

LIMITED SCOPE GRANT PROJECT AGREEMENT

Between the United States of America, acting through  
the Agency for International Development

AND - PD-ABJ-730  
ISN-91356

The Ministry of Finance-Directorate of Financial Institutions  
(Grantee)

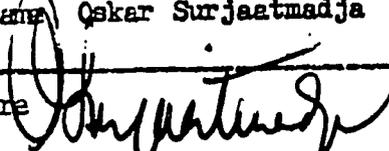
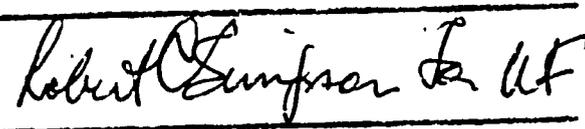
1. Project Title Capital Market Development	2. AID Project Number 940 - 0052
3. Appropriation Number 72 - 1121021.6	4. Allotment Number PDAA - 82 - 13450 - DG 11 ( 246 - 34 - 099 - 00 - 69 - 21)

The above-named parties hereby mutually agree to carry out the Project described in this Agreement in accordance with (1) the terms of this Agreement, including any annexes attached hereto, and (2) any general agreement between the two governments regarding economic or technical cooperation.

5. Amount of AID Grant \$ <u>200,000</u>	6. Grantee Contribution to the Project \$ <u>62,000</u>	7. Project Assistance Completion Date September 30, 1984
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8. This agreement consists of this title page and

Annex A (Project Description) and the Project Agreement Standard Provisions Annex.

9. For the Grantee Typed Name Oskar Surjaatmadja	10. For the Agency for International Development Typed Name William Fuller
Signature 	Signature 
Title Director General of Domestic Monetary Affairs.	Title Mission Director
Date September 30, 1982	Date September 30, 1982

PROJECT AGREEMENT

Annex A

PROJECT DESCRIPTION

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1. Project Title: Capital Market Development	2. AID Project Number: 940-0052
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3. This Project Consist of:

The purpose of this project is to increase the capability of Indonesia's Capital Market to contribute to broad-based economic development in Indonesia.

During the life of the project grant funds will provide technical consultancies and produce studies, reports and policy papers in cooperation with the GOI. The subjects for project assistance will be in, but not limited to, such areas as venture capital companies, underwriting and brokerage, debt factoring and discount facilities, cash management companies, credit guaranty programs and the overall tax and regulatory environment. As a result of this project, it is expected that: technical advisors will have assisted in writing documents determining the feasibility of expanding the services offered by the Indonesian capital market and if feasible describing the process necessary to bring about an expansion; and technical consultancies will have assisted the GOI with capital market concerns.

The project will provide the GOI with US \$200,000 of grant funds for approximately 30 person months of technical assistance. USAID will provide funding for short and medium-term consultants while the GOI will contribute "in-kind" contributions such as counterpart and subordinate staff salaries, office space and facilities for visiting consultants, local travel, documentation and translation,

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4. Special Provisions

interpretation services, local communication, usage of office equipment and supplies, and report preparation.

The project will be implemented over a two year period. The Directorate of Financial Institutions will initiate the project by submitting to AID a brief list of the specific types of technical advisors needed and a proposed schedule for their short term assignments in Indonesia. Prior to contracting for services, the Directorate of Financial Institutions will make a specific request to AID describing the specific assignment to be accomplished and the problem to be addressed by the AID-funded technical assistance. The request will also indicate that the technical assistance financed under this grant does not conflict with on-going or planned technical assistance for capital market development financed by other international donors such as the World Bank.

#### PROJECT BUDGET

##### I. USAID Contribution

Technical Assistance	\$ 110,000
International Travel	50,000
Per Diem	40,000
TOTAL	<u>\$ 200,000</u>

##### II. Contribution

Support Cost	\$ 57,000
Contingencies	10,000
TOTAL	<u>\$ 67,000</u>

## PROJECT AGREEMENT

### PROAG STANDARD PROVISIONS ANNEX

A. Reference to 'this Agreement' means the original Project Agreement as modified by any revisions which have entered into effect. Reference to 'cooperating country' means the country or territory of the Grantee.

B. (1) AID will make available the amount specified in Block 3 of this Agreement, as necessary for the Project, as may be further described in Annex A.

(2) The Grantee will make available the amount specified in Block 4 of this Agreement, as necessary for the Project, as may further be described in Annex A. The Grantee will also make, or arrange to have made, additional contributions of property, services, facilities and funds required for carrying out the Project as specified in Annex A.

C. AID and the Grantee may obtain the assistance of other public and private agencies in carrying out their respective obligations under this Agreement. The two parties may agree to accept contributions of property, services, facilities and funds for purposes of this Agreement from other public and private agencies, and may agree upon the participation of any such third party in carrying out activities under this Agreement.

D. Except as otherwise specified herein or subsequently agreed by the parties, all contributions of the parties pursuant to this Agreement shall be made on or before the Project Assistance Completion Date, or amended date. A contribution of goods or services shall be considered to have been made when the services have been performed and the goods furnished as contemplated in this Agreement. Disbursement of funds may take place after final contributions have been made, but AID shall not be required to disburse funds hereunder after the expiration of nine months following the estimated Project Assistance Completion Date (Block 5 of this Agreement) or any amended Project Assistance Completion Date specified.

E. The procurement of commodities and services to be financed in whole or in part by AID may (where so required by AID procedures) be undertaken only pursuant to Project Implementation Orders (PIOs) issued by AID.

F. Unless otherwise specified in the applicable PIO or Project Implementation Letter (PIL), the procurement of commodities imported specifically for the Project and financed with the AID contribution referred to in Block 3 of this Agreement shall be subject to the provisions of AID Regulation 1.

G. Unless otherwise agreed by the parties or otherwise specified in the applicable PIO, title to all property procured through financing by AID pursuant to Block 3 of this Agreement shall be in the Grantee, or such public or private agency as it may authorize.

H. (1) Any property furnished to either party through financing by the other party pursuant to this Agreement shall, unless otherwise agreed by the party which financed the procurement, be used effectively for the purposes of the Project in accordance with this Agreement, and upon completion of the Project, will be used so as to further the objectives sought in carrying out the Project. Either party shall offer to return to the other, or to reimburse the other for, any property which it obtains through

financing by the other party pursuant to this Agreement which is not used in accordance with the preceding sentence.

(2) Any funds provided to either party pursuant to this Agreement which are not used in accordance with this Agreement, shall be refunded to the party providing the funds.

(3) Any interest or other earnings on funds provided by AID to the Grantee under this Agreement will be returned to AID by the Grantee.

L (1) If AID and any public or private organization furnishing commodities through AID financing for operations hereunder in the cooperating country, is, under the laws, regulations or administrative procedures of the cooperating country, liable for customs, duties and import taxes on commodities imported into the cooperating country for purposes of carrying out this Agreement, the Grantee will pay such duties and taxes unless exemption is otherwise provided by any applicable international agreement.

(2) If any personnel (other than citizens and residents of the cooperating country), whether United States Government employees, or employees of public or private organizations under contract with, or individuals under contract with AID, the Grantee or any agency authorized by the Grantee, who are present in the cooperating country to provide services which AID has agreed to furnish or finance under this Agreement, are under the laws, regulations or administrative procedures of the cooperating country, liable for income and social security taxes with respect to income which they are obligated to pay income or social security taxes to the Government of the United States of America, for property taxes on personal property intended for their own use, or for the payment of any tariff or duty upon personal or household goods brought into the cooperating country for the personal use of themselves and members of their families (not including such personal or household goods as may be sold by any such personnel in the cooperating country) or if any firm, not normally resident in the cooperating country, is liable for income, receipts, or other taxes on work financed by AID hereunder, the grantee will pay such taxes, tariff, or duty unless exemption is otherwise provided by any applicable international agreement.

J. If funds provided by AID are introduced into the cooperating country by AID or any public or private agency for purposes of carrying out obligations of AID hereunder, the Grantee will make such arrangements as may be necessary so that such funds shall be convertible into currency of the cooperating country at the highest rate which, at the time the conversion is made, is not unlawful in the cooperating country.

K. AID shall expend funds and carry on operations pursuant to this Agreement only in accordance with the applicable laws and regulations of the United States Government.

L. The two parties shall have the right at any time to observe operations carried out under this Agreement. Either party during the term of the Project and for three years after the completion of the Project shall further have the right (1) to examine any property procured through financing by that party under this Agreement, wherever such property is located, and (2) to inspect and audit any records and accounts with respect to funds provided by, or any properties and contract services procured through financing by, that party under this Agreement, wherever such records may be located and maintained. Each party, in arranging for any disposition of any property procured through financing by the other party under this Agreement, shall assure that the rights of examination, inspection and audit described in the preceding sentence are reserved to the party which did the financing.

M. AID and the Grantee shall each furnish the other with such information as may be needed to determine the nature and scope of operations under this Agreement and to evaluate the effectiveness of such operations.

N. The present Agreement shall enter into force when signed. Either party may terminate this Agreement by giving the other party thirty (30) days written notice of intention to terminate it. Termination of this Agreement shall terminate any obligations of the two parties to make contributions pursuant to Blocks 3 and 4 of this Agreement, except for payments which they are committed to make pursuant to noncancellable commitments entered into with third parties prior to the termination of the Agreement. It is expressly understood that the obligations under paragraph H relating to the use of property or funds shall remain in force after such termination. In addition, upon such termination AID may, at AID's expense, direct that title to goods financed under the Grant be transferred to AID if the goods are from a source outside the Grantee's country, are in a deliverable state and have not been offloaded in ports of entry of the Grantee's country.

O. To assist in the implementation of the Project, AID, from time to time, may issue PILs that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon PILs to confirm and record their mutual understanding on aspects of the implementation of this Agreement.

P. The Grantee agrees, upon request, to execute an assignment to AID 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 AID financed in whole or in part out of funds granted by AID under this Agreement.



UNITED STATES OF AMERICA  
AGENCY FOR INTERNATIONAL DEVELOPMENT

AMERICAN EMBASSY  
JAKARTA, INDONESIA

DATE: November 19, 1982

Oskar Surjaatmadja  
Director General of Domestic Monetary Affairs  
Ministry of Finance  
Lapangan Banteng  
Jakarta Pusat

Subject: AID Grant; Project No. 940-0052  
Capital Market Development  
Implementation Letter No. 1

Dear Mr. Surjaatmadja:

The purpose of this letter is to confirm our mutual understanding on the several aspects concerning the implementation of the Capital Market Development Grant Project. Nothing in this letter alters the scope of the Grant Agreement.

The Grant will provide \$200,000 in two stages. Approximately \$40,000 will be spent in Stage I which will help determine the activities funded in Stage II. Movement between line items of the Grant budget will be permitted up to 15 percent of each line item without normal approval from AID. The outputs of the project will be staged as follows:

Stage I - Provision of technical assistance to the Government of Indonesia (GOI) for:

- Identification, evaluation and provision of recommendations on policy issues such as taxation, regulation, and administration which affect the climate for investment and incentives for savings and investment. It is expected that the efforts of this broad policy level review will further identify areas for specific attention in tax and regulatory areas as well as focus on issues and needs among the component institutions of the Indonesian Capital Market System. This may be viewed as the environmental and coordination level.
- A broad general review of the inter-relationships of existing capital market institutions with a view to how they might be strengthened and enhanced. This may be viewed as the general institutions level.
- Mutual agreement on a meaningful and workable capital market development program that would contribute to broad-based economic development in Indonesia.

Stage II - After reaching agreement as stated above, the remaining Grant funds will provide technical assistance to the Government of Indonesia or appropriate institutions for

special technical consultancies to focus on specific areas such as securities underwriting, development, management and marketing of mutual funds, development of venture capital organizations and others as may be identified. This may be viewed as the component level. It is expected these consultancies will focus on, but not be limited to the following:

1. Revitalization of an active stock exchange including such areas as securities underwriting, brokerage and investment banking operations, broker training and registration.
2. Analysis of roles of various institutions in the stock exchange/stock market activities.
3. Development, management and marketing of mutual funds.
4. Development of special intermediate credit instruments and organizations such as factoring and discount facilities.
5. Development of merchant banking.
6. Development of trust administration.
7. Development of venture capital, debt factoring and cash management organizations.
8. Enhanced capital market liquidity and market oriented investment decision making.

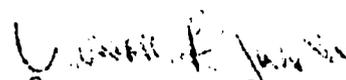
Implementation Procedures:

The Capital Markets Development Research effort in Indonesia is expected to take two years. Activities must be completed by September 30, 1984 to be eligible for financing under the Grant. We expect to shortly send the names and curriculum vitae of proposed candidates who would work in cooperation with the Ministry during Stage I of the study. We look forward to your advice on the candidates. Stage I should identify those topics and areas for further detailed analysis in Stage II. Stage I results would be incorporated in a series of individual progress reports and evaluations submitted by the consultant for the review and consideration of the Directorate of Financial Institutions. These reports should be sufficiently complete to write a plan of action for carrying out Stage II and a supporting evaluation plan. Agreement of specific Stage II activities and disbursements should be via a joint review between DGDMA (Directorate General of Domestic Monetary Affairs) and USAID.

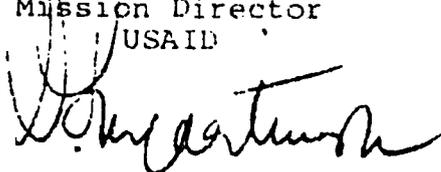
I would be grateful if you would acknowledge your desire to implement the subject agreement according to the general procedures discussed above by signing below and returning a copy of this letter. Should you have any questions regarding this letter, please feel free to contact me. I would be pleased to meet with you and discuss them.

We look forward to cooperating with the Ministry of Finance in this important endeavor

With kind regards



William Fuller  
Mission Director  
USAID



Oskar Surjaatmadja  
Director General for Domestic  
Monetary Affairs  
Department of Finance

cc: DEPLU (10)  
BAPPENAS (10)  
Department of Finance (10)

Drafted:PSDO:DStraley:ra  
Distr:ASIA/PD (15)

DIR  
DD  
FIN  
PRO  
PSDO  
C&R 3  
LA

Clearences:FIN:KClark (draft)  
PRO:JSperling (draft)  
PRO:DZvinakis   
DD:RSimpson (draft)