Loan Agreement

(Second Population Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 6, 1977
LOAN AGREEMENT

AGREEMENT, dated July 6, 1977, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).
ARTICLE 1
General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank 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) "NFPCB" means the Borrower's National Family Planning Coordinating Board established and operating pursuant to the Borrower's Presidential Decision No. 33 dated April 18, 1972; and

(b) "Kecamatan" means an administrative subdivision of a Kabupaten (administrative subdivision of a Province).
ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to twenty-four million five hundred thousand dollars ($24,500,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, 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.

Section 2.03. Except as the Bank shall otherwise agree, contracts for the purchase of goods or for civil works required for the Project and to be financed out of the proceeds of the Loan, shall be let in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be April 30, 1983 or such later date as the Bank shall otherwise establish. The Bank shall promptly notify the Borrower of such later date.
Section 2.05. 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 2.06. The Borrower shall pay interest at the rate of eight and two-tenths per cent (8.20%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on February 15 and August 15 in each year.

Section 2.08. 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. The Borrower shall carry out the Project through its NFPCB with due diligence and efficiency and in conformity with appropriate administrative, financial, technical, engineering, public health and family planning practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.

Section 3.02. In order to assist the Borrower in carrying out the Project, the Borrower shall employ experts and architectural consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

Section 3.03. The Borrower shall make arrangements satisfactory to the Bank to monitor from time to time the maintenance and operation of the vehicles provided under the Project during the Project implementation period.

Section 3.04. The Borrower shall, not later than four months after the end of each fiscal year of the Borrower until the completion of the Project, submit to the Bank for review a detailed report on the progress of the study included in Part D.1 of the Project and consult the Bank on the adequacy of the scope and form of such study.
Section 3.05. The Borrower shall, (a) within twenty months after the commencement, and (b) within three months after the completion, of the study included in Part D.2 of the Project, (i) submit to the Bank for review detailed reports on (A) the progress of such study, and (B) the oral contraceptive needs and sources of supply for the Borrower's family planning program, and (ii) consult the Bank on the technical and economic desirability of continuing such study.

Section 3.06. (a) The Borrower undertakes to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan 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 to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project until its completion.

Section 3.07. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and work and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.
(b) The Borrower: (i) shall maintain 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 Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.08. (a) The Borrower shall take or cause to be taken all such actions as shall be necessary to acquire not later than October 31, 1977, or such other date as shall be agreed with the Bank, all such land and rights in respect of land as shall be required for the construction and operation of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project;
(b) the Borrower shall submit to the Bank for approval its proposals for the locations of the Provincial Family Planning Training Centers and the NFPCB provincial offices referred to in Part C of the Project.

Section 3.09. Pursuant to Section 3.01 of this Agreement, the Borrower shall provide to the boundary of each site as necessary, connecting roads, sewerage, power, water and other supporting facilities for the constructions included in the Project.

Section 3.10. In order to assist NFPCB in carrying out the civil works included in the Project, the Borrower shall cause NFPCB to appoint, on a full-time basis, not later than October 31, 1977 or such other date as shall be agreed with the Bank, qualified and experienced officers in adequate numbers, including at least one construction coordinator, two engineers, four job captains, two draftsmen and the necessary supporting clerical staff.
ARTICLE IV
Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.
(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. (a) The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained 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 cause NFPCB to: (i) have its accounts established for the purposes of the Project audited for each fiscal year of the Borrower, 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, (A) certified copies of said accounts 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 Bank shall have reasonably requested; and (iii) furnish to the Bank such other information concerning the said accounts and the audit thereof as the Bank shall from time to time reasonably request.
ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional event is specified pursuant to paragraph (k) thereof, namely, that, the Borrower's Presidential Decision No. 33 dated April 18, 1972 shall have been amended, suspended, abrogated, repealed or waived, so as to materially and adversely affect the conduct of NFPCB's operations or its financial condition or the performance of NFPCB's obligations under this Agreement.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional event is specified pursuant to paragraph (h) thereof, namely, that the event specified in Section 5.01 of this Agreement shall occur.
ARTICLE VI

Termination

Section 6.01. The date October 6, 1977, is hereby specified for the purposes of Section 12.04 of the General Conditions.
ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. 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 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance
P.O. Box 21
Jakarta
Indonesia

Cable address:

Ministry Finance
Jakarta

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.
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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/ Roesmin Nurjadin
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ S. Shahid Husain
Regional Vice President
East Asia and Pacific
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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works</td>
<td>7,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Furniture, equipment and materials</td>
<td>3,900,000</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>(3) Vehicles</td>
<td>3,500,000</td>
<td></td>
</tr>
<tr>
<td>(a) directly imported</td>
<td></td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(b) locally assembled</td>
<td></td>
<td>40% of local expenditures</td>
</tr>
<tr>
<td>(4) Consultants' and experts' services and fellowships</td>
<td>1,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>-----------------------------------------------------------</td>
<td>-------------------------------------------------------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>(5) Operational costs of studies, workshops and seminars</td>
<td>3,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(6) Preparation, production and costs of training aids</td>
<td>1,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(7) Unallocated</td>
<td>3,300,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>24,500,000</td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule:

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

   (b) the term "local expenditures" means expenditures in the currency of the Borrower and for goods or services supplied from the territory of the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. 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.
5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
SCHEDULE 2

Description of the Project

The Project is designed to support the Borrower's family planning program to reduce the rate of population growth in the Borrower's territory. The Project consists of the following parts:

Part A:

Provision of: (1) about 274 four-wheel drive vehicles and about eight motorboats equipped to provide family planning and health services; (2) about 1,661 motorcycles equipped with IUD and public health nurse kits; and (3) IUD and public health nurse kits for about 1,405 motorcycles now in use without kits.

Part B:

Carrying out of a program designed to complete the integration of population education into the Borrower's formal school curricula and non-formal education programs through the development of education materials and the organization of seminars and workshops.

Part C:

1. Construction, staffing and operation of the NFPCB's Education and Training Bureau and staff housing in Jakarta and a Provincial Family Planning Training Center and staff housing in each of the following provinces:
Aceh, North, West and South Sumatra, Lampung, West and South Kalimantan, North and South Sulawesi and West Nusatenggara.

2. Construction, staffing and operation of 10 NFPCB provincial offices on the same sites as the Provincial Family Planning Training Centers referred to in Part C.1 of the Project.

3. Provision of equipment, materials, furniture and vehicles for Parts C.1 and C.2 of the Project.

Part D:

1. Carrying out of a pilot community incentive scheme in Java, Bali, North Sumatra and South Sulawesi designed to promote family planning.

2. Carrying out of a study of the feasibility of providing raw materials for local oral contraceptive production from botanical material available in the Borrower's territory.

3. Provision of equipment and materials for Part D.2 of the Project.

Part E:

1. Technical assistance for Parts B, C and D of the Project.

2. Fellowships for Parts B, C and D.2 of the Project.

* * *

The Project is expected to be completed by October 31, 1982.
SCHEDULE 3
Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>beginning August 15, 1982 through February 15, 1997</td>
<td>790,000</td>
</tr>
<tr>
<td>On August 15, 1997</td>
<td>800,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
## Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1.25%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2.45%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>4.50%</td>
</tr>
<tr>
<td>More than eleven years but not more than sixteen years before maturity</td>
<td>6.55%</td>
</tr>
<tr>
<td>More than sixteen years but not more than eighteen years before maturity</td>
<td>7.40%</td>
</tr>
<tr>
<td>More than eighteen years before maturity</td>
<td>8.20%</td>
</tr>
</tbody>
</table>
A. International Competitive Bidding

Contracts for the purchase of vehicles shall be procured in accordance with procedures consistent with those set forth in Part A of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in March 1977 (hereinafter called the Guidelines) including the pertinent provisions of the General Introduction thereto, on the basis of international competitive bidding.

B. Other Procurement Procedures

1. Contracts for furniture, equipment and materials procured in packages and contracts for civil works shall be let on the basis of competitive bidding advertised locally, under procedures acceptable to the Bank.

2. The Borrower may procure items of furniture, equipment and materials in packages estimated to cost less than the equivalent of $10,000 without resort to competitive bidding advertised locally, provided that: (i) such items are procured on a basis of reasonable and competitive procurement procedures; and (ii) the total cost of such items procured pursuant to this paragraph does not exceed a maximum amount of the equivalent of $200,000.
C. Evaluation and Comparison of Bids for Vehicles; Preference for Domestic Manufacturers

1. For the purpose of evaluation and comparison of bids for the supply of vehicles: (i) 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 domestically manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) 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 included.

2. Goods manufactured in the Republic of Indonesia may be granted a margin of preference in accordance with, and subject to, the following provisions:

   (a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

   (b) After evaluation, responsive bids will be classified in one of the following three groups:
(1) **Group A**: bids offering goods manufactured in the Republic of Indonesia if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in the Republic of Indonesia equal to at least 20% of the ex-factory bid price of such goods.

(2) **Group B**: all other bids offering goods manufactured in the Republic of Indonesia.

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

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids 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 the award.

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

D. Review of Procurement Decisions by the Bank

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

1. With respect to contracts for furniture, equipment and materials in packages estimated to cost the equivalent of $50,000 or more and all civil works contracts:

   (a) Before bids are invited, the Borrower shall furnish to the Bank, 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 procedures as the Bank shall reasonably request. Any further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.
(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report on the evaluation and comparison of the bids received, and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

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

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

2. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in
respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.