

CONFORMED COPY

Grant Number TF-025207

Japanese Grant Agreement
(Urban Transport Sector Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

as Administrator of Grant Funds
provided by JAPAN

Dated August 26, 1997

Grant Number TF-025207

JAPANESE GRANT AGREEMENT

AGREEMENT, dated August 26, 1997, between the 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 and the International Development Association (the Association), Japan has requested the Bank and the Association, and the Bank and the Association have agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank and the Association, as the case may be, in accordance with the provisions of such letter agreement; and

WHEREAS (B) Japan has agreed to make available to the Recipient a grant out of said grant funds (the Grant) to finance the cost of carrying out the technical assistance described in Schedule 2 to this Agreement (the Technical Assistance) on the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

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

- (i) Article I;
- (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (18) and (20), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Section 4.01 and the first sentence of Section 4.09;
- (v) Article V;
- (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f) and (i), (k), 6.03, 6.04 and 6.06;
- (vii) Section 8.01 (b);
- (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
- (ix) Sections 10.01, 10.03 and 10.04; and
- (x) Article XI.

(b) The General Conditions shall be modified as follows:

(i) the term "Bank," wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 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 and the Association 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;

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

(iii) the term "Loan Agreement," wherever used in the General Conditions, means this Agreement;

(iv) the term "Loan," wherever used in the General Conditions, means the Grant;

(v) the term "Loan Account," wherever used in the General Conditions, means the Grant Account, an account opened by the Administrator on its books in the name of the Recipient to which the amount of the Grant is credited;

(vi) the term "Project," wherever used in the General Conditions, means the technical assistance described in Schedule 2 to this Agreement;

(vii) Section 4.01 shall be modified to read:

"Withdrawals from the Grant Account shall be made in yen; provided, however, that if the expenditures to be financed out 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"; and

(viii) the second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Recipient 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, 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."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings

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

(b) "REPELITA VII" means the national five-year development plan of the Recipient for the period 1999/00-2003/04

(c) "MPW" means the Ministry of Public Works of the Recipient; and

(d) "MOC" means the Ministry of Communications of the Recipient.

ARTICLE II

The Grant

Section 2.01. The Administrator agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the Grant in an amount of one hundred and thirty seven million five hundred thousand yen (Y 137,500,000):

Section 2.02. (a) The amount of the Grant may be withdrawn from the Grant Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and the Administrator, for expenditures made (or, if the Administrator shall so agree, to be made) in respect of the reasonable cost of carrying out the Project and to be financed out of the Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in United States dollars a special deposit account in Bank Indonesia or in a state commercial bank on terms and conditions satisfactory to the Administrator, including, in the case of a state commercial bank, 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 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1999, or such later date as the Administrator shall establish. The Administrator shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient shall carry out the Project through MPW (Directorate General of Highways), with due diligence and efficiency and in conformity with appropriate environmental, administrative and financial 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 and except as the Recipient and the Administrator shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

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

Section 3.03. (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 the Project of the departments or agencies of the Recipient responsible for carrying out the Project 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 Special Account for the 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 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 Administrator shall have reasonably requested.
 - (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.
- (c) For all expenditures with respect to which withdrawals from the Grant Account were made on the basis of statements of expenditure, the Recipient 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 Administrator has received the audit report for the fiscal year in which the last withdrawal from the Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
 - (iii) enable the Administrator's representative 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

Section 3.04: For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

- (a) prepare, on the basis of guidelines acceptable to the Administrator, and furnish to the Administrator not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Administrator, a plan for the future operation of the Project; and
- (b) afford the Administrator a reasonable opportunity to exchange views and the Recipient on said plan.

ARTICLE IV

Effectiveness; Termination

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 all their obligations hereunder.

ARTICLE V

Representation

Section 5.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 5.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Minister of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 1139
Jakarta 10710
Indonesia

Cable address:

FINMINSTRY
Jakarta

Telex:

45799 DJMLN-IA
44319 DEPKEU-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:

248423 (MCI), or
64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names 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
as Administrator of the Grant

By /s/ Javad Khalilzadeh-Shirazi

Acting Regional Vice President
East Asia and Pacific

SCHEDULE I

Withdrawal of the Grant

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

Category	Amount of the Grant Allocated (Expressed in Yen)	% of Expenditures to be Financed
(1) Consultants' services under Part A of the Project	76,734,000	100%
(2) Consultants' services	60,766,000	100%

under Part B of the
Project

TOTAL 137,500,000

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.

3. The Administrator may require withdrawals from the Giant Account to be made on the basis of statements of expenditure for expenditures for contracts for the employment of consulting firms estimated to cost less than one hundred thousand dollars (\$100,000) equivalent each and contracts for the employment of individuals estimated to cost less than fifty thousand dollars (\$50,000) equivalent each, under such terms and conditions as the Administrator shall specify by notice to the Recipient.

SCHEDULE 2

Description of Technical Assistance

The objective of the Technical Assistance is to assist the Recipient in the preparation of a proposed Urban Transport Sector Project (hereinafter referred to as "the Project"). The Technical Assistance consists of the following parts:

A. Integrated Urban Transport and Development Programs

(a) Policy Formulation:

(i) Assist staff in MOC and MPW to develop a more specific Policy Statement on urban transport, based on broad policy objectives of the Recipient detailed in REPELITA VII and PSP 2 (the Recipient's second 25-year plan).

(ii) Assist the Recipient in developing detailed policy statements in a number of key policy areas, including, but not limited to vehicle pollution, user charges/road pricing, parking, support for public transport, demand management, provision for pedestrians and nonmotorized vehicles (NMV), road safety, resource mobilization and allocation between modes and between investment and operations and maintenance.

(iii) Preparation of outline Action Plans for implementation of the Policy Statement.

(b) Program Development:

(i) Development of methodologies for implementation of programs in the Action Plans, indicating the technical and administrative responsibilities of different agencies.

(ii) Selection of cities to act as models for implementation of specific policy actions, and for preparation of integrated transport and urban development programs.

(iii) In the selected cities, preparation of 5 year urban transport policy and program documents by local and provincial government as inputs to the annual budget formulation process and as models for the preparation of similar documents in other cities.

(c) Preparation of Guidelines:

Taking into account the results of experiences in the selected cities abovementioned, prepare "best practice guidelines" for preparation of the policy and program documents and on design and evaluation of policy and program options, for use by local and provincial government agencies with limited professional or technical staff resources.

B. Urban Transport Improvement Programs

This component is complementary to the primary urban roads program, providing for investment in secondary roads (for which local governments are responsible),

traffic management facilities and infrastructure for public transport. The following tasks would be required to prepare the Project:

(a) Program Development:

- (i) Establishment of the procedures and methodology for the development of an urban transport investment program.
- (ii) Review of urban transport (or other) studies that are completed or underway, and carrying out discussions with government technical staff, and the identification of major transport problem areas.
- (iii) Review urban transport data bases and/or surveys, and quantify problems.
- (iv) Identify projects or programs that are not being financed as part of current integrated urban infrastructure development projects (IUIDP).
- (v) Prioritize projects and programs and provide an initial definition of a program for implementation under REPELITA VII.
- (vi) Establish criteria (in addition to Internal Rate of Return and Net Present Value) for prioritization of projects for implementation.
- (vii) Define a possible S-year investment program.

(b) Scheme Preparation:

Undertake feasibility studies on schemes proposed to meet identified problems. The feasibility studies will include a consideration of design options, preliminary economic evaluation, environmental assessment, social assessment (including resettlement), and outline implementation schedule.

(c) Preparation of Guidelines:

Taking account of experiences in the preparation of the selected schemes, prepare "best practice guidelines" for program development, scheme preparation and design, targeted particularly for use by local government agencies with limited professional or technical staff resources.

SCHEDULE 3

Implementation Program

Except as the Administrator and the Recipient shall otherwise agree, the Technical Assistance shall be carried out in accordance with the following timetable:

Activity	Expected Date
1. Mobilization of consultants and start-up date of Technical Assistance	By not later than January 1, 1998
2. Submission of preliminary (conceptual) reports	By not later than February 28, 1998
3. Submission of draft outputs	By not later than April 30, 1999
4. Completion of final reports	By not later than June 30, 1999
5. Joint reviews of reports with the Bank (workshop)	By not later than September 30, 1999

SCHEDULE 4

Consultants' Services

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of

Consultants by World Bank Borrowers" published by the Bank in January 1997 (the Consultant Guidelines) and the following provisions of this Section.

Part B: Procedures for the Selection of Consultants

1. Quality-based Selection

Consultants' services shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part C: Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Activities shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix I to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, but less than the equivalent of \$200,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after said approval shall have been given.

3. Post Review

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

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) and (2) 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 amount of the Grant 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 \$120,000 to be withdrawn from the Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 Administrator 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 Recipient shall furnish to the Administrator a request or requests for deposit into the Special Account of an amount or amounts 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 Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

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

(ii) Prior to or at the time of each such request, the Recipient 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 Grant Account and deposit into the 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 Special Account for eligible expenditures. All such deposits shall be withdrawn by the Administrator from the Grant 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 Recipient out of the 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 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 Grant Account in accordance with the provisions of the Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Administrator within the period of time specified in Section 3.03 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Administrator pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

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

(d) once the total unwithdrawn amount of the Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Administrator 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 Grant allocated to the eligible Categories 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 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 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, the Recipient shall, promptly upon notice from the Administrator:

- (A) provide such additional evidence as the Administrator may request; or
- (B) deposit into the 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 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 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 Special Account.

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

