

CONFORMED COPY

LOAN NUMBER 3886 IND

Loan Agreement

(Second Agricultural Research Management Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 16, 1995

Loan Number 3886 IND

LOAN AGREEMENT

AGREEMENT, dated June 16, 1995, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.
- (b) The second sentence of Section 5.01 is modified to

read:

Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

(c) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "AARD" means the Borrower's Agency for Agricultural Research and Development in the Borrower's Ministry of Agriculture;

(b) "AARD Work Units" means the organizational units of AARD, including the AARD Secretariat, the management centers, the research centers, the research institutes and the Assessment Institutes;

(c) "Assessment Institutes" means the Assessment Institutes for Agricultural Technology of AARD established by the Ministry of Agriculture Decree No. 798/KPTS/OT.210/12/94, dated December 1994;

(d) "DINAS" means the Borrower's provincial and district agricultural support services;

(e) "FY" and "Fiscal Year" mean the Borrower's fiscal year commencing April 1 and ending March 31;

(f) "Grant" means a grant made or proposed to be made by the Borrower in part out of the proceeds of the Loan to a Grantee for a Collaborative Research;

(g) "Grantee" means an individual, a group of individuals, a university or a unit thereof, to whom or to which the Borrower proposes to make or has made a Grant;

(h) "Priority Assessment Institutes" mean the following eight Assessment Institutes for the specified provinces of the Borrower: (i) Assessment Institute Ambon for Maluku, (ii) Assessment Institute Gedong Johor for North Sumatra, (iii) Assessment Institute Kendari for South Sulawesi and Southeast Sulawesi, (iv) Assessment Institute Biromaru for Central Sulawesi and North Sulawesi, (v) Assessment Institute Banda Aceh for D. I. Aceh, (vi) Assessment Institute Padang Marpoyan for Jambi and Riau, (vii) Assessment Institute Pontianak for West Kalimantan, and (viii) Assessment Institute Ungaran for Central Java and D. I. Yogyakarta;

(i) "Remaining Assessment Institutes" means the following nine Assessment Institutes for the specified provinces of the Borrower: (i) Assessment Institute Karangpulo for East Java and Bali, (ii) Assessment Institute Koya Barat for Irian Jaya,

(iii) Assessment Institute Lembang for West Java and DKI Jakarta, (iv) Assessment Institute Natar for Lampung, (v) Assessment Institute Naibonat for East Nusa Tenggara, West Nusa Tenggara, and East Timor, (vi) Assessment Institute Palangkaraya for Central Kalimantan and South Kalimantan, (vii) Assessment Institute Puntikayu for South Sumatra, (viii) Assessment Institute Samarinda for East Kalimantan, and (ix) Assessment Institute Sukarami for West Sumatra and Bengkulu;

(j) "Research Grants Board" means the AARD Research Grants Board established to evaluate and approve proposed Collaborative Research;

(k) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and

(l) "Collaborative Research" means a specific agricultural research and development project to be carried out by a Grantee under Parts A.3 (c), B.5 (c) and D.1 (a) of the Project.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixty three million dollars (\$63,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in United States dollars a special deposit account in Bank Indonesia or in a commercial bank on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to this Agreement.

Section 2.03. The Closing Date shall be April 30, 2002, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of

Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on February 1 and August 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through AARD with due diligence and efficiency and in conformity with appropriate administrative, agricultural, financial and research practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section, the Borrower shall increase its budgetary

allocations for AARD by at least 3% per annum in real terms over a period of six years starting in FY 1996/97, calculated on the basis of its budgetary allocations for AARD for FY 1995/96.

(c) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the continuation of the activities initiated under the Project;

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan; and

(c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Bank's comments thereon.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section,

records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Termination

Section 5.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 2458
Jakarta 10710
Indonesia

Cable address:

FINMINISTRY
Jakarta

Telex:

45799 DJMLN-IA
44319 DEPKEU-IA

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Cable address:

INTBAFRAD
Washington, DC

Telex:

248423 (RCA)
82987 (FTCC)

64145 (WUI) or
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ Arifin M. Siregar
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Marianne Haug
Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works	7,300,000	70%
(2) Equipment (except vehicles), furniture, books and journals	9,700,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Training:		
(a) Local	3,700,000	75%
(b) Overseas	3,000,000	100%
(4) Grants under Parts A. 3 (c), B.5 (c) and D.1 (a) of the Project	1,500,000	75%
(5) Exchange programs under Parts B.4 (b) and D.2 (a) of the Project	2,400,000	80%
(6) Research under Part D.1 (b) of the Project	1,900,000	80%

(7)	Incremental operating costs:	23,800,000	
	(a) incurred in FY 1995/96 and FY 1996/97		60%
	(b) incurred in FY 1997/98 and FY 1998/99		50%
	(c) incurred in FY 1999/2000 and thereafter		40%
(8)	Consultants' services	3,400,000	80%
(9)	Unallocated	6,300,000	
	TOTAL	63,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

(c) the term "Exchange programs" means expenditures for local and overseas travel, per diem, allowances and materials for AARD scientists and managers;

(d) the term "Research" means expenditures for local and overseas travel, per diem, and materials for research participants, and wages of required laborers; and

(e) the term "Incremental operating costs" means expenditures for the AARD Work Units for: (i) research management costs, including administration, per diem, travel and honoraria; (ii) operation and maintenance costs of equipment and facilities; (iii) research operating costs for priority research, including materials, travel, per diem, honoraria and wages for laborers; and (iv) technology transfer costs, including travel, per diem, printing, costs of workshops, farmer field days and farmer to farmer visits.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts valued at less than \$200,000 equivalent; (ii) works under contracts valued at less than \$750,000 equivalent; (iii) training, Grants, Exchange programs, and Research; (iv) incremental operating costs; and (v) contracts for the employment of consulting firms not exceeding \$100,000 equivalent, and contracts for the employment of individual consultants not exceeding \$50,000 equivalent, under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to strengthen the

Borrower's regional agricultural research and development, based on local human and natural resources, by developing and transferring location-specific agricultural technology which is market-oriented and user-driven to support agro-business and agro-industry development.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

PART A: Regionalization of Agricultural Research and Development

1. Establishment and operation of the eight Priority Assessment Institutes as regional research and development units with capacity to conduct verification and adaptive on-farm research and facilitate transfer of best technologies to farmers, including: (a) development of a regional research and development master plan for each of the eight Assessment Institutes; (b) upgrading of existing facilities and construction of new facilities, including research and development facilities, offices, laboratories, staff houses and guest houses, based on the specific needs of each Assessment Institute; (c) provision of furniture, equipment, vehicles, books, journals and consumables; (d) provision of managerial, administrative and scientific training and fellowships to staff of Assessment Institutes and staff of institutions doing collaborative research with Assessment Institutes; and (e) provision of related consultant's services.

2. Refinement of the characteristics of existing agro-ecological zones in the regions covered by the Priority Assessment Institutes for purposes of research, development planning, and monitoring and evaluation, including: (a) carrying out of diagnostic surveys and data analysis to support the development of agricultural spatial zoning; (b) development of regional computerized agro-ecological zones data base management information systems; (c) provision of equipment and consumables; and (d) provision of related consultant's services.

3. Strengthening of the research and technology transfer program in the regions covered by the Priority Assessment Institutes in the area of technology needs of the major production systems, including: (a) strengthening staff capabilities in planning and implementing of research and technology transfer activities through collaboration with local universities, DINAS and other extension services, farmers, community and locally based organizations, and the private sector; (b) carrying out of on-farm research and technology transfer activities, including farmer's field schools, by AARD staff; (c) provision of Grants to local universities for carrying out agricultural research and development Collaborative Research in collaboration with staff of Assessment Institutes; and (d) provision of related consultant's services.

4. Promotion of the utilization of integrated technologies by farmers, including: (a) carrying out of on-farm demonstrations and field days; (b) preparation and dissemination of extension and farmer-oriented publications and multi-media materials; (c) piloting and upscaling of selected technologies with extension workers and farmers; (d) carrying out of farmer-to-farmer visits; and (e) conducting special programs for selected groups such as women, youth, and distinct cultural groups whose production is primarily subsistence-oriented.

PART B: Institutionalization of Research and Development Management at the Regional Level

1. Strengthening research and development planning, priority

setting, monitoring and evaluation, administration and financial management, at the Assessment Institutes, including: (a) development of a regional research and development master plan for each of the regions covered by the Remaining Assessment Institutes; (b) refinement of the characteristics of existing agro-ecological zones in the regions covered by the Remaining Assessment Institutes for purposes of research, development planning, and monitoring and evaluation, including: (i) carrying out of diagnostic surveys and data analysis to support the development of agricultural spatial zoning; (ii) development of regional computerized management information systems; and (iii) provision of equipment and consumables; (c) provision of training in research and development management processes and tools for the staff of Assessment Institutes and other staff working in collaboration with the staff of Assessment Institutes on research and development activities; and (d) provision of related consultants' services.

2. Strengthening the national communication and scientific literature service through: (a) strengthening of the communication network between the national research institutes and the Assessment Institutes to improve access to national and international database; (b) rehabilitation of library facilities at Assessment Institutes; (c) provision of equipment, furniture, books and journals; (d) provision of communications related training to staff of Assessment Institutes; and (e) provision of related consultants' services.

3. Introduction of the Borrower's new accounting and financial system in the Assessment Institutes, including: (a) provision of related training to staff of Assessment Institutes; (b) provision of equipment and consumables; and (c) provision of related consultants' services.

4. Strengthening regional research and technology transfer capability at Assessment Institutes through: (a) provision of degree and non-degree training to staff in scientific-related fields and research management fields; and (b) establishment of an exchange program for national and regional staff, including scientists, managers, and extension workers.

5. Establishment of a pilot regional soil fertility and fertilizer use program through establishment of three regional soil testing laboratories in Maros (South Sulawesi), Medan (North Sumatra) and Yogyakarta (D. I. Yogyakarta), including: (a) upgrading of existing facilities and provision of related equipment; (b) provision of soil analysis training, coordination and data storage; (c) provision of Grants for the carrying out of fertilizer-crop response studies; and (d) provision of related consultants' services.

6. Strengthening of the Project Management Unit in AARD, the Project Implementation Units in the Assessment Institutes, and overall Project coordination by the Secretariat of AARD, the Center for Agricultural Research Programming in AARD, and the Center for Agricultural Socio-Economic Research in AARD through provision of equipment, vehicles, furniture, and related consultants' services.

PART C: Priority Commodity and Discipline-Oriented Research Programs

1. Strengthening priority livestock research, including: (a) rehabilitation and upgrading of selected laboratories, including barns and other housing for animals; and (b) provision of scientific equipment, furniture, vehicles, and related consultants' services.

2. Strengthening priority fisheries research, including: (a) construction and rehabilitation of selected laboratories; (b) rehabilitation of a research vessel; and (c) provision of scientific equipment, furniture, vehicles, and related

consultantsp services.

3. Strengthening priority horticulture and tree crop research, including: (a) rehabilitation of selected laboratories; and (b) provision of scientific equipment, furniture, vehicles, and related consultantsp services.

4. Strengthening of priority discipline-oriented research, such as biotechnology research, including: (a) rehabilitation of facilities for tools and machinery research and development; (b) construction of a bio-containment facility; and (c) provision of scientific equipment, furniture, vehicles and related consultantsp services.

5. Strengthening of the national human resource development program for AARD through the provision of degree and non-degree training for scientists and administrative and technical and support staff in national research institutes.

6. Carrying out of studies on relevant scientific and research management topics by AARD staff and staff of institutions collaborating with AARD Work Units.

PART D: Strengthening of Research and Development Collaboration

1. Strengthening linkages of AARD Work Units, with national, regional and provincial agencies, Directorates General of the Ministry of Agriculture, DINAS, farmersp groups, selected groups such as women and young farmers, universities, the private sector, and community and locally based organizations, through: (a) the provision of Grants to universities for the carrying out of Collaborative Research with research institutes, research centers and Assessment Institutes; (b) the carrying out of joint research and development and technology transfer activities; and (c) the provision of scientific equipment and related consultantsp services.

2. Strengthening linkages of AARD Work Units to international, Asian and Pacific research organizations through: (a) establishment of exchange programs for scientists and managers of AARD Work Units and staff of international agricultural research centers, selected foreign universities, Asian and Pacific national research systems, and Asian and Pacific agricultural research centers; (b) carrying out of joint research with international, Asian and Pacific research centers; (c) transfer of new technologies, methods, tools, and multi-media materials to AARD Work Units from collaborating institutions; (d) organization of regional and international conferences and workshops in Indonesia co-sponsored by AARD and collaborating institutions; and (e) provision of related consultantsp services.

* * *

The Project is expected to be completed by October 31, 2001.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
February 1, 2001	1,210,000
August 1, 2001	1,255,000
February 1, 2002	1,300,000
August 1, 2002	1,345,000
February 1, 2003	1,395,000
August 1, 2003	1,440,000

February 1, 2004	1,495,000
August 1, 2004	1,545,000
February 1, 2005	1,600,000
August 1, 2005	1,655,000
February 1, 2006	1,715,000
August 1, 2006	1,775,000
February 1, 2007	1,840,000
August 1, 2007	1,905,000
February 1, 2008	1,975,000
August 1, 2008	2,045,000
February 1, 2009	2,115,000
August 1, 2009	2,190,000
February 1, 2010	2,270,000
August 1, 2010	2,350,000
February 1, 2011	2,430,000
August 1, 2011	2,520,000
February 1, 2012	2,605,000
August 1, 2012	2,700,000
February 1, 2013	2,795,000
August 1, 2013	2,895,000
February 1, 2014	2,995,000
August 1, 2014	3,105,000
February 1, 2015	3,215,000
August 1, 2015	3,320,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the pGuidelines for Procurement under IBRD Loans and IDA Credits published by the Bank in January 1995 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B:

(a) Grouping of Contracts

To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more each.

(b) Preference for Domestic Manufacturers

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Equipment and furniture estimated to cost the equivalent of less than \$200,000 per contract, and \$2,000,000 equivalent or less in the aggregate, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. National Shopping

Goods estimated to cost less than \$25,000 equivalent per contract and \$700,000 equivalent or less in the aggregate, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Books and journals estimated to cost less than \$10,000 equivalent per contract and \$750,000 equivalent or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1

of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Reviews

With respect to each contract for goods estimated to cost the equivalent of \$200,000 or more, and each contract for civil works estimated to cost the equivalent of \$750,000 or more, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Implementation Program

1. In carrying out Parts A and B of the Project, the Borrower shall, not later than October 1, 1995, appoint competent staff to each of the Assessment Institutes as follows: a director, a section head, a sub-division head, four sub-section heads, at least three extension specialists, a farming systems specialist, a socio-economist, an agronomist, a livestock or fishery scientist, a communication specialist, and administrative staff in adequate numbers.

2. In carrying out Parts A and B of the Project, the Borrower shall, not later than October 1, 1995, establish, and thereafter maintain, a regional advisory committee and a regional technical working group at each of the following Priority Assessment Institutes: Assessment Institute Banda Aceh, Assessment Institute Padang Marpoyan, Assessment Institute Pontianak, and Assessment Institute Ungaran, including the following members:

(a) Regional Advisory Committee: (i) the head of the provincial planning office (BAPPEDA) as first chair and the provincial representative of the Ministry of Agriculture (KANWIL) as second chair; and (ii) representatives from DINAS, local universities, research institutes, farmers groups, and the private sector (through the regional Chambers of Commerce), as members.

(b) Regional Technical Working Group: (i) the Director of the Assessment Institute as chair; and (ii) representatives from regional and provincial agencies, as members.

3. In carrying out the Project, the Borrower shall furnish to the Bank not later than December 31 in each year, commencing December 31, 1995, and until completion of the Project, annual work programs and related detailed budgets for Project activities to be carried out in the following Fiscal Year.

4. The Borrower shall provide the required vehicles for the Project in accordance with a schedule agreed with the Bank.

5. The Borrower shall:

(a) cause technical audits of Project implementation to be carried out, in a manner acceptable to the Bank, by April 1 in each year during the implementation of the Project; and

(b) a copy of such audit to be furnish to the Bank, for comments, by July 31 of each such year.

6. The Borrower shall make Grants in accordance with the procedures and on the conditions set forth or referred to in Schedule 6 to this Agreement.

7. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 31, 1998, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by September 30, 1998, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

SCHEDULE 6

Procedures and Conditions for the University Research Grant under Parts A. 3 (c), B. 5 (c) and D. 1 (a) of the Project

1. Each Grant shall be made by the Borrower only:

(a) to a Grantee who or which shall have established, to the satisfaction of the Borrower, acting through the Research Grants Board of AARD, on the basis of criteria and procedures, acceptable to the Bank, that said Grantee:

(i) (A) in the case of an individual Grantee, has the

qualifications and experience necessary for the efficient carrying out of the Collaborative Research, and (B) in all other cases, has the organization, management, staffing and other resources required for the efficient carrying out of the Collaborative Research; and

(ii) has prepared an acceptable plan, including terms of reference, for the carrying out of the Collaborative Research; and

(b) for Collaborative Research which is determined by the Borrower, acting through the Research Grants Board of AARD, on the basis of guidelines established by AARD and acceptable to the Bank: (i) to be technically feasible and cost-effective, and (ii) to have been designed in accordance with AARD's established research priorities.

2. Grants, as described in Schedule 2 to this Agreement, shall be made on terms whereby the Borrower shall obtain, through a single written agreement with each of the Grantees, rights adequate to protect the interests of the Borrower and the Bank, including the right, as applicable, to:

(a) require the Grantee to carry out the Collaborative Research with due diligence and efficiency and in accordance with sound agricultural, financial, and managerial standards and to maintain adequate records, including a final report detailing all activities, costs, and research funding;

(b) require that: (i) the goods and services required for the Collaborative Research and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement; (ii) such services shall be used exclusively in the carrying out of the Collaborative Research; and (iii) such goods shall be used primarily in the carrying out of the Collaborative Research;

(c) inspect, by itself or jointly with representatives of the Bank, if the Bank shall so request, such goods and any relevant records and documents;

(d) require that the Grantee shall take out and maintain with responsible insurers insurance to cover the hazards incident to the acquisition, transportation and delivery of goods required for the Collaborative Research and to be financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Grantee to replace or repair such goods;

(e) obtain all such information as the Borrower and the Bank shall reasonably request relating to the foregoing and to the benefits to be derived from the Collaborative Research; and

(f) suspend or terminate the right of the Grantee to the use of the proceeds of the Loan upon failure by such Grantee to perform its obligations under its agreement with the Borrower providing for the Grant.

3. Grants for the Collaborative Research listed below shall be made by the Borrower only if the Bank shall have notified the Borrower of the Bank's approval of said Collaborative Research:

(a) the first five Collaborative Research proposals selected to be financed out of the proceeds of the Loan; and

(b) any Collaborative Research proposal which does not conform with the selection criteria agreed between the Borrower and the Bank.

4. When presenting a Collaborative Research proposal to the

Bank for review, the Borrower shall furnish to the Bank a draft grant agreement, in form satisfactory to the Bank, together with a description of the Collaborative Research, including a description of the expenditures proposed to be financed out of the proceeds of the Loan and such other information as the Bank shall reasonably request.

SCHEDULE 7

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (8) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$3,500,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$2,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$7,000,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the

Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

