

CONFORMED COPY

LOAN NUMBER 4612 IND

Loan Agreement

(Western Java Environmental Management Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 30, 2001

LOAN NUMBER 4612 IND

LOAN AGREEMENT

AGREEMENT, dated August 30, 2001, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter from the Borrower dated May 15, 2001, describing a program designed to enhance the environmental quality, human health, and economic productivity of the Borrower's Provinces of Banten, DKI Jakarta and Jawa Barat through the provision of assistance to local governments for the development of local environmental agendas, pollution reduction, methane generation reduction, and improved municipal services (the Program) and declaring the Borrower's commitment to the execution of such program;

(B) the Borrower has requested that the Bank support the Borrower's execution of the Program through a series of loans over a period of approximately ten years to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to the Development Credit Agreement between the Borrower and the International Development Association (the Association) of even date herewith (the Development Credit Agreement) (the Project), has requested the Bank to assist in the financing of the Project;

(D) the Borrower has also requested the Association to provide additional financial assistance towards the financing of the Project and by the Development Credit Agreement the Association is agreeing to provide such assistance in a principal amount equivalent to four million six hundred thousand Special Drawing Rights (SDR4,600,000);

(E) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the credit provided for in the Development Credit Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the loan provided for in Article II of this Agreement (the Loan) are made;

(F) the Borrower has requested assistance from the resources of the Global Environment Facility (GEF) Trust Fund in the financing of the Project, the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 of the Executive Directors of the Bank, dated May 24, 1994, establishing the GEF Trust Fund, and, by an agreement of even date herewith between the Borrower and the Bank, acting as an Implementing Agency of the GEF (the GEF Grant Agreement), GEF is agreeing to provide such assistance in an aggregate principal amount equivalent to two million Special Drawing Rights (SDR 2,000,000) (the GEF Grant); 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;

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) with the modification set forth below (the General Conditions) constitute an integral part of this Agreement:

Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and in the Development Credit Agreement have the respective meanings therein set forth and the term "Development Credit Agreement" means the agreement of even date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Development Credit Agreement.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, an amount equal to eleven million seven hundred thousand dollars (\$11,700,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to the Development Credit Agreement 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.

Section 2.03. The Closing Date shall be June 30, 2005, 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 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 said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}$ 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 May 15 and November 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 the Schedule to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. Subject to Section 3.02 of this Agreement, Sections 2.02(b), 3.01, 3.02, 3.03, 3.04, 4.01, 4.02 and 5.01 of the Development Credit Agreement and Schedules 1 through 6 thereto are incorporated in this Agreement, with the following modifications in said Sections and Schedules 2, 3, 4, 5 and 6 unless the context otherwise requires:

(a) the term "Association" shall be read as "Bank";

(b) the term "Credit" and "Credit Account" shall be read as "Loan" and "Loan Account"; and

(c) the term "this Agreement" shall be read as "the Loan Agreement".

Section 3.02. So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Bank:

(a) all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in Section 3.01 of this Agreement, as well as pursuant to Section 2.02 (a) of the Development Credit Agreement, shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and

(b) all information or documentation furnished by the Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and Bank.

ARTICLE IV

Effective Date; Termination

Section 4.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01(c) of the General Conditions, namely that the Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 4.02. 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 V

Representative of the Borrower; Addresses

Section 5.01. 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 5.02. 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

45799 DJMLN-IA

(21) 381 2859

Jakarta

44319 DEPKEU-IA

For the Bank:

International Bank for

Reconstruction and Development

1818 H Street, N.W.

Washington, D.C. 20433

United States of America

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

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/ H.E. Dr. Boediono
 Authorized Representative

INTERNATIONAL BANK FOR
 RECONSTRUCTION AND DEVELOPMENT

By /s/ Mark Baird
 Authorized Representative

SCHEDULE

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
November 15, 2006	255,000
May 15, 2007	260,000
November 15, 2007	270,000
May 15, 2008	275,000
November 15, 2008	285,000
May 15, 2009	290,000
November 15, 2009	300,000
May 15, 2010	310,000
November 15, 2010	315,000
May 15, 2011	325,000
November 15, 2011	335,000
May 15, 2012	345,000
November 15, 2012	355,000
May 15, 2013	365,000
November 15, 2013	375,000
May 15, 2014	385,000
November 15, 2014	395,000
May 15, 2015	405,000
November 15, 2015	415,000
May 15, 2016	430,000
November 15, 2016	440,000
May 15, 2017	455,000
November 15, 2017	465,000
May 15, 2018	480,000
November 15, 2018	490,000
May 15, 2019	505,000
November 15, 2019	520,000
May 15, 2020	535,000
November 15, 2020	550,000
May 15, 2021	570,000

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

