

CONFORMED COPY

LOAN NUMBER 3349 IND

(Power Transmission Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated August 8, 1991

LOAN NUMBER 3349 IND

LOAN AGREEMENT

AGREEMENT, dated August 8, 1991, 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, has requested the Bank to assist in the financing of the Project;

(B) the Project will be carried out by Perusahaan Umum Listrik Negara (PLN) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PLN the proceeds of the Loan as provided 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 Project Agreement of even date herewith between the Bank and PLN;

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" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (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) "Project Agreement" means the agreement between the Bank and Perusahaan Umum Listrik Negara (PLN) 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;

(b) "Subsidiary Loan Agreement" means the agreement entered into between the Borrower and Perusahaan Umum Listrik Negara (PLN) 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 Subsidiary Loan Agreement; and

(c) "Governing Laws" means Law No. 19 of 1960, Law No. 9 of 1969, and Law No. 15 of 1985, Government Regulation No. 3 of 1983, Government Regulation No. 28 of 1983, Government Regulation No. 10 of 1989 and Government Regulation No. 17 of 1990, and any other legal provisions in force at the time of this Agreement governing the organization and operations of PLN, as any of them may be amended or supplemented from time to time.

## 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, various currencies that shall have an aggregate value equivalent to the amount of two hundred seventy-five million dollars (\$275,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

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 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. The Closing Date shall be December 31, 1996 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 commitment charge at the rate of three-fourths of one per cent ( $\frac{3}{4}$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (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 the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $\frac{1}{2}$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester,

the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

- (i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(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 Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. 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 as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause PLN to perform in accordance with the provisions of the 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, 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 the proceeds of the Loan to PLN under a subsidiary loan agreement entered into between the Borrower and PLN, under terms and conditions which shall have been approved by the Bank.

(c) The Borrower shall exercise its rights under the 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 Subsidiary Loan Agreement or any provision thereof.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the 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) shall be carried out by PLN pursuant to Section 2.03 of the Project Agreement.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall:

(a) review annually with the Bank and PLN, PLN's investment plan for the next fiscal year before its final approval by the Borrower, in order to enable the Bank to express its views on the priorities assigned to the investments included under such plan and on the balance among the generation, transmission and distribution of electric power likely to result from such investments; and

(b) review annually with the Bank and PLN, PLN's development plan and associated financial forecast and financing plan, and take appropriate measures to facilitate the access of PLN to all possible sources of required finance.

#### ARTICLE V

##### Remedies of the Bank

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

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

(b) 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 Project Agreement.

(c) Any of the 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 Project Agreement.

(d) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PLN or for the suspension of its operations.

(e) PLN shall have become unable to pay its debts as they mature or any action or proceeding shall have been taken by PLN or by others whereby any of the property of PLN shall or may be distributed among its creditors.

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

(a) the event specified in paragraph (a) 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) any event specified in paragraph (c), (d) and (e) 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and PLN; and

(b) that all necessary steps have been taken to ensure compliance with the obligations of Section 4.06 (a) of the Project Agreement.

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

(b) that the 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.

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

##### Representatives 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 139  
Jakarta, Indonesia

Cable address:

FINMINISTRY  
Jakarta

Telex:

44319 DJMLN IA  
45799 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:

INTBAFRAD  
Washington, D.C.

Telex:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, 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/ Abdul Rachman Ramly  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji  
Acting Regional Vice President  
Asia

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:

| Category  | Amount of the<br>Loan Allocated<br>(Expressed in<br>Dollar Equivalent) | % of<br>Expenditures<br>to be Financed                            |
|---|--|---|
| (1) Equipment and<br>materials under:               |  | 100% of foreign<br>expenditures,<br>100% of local<br>expenditures |
| (a) Parts A (i)<br>through A (vi)<br>of the Project | 205,000,000  | (ex-factory<br>cost) and 65%<br>of local                          |
| (b) Part A (vii)<br>of the Project                  | 15,000,000   | expenditures for<br>other items<br>procured locally               |
| (2) Consultants'<br>services                        | 25,000,000   | 85%   |
| (3) Unallocated                                     | 30,000,000   |   |
| TOTAL   | 275,000,000<br>=====   |   |

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.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to support the Borrower's efforts to develop its power sector to provide reliable and efficient supply of electric power in the Java-Bali electricity system, inter alia, through: (a) ensuring adequate investments in power transmission facilities to expand, strengthen and upgrade such electricity transmission system to supply electricity to new consumers, and meet increases in electricity demand arising from existing and new consumers; (b) assisting in the preparation of future power generation projects and carry out a study for the long-term development of electricity transmission network; (c) improving PLN's capability in long-term planning of electricity transmission systems; and (d) promoting measures to strengthen PLN's financial performance, including PLN gradually bearing the full cost of Bank funds onlent by the Borrower.

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: Transmission

Expand, strengthen and upgrade the facilities of the Java-Bali electricity transmission system, including:

- (i) extension of about 41 existing substations of 150 kV and 70 kV;
- (ii) construction of about 18 new substations of 150 kV;
- (iii) installation of reactive power compensation equipment in about 29 substations;
- (iv) acquisition of about two mobile substations, each of 150/20 kV;
- (v) reconductoring of about 6 kilometers of 70 kV and about 51 kilometers of 150 kV transmission lines;
- (vi) construction of about 241 kilometers of 150 kV of overhead and underground transmission lines; and
- (vii) construction of new substations and transmission lines for supplying electricity to industrial consumers at 150 kV.

#### Part B: Technical Assistance

Provision of technical assistance, inter alia, for:

- (i) engineering, design and construction supervision of transmission facilities under Part A of the Project;

- (ii) engineering, design and construction supervision of additional generating units at the Suralaya coal-fired thermal power station located in West Java;
- (iii) carrying out a site selection and feasibility study for a new thermal power plant in West Java; and
- (iv) carrying out a study for the long-term development of the Java-Bali electricity transmission system.

\* \* \*

The Project is expected to be completed by March 31, 1996.

### SCHEDULE 3

#### Amortization Schedule

| Date Payment Due | Payment of Principal<br>(expressed in dollars)* |
|------------------|---|
| January 15, 1997 | 5,015,000                                       |
| July 15, 1997    | 5,210,000                                       |
| January 15, 1998 | 5,410,000                                       |
| July 15, 1998    | 5,620,000                                       |
| January 15, 1999 | 5,835,000                                       |
| July 15, 1999    | 6,060,000                                       |
| January 15, 2000 | 6,295,000                                       |
| July 15, 2000    | 6,540,000                                       |
| January 15, 2001 | 6,790,000                                       |
| July 15, 2001    | 7,055,000                                       |
| January 15, 2002 | 7,325,000                                       |
| July 15, 2002    | 7,610,000                                       |
| January 15, 2003 | 7,905,000                                       |
| July 15, 2003    | 8,210,000                                       |
| January 15, 2004 | 8,530,000                                       |
| July 15, 2004    | 8,855,000                                       |
| January 15, 2005 | 9,200,000                                       |
| July 15, 2005    | 9,555,000                                       |
| January 15, 2006 | 9,925,000                                       |
| July 15, 2006    | 10,310,000                                      |
| January 15, 2007 | 10,705,000                                      |
| July 15, 2007    | 11,120,000                                      |
| January 15, 2008 | 11,550,000                                      |
| July 15, 2008    | 11,995,000                                      |
| January 15, 2009 | 12,460,000                                      |
| July 15, 2009    | 12,940,000                                      |
| January 15, 2010 | 13,440,000                                      |
| July 15, 2010    | 13,960,000                                      |
| January 15, 2011 | 14,500,000                                      |
| July 15, 2011    | 15,075,000                                      |

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\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

| Time of Prepayment | Premium                      |
|--------------------|------------------------------|
|                    | The interest rate (expressed |



as a percentage per annum)  
applicable to the Loan on the  
day of prepayment multiplied  
by:

|   |      |
|---|------|
| Not more than three years<br>before maturity                            | 0.15 |
| More than three years but<br>not more than six years<br>before maturity | 0.30 |
| More than six years but<br>not more than 11 years<br>before maturity    | 0.55 |
| More than 11 years but not<br>more than 16 years<br>before maturity     | 0.80 |
| More than 16 years but not<br>more than 18 years<br>before maturity     | 0.90 |
| More than 18 years before<br>maturity                                   | 1.00 |

