

PD LAB 125

PROJECT NO. 497-0252

AMENDMENT NO. 2 TO
GRANT AGREEMENT BETWEEN THE
REPUBLIC OF INDONESIA

and the

UNITED STATES OF AMERICA

for

SEDERHANA (SIMPLE) IRRIGATION

and

LAND DEVELOPMENT II

Dated: December 23, 1980

Allotment No. 143-50-497-00-69-11
Appropriation No. 72-1111021

**LIMITATION OF FUNDS
(June 1973)**

(a) It is estimated that the cost to the Government for the performance of this contract will not exceed the estimated cost set forth in the schedule, and the contractor agrees to use his best efforts to perform the work specified in the schedule and all obligations under this contract within such estimated cost.

(b) The amount presently available for payment and allotted to this contract, the items covered thereby, and the period of performance which it is estimated the allotted amount will cover, are specified in the schedule. It is contemplated that from time to time additional funds will be allotted to this contract up to full estimated cost set forth in the schedule. The contractor agrees to perform or have performed work on this contract up to the point at which the total amount paid and payable by the Government pursuant to the terms of this contract approximates but does not exceed the total amount actually allotted to the contract.

(c) If at any time the contractor has reason to believe that the costs which he expects to incur in the performance of this contract in the next succeeding 60 days, when added to all costs previously incurred, will exceed 75 percent of the total amount then allotted to the contract, the contractor shall notify the Contracting Officer in writing to that effect. The notice shall state the estimated amount of additional funds required to continue performance for the period set forth in the schedule. Sixty days prior to the end of the period specified in the schedule the contractor will advise the Contracting Officer in writing as to the estimated amount of additional funds, if any, that will be required for the timely performance of the work under the contract or for such further period as may be specified in the schedule or otherwise agreed to by the parties. If, after such notification, additional funds are not allotted by the end of the period set forth in the schedule or an agreed date substituted therefor, the Contracting Officer will, upon written request by the contractor, terminate this contract pursuant to the provisions of the "Termination for Convenience of the Government" clause on such date.

If the contractor, in the exercise of his reasonable judgment, estimates that the funds available will allow him to continue to discharge its obligations hereunder for a period extending beyond such date, it shall specify the later date in its request and the Contracting Officer, in his discretion, may terminate this contract on that later date.

(d) Except as required by other provisions of this contract specifically citing and stated to be an exception from this clause, the Government shall not be obligated to reimburse the contractor for costs incurred in excess of the total amount from time to time allotted to the contract, and the contractor shall not be obligated to continue performance under the contract (including actions under the "Termination for Convenience of the Government" clause) or otherwise to incur costs in excess of the amount allotted to the contract unless and until the Contracting Officer has notified the contractor in writing that such allotted amount has been increased and has specified in such notice an increased amount constituting the total amount then allotted to the contract. To the extent the amount allotted exceeds the estimated cost set forth in the schedule, such estimated cost shall be correspondingly increased. No notice, communication, or representation in any other form or from any person other than the Contracting Officer shall affect the amount allotted to this contract. In the absence of the specified notice, the Government shall not be obligated to reimburse the contractor for any costs in excess of the total amount then allotted to the contract, whether those excess costs were incurred during the course of the contract or as a result of termination. When and to the extent that the amount allotted to the contract has been increased, any costs incurred by the contractor in excess of the amount previously allotted shall be allowable to the same extent as if such costs had been incurred after such increase in the amount allotted; unless the Contracting Officer issues a termination or other notice and directs that the increase is solely for the purpose of covering termination or other specified expenses.

(e) Change orders issued pursuant to the "change" clause, if any, of this contract shall not be considered an authorization to the contractor to exceed the amount allotted in the schedule in the absence of a statement in the change order, or other contract modification, increasing the amount allotted.

(f) Nothing in this clause shall affect the right of the Government to terminate this contract. In the event this contract is terminated, the Government and the contractor shall negotiate an equitable distribution of all property produced or purchased under the contract based upon the share of cost incurred by each.

c. Annual report to be submitted one month after completion of first year contract. It will include a summary and any revision made in previous quarterly reports.

d. A completion report to be submitted one month after the completion of the technical advisory services.

Irrigation Design Engineers.

9. Timing

All long-term advisors will be provided as early as possible after the starting date of the Contract and will remain in Indonesia until the expiration of the contract unless otherwise agreed to by USAID.

I. Organizational Relationships

The Resident Manager will directly advise the GOI Project Managers. He will also be responsible to MPW and MOA for the overall coordination and supervision of the activities of the Consultants Expatriate and Indonesian Specialists. The two Area Engineers assigned to work with DGWRD in Jakarta will each be assigned a counterpart in the Directorate of Irrigation. Likewise, the Agriculturist/Coordinator, Water Management/WUA Advisor and Land Development Engineer will each be assigned a counterpart in the Directorate General of Food Crops (DGFC).

The 9 Expatriate Irrigation Engineers assigned to provincial posts will each be assigned fulltime counterparts by the respective Provincial Public Works.

Each of the 9 Agricultural Consultants assigned to provincial posts will be assigned fulltime counterparts by each Provincial Agricultural Service to work with the consultant.

J. Training

The Consultants will advise and assist the DGWRD, Provincial Public Works, DGFC, and Provincial Agricultural Services in developing and implementing staff and farmer training programs as required.

K. Reports

The Consultants shall submit the following reports to MPW, MOA and USAID:

a. A monthly report of Consultants' activities to be submitted by the fifteenth day of each calendar month following the calendar month reported.

b. A quarterly report on the progress of all sub-projects for which reimbursement will be sought under the AID loan to be submitted on the last day of the months following March, June, September and December.

<u>No.</u>	<u>Provincial Office</u>	<u>Coordinated Provinces</u>
(1)	Medan	Aceh and North Sumatra
(2)	Padang	West Sumatra and Riau
(3)	Palembang	South Sumatra and Jambi
(4)	Telukbetung	Bengkulu and Lampung
(5)	Bandung	Java
(6)	Banjarasin	Central, South and East Kalimantan
(7)	Manado	North and Central Sulawesi and Maluku
(8)	Ujung Pandang	South and Southeast Sulawesi
(9)	Mataram	West Nusa Tenggara and East Nusa Tenggara

7. Provincial Agricultural Consultants (9)

The provincial agricultural consultants will be located at the seven provincial capitals shown below and their primary responsibility lies with the Sederhana program within the assigned province. Nine (9) Indonesian agricultural specialists will also be assigned to assist the expatriate consultants as follows (Subject to Revision)

<u>No.</u>	<u>Provincial Office</u>	<u>Consultant</u>
1)	Medan	Land Development/Irrigation Engineer
2)	Padang	Agriculturist
3)	Palembang (2)	Agriculturist
		Land Development/Irrigation Engineer
4)	Lampung — ?	Agriculturist
5)	Bandung	Agriculturist
6)	Ujung Pandang (2)	Agriculturist
		Land Development/Irrigation Engineer
7)	Manado	Land Development/Irrigation Engineer

8. Advisors to Local Design Firms (2)

The Consultants will provide two (2) expatriate and two (2) Indonesian Irrigation Design Engineering Advisors for assistance in upgrading local design contractors in Bandung.

The two Indonesian Irrigation Design Engineers will be posted by the Consultant to Bandung to assist the Expatriate

b. Area Engineer (for Sulawesi, Kalimantan and Eastern Islands area).

4. Indonesian Technical Staff (3)

a. Irrigation Design Engineer shall be the lead engineer for the Indonesian associate firm and shall assist the Resident Manager.

Assistant Area Engineers shall assist the Expatriate area Engineers:

b. Irrigation Engineer (for Java and Sumatra area).

c. Irrigation Engineer (for Sulawesi, Kalimantan and Eastern Islands area).

5. The Central Advisory Team for Agriculture (3)

The Central Advisory Team for Agriculture components of IRS will be located in the office of the DGFC in Pasar Minggu and will consist of the following expatriate advisors.

a. Agriculturist/Coordinator (Agronomy/irrigation experience): He shall coordinate all agricultural services provided and be the advisor to the DGFC Project Manager.

b. Land Development/Irrigation Engineer: He shall assist the Coordinator and also be responsible to assist DGFC in the field of on-farm land development.

c. Water Management/Water Users Association Advisor: He shall assist DGFC in upgrading on-farm water management and the effective organization/operation of WUA.

d. Local Consultant: He shall assist the Central Advisory Team for agriculture.

6. Irrigation Engineers for 9 Provincial Public Works Offices

The Consultants will provide 9 Expatriate Irrigation Engineering Advisors to work with Provincial Public Works Offices. One Irrigation Engineer will be assigned to each of the following locations and will work with the provinces indicated:

(12) Reviewing designs of subproject works.

G. Work Assignments.

Specific work assignments within the scope of services shall be made by the DGWRD and/or DGFC. In carrying out their technical advisory services, the Consultants will seek to strengthen the capabilities of the GOI implementing agencies concerned.

H. Number, Discipline and Location

1. Total Numbers

The Consultants will provide twenty-seven (27) long-term expatriate advisors for up to 624 man months of services, four with DGWRD in Jakarta and two with DGWRD in Bandung; three with DGFC in Jakarta, nine outside Jakarta at Provincial Public Works offices; nine outside Jakarta with Provincial Agricultural Services offices. The Consultant shall also furnish short-term specialists as required. Short-term specialists not specifically called for in this scope of work must have prior approval by USAID and either DGWRD or DGFC, whichever one he will work with. It is estimated that up to 60 man months of short-term specialists services and home office support will be provided. The total estimated man months of expatriate technical advisory services to be provided by the Consultant is 684.

In addition, the Consultants will provide 16 local Consultants and 9 logistical support personnel for up to a total of 600 man months of technical advisory services.

2. Consultant's Project Management (2)

a. Resident Manager: He shall be the Consultant's representative for all matters concerning the Services specified herein and shall be the advisor and be responsible to the DGWRD and DGFC Project Managers.

b. Assistant Resident Manager: He shall assist the Resident Manager in overseeing the Services specified herein, as well as providing specific engineering and logistical backstopping.

3. Area Engineers (Irrigation Engineers) (2)

Area Engineers shall serve as the advisor to the DGWRD Engineer/Section Chief for their assigned area and coordinate all the Consultant's Services within this area.

a. Area Engineer (for Sumatra and Java area).

farming. These certifications shall be submitted by the Consultant to the DGFC for submission to USAID as supporting documentation for requests for reimbursement.

F. Services of the Consultant's Irrigation Survey/Design Engineers, assigned to Bandung, to work with local design firms in carrying out survey and design of individual subprojects under the Sederhana Program will include, but not be limited to:

- (1) Establishing and using uniform procedures and criteria in surveying, mapping, and design of major and tertiary works through upgrading and improvement of Indonesian standards.
- (2) Making topographic surveys of subproject areas and preparing maps in a scale of 1:5000 or larger with contour interval of one meter or less.
- (3) Making topographic surveys of diversion weir sites and other important structure sites and preparation of maps in a scale of 1:500 or larger with half meter contour interval.
- (4) Making alignment and profile surveys of proposed canals, drains, and flood embankments including taking of cross sections.
- (5) Planning and laying out of main and tertiary irrigation and drainage systems. Design for tertiary systems shall be adapted to the existing water distribution system when tertiary systems are necessary.
- (6) Making hydrologic analyses of streams where diversion weirs or flood protection works are to be constructed.
- (7) Making simple foundation investigations including simple field classification of soils to determine foundation conditions at proposed sites for diversion weir or other main structures.
- (8) Designing irrigation works including standardization of the more common canal structures such as turn-outs, division boxes, drops, culverts and drain inlets through upgrading and improvement of Indonesian standards.
- (9) Upgrading design calculation procedures.
- (10) Establishing uniform drafting standards.
- (11) Reviewing quantity takeoff and cost estimating.

- (5) On-farm service canal and ditch construction.
- (6) Formation and effective operation of water user associations.
- (7) Establishing and operating on-farm water management and operation & maintenance plan.
- (8) Effective utilization of agriculture inputs and extension services to increase food production.
- (9) Training of GOI staff, particularly on-the-job training so as to facilitate transfer of knowledge.
- (10) Training of farm leaders, particularly in water management, production techniques and operation, maintenance, and management of irrigation and drainage systems.
- (11) Coordinating with other GOI implementing agencies at provincial, Kabupaten, Kecamatan and village level.
- (12) Establishing and maintaining progress control (monitoring) systems for IRS subprojects.
- (13) Implementing and analyzing the Action Research Program.

E. Certifications:

In addition to advisory and assistance duties described above, the Consultant, except as USAID may otherwise agree in writing, shall jointly certify with the Provincial Public Works Chief or his delegated representative (i.e. Public Works Chief or Provincial Chief of Water Resources) that subprojects are (1) selected in conformity with the selection criteria mutually agreed upon by the DGWRD, DGFC, and USAID; (2) that the construction of the subproject is complete and meets acceptable technical and operational criteria (for USAID reimbursement); and (3) the cost of construction (to be shown on the certification) is reasonable. Certification shall be in accordance with acceptable engineering practice, and shall be submitted by the Consultant to DGWRD. After review, concurrence and/or comments, DGWRD will forward certifications to USAID as supporting documentation for requests for reimbursement.

The Consultant, except as USAID may otherwise agree, shall make similar certifications as to the establishment of water users' associations, design and construction of on-farm works, and the design and extension of land development activities including, land clearing, grading and wet rice field

- (2) Identifying and selecting subprojects.
- (3) Preliminary planning and laying out of subproject main and tertiary irrigation and drainage systems. Design for tertiary systems shall be adapted to the existing water distribution systems when tertiary systems are necessary.
- (4) Field surveying, mapping, hydrology, and soil investigation problems.
- (5) Survey and design contracting.
- (6) Reviewing of local contractors' surveys and designs, including field checking.
- (7) Administering construction tenders and contracts.
- (8) Construction supervision and inspection including procedures and controls.
- (9) Planning and execution of O&M of main and tertiary systems.
- (10) Coordinating with other GOI implementing agencies, particularly Provincial Agricultural Services (DPD).
- (11) Training of GOI staff, particularly on-the-job training, so as to facilitate transfer of knowledge to increase and/or upgrade the technical know how in implementing the project.
- (12) Establishing and maintaining progress control (monitoring) systems for IRS subprojects.

D. Services of the Agricultural Consultants to the respective Provincial Agricultural Services (DIPERTA) will include, but not be limited to, assisting and advising in:

- (1) Establishing at least one pilot IRS project for demonstration and training purpose in each concentration province.
- (2) Effective completion of the on-farm aspects of all IRS projects so as to increase food production and farmers incomes.
- (3) Land development activities, including land clearing and leveling and paddy field formation.
- (4) Reviewing preliminary layouts and surveys and designs of on-farm works, including field checking. Design for tertiary systems shall be adapted to the existing water distribution system.

B. Services of the Central Advisory Consultants to the Directorate General of Food Crops (DGFC MOA) will include, but not be limited to, advising and assisting in:

- (1) Overall organizing, planning and administrating of the agricultural components of IRS including program review and evaluation.
- (2) Coordinating IRS agricultural activities with other GOI implementation agencies, particularly MPW.
- (3) Wet rice field surveying, planning, laying out and designing procedures.
- (4) Land Development criteria and procedures, including land clearing, land leveling and wet rice field forming.
- (5) Surveying and designing program of some on-farm works.
- (6) Establishing service canal and ditch construction criteria and procedures.
- (7) Establishing and implementing on-farm water management planning.
- (8) Establishing and implementing on-farm operation and maintenance management planning.
- (9) Establishing and implementing water user associations and development programs.
- (10) Staff and farmer training program.
- (11) Establishing and maintaining program progress control (monitoring) procedures.
- (12) Establishing and maintaining the program of availability and utilization of agriculture inputs and extension services to increase food crop production.
- (13) Implementing and analyzing the Action Research Program.

C. Services of the Consultant's Irrigation Engineers assigned to provincial capital locations, to work with the respective Provincial Public Works (DPU) offices, will include, but not be limited to, assisting and advising in:

- (1) Organizing and effective use of manpower.

of Services

Sederhana Irrigation II

II. Scope of Services

A. Services of Central Advisory Consultants to the Directorate General of Water Resources Development (DGWRD MPW) will include, but not be limited to, advising and assisting in:

- (1) Overall organizing, planning and administering of IRS including program review and evaluation.
- (2) Coordinating IRS activities with other GOI implementing agencies, particularly MOA.
- (3) Planning and programming of subprojects, including selection of subprojects for implementation.
- (4) Reviewing of subproject designs.
- (5) Updating the IRS design manual, monitoring plan, and O&M plan.
- (6) Establishing survey and design criteria for main and tertiary systems.
- (7) Resolving survey, design and construction problems.
- (8) Establishing a program for implementation of O&M plan for major works and tertiary systems.
- (9) Assessing subproject environmental problems.
- (10) Procuring goods and services.
- (11) Staff training including assistance in course preparation and presentation and transfer of knowledge from the Consultant's staff to Indonesian technicians to increase and/or upgrade the technical know how in implementing the project.
- (12) Establishing and maintaining program progress control (monitoring) procedures and records.
- (13) Assisting local engineering design contractors with surveying, designing, and field checking of designs for major works and tertiary systems for IRS subprojects. Design for tertiary systems shall be adapted to the existing water distribution systems, when tertiary systems are necessary.

recreation.

Holidays - The Contractor shall be authorized holidays authorized by the GOI. In addition the 4th of July and Thanksgiving are authorized holidays.

the Project are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in Indonesia, the Government of Indonesia will pay or reimburse the same.

B. AID will, upon request of the Contractor, take appropriate action to assure that if any such taxes, tariffs, duties, or other levies are imposed on the Contractor or its personnel, the same are paid or reimbursed in accordance with the foregoing.

C. The foregoing provisions shall not apply with respect to Contractor's personnel who are citizens or permanent residents of Indonesia.

ARTICLE XIII - SUBCONTRACTS

It is agreed by the parties that certain work as set forth herein will be subcontracted to Sinotech Engineering Consultants, Inc. and to Sangkuriang Ltd. Architects and Consulting Engineers in the estimated amounts of \$1,382,531 and \$505,416, respectively.

ARTICLE XIV - ALTERATIONS IN CONTRACT

The General Provisions and Additional General Provisions Form 1420-41C and 41D dated July 1, 1976 are modified by the attachment to this Contract entitled "Alterations in Contract" dated June 1978.

General Provision 8, Limitation of Cost is deleted in its entirety and the attached Clause 31, Limitation of Funds is substituted therefore.

Additional General Provisions Number 6, Leave and Holidays. While the leave policies of the respective Contractors have been accepted it nevertheless remains USAID policy that employees be encouraged to utilize such leave during the term of the contract for the purpose of rest and

b. Overseas Employee. The workweek for the Contractor's overseas employees, both long-termers and short-termers, shall be scheduled to coincide with the workweek for those employees of the Cooperating Country associated with the work of this contract, with official Indonesian holidays to be holidays of overseas employees. It is expected that the Contractor's employees will perform their jobs in a professional manner which may entail working after Indonesian office-hours when this workload is such that this is necessary.

8. Definitions

As used herein, the terms "Salaries," "Wages," and "Compensation" mean the periodic remuneration received for professional or technical services rendered exclusive of overseas differential or other allowances associated with overseas service, unless otherwise stated. The term "compensation" includes payments for personal services (including fees and honoraria). It excludes earnings from sources other than the individual's professional or technical work, overhead or other charges.

ARTICLE XII - HOST COUNTRY TAXES

A. Agreement between the Government of the Republic of Indonesia and the United States of America, applicable to the Project of which this Contract is a part, provides that, to the extent that

(1) any Contractor, including any consulting firms, any personnel of such contractor financed by AID under the Project, and any property or transaction relating to such Contracts, or

(2) any commodity procurement transaction financed by AID under

reimbursed in connection with the services to be provided hereunder. No compensation for consultants will be reimbursed unless their use under the contract has the advance written approval of the Contracting Officer; and if such provision has been made or approval given, compensation shall not exceed, without specific approval of the rate by the Contracting Officer, (1) the current compensation or the highest rate of annual compensation received by the consultant during any full year of the immediately preceding three years or (2) maximum daily salary rate of a Foreign Service Officer Class I whichever is less.

NOTE: The daily rate of a Foreign Service Office Class 1 is determined by dividing the annual salary by 260 days.

6. Third Country and Cooperating Country Nationals

No compensation for third country or Cooperating Country nationals will be reimbursed unless their use under the contract is authorized in the Schedule or has the prior written approval of the Contracting Officer. Salaries and wages paid to such persons may not, without specific written approval of the Contracting Officer, exceed either the Contractor's established policy and practice; or the level of salaries paid to equivalent personnel by the AID Mission in the Cooperating Country; or the prevailing rates in the Cooperating Country, as determined by AID paid to personnel of equivalent technical competence. TCN employment is authorized.

7. Work Week

a. Nonoverseas Employee. The work week for the Contractor's nonoverseas employees shall not be less than the established practice of the Contractor.

salary of FSR-1 (or the equivalent daily rate of the maximum FSR-1 salary, if compensation is not on an annual basis), unless advance written approval is given by the Contracting Officer.

2. Salaries During Travel

Salaries and wages paid while in travel status will not be reimbursed for a travel period greater than the time required for travel by the most direct and expeditious air route.

3. Return of Overseas Employees

Salaries and wages paid to an employee serving overseas who is discharged by the Contractor for misconduct or security reasons will in no event be reimbursed for a period which extends beyond the time required to return him promptly to his point of origin by the most expeditious air route plus accrued vacation leave.

4. Merit or Promotion Increase

Merit or promotion increases may not exceed those provided by the Contractor's established policy and practice. With respect to employees performing work overseas under this contract, one merit or promotion increase of not more than 7.5% of the employee's base salary may, subject to the Contractor's established policy and practice, be granted after employee's completion of each twelve month period of satisfactory services under the contract. Merit or promotion increases exceeding these limitations or exceeding the maximum salary of FSR-1 may be granted only with the advance written approval of the Contracting Officer.

5. Consultants

Consultant services for a maximum number of 0 days will be

Fringe Benefits	<u>27% US</u> <u>15% TCN</u> (Rate)	<u>Direct Labor</u> <u>Costs</u> (Base)	<u>From 10 July 80</u> <u>Until Amended</u> (Period)
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ARTICLE XI - PERSONNEL COMPENSATION

A. Limitations

Compensation of personnel which is charged as a direct cost under this contract like other costs, will be reimbursable in accordance with the Schedule Article entitled "Costs Reimbursable and Logistic Support to Contractor," and the General Provision entitled "Allowable Cost, Fixed Fee, and Payment," and other applicable provisions of this contract but subject to the following additional specific understandings which set limits on items which otherwise would be reasonable, allocable, and allowable.

1. Approvals

Salaries and wages may not exceed the Contractor's established policy and practice, including the Contractor's established pay scale for equivalent classifications of employees, which will be certified to by the Contractor, nor may any individual salary or wage, without approval of the Contracting Officer, exceed the employee's current salary or wage or the highest rate of annual salary or wage received during any full year of the immediately preceding three years, provided that if the work is to be performed by employees serving overseas for a period in excess of one year, the normal base salary may be increased in accordance with Contractor's established policy and practice, but not to exceed 10 percent of base U.S. salary excluding benefits. There is a ceiling on reimbursable salaries and wages paid to a person employed directly under the contract of the maximum

dollar costs, the Contractor shall be paid a dollar amount which is in the same ratio to the total fixed fee as the related payment being made on account of allowable dollar costs is to the total estimated cost, as amended from time to time; provided however, that whenever in the opinion of the Contracting Officer such payment would result in a percentage of fee in excess of the percentage of work completion, further payment of fee may be suspended until the Contractor has made sufficient progress, in the opinion of the Contracting Officer, to justify further payment of fee up to the agreed ratio, provided further, that after payment of eight-five percent (85%) of the total fixed fee, the provisions of the General Provision of this contract entitled "Allowable Cost, Fixed Fee, and Payment," shall be followed.

ARTICLE X - ESTABLISHMENT OF OVERHEAD RATE

Pursuant to the provisions of the Clause of the General Provisions of this contract entitled "Negotiated Overhead Rates," a rate or rates shall be established for the period beginning July 10, 1980 and ending July 9, 1982. Pending establishment of final overhead rates for the initial period, provisional payments on account of allowable indirect costs shall be made on the basis of the following negotiated provisional rates applied to the base(s) which are set forth below:

On Site (Home Office)	<u>118%</u> (Rate)	<u>Direct Wages & Salaries</u> (Base)	<u>From 10 July 80 Until Amended</u> (Period)
Off Site (Overseas)	<u>.93%</u> (Rate)	<u>Direct Wages & Salaries & Diff.</u> (Base)	<u>From 10 July 80 Until Amended</u> (Period)

3. The Contractor shall be responsible for and reimbursed under the Contract the following which shall be within USAID policies, regulations and standards.

a. Leasing of air-conditioned housing and furnishings for long-term advisors if GOI or USAID furnished housing is not available at the following locations: Jakarta, Medan, Ujung Pandang, Bandung, Surabaya, Palembang, Padang, Telukbetung, Banjarmasin, Manado, and Mataram.

b. Maintenance and utilities of all housing obtained for long-term advisors provided in Article VIII.B subparagraphs 1b, 2e & 3a above.

c. In-country air fares for short and long-term consultants.

d. Per diem for short-term advisors residing at city of assignment.

e. In-country travel and related travel, not covered in Article III A.

f. Appropriate Indonesian language training for long-term advisors in order to develop and maintain proficiency levels required for their assignment.

g. The logistics support specified in Article B1 and B2 above, if not furnished in kind by the GOI or USAID, shall be paid to the contractor, in a manner consistent with established USAID policies and regulations and subject to approval by the Mission Director.

ARTICLE IX - PAYMENT OF FIXED FEE

At the time of each payment to the Contractor on account of allowable

be limited to reasonable, allocable, and necessary costs determined in accordance with the Clause of the General Provisions of this Contract entitled "Allowable Cost, Fixed Fee, and Payment."

B. Logistic Support

The Contractor shall be provided with logistic support as follows:

1. The Government of Indonesia will provide:

- a. Office space, furniture and equipment, i.e. typewriters, phones, tables, assessories, etc. at counterpart government offices for long and short-term advisors.
- b. Air-conditioned housing and furnishings, which are acceptable under USAID guidelines, to long-term advisors.
- c. Surface travel cost (car with driver, bus or train) for both long and short-term advisors while involved in project-related travel.
- d. All in-country per diem for long and short-term advisors while in "travel status" (i.e., periods away from their assigned posts after arrival) at established GOI rates.

2. The Contractor shall be provided by USAID the following:

- a. Pouch facilities subject to USAID rules and regulations.
- b. Medical facilities (Jakarta). Only routine health room out-patient services are available and only for U.S. citizens.
- c. Commissary (Jakarta) located in the American Embassy Compound to consultants having U.S. citizenship.
- d. AERA Club (U.S. citizens only).
- e. Selected housing.

BUDGET (Continued)

AID 497-80-100.61

<u>Category</u>	<u>Grant</u>	<u>Loan</u>	<u>Estimated Amount</u>
Travel and Transportation			
-- International	329,075		329,075
-- In-Country	152,640		152,640
Per Diem	97,110		97,110
Other Direct Cost	147,270		147,270
Total Estimated Cost - IEEO			4,443,971
Sinotech (Subcontractor)			
-- Fixed Billing	313,158	670,000	983,158
-- Reimbursable Cost	99,373	300,000	399,373
Sub-Total			1,382,531
Sangkuriang (Subcontractor)			
-- Fixed Billing Cost	107,015	225,000	332,015
-- Reimbursable Cost	43,185	55,000	98,185
-- Personnel Support	75,216	0	75,216
Sub-Total			505,416
Total Estimated Cost	5,081,918	1,250,000	6,331,918
Fixed Fee	515,000	0	515,000
Total Estimated Cost and Fixed Fee			\$6,846,918

ARTICLE VIII - COSTS REIMBURSABLE AND LOGISTIC SUPPORT TO CONTRACTORA. United States Dollar Cost

The United States dollar costs allowable under the contract shall

ARTICLE VII - BUDGET

A. The total Budget Amount Column covers the anticipated total costs for the term of this contract.

B. Contractor shall not be required to make any expenditures or incur any obligations under this contract in excess of the amounts for which it is entitled hereunder.

C. The following budget sets limitations for reimbursement of dollar costs for individual line items. Without prior written approval of the Contracting Officer, the Contractor may not exceed the grand total set forth in the budget hereunder nor may the Contractor exceed the dollar costs for any individual line item by more than 15% of such line item.

BUDGET

July 10, 1980 - July 9, 1982

<u>Category</u>	<u>Grant</u>	<u>Loan</u>	<u>Estimated Amount</u>
Salaries and Wages			
-- Home Office	131,895		131,895
-- Field Staff	1,273,487		1,273,487
Burden @27% Salaries for U.S.	246,891		246,891
15% for A/TCN	45,900		45,900
Overhead			
-- Home Office	155,636		155,636
-- Field Staff	1,184,667		1,184,667
Allowances	679,400		679,400

ARTICLE V - PERIOD OF CONTRACT

A. The effective date of this Contract is July 10, 1980 and the estimated completion date is July 9, 1982.

B. In the event that the Contractor fails to furnish the level of effort set forth herein for the specified term, then the Contracting Officer may require the Contractor to continue performance of the work beyond the estimated completion date until the Contractor has furnished the specified level of effort or until the estimated cost of the work for such period shall have been expended.

ARTICLE VI - ESTIMATED CONTRACT COST AND FINANCING

The Contractor will be reimbursed for the costs incurred by him in performing services hereunder in accordance with the applicable provisions of the Schedule and the General Provisions, subject to the following limitation made in respect thereto:

	<u>Grant:</u>	<u>*Loan:</u>
A. Total AID Dollar funds available for payment and allotted to the Contract. See the clause of the General Provisions entitled "Limitation of Funds" and the article of the schedule entitled "Budget", if applicable.	\$4,800,000	\$1,250,000
B. Estimated additional funds which may be provided, if funds are available. See the clause of the General Provisions entitled "Limitation of Funds" and the article of the schedule entitled "Budget" if applicable.	<u>796,918</u>	<u> </u>
Total Estimated Contract Cost	<u>\$5,596,918</u>	<u>\$1,250,000</u>

*Loan funds have a TDD of 1-83

25

B. The estimated composition of the total person-months of direct labor as follows:

	<u>No. Person-Months</u>
<u>IECO</u>	
Long Term	446.5
Short Term and Home Office	35
<u>Sinotech</u>	
Long Term	164
Short Term	25
<u>Sangkuriang</u>	
Long Term	236.5
Short Term	-----

Aggregate	907

C: It is understood and agreed that the rate of person-months per month may fluctuate in pursuit of the technical objective provided such fluctuation does not result in the utilization of the total person-months of effort prior to the expiration of the term hereof, and it is further understood and agreed that the number of months of effort for any classification except for the months of the Key Personnel may be utilized by the Contractor in any other direct labor classification if necessary in the performance of the work.

D. The Contracting Officer may, by written order, direct the Contractor to increase the average monthly rate of utilization of direct labor to such an extent that the total person-months of effort, specified above, would be utilized prior to the expiration of the term herein. Any such order shall specify the degree of acceleration required and the revised term hereof resulting therefrom.

ARTICLE III - KEY PERSONNEL

A. The key personnel which the Contractor shall furnish for the performance of this Contract are as follows:

Key Personnel

Resident Manager	C.E. Aksamit
Assistant Resident Manager	B.C. Ferguson
Area Engineer	R.E. Dixon
Area Engineer	M. Adams
Agriculturist/Coordination	R. Edwards

B. The personnel specified above are considered to be essential to the work being performed hereunder. Prior to diverting any of the specified individuals to other programs, the Contractor shall notify the Contracting Officer reasonably in advance, and shall submit justification (including proposed substitutions) in sufficient detail to permit evaluation of the impact on the program. No diversion shall be made by the Contractor without the written consent of the Contracting Officer, provided, that the Contracting Officer may ratify in writing such diversion and such ratification shall constitute the consent of the Contracting Officer required by this clause. The listing of key personnel, may, with the consent of the Contracting parties, be amended from time to time during the course of the Contract to either add or delete personnel, as appropriate.

ARTICLE IV - LEVEL OF EFFORT

A. The level of effort for the performance of this Contract shall be 907 total person-months of direct labor at an average rate of approximately 38 pm per month.

SCHEDULEARTICLE I - STATEMENT OF WORKA. Description of the Project

The Project involves assistance in the upgrading and new construction of main and tertiary irrigation works and farm level implementation activities for irrigation subprojects included in the Government of Indonesia's Sederhana (Simple) Irrigation, Reclamation and Land Development Program which adds approximately 60,000 ha of new or improved irrigated land annually. Subprojects are located in 23 of Indonesia's 27 provinces. Sederhana subprojects are visualized as simple to design, simple to construct, capable of rapid execution using labor-intensive methods and relatively inexpensive. These gravity-fed irrigation systems are close to water sources and are expected to have a quick impact on increasing rice production.

The majority of Sederhana subprojects cover an area of between 100 and 2000 hectares, with most of the larger ones located in the outer islands. Almost all of these subprojects involve irrigation, but a few involve swamp reclamation. About half of the subproject area planned for construction is currently used for wet rice production. Much of this area is covered by existing village irrigation systems. The other half of the subproject area consists of extension of existing wet rice areas and the bring under cultivation of completely new areas. Some of the extensions and new areas may require clearing.

B. Scope of Services

See Appendix A.

ARTICLE II - TECHNICAL DIRECTIONS

Performance of the work hereunder shall be subject to the technical directions of the Government of Indonesia. As used herein "Technical Directions" are directions to the Contractor which fill in details, suggest possible line of inquiry, or, otherwise complete the general scope of work. "Technical Directions" must be within the terms of this Contract and shall not change or modify them in any way.

TABLE OF CONTENTSSCHEDULE

The Schedule, on pages 1 through 16, consists of this Table of Contents and the following Articles:

ARTICLE I	- STATEMENT OF WORK
ARTICLE II	- TECHNICAL DIRECTIONS
ARTICLE III	- KEY PERSONNEL
ARTICLE IV	- LEVEL OF EFFORT
ARTICLE V	- PERIOD OF CONTRACT
ARTICLE VI	- ESTIMATED CONTRACT COST AND FINANCING
ARTICLE VII	- BUDGET
ARTICLE VIII	- COSTS REIMBURSABLE AND LOGISTIC SUPPORT TO CONTRACTOR
ARTICLE IX	- PAYMENT OF FIXED FEE
ARTICLE X	- ESTABLISHMENT OF OVERHEAD RATES
ARTICLE XI	- PERSONNEL COMPENSATION
ARTICLE XII	- HOST COUNTRY TAXES
ARTICLE XIII	- SUBCONTRACTS
ARTICLE XIV	- ALTERATIONS IN CONTRACT

GENERAL PROVISIONS

The General Provisions applicable to this Contract consist of form AID 1420-41C entitled "General Provisions Cost Reimbursement Type Contract", dated 7/1/76, which includes provisions 1 through 43 and form AID 1420-41D entitled "Additional General Provisions Cost Reimbursement Type Contract", dated 7/1/76, which includes provisions 1 through 15.

Contract No. 497-80-100.61: International Engineering Company, Inc. \$ 6,846,918

Funded by:

PIO/T 80268 \$ 1,300,000

Project 0252

Appropriation: 72-1181021

Allotment : 843-50-497-00-09-03

PIO/T 00100 \$ 3,500,000

Project 0252

Appropriation: 72-1101021

Allotment : 043-50-497-00-69-01

PIO/T 50472 \$ 1,250,000

Project 0252

Appropriation: 72-11X4103

Loan No. 497-T-054

Funds available: *Mary L. Lewellen* 7/10/80
Mary L. Lewellen
OMF/B

Contract is incrementally funded. Additional funds may be provided as they become available.

file
Sederhana II

COST REIMBURSEMENT TYPE CONTRACT

AGENCY FOR INTERNATIONAL DEVELOPMENT
NEGOTIATED CONTRACT NO. 497-80-100.61

CONTRACT TYPE
CPFF

NEGOTIATED PURSUANT TO THE FOREIGN ASSISTANCE
ACT OF 1961, AS AMENDED, AND EXECUTIVE ORDER 11223

AMOUNT
\$6,846,918

CONTRACT FOR: Sederhana Irrigation and Land Development II
Project No. 497-0252

ISSUING OFFICE (Name and Address)
Agency for International Development
Office of Management and Finance
Jakarta, Indonesia

CONTRACTOR (Name and Address)
International Engineering Company, Inc.
NAME
220 Montgomery Street
STREET ADDRESS
San Francisco, California 94104
CITY, STATE AND ZIP CODE

ADMINISTRATION BY
USAID
Jakarta, Indonesia

COGNIZANT SCIENTIFIC/TECHNICAL OFFICE
Office of Rural Development

MAIL VOUCHERS (Original & 3 copies)
TO: Office of Management & Finance
USAID/Jakarta
Indonesia

ACCOUNTING AND APPROPRIATION DATA
PIO/T NO. 497-0252-3-80268 & A1
APPROPRIATION NO. 72-1181021
ALLOTMENT NO.

EFFECTIVE DATE July 10, 1980

ESTIMATED COMPLETION DATE July 9, 1982

TYPES OF BUSINESS (CHECK APPROPRIATE BOX(ES))

<input type="checkbox"/>	SOLE PROPRIETORSHIP	<input type="checkbox"/>	SMALL BUSINESS
<input type="checkbox"/>	PARTNERSHIP	<input type="checkbox"/>	LABOR SURPLUS AREA
<input type="checkbox"/>	JOINT VENTURE		
<input checked="" type="checkbox"/>	CORPORATION, INCORPORATED IN THE STATE OF Nevada		

The United States of America, hereinafter called the Government, represented by the Contracting Officer executing this contract, and the Contractor agree that the Contractor shall perform all the services set forth in the attached Schedule, for the consideration stated therein. The rights and obligations of the parties to this contract shall be subject to and governed by the Schedule and the General Provisions. To the extent of any inconsistency between the Schedule or the General Provisions and any specifications or other provisions which are made a part of this contract, by reference or otherwise, the Schedule and the General Provisions shall control. To the extent of any inconsistency between the Schedule and the General Provisions, the Schedule shall control.

This Contract consists of this Cover Page, the Schedule of 16 Pages, including the Table of Contents and the General Provisions (form AID 1420-41C, dated 7/1/76).

NAME OF CONTRACTOR
International Engineering Company, Inc.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL
DEVELOPMENT

BY (Signature of authorized individual)
C.E. Aksamit

BY (Signature of Contracting Officer)
Thomas C. Niblock

TYPED OR PRINTED NAME
C.E. Aksamit

TYPED OR PRINTED NAME
Thomas C. Niblock

TITLE
Resident Manager

CONTRACTING OFFICER

DATE JUL 10 1980

DATE 7/21/80

provision of agricultural support services, and program administration, and (c) describe the GOI/USAID strategy for addressing these problems as the Sederhana Program continued.

The attached PP Amendment requests an additional grant of \$6.8 million (a) to complete technical assistance to the GOI Ministry of Public Works (MPW) which is needed to complete the Sederhana II construction program, and (b) to increase technical assistance to the Ministry of Agriculture in order to improve on-farm development, farmer organization and agriculture support activities.

The PP Amendment indicates that USAID/Indonesia has revised its strategy for assisting the Sederhana Program significantly. The Mission no longer proposes to provide additional financial support for irrigation system construction beyond that already available under the Sederhana II loan, which will support construction funded through IFY 80/81 (ending March 1981). Additional grant funds are required to continue technical assistance to the MPW for irrigation system construction until July 1982, when Sederhana II construction should be completed. It is the Mission's judgment that by that time AID assistance will have succeeded in upgrading the irrigation system design and construction capabilities of MPW personnel to the point where the GOI will be able to carry on the Sederhana construction program on its own in a much improved manner. The Mission also is confident that with the Sederhana Program well established by that time, the GOI will finance new construction on its own and may even attract other donor support.

During the next two year period while USAID is closing out its assistance to the MPW, assistance to the Ministry of Agriculture (MOA) to improve the agricultural components of the project will be expanded significantly. While progress on the construction component of the Sederhana Program has been encouraging, MOA efforts on the more difficult problems involved with on-farm development and farmer organization have met with little success, and it is in these areas that the GOI's greatest need for technical assistance lies in the long run. The number of agricultural advisors will be increased from 7 to 12 and the areas of expertise represented will be broadened considerably. These advisors will concentrate their efforts in seven provinces where a series of trial efforts to which USAID and the MOA have agreed will be implemented. It is hoped that by augmenting agricultural assistance and concentrating it in a few provinces, significant headway can be made in addressing the agricultural components of the Sederhana program and that this may lead to a follow-on IA project to begin in FY 82 which will concentrate solely on assisting the MOA.

Justification for Additional Funds:

AID's assistance to the Sederhana program already is meeting its three objectives. Through the technical assistance being provided to the MPW, the capability of the GOI to design and construct small scale

irrigation systems has been upgraded significantly. The GOI budget for the Sederhana Program has tripled over the last three years, and at the same time as more systems are being built, construction quality is improving steadily. The Sederhana Program clearly is a factor in the success Indonesia has had increasing rice production an average of 4% p. a., or an aggregate of 42%, over the last decade, more than any other Southeast Asian country. Through the Program, irrigation systems for a total of over 150,000 hectares have been constructed or renovated. An evaluation in 1978 revealed immediate increases in rice production of 26% in a representative sample of sub-projects, mostly due to the double cropping irrigation allowed. Lastly, the Program also appears to be meeting its objective of increasing incomes of the rural poor, since it is focussed on relatively poorer rural farmers. According to the 1978 evaluation mentioned above, eighty to ninety percent of the farmers involved in the Program were earning less than \$150 per year per capita.

It is important that AID continue its assistance to the Sederhana Program, both to complete scheduled construction and meet the institution-building goals of the Program, and to intensify efforts on its agricultural aspects. Unfortunately, the amount of grant funds approved to initiate Sederhana II was not adequate to provide for TA through the period during which the \$25 million Sederhana II loan would be disbursed. Originally, the Sederhana II loan was to cover construction programmed in IFY 78/79 and 79/80. However, due to the November 1978 devaluation, Sederhana I dollar funds were available to cover reimbursements for the IFY 78/79 program and Sederhana II came into effect a year later than anticipated. Most of the Sederhana II grant was used to fund a TA contract for the period June 1979-July 1980 during which the revised Sederhana I construction program was coming to a close and Sederhana II construction was just beginning. Now we are faced with a requirement for an additional two years' technical assistance to complete Sederhana II construction for which loan funds already have been obligated.

At the same time, it is important that the \$6.8 million additional grant be approved to enable the GOI to make progress on the long-term tasks of improving agricultural support services, farmer organization and on-farm development efforts, which have come to be recognized as the most serious problems with which small scale irrigation programs in Indonesia will have to deal. The PP amendment proposes a well-reasoned revised project assistance strategy to meet these objectives.

Results of Project Review:

The Asia Project Advisory Committee (APAC) met on April 23 and decided to recommend approval of the request for an additional grant. It is expected that Sederhana II construction will be substantially completed by July 1982 when the TA funded with the additional grant will terminate. However, if it is not and some MPW advisors must be extended for this purpose, the Mission and the GOI have agreed that such an extension will be financed with Sederhana II loan funds to obviate the need for any additional grant funds for this project.

Audits, Evaluations, Congressional Interest:

The APAC noted that a draft audit report had been prepared by the AAG which was critical of some aspects of the Program. The APAC reviewed the main criticisms in the draft report and the Mission's preliminary comments on it. A more complete and definitive review by the Mission and the Asia Bureau cannot be undertaken until the final report is issued, but the APAC concluded that nothing in the draft report should preclude approval of additional funds for the project.

As noted above, the Sederhana Program was evaluated favorably in 1978. The Mission soon will be undertaking a beneficiary profile analysis and the Program is the subject of a special impact evaluation which has just begun.

The project was included in the FY 80 Congressional Presentation, and a Congressional Notification is not required. State/HA clearance for the project has been received. | |

It is important that the project amendment be authorized as soon as possible since the current contract for technical services will expire in early July.

Recommendation: That you sign the attached project authorization amendment.

Attachments:

1. Project Authorization Amendment
2. PP Amendment

FILE

Project No. 497-0252

PROJECT
GRANT AGREEMENT

BETWEEN

THE REPUBLIC OF INDONESIA

and the

UNITED STATES OF AMERICA

for

SEDERHANA (SIMPLE) IRRIGATION

AND

LAND DEVELOPMENT PROJECT II

Dated: August 31, 1978

CONFORMED COPY

PROJECT GRANT AGREEMENTTable of Contents

	<u>Page</u>
Article 1: The Agreement	1
Article 2: The Project	1
SECTION 2.1 Definition of Project	1
Article 3: Financing	2
SECTION 3.1 The Grant	2
SECTION 3.2 Grantee Resources for the Project	2
SECTION 3.3 Project Assistance Completion Date	3
Article 4: Conditions Precedent to Disbursement	4
SECTION 4.1 First Disbursement	4
SECTION 4.2 Disbursement for Training	4
SECTION 4.3 Notification	5
SECTION 4.4 Terminal Dates for Conditions Precedent	5
Article 5: Special Covenants	5
SECTION 5.1 Project Evaluation	5
SECTION 5.2 Training	6
Article 6: Procurement Source	6
SECTION 6.1. Foreign Exchange Costs	6
SECTION 6.2. Local Currency Costs	6
Article 7: Disbursement	7
SECTION 7.1 Disbursement for Foreign Exchange Costs	7
SECTION 7.2 Disbursement for Local Currency Costs	8
SECTION 7.3 Other Forms of Disbursement	8
SECTION 7.4 Rate of Exchange	8
Article 8: Miscellaneous	9

	<u>Page</u>
SECTION 8.1. Communications	9
SECTION 8.2. Representatives	9
SECTION 8.3. Standard Provisions Annex	10
Amplified Description of Sederhana (Simple) Irrigation and Land Development Project II	Annex 1
Project Grant Standard Provisions Annex	Annex 2

PROJECT GRANT AGREEMENT

Dated: August 31 , 1978

Between GOVERNMENT OF INDONESIA

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 financing the foreign exchange and local currency costs of consultant services and training for Grantee's simple irrigation program. Such services are designed to assist the Grantee in planning and implementing Sederhana (Simple) irrigation systems including both the physical systems and the social infrastructure which are essential for adequate operation and maintenance of the systems.

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 8.3, without formal amendment of this agreement.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs (consultant services and training) 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 four million five hundred thousand United States ("U.S.") dollars (\$4,500,000) ("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 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 required to carry out the Project effectively and in a timely manner. The Government of Indonesia agrees that its contributions will be provided on a timely basis.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of twelve million two hundred thousand United States dollars (\$12,200,000) including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is August 31, 1983 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) A statement of the name of the person holding or acting in the offices 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.

(b) A time schedule for the evaluation program referred to in section 5.1.

SECTION 4.2. Disbursement for Training. Prior to disbursement under the Grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for training costs, 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) A plan which sets forth the purpose, scope and curricula for the proposed training; and
- (b) A cost estimate for the training.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in sections 4.1 and 4.2 have been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent

If the conditions specified in section 4.1 have 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 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.

SECTION 5.2. Training. The Grantee covenants that all training carried out under the Grant will conform with the training plan submitted by the Grantee pursuant to the provisions of section 4.2.

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 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. Disbursement 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 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:

Grantee: Director General, Water Resources Development,
Ministry of Public Works
Jalan Pattimura 20
Kebayoran Baru
Jakarta, Indonesia

Director General of Food Crops,
Ministry of Agriculture
Pasar Minggu
Jakarta, Indonesia

A.I.D.: Mr. Thomas C. Niblock, Director
U.S. Agency for International Development
American Embassy
Jl. Medan Merdeka Selatan No. 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 offices of Director General of Water Resources Development, Ministry of Public Works and Director General of Food Crops, Ministry of Agriculture, 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 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.

REPUBLIC OF INDONESIA

By:

ORIGINAL SIGNED BY

M. Panggabean
Minister for Foreign Affairs, ad interim

UNITED STATES OF AMERICA

By:

ORIGINAL SIGNED BY

Thomas C. Niblock
Director, USAID/Indonesia

Amplified Description of the Project
(Same for Loan and Grant Agreement)

1. Purpose: To assist the Government of Indonesia (GOI) in planning, implementing, and operating and maintaining Sederhana irrigation schemes; in increasing Indonesia's food crops production, particularly rice production; and in increasing the income and employment opportunities in the rural areas of Indonesia.

2. Financing: The Project will be financed from funds provided both by A.I.D. and the Government of Indonesia. A.I.D. will provide in US FY 1978 up to \$14,700,000 in loan funds under A.I.D. Loan No.497-T-054 and up to \$4,500,000 in grant funds under A.I.D. Grant No. 497-0252. These funds will assist the GOI in carrying out its Sederhana Program for fiscal years 1978/79 and 1979/80. In consideration of A.I.D.'s providing \$19,200,000 in FY 1978 and FY 1979, the GOI agrees to provide not less than \$12,200,000 making total funds available of \$31,400,000 for the Project as described in the detailed Financial Plan (Table I page 8). This plan sets forth the estimated expenditures for the various components of the Project and the estimated implementation targets.

Subject to the availability of funds, an additional

\$10,300,000 of loan funds will be made available in US FY1979 by amendment to this Agreement (still within the GOI FY78/79). This would increase the loan amount to \$25,000,000 and the grant amount remain the same at \$4,500,000, thus making a total A.I.D. contribution of \$29,500,000. At such time the GOI would provide an additional amount of not less than \$8,500,000 for the Project making a total GOI contribution of \$20,700,000. In such event the total contributions of A.I.D. and the GOI for the Project would be \$50,200,000. This is detailed in Table II, page 9.

Subject to the availability of funds and the Agreement of the Parties, the Loan amount furnished by A.I.D. may be increased in subsequent years by \$91,200,000 up to a total of \$116,200,000 and the Grant amount may be increased by \$8,700,000 up to a total of \$13,200,000. This proposed additional funding of \$99,900,000 is intended to assist the GOI in the design and construction of approximately 120,000 ha. of major works and 110,000 ha. of the complementary tertiary program for Sederhana subprojects during GOI FY 79/80 and 80/81, together with other Sederhana activities. In event of this additional funding by A.I.D., the GOI would provide additional funding of \$75,600,000 making a total GOI contribution for the Project of not less than \$96,300,000. The combined contribution of A.I.D.

and the GOI for the Project would then be \$225,700,000 as is detailed in Table III, page 10.

Changes up to 30% may be made to line item amounts shown in the Financial Plans (Tables I and II) for this phase without formal amendment of this Agreement provided that A.I.D. approves any such changes in writing, and that the total A.I.D. contribution is not increased or the Borrower's agreed contribution for this phase is not decreased below that shown on the applicable plan.

3. Project Duration: Funds from the A.I.D. loan and grant will be available from August 1978 through August 1983 in accordance with Section 3.3 of the Loan Agreement and Section 3.3 of the Grant Agreement. It is anticipated that funds provided in these Agreements will assist in the financing of the Sederhana Program activities in GOI FY 1978/79 and part of GOI FY 1979/80.

4. Targets: The consulting services and training components of the Project will assist in strengthening the capability of the GOI agencies concerned and the local private consulting and construction sectors to design and construct Sederhana irrigation facilities. The consulting services will be aimed primarily at on-the-job training for Indonesian government and local private sector technicians involved in the design and

construction of Sederhana irrigation works. These consulting services are anticipated to be funded from the A.I.D. grant as shown in the Financial Plans. Assistance also will be provided to assist in upgrading GOI training facilities as to curriculum, equipment, training materials and training facilities. The consultants, who will assist the GOI in reviewing and recommending improvements in their training programs as well as the training for technicians from the local private sector, may be funded from the A.I.D. Grant. Local private sector training shall be administered by the DGFC and DGWRD. In-country training as well as any training equipment, facilities and/or training materials are expected to be funded in part from the A.I.D. Loan.

Although the GOI had planned to construct irrigation facilities for 60,000 ha. under its Sederhana Program in GOI FY 79/80 with the assistance of funds provided by the A.I.D. Loan, the Loan funds if increased to \$25,000,000 as set forth in Table II, are considered sufficient for construction of irrigation facilities for only 30,000 ha. The Sederhana irrigation facilities to be financed in part by A.I.D. Loan funds may include new irrigation systems, rehabilitation of existing irrigation systems, and/or extension of irrigation systems.

Loan funds will also assist in the design and construction of tertiary canals included in the Complementary Tertiary Program. Loan funding if increased to \$25,000,000 as set forth in Table II, is provided for approximately 35,000 ha. of the 110,000 ha. within Sederhana subprojects for which tertiary canals are presently needed and which are not included in the GOI's Special Tertiary Program.

Loan and grant funds will be provided to assist the small farmers in the formation of water user associations, for the operation and maintenance (O&M) of tertiary systems, and for training of members and employees of water user associations in O&M. Training in O&M may also be provided to central and local government employees associated with O&M of Sederhana systems. In addition, A.I.D. loan funds may be used to finance clearing, leveling and draining land in preparation of forming paddies or shaping of the land for cultivation. It is estimated that the farmers will contribute the equivalent of \$2.9 million through their labor for paddy formation and land shaping. All areas for which A.I.D. funds are used for design, construction, water user associations, land clearing, and land leveling, must be included within the GOI's Sederhana Irrigation and Reclamation Program. However, consulting services will also be provided for the Borrower's Special Tertiary Program,

approximately a third of which is comprised of Sederhana subprojects.

5. Complementary Activities: The funds being provided by this Loan Agreement and companion Grant Agreement will contribute to meeting the targets described in paragraph 2 above and as shown in the attached Financial Plans. In addition to these activities, the Borrower, with funds other than those being provided by this Loan Agreement and companion Grant Agreement, will carry out the following activities which are an integral part of the Borrower's FY 78/79 Sederhana Program: (a) construct the major works for new Sederhana irrigation systems covering an estimated 30,000 hectares; and (b) upgrade Sederhana irrigation systems serving approximately 90,000 hectares. In addition the Borrower during the next three or four years will construct tertiary irrigation and drainage systems for an estimated 360,000 hectares within existing irrigation systems (Special Tertiary Program). Approximately a third of this 360,000 hectares is within previously constructed Sederhana irrigation systems.

6. Project Management: The Project shall be managed by DGWRD and DGFC unless the GOI, by written notice to A.I.D., requests the transfer of responsibility for element(s) of

the Project to another GOI agency. The design and construction of irrigation and drainage facilities down to the tertiary level shall be administered by the Directorate General of Water Resources Development (DGWRD) through the provincial public works, except that the Complementary Tertiary Program may be administered by the DGFC. The agricultural components of on-farm works and land clearing and preparation shall be administered by the DGFC through the provincial agricultural services. Both the DGWRD and DGFC shall coordinate their training programs with their respective training offices. The assistance to water user associations shall be administered by the DGFC who shall coordinate all assistance in this area with Departemen Dalam Negeri (Ministry of Home Affairs) and local government officials. Consulting services shall be provided under the grant and shall be administered by the Department having the primary responsibility for the services contracted. However, if a single contract is used to provide consulting services for both the DGFC and DGWRD, the DGWRD shall be the administrator of such a contract and shall be responsible for coordinating contractual matters with the DGFC.

7. Commodities: Purchase of commodities for activities supported under this loan is authorized. All purchases funded in part or whole under the loan must be mutually agreed upon by the Borrower and A.I.D.

TABLE I

FY 1978/79 Sederhana II Project Financial Plan
with A.I.D. funding of US\$ 19.2 million
(millions of US.\$)

	AID Funding				Total	GOI	Total
	Grant		Loan				
	FX	LC	FX	LC			
I. Construction of Major Works (Est. 18,000 ha)	0	0	0	7.0	7.0	7.0	14.0
II. Complementary Tertiary Program (Est. 21,000 ha)	0	0	0	3.6	3.6	1.2	4.8
III. Water user Associations (Est. 200 P3A)	0	0	0	0.7	0.7	0.7	1.4
IV. Land Clearing & Preparations (Est. 10,000 ha)	0	0	0	2.9	2.9	2.9	5.8
V. Consulting Services and Evaluation							
A. DGWRD	1.7	0.8	0	0	2.5	0	2.5
B. DOA	1.1	0.5	0	0	1.6	0	1.6
VI. Training							
A. DGWRD	0.1	0.1	0	0.1	0.3	0.2	0.5
B. DOA	0.1	0.1	0	0.1	0.3	0.2	0.5
VII. Equipment	0	0	0.3	0	0.3	0	0.3
TOTALS	3.0	1.5	0.3	14.4	19.2	12.2	31.4

A.I.D. Grant \$ 4.5 million
A.I.D. Loan \$ 14.7 million
TOTAL \$ 19.2 million

Notes: FX - Foreign Exchange Costs
LC - Local Currency Costs

TABLE II

FY 1978/79 Sederhana II Project Financial Plan
with A.I.D. funding of US\$ 29.5 million
(millions of US.\$)

	AID Funding				Total	GOI	Total
	Grant		Loan				
	FX	LC	FX	LC			
I. Construction of Irrigation Works (Est. 30,000 ha)	0	0	0	11.9	11.9	11.9	23.8
II. Complementary Tertiary Program (Est. 35,000 ha)	0	0	0	6.2	6.2	2.1	8.3
III. Water User Associations (Est. 400 P3A)	0	0	0	1.2	1.2	1.2	2.4
IV. Land Clearing and Preparation (Est. 20,000 ha)	0	0	0	4.9	4.9	4.9	9.8
V. Consulting Services and Evaluation							
A. DGWRD	1.7	0.8	0	0	2.5	0	2.5
B. DOA	1.1	.5	0	0	1.6	0	1.6
VI. Training							
A. DGWRD	0.1	0.1	0	0.2	0.4	0.3	0.7
B. DOA	0.1	0.1	0	0.2	0.4	0.3	0.7
VII. Equipment	0	0	0.4	0	0.4	0	0.4
TOTALS	3.0	1.5	0.4	24.6	29.5	20.7	50.2

A.I.D. Grant \$ 4.5 million
A.I.D. Loan \$ 25.0 million
Total \$ 29.5 million

Notes: FX - Foreign Exchange Costs
LC - Local Currency Costs

TABLE III

FY 1978/79, 79/80 and 80/81 Sederhana II Project Financial Plan
(millions of US.\$)

	AID Funding				Total	GOI	Total
	Grant		Loan				
	FX	LC	FX	LC			
I. Construction of Irrigation Works (Est. 120,000 ha)	0	0	0	43.4	43.4	43.4	86.8
II. Complementary Tertiary Program (Est. 110,000 ha)	0	0	0	23.7	23.7	8.0	31.7
III. Water User Associations (Est. 950 P3A)	0	0	0	2.8	2.8	2.7	5.5
IV. Land Clearing & Preparing (est. 100,000 ha)	0	0	0	20.9	20.9	20.9	41.8
V. Consulting Service and Evaluation							
A. DGWRD	4.9	2.3	0	0	7.2	0	7.2
B. DOA	2.2	1.0	0	0	3.2	0	3.2
VI. Training							
A. DGWRD	0.2	0.1	0	1.1	1.4	1.1	2.5
B. DOA	0.2	0.1	0	1.1	1.4	1.1	2.5
VII. Equipment	0	0	0.4	0	0.4	0	0.4
Inflation and Contingency	1.5	0.7	0.1	22.7	25.0	19.1	44.1
TOTALS	9.0	4.2	0.5	115.7	129.4	96.3	225.7

Table III (cont'd)

A.I.D. Grant	\$ 13,200,000
A.I.D. Loan	\$ 116,200,000
Total	<u>\$ 129,400,000</u>

Notes: FX - Foreign Exchange Costs
LC - Local Currency Costs

Table of Contents

Project Grant Standard Provisions

Annex 2

	<u>Page</u>
Article A: Project Implementation Letters	1
Article B: General Covenants	1
SECTION B.1. Consultation	1
SECTION B.2. Execution of Project	1
SECTION B.3. Utilization of Goods and Services	2
SECTION B.4. Taxation	2
SECTION B.5. Reports, Records, Inspections, Audit	2
SECTION B.6. Completeness of Information	3
SECTION B.7. Other Payments	3
SECTION B.8. Information and Marking	3
Article C: Procurement Provisions	4
SECTION C.1. Special Rules	4
SECTION C.2. Eligibility Date	4
SECTION C.3. Plans, Specifications, and Contracts	4
SECTION C.4. Reasonable Price	5
SECTION C.5. Notification to Potential Suppliers	5
SECTION C.6. Shipping	5
SECTION C.7. Insurance	6
SECTION C.8. U.S. Government-Owned Excess Property	7
Article D: Termination; Remedies	7
SECTION D.1. Termination	7
SECTION D.2. Refunds	7
SECTION D.3. Nonwaiver of Remedies	8
SECTION D.4. Assignment	8

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.

SECTION D.5. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder.

SECTION D.6. 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., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Borrower to refund the amount of such disbursement in United States Dollars to A.I.D. within sixty (60) days after receipt of a request therefor. The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

(b)

(1) any refund under the preceding subsection, 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 Loan, 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 the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder.

SECTION D.7. 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.2.

(2) the amount of any further disbursements made pursuant to the outstanding commitments to third parties or otherwise will become due and payable as soon as made.

SECTION D.3. Suspension. If at any time:

(a) An Event of Default has occurred; or

(b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or

(c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(d) The Borrower shall have failed to pay when due any interest, installment of principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

Then A.I.D. may:

(1) suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Borrower;

(2) decline to issue additional commitment documents or to make disbursements other than under existing ones; and

(3) at A.I.D.'s expense, direct that title to goods financed under the Loan be transferred to A.I.D. if the goods are from a source outside Borrower's country, are in a deliverable state and have not been offloaded in ports of entry of Borrower's country. Any disbursement made under the Loan with respect to such transferred goods will be deducted from Principal.

SECTION D.4. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Loan that is not then disbursed or irrevocably committed to third parties.