

PJ-CAB 660

A.I.D. Loan No. 497-T-056
Project No. 497-0285

AMENDMENT NO. 2 TO
LOAN AGREEMENT BETWEEN THE
REPUBLIC OF INDONESIA
AND THE
UNITED STATES OF AMERICA
FOR
RURAL WORKS II

Dated: JULY 2, 1980

CONFORMED COPY

This AMENDMENT No. 2, dated JULY 2, 1980 entered into between the REPUBLIC OF INDONESIA ("Borrower") and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D."),

WITNESSETH THAT

WHEREAS, the Borrower and A.I.D. entered into a Loan Agreement, designated as A.I.D. Loan No. 497-T-056, on April 19, 1979, ("Loan Agreement"), whereby A.I.D. agreed to lend to the Borrower up to eight million United States dollars (\$8,000,000) to assist in financing Borrower's program to generate employment and income for rural poor people through training, technical assistance, and the reconstruction and operation of small, labor intensive, economically productive rural works, as more particularly described in said Agreement;

WHEREAS, the Borrower and A.I.D. entered into Amendment No. 1 to the Loan Agreement on August 15, 1979 whereby A.I.D. agreed to increase the amount to be lent to the Borrower to a new total of up to nineteen million United States dollars (\$19,000,000); and

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

NOW, THEREFORE, the Borrower and A.I.D. agree that the Loan Agreement is hereby amended as follows:

1. The Parties agree that a portion of these funds may be used to support rural works projects in the province of East Timor.

2. Section 3.1 is hereby modified to read as follows: "Section 3.1. The Loan. To assist the Borrower to meet the costs of carrying out the Project, A.I.D. , pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed Twenty-five million United States ("U.S.") dollars (\$25,000,000) ("Loan"). The aggregate amount of disbursement under the Loan is referred to as "Principal".

"The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project."

3. Section 3.2 (b) is hereby modified to read as follows: "(b) The resources provided by Borrower for the total Project (Grant and Loan) will be not less than the equivalent of U.S. \$46,340,000 including costs borne on an "in-kind" basis".

4. The Summary Cost Estimate and Financial Plan attached to Annex 1 and the Financial Plan (Incremental Funding) attached to Annex 1 by Amendment No. 1 are deleted and the attached Summary Cost Estimate and Financial Plan and the Financial Plan (Incremental Funding) are substituted therefor.

5. Except as hereinabove expressly amended, the Loan Agreement as amended is in all respects ratified, confirmed and continued in full force and effect in accordance with all of its terms.

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

REPUBLIC OF INDONESIA



Prof. Dr. Mochtar Kusumaatmadja
Minister for Foreign Affairs

UNITED STATES OF AMERICA



Edward E. Masters
Ambassador

RURAL WORKS II
SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(US\$ 000)

INPUTS	A I D				GON (1)	GOI	TOTAL
	LOAN *		GRANT				
	FX	LC	FX	LC			
1. FAR-Subproject Construction		21,000			2,200	27,800	51,000
2. Technical Asst. (3)			2,150	350		300	2,800
3. Training							
a. In-Country		900				900	1,800
b. Overseas	200						200
4. Res./Trng. Center							
a. Land Development						1,200	1,200
b. Construction		1,100				1,100	2,200
c. Equipment/ Furnishings	200					250	450
5. PKGB Operations						10,500	10,500
Contingency	40	1,560	450	50		4,290	6,390
TOTAL	440	24,560	2,600	400	2,200	46,340	76,540

(1) Government of the Netherlands

(2) Inflation factor (10%) has been included in each line item

(3) Foreign Exchange costs includes salaries, allowances, overhead and international travel.
GOI is to provide vehicles, in-country transportation and per diem (in-country).

FX: Foreign Exchange

LC: Local Currency

* AID Funding for project after U.S. FY 1980 is subject to the availability of funds.

**RURAL WORKS II
FINANCIAL PLAN (INCREMENTAL FUNDING) *
(US\$ 000)**

INPUTS	A I D				GON	GOI	TOTAL
	LOAN *		GRANT				
	FX	LC	FX	LC			
1. FAR-Subproject Construction		21,000			2,200	27,800	51,000
2. Technical Assistance			1,200	190		300	1,690
3. Training							
a. In-Country		900				900	1,800
b. Overseas	200						200
4. Res./Trng. Center							
a. Land Development						1,200	1,200
b. Construction		1,100				1,100	2,200
c. Equipment/ Furnishings	200					250	450
5. PKGB Operations						10,500	10,500
Contingency	40	1,560	100	10		4,290	6,000
TOTAL	440	24,560	1,300	200	2,200	46,340	75,040

* Note: Includes total AID Loan funding made available in FYs 79 and 80 and matching borrower funds for GOI FYs 79/80, 80/81, and 81/82.

497-0285

A. I. D. LOAN NO. 497-T-056
PROJECT NO. 497-0285

PROJECT
LOAN AGREEMENT
BETWEEN
THE REPUBLIC OF INDONESIA
AND
THE UNITED STATES OF AMERICA
FOR
RURAL WORKS II

CONFORMED COPY

Dated: April 19, 1979

**RURAL WORKS II
Project Loan Agreement**

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A.I.D. LOAN NO. 497-T-056
PROJECT NO. 497-0285

PROJECT LOAN AGREEMENT

Date: April 19 , 1979

Between THE REPUBLIC OF INDONESIA ("Borrower")
And THE UNITED STATES OF AMERICA, acting through the
Agency for International Development ("A.I.D.").

Article 1. The Agreement

The purpose of this agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2. The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, is designed to assist the Borrower in its program to generate employment and income for rural poor people through the construction and operation of small, useful physical infrastructure such as irrigation/ flood control canals, feeder roads, terracing and reforestation.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of authorized

representatives of the Parties named in Section 9.2, without formal amendment of this Agreement.

Article 3. Financing

SECTION 3.1. The Loan. To assist the Borrower to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this agreement not to exceed Eight Million United States ("U.S.") dollars (\$8,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal".

The Loan may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

SECTION 3.2. Borrower Resources for the Project.

(a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the total Project (Grant and Loan) will be not less than the equivalent of U.S.\$13,900,000 including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The Project Assistance Completion Date (PACD), which is April 19, 1983, or such other date as the Parties agree to in writing, is the date by which the Parties estimate that all portions of the Project financed jointly by them on a Fixed Amount Reimbursement (FAR) basis will have been completed, that all services financed under the Loan other than on a FAR basis will have been performed, and that all goods financed under the Loan other than on a FAR basis will have been furnished for the Project, as contemplated in this agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for FAR portions of the Project completed subsequent to the PACD, or, in the case of portions of the project financed under the Loan other than on a FAR basis, for services performed subsequent to the PACD or goods furnished for the Project, as contemplated in this agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D.

agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. Loan Terms

SECTION 4.1. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semi annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 4.2. Repayment. The Borrower will repay to A.I.D. the principal within forty (40) years from the date of the first disbursement of the Loan in sixty-one (61) approximately equal semiannual installments of principal

and interest. The first installment of Principal will be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this section after the final disbursement under the Loan.

SECTION 4.3. Application, Currency, and Place of Payment. All payments of interest and principal hereunder will be made in U.S. dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

SECTION 4.4. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

SECTION 4.5. Renegotiation of Terms.

(a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration

of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Indonesia, which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.2, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.2, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at the office of Borrower's Ministry of Finance in Indonesia except as otherwise mutually agreed by the representatives of the Parties.

SECTION 4.6. Termination of Full Payment. Upon payment in full of the Principal and any accrued interest, this agreement and all obligations of the Borrower and A.I.D. under it will cease.

Article 5. Conditions Precedent to Disbursement

SECTION 5.1. First Disbursement. Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) An opinion of the Minister of Justice of the Borrower that this agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.2 and of any additional representatives, together with a specimen signature of each person specified in such statement;

(c) Detailed criteria for selection of participating kecamatan and sub-projects;

(d) A schedule for the evaluation program referred to in Section 6.1.

SECTION 5.2. Disbursement for Sub-project. Prior to disbursement under the Loan or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made

for construction of any subproject, 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., evidence that the detailed kecamatan and subproject selection criteria have been met for the subproject, that the plans and specifications for construction, operation and maintenance of the subproject are satisfactory, that the cost estimate is reasonable, that construction was completed in a satisfactory manner in accordance with the plans and that the subproject is operational.

SECTION 5.3. Disbursement for Training. Prior to disbursement under the Loan 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 time phased implementation plan which includes the purpose, scope and curricula for the proposed training and a staffing pattern for trainers.

(b) A cost estimate for the training.

SECTION 5.4. Disbursement for Construction of Research Training Center. Prior to disbursement under the Loan or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made for construction

of the research and training center, 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., evidence that the Borrower owns the land on which the research and training center is to be constructed.

SECTION 5.5. Notification. When A.I.D. has determined that the conditions precedent specified in Sections 5.1, 5.3 and 5.4 have been met, it will promptly notify the Borrower.

SECTION 5.6. Terminal Dates for Conditions Precedent If all of the conditions specified in Section 5.1 have not been met within 90 days from the date of this agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this agreement by written notice to Borrower.

Article 6. Special Covenants

SECTION 6.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to

help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Article 7. Procurement Source

SECTION 7.1. Foreign Exchange Costs. Disbursements pursuant to Section 8.1 will be used exclusively to finance the cost of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 7.2. Local Currency Costs. Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Indonesia ("Local Currency Costs"). To the extent provided for under this agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 8. Disbursements

SECTION 8.1. Disbursement for Foreign Exchange Costs

(a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this agreement, by such of the following methods as may be mutually agreed upon: (1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters,

(A) requests for reimbursement for such goods or services, or
(B) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or (2) by requesting A.I.D. to issue Letters of Commitment for specified amounts

(A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may

agree to may also be financed under the Loan.

SECTION 8.2. Disbursement for Local Currency Costs

After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for Local Currency Costs required for the project in accordance with the terms of this agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs. These disbursement may be made by A.I.D.:

- (1) In U.S. dollars equivalent to the local currency cost, or
- (2) In local currency acquired by A.I.D. by purchase or from local currency already owned by the U.S. Government.

SECTION 8.3. Other Forms of Disbursement.

Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

SECTION 8.4. Rate of Exchange. If funds provided under the Loan are introduced into Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will make such arrangements as may be necessary so that such funds may be converted into currency of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

SECTION 8.5. Date of Disbursement. Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes a disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; or (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2.

Article 9. Miscellaneous

SECTION 9.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this agreement will be in writing or by telegram or cable and will be deemed duly given or sent when delivered to such party at the following address:

To the Borrower

Mail Address: Departemen Luar Negeri
Jalan Pejambon No. 6
Jakarta Pusat
Indonesia

Alternate address for telegrams: DEPLU Jakarta.

To A.I.D.:

Mail Address: United States Agency for
International Development
American Embassy
Jakarta, Indonesia

Alternate address for telegrams: USAID AMEMB Jakarta.

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 9.2. Representatives. For all purposes relevant to this agreement, the Borrower will be represented by the individual holding or acting in the office of Chairman or Vice Chairman, National Development Planning Agency ("BAPPENAS") and A.I.D. will be represented by the individual holding or acting in the office of Director, United States A.I.D. Mission to Indonesia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this agreement, until receipt of written notice of revocation of their authority.

SECTION 9.3. Standard Provisions Annex. A "Project Loan Standard Provisions Annex" (Annex 2) is attached to and forms part of this agreement.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized repre-

sentative, 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

Edward E. Masters
Ambassador

ANNEX 1

AMPLIFIED DESCRIPTION OF THE PROJECT
(Same for Loan and Grant Agreement)

1. Purpose: To assist the Government of Indonesia (GOI) to improve the institutional capability to manage the Padat Karya (PKGB) program, to increase employment and income for the rural poor, and to increase food production.

2. Financing: The project will be financed from funds provided by A.I.D., the Government of the Netherlands (GON) and the Government of Indonesia (GOI). A.I.D. will provide in US FY 1979 up to \$8,000,000 in loan funds (AID Loan No. 497-T-056) and up to \$1,000,000 in grant funds (AID Grant No. 497-0285). These funds will assist the GOI in carrying out its Padat Karya Gaya Baru (PKGB) program for fiscal years 1978/79 and 1979/80. The Government of the Netherlands will provide at least \$2,200,000 and the GOI agrees to provide not less than \$13,900,000 making total funds available for the project of \$25,100,000 as described in the attached Financial Plan.

Subject to the availability of funds, an additional \$8,000,000 of loan funds and \$1,000,000 of grant funds will be made available in US FY 1980, by amendment to this agreement, to assist the IFY 1979/80 and 1980/81 PKGB program and additional \$9,000,000 of loan funds and \$1,000,000 of grant funds will be made available in US FY 1981 to assist the IFY 1980/81 and 1981/82 PKGB program. This would increase the loan amount to \$25,000,000 and the grant amount to \$3,000,000, thus making a total A.I.D. contribution of \$28,000,000. At such time the GOI will provide an additional amount of not less than \$32,440,000 for the project making a total GOI contribution of \$46,340,000. Thus, subject to the availability of funds, the total contribution of A.I.D., the GON and the GOI for the project would be not less than \$76,540,000.

Changes up to 30 percent may be made to line items amounts shown in the Financial Plans (attached) 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. Targets: The project will generate employment (short and long term) and income for rural poor people through the construction, operation and maintenance of small, useful physical infrastructure, such as irrigation/flood control canals, village roads, terracing, reforestation, etc. In addition, food production will be increased and rural incomes will be raised as a result of increased economic activity from completed subprojects. The skills of Department of Manpower (DMP) and local government officials will be expanded and upgraded in the areas of subproject selection, planning, construction, maintenance and evaluation. Improved local government planning will result in PKGB being integrated cross-sectorally with other local development activities.

The project outputs over a three (3) year period should include:

- (a) constructing about 1480 sub-projects
- (b) training about 2500 DMP and local officials; and
- (c) constructing and equipping a labor intensive technology research/training center.

4. Project Management: The DMP Directorate for Development and Expansion of Employment will have overall responsibility for general guidance and implementation with the assistance of the technical advisory team being financed by an A.I.D. grant. DMP officials at provincial and district level, in cooperation with local government officials, are directly responsible for selecting, planning and carrying out the PKGB subprojects. Public Works personnel in each province will aid in the preparation of subproject designs and construction supervision.

5. Project Duration: April 1979 through March 1983.

6. Implementation Reimbursement: DMP monitors the project in cooperation with A.I.D. to insure compliance with jointly approved project description, selection criteria, plans/specifications and cost estimates. A host country contract between DMP and a US consulting firm provides technical assistance. Disbursements for foreign exchange costs may be by letter of commitment. Fixed Amount Reimbursement (FAR) may be used for local currency costs.

**RURAL WORKS II
PROJECTION OF EXPENDITURES
(US\$ 000)**

	A I D				GON	GOI	TOTAL
	LOAN		GRANT				
	FX	LC	FX	LC			
US FY 1979							
1. FAR-Subprojects							
a. 400 Constructed		6,300			2,200	5,500	14,000
b. 80 Constructed						2,500	2,500
2. Technical Assistance							
a. 72 MM LT Advisors			580	120		150	850
b. 18 MM ST Consultants			200			50	250
3. Training							
a. In-country - 600		100				100	200
b. Overseas - 50	100						100
4. Research/Training Center Land Development		1,000				1,200	2,200
5. PKGB Operations						3,000	3,000
Contingency		500	95	5		1,400	2,000
	100	7,900	875	125	2,200	13,900	25,100

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RURAL WORKS II
SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(US\$ 000)

INPUTS	A I D				GON (1)	GOI	TOTAL
	LOAN*		GRANT				
	FX	LC	FX	LC			
1. FAR-Subproject Construction		21,000			2,200	27,800	51,000
2. Technical Asst.(3)			2,150	350		300	2,800
3. Training							
a. In-Country		425				425	850
b. Overseas	200						200
4. Res./Trng.Center							
a. Land Development						1,200	1,200
b. Construction		1,100				1,100	2,200
c. Equipment/ Furnishings	200					250	450
5. PKGB Operations						10,500	10,500
Contingency	40	2,035	450	50		4,765	7,340
TOTAL	440	24,560	2,600	400	2,200	46,340	76,540

- (1) Government of the Netherlands
(2) Inflation factor (10%) has been included in each line item
(3) Foreign Exchange costs includes salaries, allowances, overhead and international travel. GOI is to provide vehicles, in-country transportation and per diem (in-country).

FX: Foreign Exchange
LC: Local Currency

* AID Funding for project after U.S. FY 1979 is subject to the availability of funds.

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Project Loan Standard Provisions Annex

Definitions: As used in this Annex, the "Agreement" refers to the Project Loan 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 Borrower 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 Borrower 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 experienced 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 Loan 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 Loan, 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 Loan will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Borrower.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Loan, and any property or transactions relating to such contracts and (2) any commodity procurement transaction financed under the Loan are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in the territory of the Borrower, the Borrower 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 Loan.

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

The Borrower 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 Loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of

SECTION B.5. (b)

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 Loan.

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

(a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Loan, 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. Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION B.8. Information and Marking. The Borrower will give appropriate publicity to the Loan 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.

SECTION C.1.

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

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

SECTION C.2. Eligibility Date. No goods or services may be financed under the Loan 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 Borrower will furnish to A.I.D. upon preparation:

(1) any plans, specifications, procurement of construction schedules, contracts, or other documentation relating to goods or services to be financed under the Loan, 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 Loan, 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;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Loan 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 Loan 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

SECTION C.3.

(d) Consulting firms used by the Borrower for the Project but not financed under the Loan, 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 Borrower for the Project but not financed under the Loan 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 Loan. 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 Loan, the Borrower will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letter.

SECTION C.6. Shipping.

(a) Goods which are to be transported to the territory of the Borrower may not be financed under the Loan 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 Borrower has designated as ineligible; or

(3) under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Loan, 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 Borrower, has designated as ineligible; or

SECTION C.6.

(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 Borrower 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 any cargo transported from U.S. ports and also 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 Borrower 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 Borrower (or government of Borrower), 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 Borrower 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 Borrower will insure, or cause to be insured, goods financed under the Loan imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance 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 Borrower 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 Borrower for the replacement or repair of such goods. Any such replacement 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 Borrower agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Loan, should be utilized. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

Article D: Termination; Remedies.

SECTION D.1. Cancellation by Borrower. The Borrower may, by giving A.I.D. 30 days written notice, cancel any part of the Loan which has not been disbursed or committed for disbursement to third parties.

SECTION D.2. Events of Default; Acceleration. It will be an "Event of Default" if Borrower shall have failed:

(a) to pay when due any interest or installment of Principal required under this Agreement, or

(b) to comply with any other provision of this Agreement, or

(c) to pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies. If an Event of Default shall have occurred, then A.I.D. may give the Borrower notice that all or any part of the unrepaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

(1) such unrepaid Principal and accrued interest hereunder will be due and payable immediately, and

SECTION D.2.

(2) the amount of any further disbursements made pursuant to then 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.

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.