

CONFORMED COPY

LOAN NUMBER 2992 IND

Loan Agreement

(Tree Crops Human Resource Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated October 31, 1988

LOAN NUMBER 2992 IND

LOAN AGREEMENT

AGREEMENT, dated October 31, 1988, 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;

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

Standard Modification of General Conditions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

(a) "AAETE" means the Agency for Agricultural Education, Training and Extension in the Borrower's Ministry of Agriculture;

(b) "DGE" means the Directorate General of Estates in the Borrower's Ministry of Agriculture;

(c) "LPP" means a Lembaga Pendidikan Perkebunan, Estate Training Institute of the Borrower;

(d) "PIU" means the Project Implementation Unit referred to in paragraph 1 (b) of Schedule 5 of the Agreement;

(e) "tree crop sub sector" means, inter alia, the tree crops of rubber, oil palm, coconut and coffee; and

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

## 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 the Loan Agreement, an amount in various currencies equivalent to eighteen million four hundred thousand dollars (\$18,400,000).

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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in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

(b) The Borrower shall, for purposes of the Project, open and maintain in dollars a special account in the Bank of Indonesia on terms and conditions satisfactory to the Bank. Deposits, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1994 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 per cent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

(i) "Interest Period" means the six-month

period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.

- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on May 1 and November 1 in each year.

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

### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, educational, financial and training 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 Bank shall otherwise agree, procurement of the goods 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. Without limitation on the foregoing, the services of such consultants shall be rendered in accordance with a timetable satisfactory to the Bank.

### 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 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 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

##### Effective Date; 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 6.02. 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:

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

Cable address: Telex:

FINMINISTRY 44319  
DEPKU-IA  
Jakarata 45799 DJMLN-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: Telex:

INTBAFRAD 440098 (ITT)  
Washington, D.C. 248423 (RCA)  
or  
64145 (WUI)

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

By /s/ Russell Cheetham  
Acting Regional Vice President  
Asia

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Consultants	2,000,000	100%
(2) Overseas fellowships	1,700,000	100%

(3)	Training of trainers	300,000	100%
(4)	Local training (excluding con- sumable training materials)	11,300,000	100%
(5)	Equipment, vehicles, books and journals	1,700,000	100% of foreign expenditures, 95% of local expenditures (ex- factory cost) and 65% of local ex- penditures for
	other		items procured locally
(4)	Unallocated	1,400,000	
	TOTAL	18,400,000	

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; and

(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.

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

SCHEDULE 2

Description of the Project

The objective of the Project is to improve productivity in the tree crop sub sector by enhancing sub sector manpower planning capability and building sub sector capacity to develop its human resources .

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:

Strengthening the overall capacity of the DGE to plan, coordinate and monitor manpower and training for tree crop personnel by, inter alia: (a) establishing human resource development capacity within DGE; (b) providing improved managerial and technical support for field staff and small holders; (c) providing overseas fellowships, and management and technical training for about 50 DGE headquarters staff including six staff of the Secretariat General, MOA and for about 70 DGE headquarters staff, respectively; (d) carrying out a study to improve the existing management information system in DGE; and (e) provision, inter alia, of equipment, materials, vehicles, books and technical assistance.

Part B:

Strengthening training delivery capacity of DGE by, inter alia: (a) training about 50 trainers for AAETE and about 30 for LPP; (b) assisting LPP in carrying out a financial management training course; (c) institutional strengthening of the LPP Yogyakarta and Medan campuses; and (d) provision, inter alia, of equipment, vehicles, materials, books and technical assistance.

Part C:

1. Training for about 7,000 tree crop sub sector personnel, inter alia, in management, financial and technical areas in selected provinces, including Aceh, Bali, Bengkulu, Jambi, East Java, West Kalimantan, Lampung, Maluku, Riau, North Sulawesi, South Sulawesi, Central Sulawesi, North Sumatra and South Sumatra.
2. Training for about 17,500 farmer leaders in, inter alia, technical and leadership topics in selected provinces, including Aceh, Bali, Bengkulu, Jambi, East Java, West Kalimantan, Lampung, Maluku, Riau, North Sulawesi, South Sulawesi, Central Sulawesi, North Sumatra and South Sumatra.
3. Provision of equipment, materials and technical assistance for carrying out Parts C.1 and C.2 of the Project.

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The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (expressed in
May 1, 1994	340,000
November 1, 1994	350,000
May 1, 1995	365,000
November 1, 1995	380,000
May 1, 1996	395,000
November 1, 1996	410,000
May 1, 1997	425,000
November 1, 1997	440,000
May 1, 1998	455,000
November 1, 1998	475,000
May 1, 1999	495,000
November 1, 1999	510,000
May 1, 2000	530,000
November 1, 2000	550,000
May 1, 2001	570,000
November 1, 2001	595,000
May 1, 2002	615,000
November 1, 2002	640,000
May 1, 2003	665,000
November 1, 2003	690,000
May 1, 2004	715,000
November 1, 2004	740,000
May 1, 2005	770,000
November 1, 2005	800,000
May 1, 2006	830,000
November 1, 2006	860,000
May 1, 2007	895,000
November 1, 2007	930,000
May 1, 2008	965,000
November 1, 2008	1,000,000

TOTAL

18,400,000

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

Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

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

SCHEDULE 4

Procurement and Consultants' Services  
Section I. Procurement of Goods

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Equipment estimated to cost less than \$200,000



equivalent up to an aggregate amount not to exceed \$500,000 may be procured under contracts awarded on the basis of competitive bidding advertised locally, in accordance with procedures satisfactory to the Bank; provided however, that equipment estimated to cost less than \$20,000 equivalent up to an aggregate amount not to exceed \$200,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from at least three supplies eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Books and journals may be procured through direct purchase after negotiations with suppliers eligible under the Guidelines.

#### Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract estimated to cost the equivalent of \$200,000 or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c)(ii) of this Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

#### Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank 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 Bank in August 1981.

#### SCHEDULE 5

##### Implementation Schedule

1. The Borrower shall:

(a) maintain under the direction of the Borrower's Minister of Agriculture, a management Board with functions and responsibilities satisfactory to the Bank, including setting policies and providing guidelines for the Project Implementation Unit referred to in paragraph 1 (b) of this Schedule, such Board to include as members the Directors General of Estates, AAETE, Agency for Agricultural Research and development, the Secretary General of the Borrower's Minister of Agriculture and representatives of the Ministry of Finance and the National Planning Agency;

(b) maintain within the DGE, a Project Implementation Unit with functions and responsibilities satisfactory to the Bank, including preparing annual budgets, maintaining project accounts, engaging consultants, trainers and other staff, procuring equipment and managing approved funds for all Project activities, such Unit to be headed by a full-time Project Manager reporting directly to the Director General of Estates and provided with all such funds, staffing and other resources as shall be required to enable it to accomplish its purposes, including a human resources development group comprising a human resource development technical assistance team and about five full time staff seconded from DGE Directorates aimed at assisting in the preparation of manpower planning, training needs, and training coordination programs and procedures;

(c) by December 31 of each year, commencing on December 31, 1988, prepare and furnish to the Bank, for its review and comments, a proposed budgetary allocation for the various activities under the Project for the following Borrower's fiscal year, and, thereafter, taking into account the Bank's comments, if any, make the required budgetary allocations for the following fiscal year;

(d) by December 31 of each year, commencing on December 31, 1988, prepare and furnish to the Bank, for its review and comments, training programs including selection criteria and procedures, for the following Borrower's fiscal year, and, thereafter, taking into account the Bank's comments, carry out such training programs in a manner satisfactory to the Bank; and

(e) by December 31, 1990, prepare and furnish to the Bank, for its review and comments, detailed annual plans for carrying out the human resource development activities - other than the training activities - under Part A of the Project, and, thereafter, taking into account the Bank's comments, if any, implement such detailed annual plans.

#### SCHEDULE 6

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means all Categories 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 \$500,000 to be withdrawn from the Loan Account and deposited in the Special' Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Bank shall otherwise agree, 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 may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Bank requests for replenishment of the Special Account at such intervals as the Bank shall specify. On the basis of such requests, the Bank shall withdraw from the Loan Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made 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 the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Bank, prior to or at the time of such request, such documents and other evidence as the Bank shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Bank when either of the following situations first arises:

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

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

(b) 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 any expenditure or in any 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, 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. No further deposit by the Bank into the Special Account shall be made until the Borrower has made such deposit or refund.

(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 for crediting to the Loan Account.

