

(Tree Crop Smallholder Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

as Administrator of Grant Funds
provided by the
GOVERNMENT OF JAPAN

Dated December 18, 1990

JAPANESE GRANT AGREEMENT

AGREEMENT, dated December 18, 1990, between REPUBLIC OF INDONESIA (the Recipient) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as Administrator (the Administrator) of grant funds provided by JAPAN (Japan).

WHEREAS (A) pursuant to a letter agreement dated July 30, 1990 between Japan and the Bank, Japan has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank in accordance with the provisions of such letter agreement;

WHEREAS (B) the Recipient has requested and Japan has agreed to make available in two tranches a grant (the Grant) out of said grant funds to finance the cost of carrying out the technical assistance described in Schedule 1 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

WHEREAS (C) the Recipient has requested the Bank to carry out Part A of the Technical Assistance and the Bank has agreed to carry out said Part A on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Definitions; the Grant

Section 1.01. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Japanese Grant Special Account" means the special deposit account referred to in Section 3.03 (b) of this Agreement;

(b) "Tranche A" means the tranche of the Grant referred to in Section 1.02

(a) of this Agreement;

(c) "Tranche B" means the tranche of the Grant referred to in Section 1.02
(b) of this Agreement; and

(d) "Yen" and "¥" mean the currency of Japan.

Section 1.02. The Grant shall be made available for the Technical Assistance on the terms and conditions herein set forth or referred to and shall consist of the following two tranches:

(a) one tranche in an amount of seventy million yen (¥70,000,000) to be utilized to finance certain expenditures for services required for Part A of the Technical Assistance, as hereinafter provided; and

(b) one tranche in an amount of five hundred thirty-seven million five hundred thousand yen (¥537,500,000) to be utilized to finance certain expenditures for services required for Part B of the Technical Assistance as hereinafter provided.

ARTICLE II

Part A of the Technical Assistance

Section 2.01. Wherever used in this Article, the term "Consultants" means individual consultants as well as any consulting firm that provides any of the experts referred to in Section 2.02 (a) of this Agreement.

Section 2.02. (a) Part A of the Technical Assistance and associated purchases of goods and services shall be undertaken by consultants who shall, as far as practicable, include consultants with expertise in the following areas: development administration, economics, finance, banking and agriculture. Certain of the Consultants are expected to commence their services on December 1, 1990 and to provide a total of about 18 man-months of service between that time and about December 31, 1992.

(b) The Administrator shall make reasonable efforts to secure the services of the Consultants.

(c) The Administrator shall utilize the proceeds of Tranche A of the Grant to finance on a grant basis the following expenditures in connection with the services of the Consultants:

(i) remuneration, per diem and other allowances;

(ii) international and local travel expenses;

(iii) out-of-pocket expenses, including communications and reports, incurred by the Consultants in foreign and local currency in the performance of their services; and

(iv) goods and services needed to facilitate the overall objectives of the technical assistance.

(d) The recruitment, engagement and supervision of the Consultants shall be the responsibility solely of the Administrator and shall be done according to the Administrator's applicable procedures.

Section 2.03. (a) The Recipient shall cooperate with the Administrator and the Consultants to ensure that Part A of the Technical Assistance is carried out promptly and effectively and, for this purpose, shall issue appropriate instructions to its officials, agents and representatives.

(b) The Recipient shall:

(i) make arrangements for all personnel of the Consultants assigned to Part A of the Technical Assistance (other than nationals of the Recipient or permanent residents of the Recipient's territories) and all dependents of such personnel promptly to be provided with any necessary entry and exit visas, residence and work permits, exchange documents and travel documents required for their stay in the Recipient's territories during the duration of said Part A;

- (ii) facilitate clearance through its customs of any equipment, materials and supplies required for Part A of the Technical Assistance and any personal effects of the personnel of the Consultants assigned to said Part A (other than nationals of the Recipient or permanent residents of the Recipient's territories) and the dependents of such personnel;
- (iii) permit the Consultants to bring into, and withdraw from, the Recipient's territories reasonable amounts of foreign currency for purposes related to Part A of the Technical Assistance;
- (iv) permit the personnel of the Consultants assigned to Part A of the Technical Assistance (other than nationals of the Recipient or permanent residents of the Recipient's territories) and the dependents of such personnel to bring into, and withdraw from, the Recipient's territories reasonable amounts of foreign currency for their personal use; and
- (v) exempt the Consultants and the personnel of the Consultants assigned to Part A of the Technical Assistance from (or the Recipient shall pay on behalf of the Consultants and such personnel) any taxes, duties, fees, levies and other impositions imposed under the laws and regulations in effect in the Recipient's territories on the Consultants and such personnel in respect of:
 - (A) any payments whatsoever made to the Consultants and such personnel (other than nationals of the Recipient or permanent residents of the Recipient's territories) in connection with the carrying out of Part A of the Technical Assistance;
 - (B) any equipment, materials and supplies brought into the Recipient's territories by the Consultants for the purpose of carrying out Part A of the Technical Assistance and which, after having been brought into such territories, will be subsequently withdrawn therefrom by them;
 - (C) any equipment, material and supplies brought into the Recipient's territories by the Consultants for the purpose of carrying out Part A of the Technical Assistance and which will be consumed therein or become the property of the Recipient; and
 - (D) any property brought into the Recipient's territories by the Consultants or such personnel (other than nationals of the Recipient or permanent residents of the Recipient's territories) or the dependents of such personnel for their personal use and which will be consumed therein or subsequently withdrawn therefrom by them upon their respective departure from the Recipient's territories, provided that the Consultants, such personnel and their dependents shall follow the usual customs procedures of the Recipient in importing property into the Recipient's territories.

(c) The Recipient shall be responsible for dealing with any claims arising out of, or resulting from, Part A of the Technical Assistance that may be brought by third parties against the Administrator. The Recipient shall indemnify the Administrator against any costs, claims, damages or liabilities arising out of, or resulting from, any acts or omissions in connection with the Technical Assistance.

(d) For purposes of carrying out Part A of the Technical Assistance, the Recipient shall make available to the Consultants, free of charge, the data, services, facilities, equipment and counterpart personnel, as required, all as reasonably required to carry out Part A of the Technical Assistance.

Section 2.04. The Recipient and the Administrator shall, from time to time, at the request of either party, exchange views on Part A of the Technical Assistance and consult on any reports prepared by the Consultants and the implementation of any recommendations made in those reports.

Section 2.05. The Administrator may use any reports prepared by the Consultants for any purpose that the Administrator may consider appropriate but those reports may not be made public except by agreement between the Recipient and the Administrator.

Section 2.06. The Recipient may at any time request the Administrator in writing to terminate Part A of the Technical Assistance. Whether or not the Recipient has made such a request, the Administrator may at any time suspend or, after consultation with the Recipient, terminate said Part A, if any circumstances arise that, in the opinion of the Administrator, interfere or threaten to interfere with the successful implementation of said Part A, the accomplishment of its purposes, or the execution of said Part A in accordance with the terms and conditions of this Agreement.

Section 2.07. If Part A of the Technical Assistance is suspended or terminated, the Recipient and the Administrator shall consult with each other concerning any further action that may be necessary or desirable.

Section 2.08. The Administrator is not an agent of or trustee for the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any proceeds of Tranche A of the Grant that are not expended by the Administrator pursuant to this Article.

ARTICLE III

Part B of the Technical Assistance

Section 3.01. The General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985 (the General Conditions) constitute an integral part of this Article, subject, however, to the following modifications thereto:

(a) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof, means the International Bank for Reconstruction and Development acting as Administrator of the Grant pursuant to the letter agreement between Japan and the Bank referred to in Recital (A) of this Agreement, except that in Section 6.02, the term "Bank" shall also include the International Bank for Reconstruction and Development acting in its own capacity;

(b) the term "Borrower," wherever used in the General Conditions, means the Recipient;

(c) the term "Loan Agreement," wherever used in the General Conditions, means Article III of this Agreement;

(d) the term "Loan," wherever used in the General Conditions, means Tranche B of the Grant;

(e) the term "Loan Account," wherever used in the General Conditions, shall be amended to read the Tranche B Grant Account;

(f) the term "Project," wherever used in the General Conditions, means Part B of the Technical Assistance;

(g) Section 4.01 shall be modified to read:

"Withdrawals from the Tranche B of the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out of the proceeds of Tranche B of the Grant have been paid or are payable in another currency, the Administrator shall, at the request of the Recipient, purchase such currency with the proceeds of such withdrawal.";

(h) Sections 2.01 (5), (7), (12), (13), (14), (15), (16), (17) and (19), 3.02, 3.03, 3.04, 3.05, 4.02, 4.03, 4.04, 4.05, 4.06, 4.07, 4.08, 4.10, 6.02 (a)(i), 6.02 (g), 6.02 (h), 6.05, 6.07, 7.01, 8.01 (a), 9.01 (b), 9.02, 9.03, 10.02, 12.01, 12.02, 12.03, 12.04 and 12.05 are deleted;

(i) The second and third sentences of Section 4.09 are deleted; and

(j) All references to "the Guarantor," wherever such term is used in the General Conditions, shall not apply to this Article.

Section 3.02. Wherever used in this Article, unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth.

Section 3.03. (a) The amount of Tranche B of the Grant may be withdrawn from the Tranche B Grant Account in accordance with the provisions of Schedule 2 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator.

(b) The Recipient shall, for the purposes of Part B of the Technical Assistance, open and maintain in yen a Japanese grant special deposit account in Bank Indonesia on terms and conditions satisfactory to the Administrator. Deposits into, and payments out of, the Japanese Grant Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) The Closing Date shall be December 31, 1993 or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

Section 3.04. (a) The Recipient shall carry out Part B of the Technical Assistance with due diligence and efficiency and in conformity with appropriate administrative, financial and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required therefor.

Section 3.05. Except as the Administrator shall otherwise agree, procurement of the consultants' services required for Part B of the Technical Assistance and to be financed out of the proceeds of Tranche B of the Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.06. (a) The Recipient 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 Part B of the Technical Assistance of the departments or agencies of the Recipient responsible for carrying out said Part B or any part thereof.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Japanese Grant Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Administrator;
- (ii) furnish to the Administrator as soon as available, but in any case not later than nine 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 Administrator shall have reasonably requested; and
- (iii) furnish to the Administrator such other information concerning said records and accounts and the audit thereof as the Administrator shall from time to time reasonably request.

Section 3.07. The Minister of Finance of the Recipient shall be the representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

ARTICLE IV

Effectiveness; Termination; Notices

Section 4.01. This Agreement shall become effective upon its execution by the parties hereto.

Section 4.02. This Agreement shall continue in effect until the Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

Section 4.03. Any notice or request required or permitted to be given or made under this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's address as such party shall have designated by notice to the party giving such notice or making such request:

For the Recipient:

Minister of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

FINMINISTRY
Jakarta

Telex:

44319 DEPKEU-IA
45799 DJMLM-IA

For the Administrator:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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/ Abdul Rachman Ramly

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as Administrator of the Grant

By /s/ A. Karaosmanoglu

Regional Vice President
Asia

SCHEDULE 1

Description of Technical Assistance

The objective of the Technical Assistance and associated purchases of goods and services is to assist the Recipient in:

(a) increasing production and exports, and raising the income of smallholders by assisting them in establishing high-yielding varieties of coconut and rubber, upgrading management of holdings and improving copra processing;

(b) strengthening the project management organization, improving its coordination with Bank Rakyat Indonesia and/or other agencies providing credit or finance to smallholders, and establishing an effective and sustainable system for delivering finance (in cash or in kind) to smallholders for tree crop establishment, and for cost recovery; and

(c) generally strengthening efficiency of the tree crop subsector and

capacity for inspection of field plantings and environmental monitoring.

The Technical Assistance will consist of the following Parts:

Part A:

Carrying out of high priority technical assistance and provision of related goods and services in the areas of planning, studies, investigations, project preparation, supervision of start-up and implementation activities that are of an urgent nature and cannot be provided in a timely manner under Part B hereof, or will fill a gap in the assistance expected to be supplied under Part B. It is expected that the activities under this Part will include approximately 18 months of consultant services (primarily inter-national), as well as providing related training and equipment.

Part B:

Carrying out of technical assistance, and provision of related goods and services, all in a manner and in accordance with programs satisfactory to the Administrator, to assist:

(a) Bank Rakyat Indonesia in improving and developing its systems and staff training as part of a project for administration and valuation of existing tree crop credit;

(b) other agency or agencies which would be involved in delivery of finance for smallholder tree crops and in the administration of cost or credit recovery;

(c) the Directorate General of Estates (DGE) for inspection services, preparation of a pilot dispersed smallholder component, a study for a tree crop classification system, for assisting DGE staff and farmers in improving skills in training, agronomy, and project and financial management;

(d) the Board for Financial and Development Control (BPKP) in improving its capabilities for tree crops audits; and

(e) the National Land Affairs Board (BPN) in training and developing staff involved in land titling in tree crops areas.

* * * *

The Technical Assistance is expected to be completed by December 31, 1992.

SCHEDULE 2

Withdrawal of the Proceeds of Tranche B of the Grant

1. The amount of Tranche B of the Grant may be withdrawn from the Grant Account for amounts paid (or if the Administrator shall so agree to be paid) by the Recipient for consultants' services for Part B of the Technical Assistance to meet 100% of expenditures for each such consultants' services contract, and associated expenditures in accordance with the provisions of this Agreement.

2. 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.

SCHEDULE 3

Consultants' Services for Part B of the Technical Assistance

In order to assist the Recipient in carrying out Part B of the Technical Assistance, the Recipient shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Administrator. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Administrator on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Administrator in August 1981.

SCHEDULE 4

Japanese Grant Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable services required for Part B of the Technical Assistance and to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 2 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to ¥50,000,000 to be withdrawn from the Tranche B Grant Account and deposited into the Japanese Grant Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Tranche B Grant Account and deposit in the Japanese Grant Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Administrator 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 Administrator shall, on behalf of the Recipient, withdraw from the Tranche B Grant Account and deposit into the Japanese Grant Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Japanese Grant Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Tranche B Grant Account in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Japanese Grant Special Account, the Recipient shall, at such time as the Administrator shall reasonably request, furnish to the Administrator 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 Administrator shall not be required to make further deposits into the Japanese Grant Special Account:

(a) if, at any time, the Administrator shall have determined that all further withdrawals should be made by the Recipient directly from the Tranche B Grant 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) once the total unwithdrawn amount of the Tranche B of the Grant less the amount of any outstanding special commitment entered into by the Administrator pursuant to Section 5.02 of the General Conditions, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Tranche B Grant Account of the remaining unwithdrawn amount of Tranche B of the Grant shall follow such procedures as the Administrator shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Administrator shall have been satisfied that all such amounts remaining on deposit in the Japanese Grant Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Administrator shall have determined at any time that any payment

out of the Japanese Grant 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 Administrator: (A) provide such additional evidence as the Administrator may request; or (B) deposit into the Japanese Grant Special Account (or, if the Administrator shall so request, refund to the Administrator) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Administrator shall otherwise agree, no further deposit by the Administrator into the Japanese Grant Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

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

(c) The Recipient may, upon notice to the Administrator, refund to the Administrator all or any portion of the funds on deposit in the Japanese Grant Special Account.

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

