Development Credit Agreement
(Jatiluhur Irrigation Extension Project)

BETWEEN

REPUBLIC OF INDONESIA

AND

INTERNATIONAL DEVELOPMENT ASSOCIATION

DATED OCTOBER 3, 1974
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DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated October 3, 1974, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969, with the same force and effect as if they were fully set forth herein, subject, however, to the deletion of Sections 5.01 and 6.02(h) thereof and to the renumbering of Section 6.02(i) into 6.02(h) thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "Authority" means Perusahaan Umum Otorita Jatiluhur, a public corporation established by, and operating under, Government Regulation No. 20/1970 of the Borrower;

(b) "Extension Area" means an area of about 51,000 hectares under the command of the Jatiluhur Reservoir in the Bekasi District of the Province of West Java which is bounded by the Citarum River in the east and north, by the West Tarum Main Canal in the south and by the planned industrial and residential areas adjacent to the eastern border of the Special District of Jakarta and by fish ponds and swamp areas adjacent to the coast in the west;

(c) "Jatiluhur Project Area" means an area of about 237,000 hectares under the command of the Jatiluhur Reservoir in the Province of West Java and includes the Extension Area;

(d) "Prior Development Credit Agreements" means the development credit agreement (Irrigation Rehabilitation Project) No. 127 IND dated September 6,
1968, the development credit agreement (Second Irrigation Rehabilitation Project) No. 195 IND dated June 15, 1970, the development credit agreement (Third Irrigation Rehabilitation Project) No. 220 IND dated November 6, 1970 and the development credit agreement (Fourth Irrigation Rehabilitation Project) No. 289 IND dated March 9, 1972, all between the Borrower and the Association;

(e) "Policy Statement" means the Government Policy Statement on the operation of the Haji Juanda (Jatiluhur) Reservoir as approved by the Minister of State for Economy, Finance and Industry on May 17, 1973; and

(f) "IPEDA" means *Iuran Pembangunan Daerah*, contributions for regional development collected from owners of land, established and operating under Law No. 11/PRP/1959 of the Borrower.

**ARTICLE II**

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in the Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to thirty million dollars ($30,000,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule shall be amended from time to time, for expenditures made (or, if the Association 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 under the Development Credit Agreement; provided, however, that, except as the Association shall otherwise agree, no withdrawal shall be made on account of expenditures in the territories of any country which is not a member of the Bank (other than Switzerland) or for goods produced in, or services supplied from, such territories.

Section 2.03. Except as the Association shall otherwise agree, the goods and services (other than services of consultants) required for the Project and to be financed out of the proceeds of the Credit, shall be procured on the basis of international competition under procedures consistent with the Guidelines for Procurement under World Bank Loans and IDA Credits, published by the Bank in April 1972, as revised in October 1972, and in accordance with, and subject to, the provisions set forth in Schedule 3 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1980 or such other date as shall be agreed between the Borrower and the Association.
Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on April 15 and October 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each April 15 and October 15 commencing October 15, 1984, and ending April 15, 2024, each installment to and including the installment payable on April 15, 1994 to be one-half of one per cent (1/2 of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower shall carry out, or cause the Authority to carry out, the Project with due diligence and efficiency and in conformity with appropriate agricultural, economic, engineering and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

(b) Without limitation on the obligations of the Borrower under paragraph (a) of this Section, the Borrower shall ensure that sufficient liquid funds to cover the budgeted expenditures estimated by the Authority to be required for its respective Parts of the Project during each quarter shall be made available to the Authority not later than 15 days after the first day of each such quarter.

Section 3.02. (a) In order to assist in the preparation of plans, designs, specifications and contract documents for Part A of the Project and in the supervision of the construction thereof, in the preparation of specifications and contract documents for Part B of the Project, in the preparation of plans, designs and specifications for Part C of the Project, in the collection and analysis of data under Part D(iv) of the Project and in the implementation of the overseas and local training programs for Authority staff under Part D(ii)(a) of the Project, the Borrower shall cause the Authority to employ consultants acceptable to the Association upon terms and conditions satisfactory to the Association.
(b) Except as the Association shall otherwise agree, the Borrower shall employ, or cause to be employed:

(i) an irrigation operation and maintenance engineer by April 1, 1975, to assist in improving the Authority's operation and maintenance organization, in preparing operation and maintenance manuals for the Jatiluhur Project Area and in training the Authority's operation and maintenance staff, and

(ii) an agricultural extension service expert by April 1, 1975, to assist in carrying out Parts D(i), D(ii)(b) and (c) of the Project, both such persons to be acceptable to the Association and to be employed for a period of at least three years under contracts the terms and conditions of which are satisfactory to the Association.

Section 3.03. In carrying out Parts A(i) through (vi) of the Project, the Borrower shall employ, or cause the Authority to employ, contractors acceptable to the Association upon terms and conditions satisfactory to the Association.

Section 3.04. By September 30, 1975, or such other date as may be agreed between the Borrower and the Association, the Borrower shall carry out, in consultation with the Authority, Part D(v) of the Project and, after receiving the Association's comments thereon, the Borrower shall take such action as may be necessary for the timely implementation thereof.

Section 3.05. (a) The Borrower shall cause the Authority to construct the tertiary irrigation and drainage networks referred to in Part A(iv) of the Project.

(b) Without restricting its obligations under Section 4.05 of this Agreement, the Borrower shall ensure that adequate credit and agricultural inputs are made available to farmers in each tertiary unit to be constructed under Part A(iv) of the Project as soon as the tertiary irrigation and drainage networks in each such unit are completed and operating.

Section 3.06. (a) Within six months of the date upon which a swamp area is drained under Part A(v) of the Project, the Borrower shall carry out the cadastral mapping referred to in Part D(vi) of the Project for each such area.

(b) By December 31, 1976, or such other date as may be agreed between the Borrower and the Association, the Borrower shall determine, after consultation with the Association, the criteria to be applied to the selection of farmers who
are to be settled on the lands reclaimed under the Project and the time schedule for settlement thereon.

Section 3.07. (a) The Borrower undertakes to insure, cause the Authority to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Credit against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower or the Authority to replace or repair such goods.

(b) Except as the Association shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively for the Project.

Section 3.08. (a) The Borrower shall furnish, or cause the Authority to furnish, to the Association, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Association shall reasonably request.

(b) The Borrower: (i) shall maintain, and cause the Authority to maintain, separate records adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Credit, and to disclose the use thereof in the Project; (ii) shall enable the Association's accredited representatives to examine the Project, the goods financed out of the proceeds of the Credit and any relevant records and documents; and (iii) shall furnish, and cause the Authority to furnish, to the Association all such information as the Association shall reasonably request concerning the Project, the expenditure of the proceeds of the Credit and the goods and services financed out of such proceeds.

Section 3.09. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for carrying out Parts A and C of the Project.

Section 3.10. In carrying out Part D(i) of the Project, the Borrower shall ensure that such numbers of extension officers and agriculturalists as determined in the agricultural development program prepared under Part D(v) of the Project shall be working in the Jatiluhur Project Area, pursuant to the time schedule set out in said development program.
Section 3.11. Except as the Association shall otherwise agree, by June 30, 1975, the Borrower shall cause the Authority to make organizational changes pursuant to a reorganization plan agreed between the Borrower and the Association.

ARTICLE IV
Other Covenants

Section 4.01. (a) The Borrower shall maintain, and cause the Authority to maintain, respectively, separate records adequate to reflect in accordance with consistently maintained appropriate accounting practices (i) the operations, resources and expenditures, in respect of the part of the Project carried out by the Borrower, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof and (ii) the operation and financial condition of the Authority, in respect of the part of the Project carried out by the Authority.

(b) The Borrower shall cause the Authority to: (i) have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning the accounts and financial statements of the Authority and the audit thereof as the Association shall from time to time reasonably request.

Section 4.02. (a) The Borrower shall cause the Authority to operate and maintain all its works, plants, equipment and other facilities, including those which are included in the Project, and to make from time to time all necessary renewals, in accordance with appropriate agricultural, engineering, financial and public utility policies and practices and to take such action as shall be reasonably required to ensure the economic use of the water made available by such works for agricultural development.

(b) The Borrower shall ensure that the positions of President Director and Director of the Authority shall at all times be filled by qualified and experienced persons and, before an appointment is made to any such position, shall inform the Association of the name, qualifications and experience of the persons considered
for appointment to such position and afford the Association a reasonable opportunity to exchange views with the Borrower on the qualifications and experience of such persons.

Section 4.03. The Borrower shall cause the Authority to take out and maintain with responsible insurers, or to make other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

Section 4.04. (a) Except as the Association shall otherwise agree, notwithstanding the provisions of paragraph (b) of this Section, the Borrower shall, through the IPEDA, establish and thereafter maintain and collect, or cause to be established and thereafter maintained and collected, charges on irrigable agricultural land, or on the users of the land, serviced by the tertiary irrigation and drainage networks constructed under the Project, as each of such tertiary networks is completed, at such levels as shall be required to (i) cover all operation and maintenance costs of the Authority attributable to the provision of irrigation and drainage for such land, beginning two years after completion of such tertiary networks and (ii) recover over the useful life of the irrigation system a reasonable portion of the capital expenditures attributable to such system. To that end, operation and maintenance costs and capital expenditures for facilities and services which are common also to other water uses shall be apportioned among the various users in an equitable manner.

(b) In the event that the Authority has insufficient funds in any year to meet the operation and maintenance costs of the irrigation and drainage networks constructed under the Project, the Borrower shall provide, or cause to be provided, to the Authority such funds as may be necessary therefor.

Section 4.05. The Borrower shall ensure that adequate credit, extension services and agricultural inputs shall be provided to farmers in the Jatiluhur Project Area.

Section 4.06. Except as the Association shall otherwise agree, the Borrower shall cause the Province of West Java to adequately maintain and repair, as and when necessary, all roads constructed under Part A(vi) of the Project.

Section 4.07. By December 31, 1977, or such other date as may be agreed between the Borrower and the Association, the Borrower shall complete, or cause to be completed, the studies referred to in Part D(iv) of the Project and shall consult with the Association thereon. Upon completion of such consultations,
except as the Association shall otherwise agree, the Borrower shall ensure that the agreed on-farm development program is carried out in the Extension Area not later than four years after the completion of the works included in Parts A(i) through (vi) of the Project.

Section 4.08. The Borrower shall cause the Authority to establish and maintain an adequate program for monitoring the economic benefits of the Project and determining the effectiveness of the supporting services provided pursuant to Sections 3.05(b) and 3.10 of this Agreement.

ARTICLE V

Consultation, Information and Inspection

Section 5.01. The Borrower and the Association shall cooperate fully to assure that the purposes of the Credit will be accomplished. To that end, the Borrower and the Association shall from time to time, at the request of either party:

(a) exchange views through their representatives with regard to the performance of their respective obligations under the Development Credit Agreement, the administration, operations and financial condition of the Authority and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any Part of the Project, and other matters relating to the purposes of the Credit; and

(b) furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, including its balance of payments, and the external debt of the Borrower, of any of its political subdivisions and of any agency of the Borrower or of any such political subdivision.

Section 5.02. (a) The Borrower shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the administration, operations and financial condition of the Authority and, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out any part of the Project.

(b) The Borrower and the Association shall promptly inform each other of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit, the maintenance of the service
thereof or the performance by either of them of its obligations under the Development Credit Agreement.

Section 5.03. The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

ARTICLE VI

Taxes and Restrictions

Section 6.01. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.02. The Development Credit Agreement shall be free from any taxes on or in connection with the execution, delivery or registration thereof, imposed under the laws of the Borrower or laws in effect in its territories.

Section 6.03. The payment of the principal of, and service charges on, the Credit shall be free from all restrictions, regulations, controls and moratoria of any nature imposed under the laws of the Borrower or laws in effect in its territories.

ARTICLE VII

Remedies of the Association

Section 7.01. If any event specified in Section 7.01 of the General Conditions or in Section 7.03 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately together with the service charges thereon, and upon any such declaration such principal and service charges shall become due and payable immediately, anything to the contrary in the Development Credit Agreement notwithstanding.

Section 7.02. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified:

(a) Government Regulation No. 20/1970 of the Borrower or any provision thereof shall have been repealed, waived or amended so as to materially and
adversely affect the carrying out of the Project or the efficient operation of the Authority; and

(b) the Policy Statement shall have been amended without the prior agreement of the Association.

Section 7.03. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified, namely that either event specified in Section 7.02 of this Agreement shall occur.

ARTICLE VIII

Amendment of Prior Development Credit Agreement

Section 8.01. Section 4.03 of Prior Development Credit Agreement No. 195 IND is hereby amended by deleting said Section and substituting therefor the following:

"Section 4.03. (a) Except as the Association shall otherwise agree, notwithstanding the provisions of paragraph (b) of this Section, the Borrower shall, through the IPEDA, establish and thereafter maintain and collect, or cause to be established and thereafter maintained and collected, charges on irrigable agricultural land, or on the users of the land, serviced by the tertiary irrigation and drainage networks constructed under the Project, as each of such tertiary networks is completed, at such levels as shall be required to (i) cover all operation and maintenance costs of the Authority attributable to the provision of irrigation and drainage for such land, beginning two years after completion of such tertiary networks and (ii) recover over the useful life of the irrigation system a reasonable portion of the capital expenditures attributable to such system. To that end, operation and maintenance costs and capital expenditures for facilities and services which are common also to other water uses shall be apportioned among the various users in an equitable manner.

(b) In the event that the Authority has insufficient funds in any year to meet the operation and maintenance costs of the irrigation and drainage networks constructed under the Project, the Borrower shall provide, or cause to be provided, to the Authority such funds as may be necessary therefor."
ARTICLE IX

Effective Date; Termination

Section 9.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 10.01(b) of the General Conditions, namely that the consultants referred to in Section 3.02(a) of this Agreement have been appointed.

Section 9.02. The date January 10, 1975 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 9.03. The obligations of the Borrower under Article IV and Sections 7.02 and 7.03 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on a date twenty-five years after the date of this Agreement, whichever shall be the earlier.

ARTICLE X

Representative of the Borrower; Addresses

Section 10.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 10.02. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Post Office Box 21
Jakarta, Indonesia

Cable address:

Ministry Finance
Jakarta

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
Cable address:

INDEVAS
Washington, D.C.

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

REPUBLIC OF INDONESIA

By /s/ Ali Wardhana

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Bernard R. Bell

Regional Vice President
East Asia and Pacific
## SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civil Works</td>
<td>19,400,000</td>
<td>55% of total expenditures</td>
</tr>
<tr>
<td>Equipment and Vehicles</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>(a) Directly imported</td>
<td></td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(b) Locally manufactured</td>
<td></td>
<td>95% of local expenditures (ex-factory)</td>
</tr>
<tr>
<td>(c) Imported goods procured locally</td>
<td></td>
<td>65% of local expenditures</td>
</tr>
<tr>
<td>Consultants' Services and Training</td>
<td>2,400,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>Unallocated</td>
<td>7,800,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>30,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

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

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

(c) the term "total expenditures" means the aggregate of foreign and local expenditures.

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

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

(b) payments for taxes imposed directly under the laws of the Borrower or laws in effect in its territories on goods or services, or on the importation, manufacture, procurement or supply thereof. To the extent that the amount represented by the percentage set forth in the third column of the table in paragraph 1 above in respect of any Category would exceed the amount payable net of all such taxes, such percentage shall be reduced to ensure that no proceeds of the Credit will be withdrawn on account of payments for such taxes.

4. Notwithstanding the allocation of an amount of the Credit set forth in the second column of the table in paragraph 1 above:

(a) if the estimate of the expenditures under any Category shall decrease, the amount of the Credit then allocated to such Category and no longer required therefor will be reallocated by the Association by increasing correspondingly the unallocated amount of the Credit; and

(b) if the estimate of the expenditures under any Category shall increase, the percentage set forth in the third column of the table in paragraph 1 above in respect of such expenditures shall be applied to the amount of such increase, and a corresponding amount will be allocated by the Association, at the request of the Borrower, to such Category from the unallocated amount of the Credit, subject, however, to the requirements for contingencies, as determined by the Association, in respect of any other expenditures; and
(c) if the Association shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, no expenditures for such item shall be financed out of the proceeds of the Credit and the Association may, without in any way restricting or limiting any other right, power or remedy of the Association under the Development Credit Agreement, by notice to the Borrower, cancel such amount of the Credit as in the Association's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Credit.

5. Notwithstanding the percentages set forth in the third column of the table in paragraph 1 above, if the estimate of total expenditures under Category 1 shall increase and no proceeds of the Credit are available for reallocation to such Category, the Association may, by notice to the Borrower, adjust the percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.
SCHEDULE 2

Description of the Project

The Project is part of the Borrower's program to increase agricultural production. It consists of the following Parts:

Part A: Civil Works

(i) Rehabilitation of about 115 kilometers of the existing flood embankments on both banks of the Citarum River;

(ii) Construction of a major flood diversion channel of a length of about 26 kilometers to evacuate flood waters from the Cikarang and Bekasi Rivers to the Java Sea and related control structures;

(iii) Construction of about 270 kilometers of secondary irrigation canals and about 300 kilometers of secondary drainage canals to serve the Extension Area;

(iv) Construction of about 500 kilometers each of tertiary irrigation and drainage networks;

(v) Reclamation of about 4,000 hectares of uninhabited swamp land for agricultural purposes;

(vi) Construction of about 170 kilometers of new feeder roads between farms and large marketing centers in the Extension Area; and

(vii) Construction of office buildings, stores, staff housing and rural agricultural extension centers.

Part B: Equipment and Vehicles

Purchase and utilization of equipment and vehicles for the supervision of construction and agricultural extension services.

Part C: Pilot On-Farm Development

On about 4,000 hectares of the areas rehabilitated under the Prior Development Credit Agreements and about 1,000 hectares of the Extension
Area, design and construction of pilot on-farm development works consisting of tertiary and quaternary irrigation and drainage canals with related control structures; land levelling, where necessary; farm roads; and to the extent possible, land consolidation.

Part D: Agricultural Extension Services, Training and Studies

(i) Upgrading and expansion of the agricultural extension services in the Jatiluhur Project Area;

(ii) (a) Overseas and local training of Authority staff, (b) overseas and local training of agriculturalists and agricultural extension officers, and (c) local training of selected farmers from the Extension Area;

(iii) Detailed survey and evaluation of the present and projected financial situation of small farmers, landlords and sharecroppers in the Extension Area;

(iv) Studies based on Part C of the Project to determine the degree of on-farm development and farmer participation to be adopted in the Jatiluhur Project Area and other areas of the Borrower;

(v) Preparation of a long-term agricultural development program for farmers in the Jatiluhur Project Area; and

(vi) Cadastral mapping of the swamp lands in the Extension Area to be drained and reclaimed under Part A(v) of the Project.

* * *

The Project is expected to be completed by December 31, 1979.
SCHEDULE 3

Procurement

A. Contracts Governed by Guidelines

1. Bidders for civil works contracts shall be required to prequalify. The Borrower shall, before qualification is invited, inform the Association in detail of the procedure to be followed and shall introduce such modifications in said procedure as the Association shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and of the reasons for the exclusion of any applicant for prequalification, shall be furnished by the Borrower to the Association for its comments before the applicants are notified and the Borrower shall make such additions to or deletions from the said list as the Association shall reasonably request.

2. With respect to any contract for equipment or vehicles estimated to cost the equivalent of $25,000 or more, and with respect to any contract for civil works under Part A of the Project estimated to cost the equivalent of $200,000 or more:

   (a) Before bids are invited, the Borrower shall furnish to the Association, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedure as the Association shall reasonably request. Any further modification to the bidding documents shall require the Association's concurrence before it is issued to the prospective bidders.

   (b) Immediately after the bids are opened, the Borrower shall furnish to the Association a list of the bidders and the respective amounts of each bid.

   (c) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.02(a) of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants, and the reasons for the intended award. The Association shall, if it determines that the intended award would be inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.
(d) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(e) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.

3. (a) With respect to any other contract for equipment or vehicles, the Borrower shall furnish to the Association, promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, the Borrower may procure items of equipment or vehicles estimated to cost less than $5,000 each without resort to international competition, provided that (i) such items of equipment or vehicles are procured on a basis of reasonable and competitive procurement procedures, including but not limited to the solicitation of not less than three price quotations and (ii) the total cost of items of equipment and vehicles procured pursuant to this sub-paragraph does not exceed a maximum amount of the equivalent of $50,000.

(c) Notwithstanding the provisions of paragraphs 1 and 2 of this Part, the Borrower may award contracts for the civil works included in Part A(vii) of the Project on the basis of local competitive bidding, which shall include, but not be limited to, the solicitation of not less than three price quotations. With respect to any contract included in this sub-paragraph, the Borrower shall furnish to the Association, promptly after its execution and prior to the delivery to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract, two conformed copies of such contract, together with the analysis of bids or price quotations, recommendations for award and such other information as the Association shall reasonably request. The Association shall, if it determines that the award of the contract is not consistent with the procedures set forth or referred to in this sub-paragraph, promptly inform the Borrower and state the reasons for such determination.
4. (a) The Borrower shall group the civil works under Parts A(i) through (vi) of the Project into about four groups of relatively equal size.

(b) To the extent possible, the Borrower shall group contracts for similar items of equipment or similar vehicles.

B. Supplemental Rules on Bid Evaluation and Comparison

1. For the purpose of evaluation and comparison of bids for equipment and vehicles, customs duties and other import taxes on imported goods, and sales and similar taxes on locally supplied goods, shall be excluded, except to the extent hereinafter provided. Bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for locally manufactured goods. The cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be taken into account in the evaluation of bids in accordance with paragraph 4.7 of the Guidelines for Procurement referred to in Section 2.03 of this Agreement.

2. For equipment and vehicles included in Category 2 of paragraph 1 of Schedule 1 to this Agreement, the Borrower may grant a margin of preference to goods manufactured in Indonesia in accordance with, and subject to, the following provisions:

(a) After evaluation, responsive bids will be classified in one of the following groups:

(1) *Group A*: bids offering goods manufactured in Indonesia if the bidder shall have established to the satisfaction of the Borrower and the Association that the manufacturing cost of such goods includes a value added in Indonesia equal to at least 20% of the ex-factory bid price of such goods.

(2) *Group B*: bids offering goods manufactured in Indonesia other than bids classified in Group A.

(3) *Group C*: bids offering any other goods.

(b) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes in goods to be imported and any sales or similar taxes on goods to be supplied locally, to determine the lowest evaluated bid of each group. The lowest evaluated bids of each group
shall then be compared with each other and if, as a result of this comparison, a bid from Group A or Group B is the lowest, it shall be selected for purposes of award.

(c) If, as a result of the comparison under paragraph (b) above, the lowest bid is a bid from Group C, all Group C bids shall be further compared with the lowest bid from Group A, as determined under paragraph (b) above, after adding to the c.i.f. bid price of goods to be imported offered in each Group C bid, for the purpose of this further comparison only, an amount equal to the smaller of (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of goods offered in such Group C bid, or (ii) 15% of the c.i.f. bid price of such goods. If the Group A bid in such further comparison is the lowest, it shall be selected for purposes of award; if not, the lowest bid from Group C, as determined under paragraph (b) above, shall be selected for purposes of award.

3. The bidding documents shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the methods and stages that will be followed in the evaluation and comparison of bids to give effect to such preference.

C. Evaluation and Comparison of Bids for Civil Works; Preference for Domestic Contractors

1. With respect to any contract for civil works included under Category 1 of the table set forth in Schedule 1 to this Agreement, the Borrower may grant a margin of preference of 7-1/2% to domestic contractors, as determined by the Borrower, in accordance with, and subject to, the following provisions:

(a) Contractors shall be required to prequalify as provided in Part A(1) of this Schedule and applicants for qualification applying also for such preference shall be asked to provide, as part of the information for qualification, such information, including details of ownership, as shall be required to determine whether, according to the classification established by the Borrower pursuant to criteria set by the Association, a particular firm or group of firms qualifies for a domestic preference. The bidding documents shall clearly indicate the preference and the method that will be followed in the evaluation and comparison of bids to give effect to such preference.

(b) After bids have been received and reviewed by the Borrower, responsive bids will be classified into the following groups:
(i) bids offered by domestic contractors eligible for preference; and

(ii) bids offered by other contractors.

For the purpose of evaluation and comparison of bids an amount equal to 7-1/2% of the bid amount shall be added to bids received under group (ii) above.

(c) After bids have been evaluated, the Borrower shall, before a final decision on the award is made, inform the Association of the name of the bidder to whom it intends to award the contract and shall furnish to the Association, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, together with the reasons for the intended award. The Association shall, if it determines that the intended award would be inconsistent with the procedures set forth or referred to in Section 2.03 of this Agreement, promptly inform the Borrower and state the reasons for such determination.

(d) The terms and conditions of the contract shall not, without the Association's concurrence, materially differ from those on which bids were asked.

(e) Two conformed copies of the contract shall be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of any such contract.