

PDC: A 908

A.I.D. PROJECT NO. 498-0249(1)

497-0318

**PROJECT
GRANT AGREEMENT
BETWEEN
THE REPUBLIC OF INDONESIA
AND
THE UNITED STATES OF AMERICA
FOR
ENERGY PLANNING FOR DEVELOPMENT**

Date: August 29, 1979

ENERGY PLANNING FOR DEVELOPMENT
Project Grant Agreement

TABLE 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	3
SECTION 4.1. First Disbursement	3
SECTION 4.2. Notification	4
SECTION 4.3. Terminal Dates for Conditions Precedent	4
Article 5: Special Covenants	
SECTION 5.1. Project Evaluation	4
Article 6: Procurement Source	5
SECTION 6.1. Foreign Exchange Costs	5
Article 7: Disbursements	5
SECTION 7.1. Disbursement for Foreign Exchange Costs	5
SECTION 7.2. Other Forms of Disbursement	6
SECTION 7.3. Rate of Exchange	6
Article 8: Miscellaneous	7
SECTION 8.1. Communications	7
SECTION 8.2. Representatives	7
SECTION 8.3. Standard Provisions Annex	8

PROJECT GRANT AGREEMENT

Dated: August 29, 1979

Between the REPUBLIC OF INDONESIA ("Grantee") acting through the DIRECTOR GENERAL OF POWER, MINISTRY OF MINES AND ENERGY 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 Phase One of a contemplated two phase program, is further described in Annex 1 and will consist of activities, including technical assistance and training, designed to enhance Indonesian understanding of the role of energy in the development process and to strengthen the capabilities of the Indonesian Government in energy planning.

Annex 1, attached, which forms a part of this Agreement, further defines the objectives and elements of the Project.

Within the limits of the above definition of the Project, aspects of the Project described in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

Article 3. Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of the Agreement not to exceed Six Hundred Thousand United States Dollars (\$600,000) ("Grant").

The Grant may be used to finance foreign exchange costs, as defined in Section 6.1 of goods and 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.

(b) The resources provided by Grantee for the Project will be not less than the equivalent of Two Hundred Fifty Thousand United States Dollars (\$250,000), including costs borne on an "in-kind" basis.

SECTION 3.3. Project Assistance Completion Date

(a) The "Project Assistance Completion Date" (PACD), which is December 31, 1980, or such other date as the Parties may agree to in writing, is the date by which the Parties mutually consider that all services financed under this Grant will have been performed.

(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.

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

Article 4. Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the

Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D., a statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2 and of any additional representatives, together with a specimen signature of each person specified in such statement.

SECTION 4.2. Notification. When A.I.D. has determined that the condition precedent specified in Section 4.1 has been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent

If the condition specified in Section 4.1 has not been met within 90 days from the date of this Agreement, or such later date 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 that at the end of the first six months, and following completion of implementation of the Project, and evaluation will be conducted of the Project which shall include:

- (a) evaluation of the progress made toward the attainment of the Project objectives;

- (b) the identification and evaluation of problem areas or constraints which may inhibit such attainment;
- (c) an assessment of how such information may be used to help overcome such problems; and
- (d) a summary of the preliminary conclusions reached.

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 ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

Article 7. Disbursements

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 presented 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 on Grantee's behalf for the Project;

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. Other Forms of Disbursement. Disbursement of the Grant may also be made through such other means as the Parties may agree in writing.

SECTION 7.3. Rate of Exchange. If funds provided under the Grant are introduced into Indonesia by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D., hereunder, the Grantee will make such arrangements as may be necessary so that such funds may be converted into currency of Indonesia at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Indonesia.

Article 8. Miscellaneous

SECTION 8.1. Communications. Any notice, request, document, or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following addresses:

To the Grantee: Director General of Power
Department of Mines and Energy
Jakarta, Indonesia

To A.I.D. : Director
United States Agency for International Development
Jakarta, Indonesia

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

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the office of the Director General of Power, Ministry of Mines and Energy, 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 Project 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 this authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

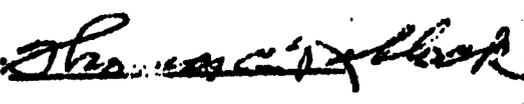
IN WITNESS WHEREOF, the grantee and the United States of America, each acting through its duly authorized representative(s), have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

REPUBLIC OF INDONESIA

BY: 

ly
Drs. Soetarya Sigit
Secretary General
Ministry of Mines and Energy

UNITED STATES OF AMERICA

BY: 

Thomas C. Niblock
Director
USAID/Indonesia

ENERGY PLANNING FOR DEVELOPMENT

I. Purpose

The achievement of an adequate rate of economic growth in Indonesia requires the use of increasing amounts of energy. In particular, higher productivity and incomes for people in the rural areas, where approximately 80% of Indonesia's 136 million people live, depends critically on the expanded availability of both renewable and non-renewable energy supplies. Yet Indonesia is rapidly depleting its oil and firewood resources to meet the growing demands of population growth and agricultural and industrial development. This process may limit Indonesia's future foreign exchange revenues for development as well as pose serious environmental problems from deforestation.

Repelita III (Five Year Development Plan III) projects a doubling of commercial energy consumption by the end of the plan period. To meet this anticipated demand while ensuring a continuous contribution of energy exports to the balance of payments and public revenues, the Plan calls for (1) accelerated exploration of conventional energy sources, especially oil and gas; (2) enhanced conservation of oil resources and a shift in the present pattern of consumption to a more balanced one; and (3) intensified research, development, and utilization of renewable and non-conventional energy technologies.

The planning and implementation of programs to further the above objectives necessitate a detailed understanding of the energy implications of development trends and programs as well as the social, economic, and environmental consequences of energy pricing, technology and resource development options. The purpose of this activity is to contribute to this understanding and to enhance the capabilities of Indonesian planners to analyze the role of energy in development, and to chart a well-reasoned national energy program.

II. Scope of Work

The total activity as presently contemplated consists of two phases. Current funding covers only Phase One activities, to be completed over a 12 month period. At the end of Phase One, the two governments will agree on how to proceed with Phase II. Current plans are to incorporate Phase II activities into an energy cooperation project expected to be developed as a result of Phase I activities.

Phase I

- A. Analysis of current and projected uses of and need for both commercial and non-commercial energy in relation to the national, social and economic development programs and to various macro-economic assumptions. This projection will also be based on the availability of alternative energy resources and their reasonable exploitation in the coming years.
- B. Assessment of technologies currently or potentially available for exploitation of the available energy resources, including their capital, material and human resources requirements.

Phase II

- C. An examination of alternative ways of matching supply/need and projected demand and an analysis of the consequences of these alternatives in terms of economic, social and other costs in relationship to national, social and economic development programs and the various directions such programs could take.
- D. The examination and formulation of alternative financing schemes for the exploration, exploitation and development of indigenous energy resources acceptable for consideration by international institutions.

This activity is predicated on a free exchange of information between the two governments on energy supply and productivity, methods of analysing such data, state of the art of technologies for identification, extraction, transportation, conversion and use of energy resources, and the planning and systems analysis techniques that may be applied.

III. Main Subactivities of Phase I

Subactivity #1: Demand Analysis and Technology Assessment

The Director General of Power will conduct and commission studies on the current and projected uses of and need for both commercial and non-commercial energy in relation to national social and economic programs and to various macro-economic assumptions.

The first step will involve a review of existing data and studies on household, agricultural, transportation, and industrial sector consumption and an identification of the key economic sectors and subsectors in Repelita III. Energy use in a number of subsectors will be investigated.

Prime areas of emphasis will be the export crop sector, irrigation, agricultural processing industries, industries that are labor intensive and fulfill basic human needs (e.g. textiles, low-cost building materials, pharmaceuticals) and non-agricultural subsectors in rural areas (e.g. light manufacturing, construction, transportation, and services). The Directorate will analyze or contract studies with individuals or institutions on the energy use in each subsector. The studies will focus on the following questions:

- How much energy is used?
- In what form is it used?
- When is it used?
- By whom is it used?
- What degree of dependability is required?
- What is the efficiency of the conversion/end-use?
- What is the energy cost component of the overall process?
- What is the primary source of energy?

An estimate of future growth in these subsectors will be made and a projection of future energy needs calculated. These estimated and projections will finally be incorporated into an overall demand analysis using several alternative macroeconomic models.

Important energy/development issues related to demand will also be examined -- for example,

1. the impact of increasing domestic petroleum prices on the level and pattern of energy consumption;
2. the implications of urbanization patterns for energy demands;
3. the relationship between electrification and rural income and productivity;
4. the environmental consequences of increasing firewood use.

Based on the demand and issues analysis, the Directorate General will perform or contract for several studies to assess technologies currently or potentially available for exploiting indigenous energy resources, including their capital, material and human resource requirements. Existing energy resource data will be reviewed to the extent required in analyzing future energy needs and assessing alternative energy technologies.

The technology assessments will be performed with respect to specific rural and industrial/commercial applications e.g. irrigation pumping, hot water for hotels, and industrial process heat. Individual technologies,

especially geothermal, solar, biomass, wind, hydro, and coal will be examined using such criteria as costs, benefits, system efficiency, energy delivered, system characteristics, social compatibility, environmental constraints. One or more analyses will examine the potential for widespread substitution and introduction of promising alternatives between now and 2,000.

In sum, this subactivity will produce two major reports: one on current and projected energy demand and one on uses, impacts and potential of individual technologies for meeting specific energy needs.

One long-term and six short-term foreign consultants will be provided under the grant to help in the demand analysis and technology assessments.

The long-term consultant should be an energy planning specialist familiar with econometric and energy forecasting models. This person will be assigned to Jakarta for one year, with a likely extension for another year if Phase II of the activity is pursued. This consultant will coordinate the provision of short-term consultants for subactivities one and two, will assist the Mission in overall project management, and contribute to the substantive analyses.

The six short-term consultants will travel to Jakarta for approximately two months each. They should have the following expertise:

1. Rural Energy Specialist
2. Urban/Regional Energy Planner
3. Coal Technology Specialist
4. Hydro/Geothermal Specialist
5. Biomass Conversion Specialist
6. Solar/Wind Energy Specialist

Subactivity #2: Pilot Surveys of Firewood/Kerosene Use

This subactivity will develop and test an approach to surveying firewood and kerosene use and the relationship between them. No reliable surveys of firewood and kerosene use in Indonesia currently exist. Improved information is vital since non-commercial energy may account for as much as 52% of total energy consumption in Indonesia. Resources do not permit a comprehensive survey of Indonesia as part of this project, but pilot surveys can provide Indonesian institutions with experience that can then be used for an expanded analysis.

The Institute of Agriculture at Bogor (IPB) and the Forest Product Research Institute (LPHH) have conducted limited studies of the problem on Java. No studies have been done outside Java, although the AID Mission in Indonesia is beginning some work in Lombok. The activity will develop

a cooperative effort among these and other institutions in Java and outside Java. A survey design will be developed that will be tested by a number of institutions. The surveys will develop information on consumption of firewood and kerosene in selected villages and towns as well as on variations in energy use between villages in different regions and in different settings (e.g. close to the forests, agricultural areas, fishing villages). IPB appears to be the best institution for coordinating this effort and serving as the central link to the Ministry.

The Directorate General has funds for the pilot surveys and present plans are to provide the equivalent of about \$10-20,000 to each of seven institutions: IPB, IPIII, Gadjah Mada University, Institute of Technology at Surabaya, Hasanuddin University, North Sumatra University, and IIR. This activity will fit in well with plans of the UNDP and World Bank to establish environmental centers at Hasanuddin University and North Sumatra University.

A foreign consultant will be provided for two one-month assignments to assist in the design of the survey approach and in the analysis of the data.

Subactivity #3: Short-Term Training

This activity will strengthen the energy planning skills of the staff in the Office of the Director General of Power or other relevant offices or agencies, and serve to improve the analysis in subactivity #1. It is important to develop Indonesian capability to carry out similar analyses in the future without relying on foreign consultants. The grant will provide for 30 person months of education and internships for Indonesians at U.S. institutions and laboratories (e.g. Brookhaven National Laboratory or Solar Energy Research Institute). It will support Directorate General staff travel to overseas seminars, conferences, technology demonstration projects and energy planning institutions that are directly relevant to the analyses and assessments in subactivities #1 and #2.

Since the format and analytical approaches used to collect and analyze energy data are so important to the policy conclusions reached, and in-country workshop will be held on energy balances and the role and methods of energy forecasting. A limited number of foreign experts will be brought in for this workshop.

AID will work with DOE in developing the plans for the training and workshop.

Subactivity #4: Design and Development of an Energy Information System

As surveys and analyses - such as those supported by this project - develop information on the energy system in Indonesia, it is important that these data are organized and stored in a format that is useful for policy planning and is readily accessible. The Director General of Power has been assigned this central energy information function and a computer-based system is planned. A variety of approaches to constructing energy balances and storing energy flow data, e.g. the Brookhaven Reference Energy System, are available. This subactivity provides for a foreign consultant to assist in assessing alternative designs for the information system and in getting the system selected started. (Included is also a provision for Indonesian staff travel to U.S. energy information centers). A PASA will be negotiated with DOE for the provision of an energy data/computer information systems expert for a period of four months to assist in the design of the energy information system.

IV. Implementation Plan

A. GOI Management and Coordination: The Ministry of Mines and Energy, specifically the Director General of Power, will be responsible for managing the assessment. The Technical Committee on Energy Resources will serve to coordinate the participation of other GOI Ministries in the assessment. The current members of the Technical Committee are listed in Attachment A to this Annex 1.

B. Coordinating Institutions: AID will contract with a non-governmental institution that will be responsible for implementing AID assistance for subactivities #1 and #2. The institution will arrange for the consultants in these subactivities. AID/W, USAID/Indonesia and the Director General of Power will approve all consultants.

C. Participating Indonesian Institutions: A number of Indonesian institutions will be involved in the assessment. The following institutions will provide information and conduct analysis as part of subactivity #1: Pertamina, PLN (State Electric Company), ITB (Institute of Technology at Bandung), IPB (Institute of Agriculture at Bogor), and Gadjah Mada University. The pilot surveys in subactivity #2 will be implemented by the Institute of Agriculture at Bogor, Surabaya Institute of Technology, North Sumatra University, Hasanuddin University, the Forest Product Research Institute, Gadjah Mada University, and the Institute of Technology at Bandung (ITB).

D. USAID and other USG: A USAID project committee has been appointed to monitor the assessment. In addition, ASIA/TR in AID/Washington, D.C. will chair a subgroup that will serve to provide information to the other agencies on the progress of the assessment and to discuss support requirements. ASIA/TR will be actively involved in the analyses and subsequent project development (due to the workload of the USAID Mission officers and the origins of the activity as a Washington, interagency initiative resulting from Vice President Mondale's visit to the region), reporting to the ASIA Bureau and to the USAID/Indonesia Science and Technology Advisor, who will act as the overall field project manager. This role will require at least two TDY trips by ASIA/TR staff during the year, or possible secondment of personnel.

Arrangements for training of Ministry staff under subactivity #3 will be handled by the Mission and the AID/W Training Office.

A PASA/RSSA will be completed with DOE for the provision of an energy information system specialist under subactivity #4 and for DOE services in arranging for an in-country workshop on energy data and forecasting.

E. Procurement: Contracts for technical assistance are expected to be signed directly by AID, on behalf of and with the concurrence of the GOI. Contractual agreements with cooperating Indonesian institutions such as the Hasanuddin University and the Institute of Technology at Bandung, are to be arranged and signed by the Government of Indonesia, with USAID concurrence.

F. Schedule:

-- Grant Authorized by AID/W	August 1979
-- Agreement signed with Indonesia	August 1979
-- Selection of Coordinating Institutions Begins	October 1979
-- PASA Negotiated with DOE	October 1979
-- Initial Conditions Met	October 1979
-- Coordinating Contract Signed	December 1979
-- Long-Term Consultant on Board	January 1980
-- Assessment Begins	January 1980
-- Phase I Ends	December 1980

G. Evaluation and Publication of Reports: Since energy assessments are a new area for AID, it is important that careful evaluations of the project are made, both as to the process and as to the substantive conclusions of the analyses. The Director General of Power with assistance from the long-term consultant, will be responsible for preparing a brief evaluation of the project at the end of six months and a full summary report at the completion of the first Phase. In addition, a joint GOI-AID evaluation of Phase One will be made as a basis for discussing Phase II activities.

Studies prepared as part of Subactivity #1 and #2 and proceedings of workshops in Subactivity #3 will be printed in Indonesian and English and released to the public as mutually agreed.

Financial Plan (Estimated)

	<u>\$ 000</u>				
<u>Subactivity:</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>Total</u>
<u>AID</u>					
<u>TA</u>					
1 Long Term Advisor (12 pm*)	100	-	-	-	100
7 Short Term Advisors (14 pm)	100	17	-	-	117
Travel (9 RT) and Transp.	24	6	-	-	30
PASA: 4 pm and other costs	-	-	-	60	60
Training (30 pm, short term)	-	-	75	-	75
Workshops	-	-	50	-	50
Equipment and Materials	10	8	-	3	21
<u>Subtotals AID</u>	<u>304</u>	<u>34</u>	<u>125</u>	<u>63</u>	<u>526</u>
Other costs (Reports, Evaluations, Local Supplies, etc.)					30
Contingency					117
<u>Total AID</u>					<u>600</u>
<u>GOI</u>					
Participant Local Travel/ Local Support Costs	6	6	-	-	12
Contract Studies	96	112	-	20	228
Other	-	-	10	-	10
<u>Subtotals GOI</u>	<u>102</u>	<u>118</u>	<u>10</u>	<u>20</u>	<u>250</u>
<u>Grand Total</u>					<u>\$850</u>

* person/months

MEMBERS OF TECHNICAL COMMITTEE OF ENERGY RESOURCES

1. Ir. Wijarso Director General of Oil and Gas,
Ministry of Mines and Energy, as Chairman
2. Prof. Dr. Samaun Samdikun Director General of Power
Ministry of Mines and Energy, as Vice Chairman
3. Prof. Dr. A. Arismunandar Directorate General of Power
Ministry of Mines and Energy, as Secretary
4. Ir. Sudjanadi Research Center for Electric Power (PLN),
as Vice Secretary
5. Ir. Mardjono Notodihardjo Directorate General of Water Resources Development
Ministry of Public Works
6. Ir. Ch. Situmorang Ministry of Mines and Energy
7. Ir. Soembarjono Directorate General of Oil and Gas,
Ministry of Mines and Energy
8. Dr. John Situmeang Ministry of Public Works
9. Ir. Hartanto Director General for Basic Chemical Industries,
Ministry of Industry
10. Brig. Gen. Oddy Soekotjo Research and Development Center,
Ministry of Defence
11. Ir. Suwanto R&D Inst., Ministry of Communications
12. Ir. M. Soenaryo Hardjodarsono, M.Sc., Forest Product Research Institute,
Ministry of Agriculture
13. Drs. Soengeng Soemarto Directorate General of Rural Development,
Ministry of Internal Affairs
14. Prof. M.T. Zou Assistant to the Minister of State for
Research and Technology
15. Dr. Ir. Herman Haeruman Ministry of State for Supervision of Development
16. Budi Sudarsono, M.Sc. National Atomic Energy Agency (BATAN)
17. Dr. Fred Hehuwat National Institute of Geology and Mining, LIPI
18. Ir. Sugeng Sundjaswadi National Development Planning Agency (BAPPENAS)

19. Prof.Ir. Wiranto Arismunandar Institute of Technology Bandung (ITB)
20. Dr.Ir. Komaruddin Abdullah Institute of Agriculture at Bogor (IPB)
21. Drs. M.Arajad Anwar, MBA Economic and Social Research Institute,
Faculty of Economics, University of Indonesia
22. Marsda TNI Dr. R. Sunarvo Expert
23. Ir. Anwar Ibrahim Expert
24. Ir. Sudarno Martosawojo PERTAMINA
25. Ir. Sarjono ~~State Electricity Corporation~~
26. Ir. Adnan Kusuma PN Batubara
27. May.Gen.TNI Soekanto Sajidiman, Bc.Hk., Indonesian Chamber of Commerce and
Industry (KADIN)

23 August 1979

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 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.

Article B: General Covenants (Continued)

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. [See HB 18.]

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 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

Article B: General Covenants (Continued)

(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.

Article C: Procurement Provisions (Continued)

(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;

(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

Article C: Procurement Provisions (Continued)

(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.

(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

Article C: Procurement Provisions (Continued)

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.

(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 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 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 noncancelable 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., 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.

Article D: Termination; Remedies (Continued)

(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.