

CONFORMED COPY

LOAN NUMBER 4712-IND

Loan Agreement

(Java-Bali Power Sector Restructuring and Strengthening Project)

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated October 1, 2003

LOAN NUMBER 4712-IND

LOAN AGREEMENT

AGREEMENT, dated October 1, 2003, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist in the financing of the Project;

(B) Part A of the Project will be carried out by PT Perusahaan Listrik Negara (PLN) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to PLN, as set forth in this Agreement; and

(C) Part B of the Project will be carried out by PT Perusahaan Gas Negara (PGN) with the Borrower's assistance and, as part of such assistance, the Borrower will make part of the proceeds of the loan provided for in Article II of this Agreement (the Loan) available to PGN, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement and in the agreement of even date herewith between the Bank and PGN (the PGN Project Agreement) and in the agreement of even date herewith between the Bank and PLN (the PLN Project Agreement);

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995 (as amended through October 6, 1999) (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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Displaced Person” means a person who, on account of the execution of Part A of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons;

(b) “Electricity Law” means the Borrower’s Act No. 20/2002 dated September 23, 2002;

(c) “Electricity Market Supervisory Agency” means the agency to be established under the Borrower’s Electricity Law and having the independent authority and responsibility to regulate and supervise the electricity industry;

(d) “Financial Monitoring Report” and “FMR” mean each report prepared in accordance with Section 4.02 of the PGN Project Agreement and Section 4.02 of the PLN Project Agreement;

(e) “kV” means Kilovolt;

(e) “MVA” means Megavolt Ampere;

(f) “Oil and Gas Law” means the Borrower’s Act No. 22/2001 dated November 23, 2001;

(g) “PGN Governing Laws” means the Borrower’s Act No. 19 of 1960, Law No. 9 of 1969, Government Regulation No. 27 of 1984, and Government Regulation No. 37 of 1994, and includes any other laws and regulations governing the organization, reorganization, restructuring and operations of PGN, as any of them may be amended or supplemented from time to time;

(h) “PGN Project Agreement” means the agreement between the Bank and PT Perusahaan Gas Negara, of even date herewith, for purposes of implementing Part B

of the Project, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(i) “PGN Project Implementation Unit” means the unit established for purposes of Part B of the Project;

(j) “PGN Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and PT Perusahaan Gas Negara pursuant to Section 3.01(b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the PGN Subsidiary Loan Agreement;

(k) “PLN EMP” means the Environment Management Plan dated March 2003, in respect of Part A of the Project, which sets out the environmental protection measures in respect of Part A of the Project, as well as administrative and monitoring arrangements to ensure the implementation of said EMP, as the same may be revised from time to time with the agreement of the Bank;

(l) “PLN Governing Laws” means the Borrower's Law No. 19 of 1960, Law No. 9 of 1969, Government Regulation No. 3 of 1983, Government Regulation No. 28 of 1983, Government Regulation No. 10 of 1989, and Government Regulation No. 23 of 1994, and includes any other laws and regulations governing the organization, reorganization, restructuring and operations of PLN, as any of them may be amended or supplemented from time to time;

(m) “PLN Project Agreement” means the agreement between the Bank and PT Perusahaan Listrik Negara of even date herewith, as the same may be amended from time to time; and such term includes all schedules and agreements supplemental to the Project Agreement;

(n) “PLN Project Implementation Unit” means the unit established by PLN President Director Decree No. 134.K/010/DIR/2002 of September 18, 2002, for purposes of coordinating the implementation of Part A of the Project;

(o) “PLN Project Java-Bali Unit” means the unit established by PLN President Director Decree No. 297.K/024/DIR/2000 of December 12, 2000, responsible for monitoring the implementation of Part A of the Project, and any successor thereto;

(p) “PLN LARPF” means the Land Acquisition and Resettlement Policy Framework dated March 2003, in respect of Part A of the Project, describing procedural and institutional aspects pertaining to land acquisition and the resettlement, rehabilitation and compensation of Displaced Persons under the Project, as such Framework may be amended from time to time in agreement with the Bank;

(q) “PLN Subsidiary Loan Agreement” means the agreement to be entered into between the Borrower and PT Perusahaan Listrik Negara pursuant to Section 3.01(c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the PLN Subsidiary Loan Agreement;

(r) “Project Provinces” means the provinces of Bali, Banten, Central Java, D. I. Yogyakarta, DKI Jakarta, East Java, and West Java;

(s) “PT Indonesia Power” means Perseroan Terbatas Indonesia Power, a limited liability company and subsidiary generating company of PLN, established and existing under the laws and regulations of the Borrower, and with the head-office in the city of Jakarta;

(t) “PT PJB” means Perseroan Terbatas Pembangkitan Jawa-Bali, a limited liability company and subsidiary generating company of PLN, established and existing under the laws and regulations of the Borrower, and with the head-office in the city of Surabaya;

(u) “Special Account” means the account referred to in Section 2.02 (a) of this Agreement.

Section 1.03. Each reference in the General Conditions to the Project implementation entity shall be deemed as a reference to PGN and PLN.

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 equal to one hundred forty one million Dollars (\$141,000,000).

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Bank Indonesia or in a commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including, in the case of a

commercial bank, appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2008, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.07 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period: (A) three-fourths of one percent ($3/4$ of 1%); (B) minus (or plus) the

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

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months' notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semi-annually in arrears on June 15 and December 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. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall: (i) cause PGN to perform in accordance with the provisions of the PGN Project Agreement all the obligations of PGN therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PGN to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and (ii) cause PLN to perform in accordance with the provisions of the PLN Project Agreement all the obligations of PLN therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, and the adjustments of the structure or level of PLN's rates,

necessary or appropriate to enable PLN to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Borrower shall relend part of the proceeds of the Loan, in Dollars, to PGN under a subsidiary loan agreement to be entered into between the Borrower and PGN, under terms and conditions which shall have been approved by the Bank, which shall include the following terms and conditions:

- (i) PGN shall pay interest on the principal amount of the PGN Subsidiary Loan withdrawn and outstanding from time to time at a variable rate per annum equal to the sum of the following: the interest rate calculated in accordance with Section 2.06 of this Agreement, plus one half of one percent (1/2 of 1%) per annum;
- (ii) PGN shall pay to the Borrower a front-end fee on the principal amount of the PGN Subsidiary Loan at the rate specified in Section 2.04 of this Agreement;
- (iii) PGN shall pay to the Borrower a commitment charge on the principal amount of the Subsidiary Loan not withdrawn from time to time at the rate specified in Section 2.05 of this Agreement; and
- (iv) the principal amount of the Subsidiary Loan shall be repaid over 20 years including five years' grace.

(c) The Borrower shall relend part of the proceeds of the Loan, in Dollars, to PLN under a subsidiary loan agreement to be entered into between the Borrower and PLN, under terms and conditions which shall have been approved by the Bank, which shall include the following terms and conditions:

- (i) PLN shall pay interest on the principal amount of the PLN Subsidiary Loan withdrawn and outstanding from time to time at a variable rate per annum equal to the sum of the following: the interest rate calculated in accordance with Section 2.06 of this Agreement, plus one half of one percent (1/2 of 1%) per annum;
- (ii) PLN shall pay to the Borrower a front-end fee on the principal amount of the PLN Subsidiary Loan at the rate specified in Section 2.04 of this Agreement;
- (iii) PLN shall pay to the Borrower a commitment charge on the principal amount of the Subsidiary Loan not withdrawn from time to time at the rate specified in Section 2.05 of this Agreement; and

- (iv) the principal amount of the Subsidiary Loan shall be repaid over 20 years including five years' grace.

(d) The Borrower shall exercise its rights under the PGN Subsidiary Loan Agreement and the PLN Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and, except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the PGN Subsidiary Loan Agreement or the PLN Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree (i) procurement of the goods and consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the PLN Project Agreement, and (ii) procurement of the consultants' services required for Part B of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the PGN Project Agreement.

Section 3.03. The Bank and the Borrower hereby agree that the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of Part A of the Project shall be carried out by PLN pursuant to Section 2.03 of the PLN Project Agreement and in respect of Part B of the Project shall be carried out by PGN pursuant to Section 2.03 of the PGN Project Agreement.

Section 3.04. The Borrower shall, not later than January 1, 2006, establish, and, thereafter maintain, an automatic power tariff adjustment mechanism, acceptable to the Bank, and applicable to regulated tariffs.

Section 3.05. The Borrower shall, by March 31, 2005, exchange views with the Bank on the Borrower's broad policy framework relating to the energy sector.

ARTICLE IV

Financial Covenants

Section 4.01. (a) 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 sound accounting practices, records and separate accounts reflecting such expenditures;
 - (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained 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; and
 - (iii) enable the Bank's representatives to examine such records.
- (b) The Borrower shall:
- (i) have the records and accounts referred to in paragraph (a) (i) of this Section, and those for the Special Account, for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
 - (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including 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; 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

- (a) PGN shall have failed to perform any of its obligations under the PGN Project Agreement.

(b) PLN shall have failed to perform any of its obligations under the PLN Project Agreement.

(c) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that PGN will be able to perform its obligations under the PGN Project Agreement.

(d) As a result of events which have occurred after the date of the Loan Agreement, an extraordinary situation shall have arisen which shall make it improbable that PLN will be able to perform its obligations under the PLN Project Agreement.

(e) The PGN Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PGN to perform any of its obligations under the PGN Project Agreement.

(f) The PLN Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PLN to perform any of its obligations under the PLN Project Agreement.

Section 5.02. Pursuant to Section 7.01(k) of the General Conditions, the following additional events are specified:

(a) the events specified in paragraphs (a) and (b) of Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower; and

(b) the events specified in paragraphs (e) and (f) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions:

(a) that the PGN Subsidiary Loan Agreement has been executed on behalf of the Borrower and PGN;

(b) that the PLN Subsidiary Loan Agreement has been executed on behalf of the Borrower and PLN;

(c) that PLN has created new accounting codes, acceptable to the Bank, for purposes of generating Financial Monitoring Reports under the Project;

(d) that staff of PGN have completed accounting and Financial Monitoring Report training, acceptable to the Bank;

(e) that staff of PLN have completed accounting and Financial Monitoring Report training, acceptable to the Bank;

(f) that PLN has adopted procedures, acceptable to the Bank, for verification and authorization of payments under Part A of the Project; and

(g) that PLN has issued instructions for Project implementation to be included in PLN's annual audit activity plan.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the PGN Project Agreement has been duly authorized or ratified by PGN, and is legally binding upon PGN in accordance with its terms;

(b) that the PLN Project Agreement has been duly authorized or ratified by PLN, and is legally binding upon PLN in accordance with its terms;

(c) that the PGN Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and PGN and is legally binding upon the Borrower and PGN in accordance with its terms;

(d) that the PLN Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and PLN and is legally binding upon the Borrower and PLN in accordance with its terms; and

(e) that the PLN Environmental Management Plan and the PLN Land Acquisition and Resettlement Policy Framework have each been adopted by PLN and are each legally binding upon PLN in accordance with the laws of the Republic of Indonesia.

Section 6.03. 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 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
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 1139
Jakarta 10710
Indonesia

Cable address:	Telex:	Facsimile:
FINMINISTRY Jakarta	45799 DJMLN-IA 44319 DEPKEU-IA	(21) 381 2859

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:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Jakarta, Republic of Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ Dr. Boediono
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Andrew Steer
Authorized Representative

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollars)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods under Part A of the Project, including installation	102,000,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost)
(2) Information technology equipment under Part A of the Project, including installation	20,000,000	80%
(3) Consultants' services and training under:		100%
(a) Part A.4 (a) of the Project	2,000,000	
(b) Part A.4 (b) of the Project	1,500,000	
(c) Part B of the Project	6,000,000	
(4) Front-end fee	1,410,000	Amount due under Section 2.04 of this Agreement
(5) Unallocated under Part A of the Project	8,090,000	
TOTAL	141,000,000	

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, except that withdrawals, in an aggregate amount not exceeding \$10,000,000, may be made in respect of Category (2) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after March 21, 2003.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures: (i) under contracts for goods costing less than \$500,000 equivalent each; and (ii) under contracts for the employment of consulting firms costing less than \$200,000 equivalent, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in improving the provision of electricity and gas to consumers in the Borrower's Project Provinces.

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: PLN

1. 500 kV Transmission System

(a) 500kV substation expansion through: (i) the installation of an additional 500MVA 500/150kV transformer, with associated circuit breakers, transformer bay and civil construction, at Mandirancan substation in the province of West Java; (ii) the installation of an additional 500MVA 500/150kV transformer, with associated circuit breakers, transformer bay and civil construction, at New Kediri substation in the province of East Java; (iii) the installation of two 500MVA 500/150kV transformers at Surabaya Selatan substation in the province of East Java; and (iv) the acquisition of two additional 166MVA 500/150kV single phase transformers for substations in the provinces of Central Java and West Java.

(b) Acquisition and installation of three SF6 500kV circuit breakers at the Bandung Selatan, Ungaran and Gandul substations in the provinces of DKI Jakarta, Central Java and West Java.

2. 150 kV Transmission System

(a) Upgrading of sub-transmission lines through: (i) the upgrading of the voltage from 70kV to 150kV of a 5 km sub-transmission line from Perak to Ujung in the province of East Java, including the provision of conductors, insulators, fittings and related accessories; (ii) the upgrading of the capacity of a 126 km 150kV sub-transmission line from Bandung Selatan to Ciamis via Kamojang and Darajat in the province of West Java, including the provision of conductors, insulators, fittings and related accessories; and (iii) the installation of a double phi second circuit for the 20 km 150kV sub-transmission line for Wayang Windu incomer and connected to the Bandung-Selatan-Kamojang sub-transmission line in the province of West Java, including the provision of conductors, insulators, fittings and related accessories.

(b) 150kV substation extensions through: (i) the acquisition and installation of 100MVA 150/70kV interbus transformers at substations in the Project Provinces, and (ii) the acquisition and installation of additional or replacement 30MVA and 60MVA 150/20kV transformers and associated switchgear, transformer bay and civil construction, as required, in the Project Provinces.

(c) Replacement of about 28 150kV circuit breakers on the 150kV sub-transmission network in the Project Provinces.

3. PLN Enterprise Resource Planning System

Implementation of PLN's Enterprise Resource Planning System in PLN Pusat and three representative subsidiary business units, focusing on core financials, materials management, human resources management and asset management, including the provision of software licenses and related hardware.

4. PLN Restructuring and Institutional Strengthening

(a) Finalization of the corporate restructuring plan of PLN through the provision of technical assistance; implementation of the corporate restructuring plan; and strengthening of PLN's core capacity for implementation of environmental and social management plans; including the provision of technical assistance therefor.

(b) Preparation of the Upper Cisokan Pumped Storage Plant, consisting of the carrying out of a review of: (i) the existing design of slope stability at the Upper Cisokan reservoir, (ii) topographical and geological surveys, (iii) access road detail design, (iv) 500kV T/L study, (v) test grouting, (vi) environmental assessment, (vii) resettlement action plans, and (viii) cost estimates; including the provision of related technical assistance therefor.

Part B: PGN

1. Preparation of a rationalized gas pricing policy, including the provision of technical assistance therefor.

2. Unbundling and corporate restructuring of PGN (including the preparation of an information systems framework), preparation for an initial public offering for a share of PGN's distribution activities, and preparation for the involvement of a strategic partner in PGN's transmission operations; including the provision of related technical assistance therefor.

3. Transformation of PGN's business consistent with the Oil and Gas Law and the deregulated market environment, including the provision of technical assistance for capacity building and training.

* * *

The Project is expected to be completed by June 30, 2008.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (Expressed in Dollars)*</u>
December 15, 2008	4,125,000
June 15, 2009	4,160,000
December 15, 2009	4,200,000
June 15, 2010	4,235,000
December 15, 2010	4,270,000
June 15, 2011	4,310,000
December 15, 2011	4,350,000
June 15, 2012	4,385,000
December 15, 2012	4,425,000
June 15, 2013	4,465,000
December 15, 2013	4,505,000
June 15, 2014	4,545,000
December 15, 2014	4,585,000
June 15, 2015	4,625,000
December 15, 2015	4,665,000
June 15, 2016	4,705,000
December 15, 2016	4,750,000
June 15, 2017	4,790,000
December 15, 2017	4,835,000
June 15, 2018	4,875,000
December 15, 2018	4,920,000
June 15, 2019	4,965,000
December 15, 2019	5,005,000
June 15, 2020	5,050,000
December 15, 2020	5,095,000
June 15, 2021	5,140,000
December 15, 2021	5,185,000
June 15, 2022	5,230,000
December 15, 2022	5,280,000
June 15, 2023	5,325,000

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04 (d) of the General Conditions.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means Categories (1), (2) and (3) 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 the amount of \$14,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$7,000,000 until the aggregate amount of withdrawals from the Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of \$28,000,000.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

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

- (b) if the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Loan allocated to the eligible Categories minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.