
February 19, 2002

His Excellency
Dr. Boediono
Minister of Finance
Department of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710

Dear Mr. Minister:

Re: Loan Number 4125-IND
(Intensified Iodine Deficiency Control Project)
Amendments to the Loan Agreement

We refer to the Loan Agreement (Intensified Iodine Deficiency Control Project) between the Republic of Indonesia (the Borrower) and the International Bank for Reconstruction and Development (the Bank) dated January 15, 1997. We also refer to your Ministry's letters dated December 10 and December 19, 2001, requesting amendments to the Loan Agreement.

The Bank is pleased to inform you that, after due consideration, it has agreed to the requests for amendment of the Loan Agreement.

1. Section 1.02 of the Loan Agreement is amended by adding a new sub-paragraph (i) as follows:

   "(i) "IDD Grant" means a grant made available by the Borrower out of the proceeds of the Loan to a Kabupaten Government under Part C.4 (c) of the Project;"

2. Section 2.02 (a) of the Loan Agreement is amended to read:

   "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 (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of an IDD Grant made under Part C.4 (c) of the Project, to meet the reasonable cost of goods and services required by a Kabupaten Government and in respect of which the withdrawal from the Loan Account is requested; and (ii) 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 (other than Part C.4 (c) of the Project) and to be financed out of the proceeds of the Loan."

3. Section 2.03 of the Loan Agreement is amended to read:

   "Section 2.03. The Closing Date shall be December 31, 2003, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date."
4. Schedule 1 to the Loan Agreement is amended to read as follows:

"1. The table 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 Dollars Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Equipment</td>
<td>600,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures other items procured locally</td>
</tr>
<tr>
<td>(2) Information, education and communication, and instructional materials</td>
<td>1,700,000</td>
<td>70%</td>
</tr>
<tr>
<td>(3) Monitoring, surveys and research</td>
<td>6,900,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Training:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Overseas training and fellowships</td>
<td>1,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(b) Local training, fellowships and workshops</td>
<td>2,550,000</td>
<td>70%</td>
</tr>
<tr>
<td>(5) Project administration</td>
<td>730,000</td>
<td>70%</td>
</tr>
<tr>
<td>(6) Operating costs:</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) incurred in FY 1996/97 and FY 1997/98</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>(b) incurred in FY 1998/99 and FY 1999/2000</td>
<td>600,000</td>
<td></td>
</tr>
<tr>
<td>(c) incurred in FY 2001/01 and thereafter</td>
<td>740,000</td>
<td></td>
</tr>
</tbody>
</table>
Amount of the Loan Allocated
(Expressed in Dollars Equivalent) % of Expenditures to be Financed

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of Loan Allocated</th>
<th>% of Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>(7) Services under Part C.4 (a) and (b) of the Project</td>
<td>1,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(8) Consultants' services</td>
<td>480,000</td>
<td>80%</td>
</tr>
<tr>
<td>(9) Unallocated</td>
<td>-0-</td>
<td></td>
</tr>
<tr>
<td>(10) IDD Grants</td>
<td>2,100,000</td>
<td>100% of Grant amount disbursed</td>
</tr>
</tbody>
</table>

Canceled as of August 26, 1998: 2,500,000
Canceled as of December 13, 1999: 6,500,000
Canceled as of December 10, 2001: 700,000

TOTAL: 28,500,000

5. Paragraph 4 of Schedule 1 to the Loan Agreement is amended to read:

"4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for: (a) goods costing less than $200,000 equivalent; (b) monitoring, surveys and research, (c) training, (d) Project administration and Operating costs, (e) IDD Grants, and (f) the employment of consulting firms costing less than $100,000 equivalent, and individual consultants costing less than $50,000 equivalent; all under such terms and conditions as the Bank shall specify by notice to the Borrower.

6. Part C.4 of the Project is amended by adding a new paragraph (c) as follows:

"(c) Provision of IDD Grants to selected Kabupaten Governments for the financing of activities which: (i) result in an increased consumption of iodine through an increased consumption of iodized salt or iodized oil; and (ii) in salt producing areas, result in an increase in the share of iodized salt within total salt output.

7. Paragraph B.2 of Section I of Schedule 4 to the Loan Agreement is amended to read:

"2. National Shopping

Goods estimated to cost less than $25,000 equivalent per contract, up to an aggregate amount not to exceed $700,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines."
8. Schedule 5 to the Loan Agreement is amended by adding a new paragraph 11 as follows:

"11. In carrying out Part C.4 (c) of the Project, the Borrower undertakes that, unless the Bank shall otherwise agree, IDD Grants will be provided in accordance with the procedures and on the conditions set forth or referred to in Schedule 8 to the Loan Agreement."

9. Paragraph 1 (a) of Schedule 7 is amended to read:

"(a) the term "eligible Categories" means Categories (1) through (8) and Category (10) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;"

10. A new Schedule 8 to the Loan Agreement is added as follows:

"SCHEDULE 8

Procedures and Conditions for IDD Grants

1. IDD Grants, as described in Part C.4 (c) of Schedule 2 to this Agreement, shall be made on terms whereby the Borrower shall obtain, by written agreement with each of the Kabupaten Governments or by other appropriate legal means, rights adequate to protect the interests of the Borrower and the Bank, including the right to:

(a) require that the goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Agreement;

(b) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and services financed by the Grant, and any relevant records and documents; and

(c) suspend or terminate the right of the Kabupaten Government to the use of the proceeds of the IDD Grant, upon failure by such Kabupaten Government to perform its obligations under its agreement with the Borrower.

2. The Borrower shall, for purposes of Part C.4 (c) of the Project, select Kabupaten Governments on the basis of criteria acceptable to the Bank, including (i) Kabupaten where the salt producers and have low consumption levels of iodized salt; and (ii) Kabupatenens where iodine deficiency is highly endemic.

3. Grants shall be used exclusively for expenditures by Kabupaten Governments for the acquisition of goods and services related to (i) increasing the consumption of iodized salt; (ii) increasing the supply of iodized salt; and (iii) the provision of iodized oil capsules; but excluding taxes, salaries, and vehicles.

4. Except as the Bank shall otherwise agree, the IDD Grant per Kabupaten Government shall not be more than Rp. 500,000,000 per year."
February 19, 2002

Except as specifically amended hereby, all other provisions of the Loan Agreement remain in full force and effect. The above amendment shall enter into effect on the date of the Borrower's countersignature of this letter.

Please confirm your agreement to the foregoing by signing and dating the enclosed duplicate of this letter in the space provided, and by returning it to us.

Yours sincerely,

Mark Baird
Country Director, Indonesia

AGREED:
REPUBLIC OF INDONESIA

By
Authorized Representative

Date: March 18, 2002

cc: Mr. Freddy Tulung, Director, Directorate of Multilateral Foreign Coop., BAPPENAS
Mr. Edi Karsanto, Director of External Funds, MOF
Mr. Azrul Azwar, Director General, Community of Health, MOH
Mrs. Arum Atmawikarta, Director, Directorate for Health & Nutrition, BAPPENAS
Mrs. Rachmi Untoro, Project Manager, MOH