

CONFORMED COPY

LOAN NUMBER 4290 IND

Loan Agreement

(Bengkulu Regional Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 1, 1998

LOAN NUMBER 4290 IND

LOAN AGREEMENT

AGREEMENT, dated May 1, 1998, 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 for Single Currency Loans" of the Bank, dated May 30, 1995, with the modification of Section 6.03 set forth below (the General Conditions) constitute an integral part of this Agreement: "Section 6.03. Cancellation by the Bank. If (a) the

right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Borrower, that an amount of the Loan will not be required to finance the Project's costs to be financed out of the proceeds of the Loan, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the Loan, that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or the execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the Loan is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the Loan, or (e) after the Closing Date, an amount of the Loan shall remain unwithdrawn from the Loan Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the Loan, the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be canceled."

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) "Affected Person" means a person who, on account of the execution of Part A.1 of the Project, has or would have his or her: (i) standard of living adversely affected; (ii) right, title or interest in any house, land (including premises, agricultural land and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (iii) business, occupation, work, or place of residence or habitat adversely affected;

(b) "BANGDA" means the Directorate General of Regional Development within the Ministry of Home Affairs of the Borrower;

(c) "BAPPEDA Tk. I" means the Provincial Development Planning Agency established and operating within the Borrower's Province of Bengkulu;

(d) "BAPPEDA Tk. II" means the Kabupaten Development Planning Agency established and operating within each Participating Kabupaten;

(e) "BAPPENAS" means the National Development Planning Agency of the Borrower and any successor thereto;

(f) "BIPP" means Balai Informasi dan Penyuluhan Pertanian, the Kabupaten agricultural information and extension center established and operating within each Participating Kabupaten;

(g) "BPP" means Balai Penyuluhan Pertanian, a rural agricultural extension center established and operating at the Kecamatan level;

(h) "Bupati" means the Head of a Kabupaten;

(i) "Camat" means the head of a Kecamatan;

(j) "CGC" means the Central Guidance Committee maintained in accordance with paragraph 1 of Section A.I of Schedule 5 to this Agreement;

(k) "DINAS Tk. II" means a technical agency established and operating within a Participating Kabupaten;

(l) "DPU Tk. I" means the DINAS Public Works established and operating within the Borrower's Province of Bengkulu;

(m) "DPU Tk. II" means the DINAS Public Works established and operating within a Participating Kabupaten;

(n) "Fiscal Year" means the fiscal year of the Borrower commencing April 1 and ending March 31;

(o) "GAPKINDO" means the Indonesian Rubber Association established by Notary Public No. 29 of April 4, 1973; and "AEKI" means the Association of Indonesian Coffee Exporters established by Notary Public No. 11 of November 5, 1983;

(p) "Grant" means a grant to be made available by the Borrower to a Participating Village to finance a Sub-project out of the proceeds of the Loan;

(q) "Guidelines for Compensation and Resettlement" means the framework prepared by the Borrower, in agreement with the Bank, for the provision of compensation to Affected Persons as set forth in paragraph 5 of Section B of Schedule 5 to this Agreement and in the Guidelines for Project Implementation, and as such Guidelines for Compensation and Resettlement may be amended from time to time in agreement with the Bank;

(r) "Guidelines for Project Implementation" means the general and technical guidelines to be prepared by the Borrower, approved by the Bank, and issued in the form of a Petunjuk Pelaksanaan and Petunjuk Teknis, respectively, in accordance with paragraph 6 (a) of Section B of Schedule 5 to this Agreement, as such Guidelines for Project Implementation may be amended from time to time with the agreement of the Bank;

(s) "INPPTP" means the Assessment Unit for Agricultural Technology, established by Decree No. 798/Kpts/OT.210/12/94 of the Borrower's Ministry of Agriculture dated December 13, 1994;

(t) "Kabupaten" means a district, an administrative division within a province of the Borrower;

(u) "Kecamatan" means an administrative sub-district within a Kabupaten;

(v) "Kerinci-Seblat Integrated Conservation and Development Project" means the project described in Schedule 2 to the Loan Agreement No. 4008-IND between the Borrower and the Bank, dated June 17, 1996, for the Kerinci-Seblat Integrated Conservation and Development Project, and in Schedule 2 to the Global Environment Facility Trust Fund Agreement No. TF-28312 between the Republic of Indonesia and the Bank acting as Implementing Agency of the Global Environment Facility, dated June 17, 1996, for the Kerinci-Seblat Integrated Conservation and Development Project;

(w) "Kepala Desa" means the Head of a village;

(x) "LKMD" means a community resilience council within a village, headed by the Kepala Desa;

(y) "Participating Kabupaten" means Kabupaten Bengkulu Utara, Kabupaten Bengkulu Selatan, and Kabupaten Rejang Lebong;

(z) "Participating Village" means a village selected by the Borrower for participation in Parts A.1 and B.1 of the Project, in accordance with the criteria set forth in paragraph 1 of Section B of Schedule 5 to this Agreement and with the agreement of the Bank;

(aa) "Pimpro" means a Project manager at the central and relevant provincial and Kabupaten levels;

(bb) "PMD Tk. I" means the Pembangunan Masyarakat Desa, the village community development agency, established and operating at the provincial level;

(cc) "PP" means Penyuluh Pertanian, an agricultural extension worker;

(dd) "Project Performance Indicators" means those indicators designed to measure the Borrower's performance in achieving Project objectives as set forth in Schedule 6 to this Agreement;

(ee) "Rupiah" or "Rp" means the currency of the Borrower;

(ff) "Sub-project" means: (i) a public infrastructure investment project to be carried out under Part A.1 of the Project; or (ii) an investment project for the testing and replication of proven agriculture technologies to be carried out under Part B.1 of the Project;

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

(hh) "Tree Crops Subsector Project" means the project described in Schedule 2 to the Loan Agreement No. 1118-INO between the Borrower and the Asian Development Bank, dated December 20, 1991, for the Tree Crops Subsector 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, an amount equal to twenty million five hundred thousand dollars (\$20,500,000).

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 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 dollars a special deposit account in Bank Indonesia or in a state commercial bank on terms and conditions satisfactory to the Bank, including, in the case of a state commercial bank, appropriate protection against set-off, seizure and 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 August 31, 2004, 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 ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.06. Interest and other charges shall be payable in arrears on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of 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 with due diligence and efficiency and in conformity with appropriate administrative, agricultural, engineering, environmental, financial and social 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 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 Borrower and 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. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, 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 designed to ensure the continued achievement of the Project's objectives; and

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

#### 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 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 1139  
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, 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 in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ Dorodjatun Kuntjoro-Jakti, Ambassador  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Javad Khalilzadeh-Shirazi  
Acting Regional Vice President

## 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 Dollars)	% of Expenditures to be Financed
(1) Civil works under Parts B.5 (b) and C.3 of the Project	200,000	90%
(2) Goods under Parts B.3, B.4, B.5 (b), B.7, C.3 and C.5 of the Project, excluding vehicles	300,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(3) Goods, works and services under Sub-projects under Parts A.1 and B.1 of the Project	15,500,000	100%
(4) Training under Parts A.2, B.2, B.3, B.5, B.7 and C.3 of the Project	300,000	90%
(5) Contracts for service delivery under Part C.4 of the Project	1,000,000	90%
(6) Agricultural support activities under Parts B.6 and C.2 of the Project	500,000	90%
(7) Consultants' services	2,300,000	100%
(8) Unallocated	400,000	
TOTAL	20,500,000	

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; and

(c) the term "contracts for service delivery" means expenditures for services provided by contractors under Part C.4 of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments made for expenditures in respect of Category (3) until the Guidelines for Project Implementation have been issued pursuant to the provisions of paragraph 6 (b) of Section B of Schedule 5 to 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) civil works and goods under contracts costing less than \$100,000 equivalent each, except for the first procurement of goods or works in each of the first ten clusters of Participating Villages, costing \$5,000 equivalent or more; (ii) contracts for service delivery; (iii) training; (iv) goods, works and services under Sub-projects; (v) agricultural support activities; and (vi) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each and contracts for the employment of individuals valued at less than \$50,000 equivalent each; all 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 assist the Borrower in (i) alleviating poverty in the Province of Bengkulu through rural development; and (ii) generating economic growth in rural areas of the Province of Bengkulu where growth potential is high.

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: Village Infrastructure

1. Carrying out of public infrastructure investment projects in about 207 Participating Villages, through the provision of Grants to Participating Villages.

2. Strengthening the capacity of field engineers and relevant government personnel from the Provincial and Kabupaten level coordination teams in providing assistance to Participating Villages in Project implementation procedures, through provision of training.

#### Part B: Village-Based Technology Adoption

1. Carrying out of investment projects in about 220 Participating Villages for the testing of selected proven agricultural technologies and the replication of such technologies, through the provision of Grants to Participating Villages.

2. Strengthening the capacity of LKMD for the testing and replication of selected, proven agricultural technologies through on-site training by PPs.

3. Improvement of the production capacity and of the product quality of the rubber nursery of DINAS Tk. II for Tree Crops in Kabupaten Bengkulu Utara, through the provision of equipment, materials and training.

4. Improvement of the production, by farmers, of seeds for annual crops through the provision of technical assistance by DINAS Tk. II for Food Crops in Participating Kabupaten, and the provision of equipment and materials.

5. Strengthening the capacity of BIPPs and BPPs and farmers to carry out decentralized agricultural extension, through:

(a) training of BIPP and BPP staff in, among others, participatory rural appraisal techniques, human resource development, information packaging techniques,



information dissemination, and agricultural extension techniques;

(b) construction and rehabilitation of selected BIPPs and BPPs, including provision of furniture, equipment and vehicles; and

(c) training of farmers in Participating Villages in conducting farmer-to-farmer extension.

6. Carrying out of a pilot program of provision of extension services by the Borrower in cooperation with the private sector in the following areas:

(a) in Kecamatan Kepahyang with AEKI for processing and marketing of coffee; and

(b) in Kecamatan Kerkap with GAPKINDO for planting and processing of rubber.

7. Strengthening Project implementation capacity of Project-related government staff of the Participating Kabupatens, through: (a) provision of office equipment, furniture and vehicles for BAPPEDA Tk. II; and (b) workshops on Project supervision, monitoring and evaluation.

Part C: Capacity Building and Implementation Support

1. Strengthening the capability in technical, financial and administrative matters of LKMD and village implementation teams through the provision of services and technical support to LKMD in design and construction of village infrastructure, by field engineers.

2. Identification of relevant agricultural technology packages, preparation of BPP and PP guidelines for each agricultural technology package, and monitoring and analysis of the tests conducted by farmers, by INPPTP.

3. Strengthening Project implementation capacity of Project-related government staff of the Province of Bengkulu through: (a) the construction of office space for BAPPEDA Tk. I, and provision of office equipment, furniture and vehicles for BAPPEDA Tk. I; (b) technical assistance; and (c) workshops on Project supervision, monitoring and evaluation.

4. Strengthening the capacity of LKMDs to identify Sub-projects, prepare action plans for proposed Sub-projects, and implement approved Sub-projects, through the provision of services by community development facilitators.

5. Dissemination of information by PMD Tk. I on the concept of, and procedures for, Project implementation, to Participating Villages and relevant agencies, including provision of office equipment, furniture and a vehicle to PMD Tk. I.

6. Carrying out of Project beneficiaries' surveys in the Participating Villages.

\* \* \*

The Project is expected to be completed by February 28, 2004.

### SCHEDULE 3

#### Interest and Principal Repayment

##### Provisions A. General Definitions

For purposes of this Schedule, the following terms have the following meanings:

(a) "Disbursed Amount" means, in respect of each Interest Period, the aggregate principal amount of the Loan withdrawn from the Loan Account in such Interest Period.

(b) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest

Payment date to, but excluding, the next following Interest Payment Date.

(c) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement. (d) "Rate Fixing Date" means, for each Disbursed Amount, the first day of the Interest Period next following the Interest Period in which such Disbursed Amount is withdrawn.

B. Interest

1. The principal amount of the Loan shall be divided into Disbursed Amounts. Interest shall accrue on each Disbursed Amount outstanding from time to time at a rate based on a floating rate index prior to its Rate Fixing Date and at a fixed rate from its Rate Fixing Date, as described in paragraph 2 of this Part B.

2. (a) From the date of withdrawal of each amount of each Disbursed Amount withdrawn and outstanding, to but not including the Rate Fixing Date for such Disbursed Amount, interest on each such amount shall accrue, at a rate equal to the applicable:

- (i) LIBOR Base Rate; plus
- (ii) LIBOR Total Spread.

(b) From the Rate Fixing Date for each Disbursed Amount until final repayment thereof, interest on such Disbursed Amount shall accrue, at a rate equal to the applicable:

- (i) Fixed Base Rate; plus
- (ii) Fixed Total Spread.

3. For purposes of paragraph 2 of this Part B, the following terms have the following meanings:

(a) "LIBOR Base Rate" means, for the Interest Period in which a Disbursed Amount is withdrawn, the London interbank offered rate for six-month deposits in dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the day occurring on the Interest Payment Date preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(b) "LIBOR Total Spread" means, for the Interest Period in which each Disbursed Amount is withdrawn:

- (i) one half of one percent (1/2 of 1%);
- (ii) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include such Disbursed Amount for such Interest Period; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) "Fixed Base Rate" means, for each Disbursed Amount, the equivalent of the London interbank offered rate for six-month deposits in dollars for value on the Rate Fixing Date for such Disbursed Amount, expressed as a single fixed interest rate based on the fixed interest rates corresponding to the repayment installments of such Disbursed Amount, as reasonably determined by the Bank and expressed as a percentage per annum.

(d) "Fixed Total Spread" means, for each Disbursed Amount:

- (i) one-half of one percent (1/2 of 1%);
- (ii) minus (or plus) the cost margin, applicable on the Rate Fixing Date for such Disbursed Amount, below (or above) the London

interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated to fund single currency loans or portions thereof made by it that include such Disbursed Amount; plus

(iii) the Bank's risk spread applicable on the Rate Fixing Date for such Disbursed Amount; as reasonably determined by the Bank and expressed as a percentage per annum.

4. The Bank shall notify the Borrower of LIBOR Base Rate, LIBOR Total Spread, Fixed Base Rate and Fixed Total Spread applicable to each Disbursed Amount, promptly upon the determination thereof.

5. Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Schedule, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in this Schedule, the Bank may modify the basis for determining the interest rates applicable to amounts of the Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

#### C. Repayment

1. Subject to the provisions of paragraph 2 of this Part C, the Borrower shall repay each Disbursed Amount of the Loan in semiannual installments payable on each June 15 and December 15, the first such installment to be payable on the seventh (7th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount and the last such installment to be payable on the twelfth (12th) Interest Payment Date following the Rate Fixing Date for such Disbursed Amount. Each installment shall be one-sixth (1/6) of such Disbursed Amount.

2. Notwithstanding the provisions of paragraph 1 of this Part C, if any installment of principal of each Disbursed Amount would, pursuant to the provisions of said paragraph 1, be payable after June 15, 2013, the Borrower shall also pay on said date the aggregate amount of all such installments.

3. After each Disbursed Amount shall have been withdrawn, the Bank shall promptly notify the Borrower of the amortization schedule for such Disbursed Amount.

### SCHEDULE 4

#### Procurement

##### 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 "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996 (the Guidelines) and the following provisions of Section I of this Schedule.

###### Part B: Procurement Procedures

1. National Competitive Bidding Except as otherwise provided in this Part, goods and works shall 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 \$50,000 equivalent per contract, 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

Agricultural support activities which must be procured from a particular supplier may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

4. Community Participation

Goods and works required for Parts A.1 and B.1 of the Project shall be procured in accordance with procedures acceptable to the Bank.

5. Procurement of Small Works

Works estimated to cost less than \$50,000 equivalent per contract, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Part C: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations 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 Review

With respect to each contract for goods and works estimated to cost the equivalent of \$100,000 or more, and the first procurement of goods or works in each of the first 10 clusters of Participating Villages, estimated to cost the equivalent of \$5,000 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

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 and revised in September 1997 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants Service Delivery Contractors

Community development facilitators under Part C. 4 of the Project shall be procured in accordance with procedures acceptable to the Bank.

Part D: Review by the 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 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 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 the said approval shall have been given.

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 Consultant Guidelines shall apply.

SCHEDULE 5

Implementation Program

Section A: Agencies and Institutions Responsible for Project Implementation

I. Project Coordination

The Borrower shall ensure that the following arrangements for Project coordination are maintained until completion of the Project:

1. The CGC shall be responsible for coordination of the Project at the central level and shall provide policy guidance. The CGC shall be chaired by BAPPENAS, through its Deputy for Regional Development. Members shall include the Ministry of Finance (Directorate General of Budget), Ministry of Home Affairs (BANGDA and Directorate General for Public Administration and Regional Autonomy (PUOD) and the Directorate General for Village Community Development), and the Ministry of Agriculture (Secretariat General and Agency for Agricultural Research and Development). BANGDA, through its Directorate of Area Development, shall be the Secretariat of the CGC.

2. BAPPEDA Tk. I shall be responsible, at the provincial level, for the coordination of Project activities with other relevant agencies of the Borrower.

3. BAPPEDA Tk. II in each Participating Kabupaten shall be responsible, at the Kabupaten level, for the coordination of Project activities with other relevant agencies of the Borrower.

4. The Pimpro at BAPPEDA Tk. I shall be responsible for the coordination of the Project at the provincial and Kabupaten levels.

5. The Pimpro at DPU Tk.I shall be responsible for the management of the field engineering services and the implementation of the training for field engineers.

6. In each Participating Kabupaten there shall be a Pimpro responsible for the coordination of Part A.1 of the Project and another Pimpro responsible for the coordination of Part B of the Project.

## II. Project Implementation

The Borrower shall ensure that the following arrangements for Project implementation are maintained until completion of the Project:

1. BAPPEDA Tk. I shall, not later than July 15, 1998, employ INPPTP, in accordance with Section II of Schedule 4 to this Agreement, to carry out the technology testing and monitoring under Part C of the Project.

2. PMD Tk. I shall be responsible for the dissemination of information under Part C.5 of the Project.

3. DPU Tk. II shall be responsible for the administration of Project activities under Part A.1 of the Project, including entering into village implementation agreements with LKMDs, and shall delegate technical and field work to field engineers.

4. BIPP in each Participating Kabupaten shall carry out the administration and supervision of Project activities under Part B.1, B.2, B.5 and B.6 of the Project.

5. The LKMD in each Participating Village shall implement Sub-projects approved for such Participating Village under Parts A.1 and B.1 of the Project.

### Section B: Implementation Actions under Parts A.1 and B.1 of the Project

1. The Borrower shall select a Participating Village under Parts A.1 and B.1 of the Project on the basis of the following criteria and procedures:

#### (a) Criteria:

- (i) the village is located in a Participating Kabupaten;
- (ii) the village has not been selected to participate under the Kerinci-Seblat Integrated Conservation and Development Project or the Tree Crops Subsector Project;
- (iii) priority shall be given to villages classified, by the Borrower's village surveys (Tipologi dan Klasifikasi Tingkat Perkembangan Desa Propinsi Bengkulu), in the highest categories of poverty; and
- (iv) selected villages shall be located in clusters of at least three villages.

#### (b) Procedures:

(i) Before July 31, 1998, BAPPEDAs Tk. II shall select the Participating Villages, such selection to be made from the list of villages agreed between the Borrower and the Bank, and taking into account the criteria described under paragraph 1 (a) of this Section; and BAPPEDA Tk. I shall furnish the consolidated list to the Bank for approval, by not later than August 1, 1998; and

(ii) Bupatis and Camats shall provide to the Participating Villages, by not later than September 30 of the year preceding the start of the activities under Parts A.1 and B.1 of the Project, and until completion of the Project, public information on aspects pertaining to the selection, design, preparation and implementation of Sub-projects, and the existence of the Guidelines for Project Implementation.

2. A proposed Sub-project selected by a Participating Village shall qualify as eligible for financing out of the proceeds of the Loan only if:

(a) the Sub-project proposed under Part A.1 of the Project is a public infrastructure investment project, as described in the Guidelines for Project Implementation, and is technically and environmentally viable, and economically justified by the number of beneficiaries;

(b) the Sub-project proposed under Part B.1 of the Project is a testing by pioneer farmers and replication of agricultural technologies which are technically and environmentally viable, as described in the Guidelines for Project Implementation;

(c) the estimated aggregate cost of: (i) the Sub-projects under Part A.1 of the Project in a Participating Village is not more than Rp. 90,000,000, including the proposed Sub-project; and (ii) the Sub-projects under Part B.1 of the Project in a Participating Village is not more than Rp. 90,000,000 including the proposed Sub-project; and

(d) the Sub-project proposal has been publicly discussed among, and agreed to by, the villagers in the Participating Village under the coordination of the Kepala Desa and LKMD.

3. The Borrower shall, through the relevant Pimpro, ensure that, prior to the carrying out of the Sub-project:

(a) for a Sub-project under Part A.1 of the Project, the field engineer shall have completed the technical review, and for a Sub-project under Part B.1 of the Project, the relevant BPP shall have completed the technical review; and

(b) the field engineer for a Sub-project under Part A.1 of the Project, and the relevant BPP for a Sub-project under Part B.1 of the Project, shall have confirmed the following:

(i) all selection criteria described under paragraph 2 of this Section have been complied with;

(ii) all necessary measures have been taken to avoid or minimize land acquisition and displacement of Affected Persons under the proposed Sub-project in accordance with the provisions of the Guidelines for Project Implementation, and the Guidelines for Compensation and Resettlement have been complied with, and, if applicable, appropriate compensation arrangements have been completed and are satisfactory to the Affected Persons as set forth under such Guidelines for Compensation and Resettlement and paragraph 5 below;

(iii) procurement of civil works, goods and services, has been carried out in accordance with the provisions of Schedule 4 to this Agreement and the provisions of the Guidelines for Project Implementation;

(iv) an implementation plan for the Sub-project has been prepared in accordance with the provisions of the Guidelines for Project Implementation; and

(v) a maintenance program for the works to be carried out under the public infrastructure Sub-project has been prepared in accordance with the Guidelines for Project Implementation which shall include assignment of maintenance responsibilities in the respective Participating Village, the preparation of training programs to strengthen the maintenance capabilities of the Participating Village, and the identification of available sources of financing to carry out such programs.

4. The Borrower shall cause the Participating Villages to carry out the Sub-projects selected in accordance with paragraph 3 of this Section for the respective Fiscal Year, in accordance with the Guidelines for Project Implementation.

5. In carrying out Part A.1 of the Project:

(a) the Borrower shall take measures to avoid or minimize the acquisition of land or assets of villagers and to avoid the displacement of said villagers;

(b) where the acquisition of land or assets or the displacement of villagers is unavoidable under a proposed Sub-project, the Borrower shall, before carrying out the works which would result in such acquisition or displacement, make available to such villagers, compensation in accordance with the Guidelines for Compensation and Resettlement; and

(c) in the event that two hundred or more villagers are adversely affected by a Sub-Project, the Borrower shall:

(i) prepare a resettlement plan in accordance with the Guidelines for Compensation and Resettlement and furnish such plan to the Bank for approval; and

(ii) prior to the carrying out of the Sub-project, ensure that all Affected Persons shall have been compensated in accordance with the provisions of said plan.

6. The Borrower shall:

(a) prepare Guidelines for Project Implementation for Fiscal Years 1999/2000 through 2003/2004 to assist the Participating Villages in the implementation of the Project, such Guidelines to include the description of, among others, procurement procedures and standard documentation, reporting requirements, the Project Performance Indicators, Guidelines for Compensation and Resettlement, environmental criteria applicable to Sub-project design, maintenance provisions for works to be carried out under Part A.1 of the Project and criteria for the selection of Sub-projects, and furnish such Guidelines for Project Implementation to the Bank for approval;

(b) issue the approved Guidelines for Project Implementation and ensure that, until completion of the Project, the Guidelines are made available to Participating Villages and applied in the carrying out of Sub-projects; and

(c) periodically update the Guidelines for Project Implementation, if needed, in consultation with the Bank.

7. The Borrower shall, by not later than May 1 in each Fiscal Year, cause DPU Tk. II (for Sub-projects under Part A.1 of the Project) and BIPP (for Sub-projects under Part B.1 of the Project) to select and employ, and, thereafter, maintain until the completion of the Project, qualified and experienced Pimpros, in adequate numbers. The Pimpro shall be responsible for assisting the LKMD in the record keeping of expenditures incurred by the Borrower during the implementation of the Project.

8. The Borrower shall cause each Participating Village to establish and maintain a revolving fund for purposes of replication activities under Part B.1 of the Project, in accordance with the guidelines set forth in the Guidelines for Project Implementation, such guidelines to include that funds for replication activities shall be on-lent to farmers on terms and conditions set forth in the Guidelines for Project Implementation.

#### Section C: Other Implementation Actions

1. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, 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 April 30, 2000, 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 June 30, 2000, 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.

2. The Borrower shall:

(a) not later than July 31, 1998, employ the consultants required for the carrying out of Part C.3 (b) of the Project; and

(b) not later than January 31, 1999, employ the consultants required for the carrying out of Part C.1 of the Project.

3. In carrying out Part C.6 of the Project, the Borrower shall, not later than October 31 in each year, commencing October 31, 1999, and until completion of the Project, carry out the Project beneficiaries' surveys and furnish the results of the surveys to the Bank for comments not later than three months after the completion of the surveys.

4. The Borrower shall carry out the training under Parts A.2, B.3, B.5 and C.3 of the Project in accordance with training programs acceptable to the Bank.

5. The Borrower shall provide the vehicles required under Parts B.5(b), B.7 and C.5 of the Project in accordance with a schedule agreed with the Bank.

#### SCHEDULE 6

##### Project Performance Indicators

1. Improved village infrastructure:

(a) Indicator: completion of infrastructure works in Participating Villages.

(b) Target:

(i) village infrastructure completed by the villagers themselves for at least 25 Participating Villages by March 31, 2000; and

(ii) village infrastructure completed by the villagers themselves for at least 166 Participating Villages by March 31, 2002.

2. Adoption of new agricultural technologies:

(a) Indicator: Number of farmers testing new agricultural technologies on their own plots.

(b) Target:

(i) at least 160 farmers conducted the testing on their own plots, by March 31, 2000; and

(ii) at least 1,800 farmers conducted the testing on their own plots, by March 31, 2002.

#### SCHEDULE 7

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (7) 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 \$1,200,000 to be withdrawn from the Loan Account and deposited into 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 \$600,000 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 \$2,400,000.

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 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 Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into 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;

(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.

