress and prepare documentation required for its evaluation. These groups will identify any problems in the Program, call in technical assistance as required -- \$1.5 million in technical assistance has been set aside under the Program to help address specific issues that may arise -- and make any adjustments in the Program's benchmarks.

#### IV. Program Inputs

Because this Program is for sector support, it does not directly finance specified goods or services except for a small amount of funds (up to \$1.5 million) set aside for technical assistance and related activities to facilitate Program implementation. Rather, the Program provides budgetary support for designated categories in the Government of Indonesia budgets for Indonesian Fiscal Years (IFY) 87/88, 88/89, and 89/90. An illustrative financial plan is attached. The following considerations apply to the budget support under this Program:

- Budget support funds expended in IFY 87/88 would be additional to the already approved Ministry budgets, and additional to the Agencies budgets for the Secretary General's Office, Directorate General of Food Crops, and the Agency for Agriculture Research and Development within the MOA, and budgets for the Secretary General's Office, Directorate General of Monetary Affairs, and Office of Education and Training within the MOF. It is expected that this will be done through a supplemental budget which would indicate USAID financing through a special Bank Indonesia account and a special mark or indication in the Daftar Isian Proyek. Additional funds for the Agency for Agricultural Education, Training and Extension within the MOA will be provided by the GOI from PL 480, Title I resources.
- Prior to preparation of the IFY 88/89 and IFY 89/90 budgets, AID and the GOI will meet to jointly review the required IFY 88/89 and 89/90 needs for the MOA and MOF Agencies indicated above, and allocate funds from GOI resources and AID budget support accordingly. If additional GOI revenues are available, AID and the GOI will program the AID resources to meet budgetary needs within other parts of the agriculture and rural development sectors.

- To implement the transfer of funds, USAID will need an approved budget plan with projected needs per quarter for IFY 87/88. Estimates for each quarter of IFY 88/89 and IFY 89/90 will be provided to USAID after the departmental budgets are jointly agreed upon.

#### V. Evaluation

An evaluation of the Program supported under the \$1.5 million program technical assistance fund will be conducted with external assistance prior to the end of the Program. The evaluation will assess progress on the policy agenda benchmarks and determine whether any additional future support of this nature is warranted. The evaluation will also assess the contribution this Program has had on policy progress and the overall progress and impacts of the budget support component on targeted budgets and the general effects of such support.

#### VI. Financial Plan and Budget Estimates

##### A. Financial Plan

The Program will provide rupiah budget support using \$41.5 million of Grant funds in conjunction with \$19 million which is expected to come from PL 480 resources, Title I Agreement, during IFY 88/89 and 89/90. The following procedures pertain to the disbursement of AID grant funds under the Program for budget support:

- AID will commit funds annually by issuance of a commitment PIL in accordance with the GOI DIP.
- A non-interest bearing special rupiah account will be set up by the GOI in Bank Indonesia for funds under the Program prior to the first advance of funds. Notification of the establishment of this account will also include a description as to how funds from this account will be allocated to implementing Ministries.
- AID will advance funds for the AID portion of the budget based on a maximum of 90 day rupiah cash needs budget request, with liquidation/replenishment documentation to be submitted monthly so as to maintain a 90 day advance level. Advances/reimbursements are to be in Rupiahs purchased by the U.S. Disbursing Officer from authorized commercial sources in Indonesia.
- Advances will be liquidated or reduced based on a certified financial report showing the approved budget, expenditures for the reporting period, and cumulative expenditures under the Program by appropriate Agency budget line item. The certified financial report will include the following signed standard AID certification:

The undersigned hereby certifies:

- (A) that payment of the sum claimed under the cited agreement is proper and due and that appropriate refund to AID will be made promptly upon request in the event of disallowance of costs not reimbursable under the terms of the agreement,
- (B) that information on the fiscal report is correct and such detailed supporting information as AID may reasonably require will be furnished promptly to AID on request, and
- (C) that all requirements called for by the agreement to date of this certification have been met.

BY: \_\_\_\_\_

TITLE: \_\_\_\_\_

DATE: \_\_\_\_\_

Reported expenditures are to be for payments for contracts and other expenses, not for advances to implementing units.

- Because advances are to be based on GOI current estimates of cash requirements, they should be replenished monthly in order to maintain a 90 day advance level. Requests for replenishment of advances may be made by a separate request or may be included as a part of the financial report to liquidate the prior advance. Requests for advances must be reasonable in relation to the nature and duration of activities. Advance levels may be adjusted based on actual usage data.
- In addition to the standard AID expenditure certification, financial reports will include a statement that costs financed by AID are in addition to the GOI baseline budget, and they are not for costs also being financed by other donors.
- Within three (3) months following the end of the Indonesian fiscal year, the Grantee will provide a separate report to AID which shows total funds budgeted and expended by each Agency concerned for both the GOI and AID funded portions of the development budget for the prior fiscal year.

Funds of up to \$1,500,000 for technical assistance and related needs of the Program will be disbursed by direct payment from AID under AID direct contracts or purchase orders, except as otherwise agreed to in writing by AID and the GOI.

B. Illustrative Budget Support Plan

The attached budget plan is illustrative and changes may be made to it by representatives of the parties named in the Grant Agreement without formal amendment to the Agreement if such changes do not cause (1) AID's contribution to exceed the amount specified in the text of the Agreement, or (2) the GOI's contribution to be less than the amount specified in the Agreement.

Agriculture and Rural Sector Support Program  
Summary Budget Support Plan and Cost Estimates  
(U.S.\$000)

C O M P O N E N T	A.I.D. COMMITMENT	TOTAL LIFE OF PROJECT		T O T A L
		A.I.D. GRANT	G O I CONTRIBUTION (PL 480 Title I)	
<u>I. Budget Support</u>				
<u>A. Ministry of Agriculture</u>				
1. Secretary General	2,130	4,000	2,000	6,000
2. Directorate General of Food Crops	3,500	10,500	4,500	15,000
3. Agency for Agriculture Research & Development	9,450	22,000	10,000	32,000
4. Agency for Agriculture Education, Training and Extension	-	-	1,000	1,000
<u>B. Ministry of Finance</u>				
1. Secretary General	500	1,000	-	1,000
2. Directorate General of Monetary Affairs	1,750	3,500	1,500	5,000
3. Office of Education and Training	250	500	-	500
<u>II. Technical Assistance and Support</u>	800	1,500	-	1,500
<b>T O T A L</b>	<b>18,380</b>	<b>43,000</b>	<b>19,000</b>	<b>62,000</b>

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Annex 2

Program Grant Standard Provisions

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PROGRAM GRANT STANDARD PROVISIONS

Definitions: As used in this Annex, the "Agreement" refers to the Program 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: Provisions Applicable to Entire Grant

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

SECTION A.2. Execution of Program. The Grantee will:

(a) carry out the Program 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 experienced management for, and train such staff as may be appropriate for, the maintenance and operation of the Program, and, as applicable for continuing activities, cause the Program to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Program.

SECTION A.3. Completeness of Information. The Grantee confirms:

(a) that the facts and circumstances of which it has informed A.I.D., or caused 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 Program and the discharge of responsibilities under this Agreement; and

(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 Program or the discharge of responsibilities under this Agreement.

SECTION A.4. 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 Program 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.

SECTION A.5. Interest. 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 Program will be returned to A.I.D. by the Grantee.

SECTION A.6. Information. The Grantee will give appropriate publicity to the Grant and the Program as a program to which the United States has contributed.

ARTICLE B: Provisions Applicable to the Procurement of Technical and Related Assistance

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SECTION B.1. 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 Program until the completion of the Program, and thereafter will be used so as to further the objectives sought in carrying out the Program.

(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.2. Taxation

(a) This Agreement and the Grant will be free from any taxation of 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 Program Implementation Letters, pay or reimburse the same with funds other than those provided under the Grant.

SECTION B.3. Reports, Records, Inspections, Audit. The Grantee will:

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

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(b) maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Program 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 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 Program toward completion; and

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

SECTION B.4. Other Payments. The 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.5. Air Transportation. 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 Program Implementation Letter.

SECTION B.6. 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 B.7. 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 B.8. 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.

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