

CONFORMED COPY

LOAN NUMBER 3041 IND

(Small and Medium Industrial Enterprise Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated June 1, 1989

LOAN NUMBER 3041 IND

LOAN AGREEMENT

AGREEMENT, dated June 1, 1989, 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) WHEREAS the Borrower and the Government of the Kingdom of the Netherlands (hereinafter called the Netherlands) have entered into an agreement dated February 23, 1989, (hereinafter called the Netherlands Agreement) in an amount of one hundred eighty two million Guilders (DFL 182,000,000), out of which four million eight hundred thousand Guilders (DFL 4,800,000) shall be provided as a grant in-kind (hereinafter called the Netherlands Grant) and seven million four hundred thousand Guilders (DFL 7,400,000) shall be provided as a loan (hereinafter called the Netherlands Loan) to assist in the financing of the Technical

Assistance Unit and the Regional Project Management Units under Parts B (i) (2) and B (i) (3) of the Project on the terms and conditions set forth in the Netherlands Agreement;

(C) WHEREAS pursuant to a letter agreement dated June 3, 1987, between Japan and the Bank, Japan has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank in accordance with the provisions of such letter agreement;

(D) WHEREAS Japan has agreed to make available to the Borrower a grant (the Japanese Grant) out of said funds to assist the Borrower in carrying out Part B of the Project, except Parts B (i) (2) and B (i) (3);

(E) WHEREAS Part A of the Project will be carried out by Bank Negara Indonesia 1946 (Bank BNI), Bank Dagang Negara (BDN), Bank Rakyat Indonesia (BRI), Bank Bumi Daya (BBD), Regional Development Bank of Central Java (RDB of Central Java), Regional Development Bank of East Java (RDB of East Java), Regional Development Bank of North Sumatera (RDB of North Sumatera), Bank Niaga, Bank Duta, Bank Umum Nasional (BUN), Bank Central Asia (BCA), Bank Pembangunan Indonesia (BAPINDO), and Usaha Pembiayaan Pembangunan Indonesia (UPPINDO) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN, BCA, BAPINDO, and UPPINDO part of the proceeds of the Loan as provided in this Agreement;

(F) WHEREAS LPPI will carry out Part B of the Project with the Borrower's assistance and, as part of such assistance, the Borrower will make available to LPPI the proceeds of the Japan Grant Agreement and the grant in-kind of the Netherlands Grant and the Netherlands Loan; 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, in the Commercial and Regional Development Banks Project Agreement of even date herewith between the Bank and Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN and BCA, in the BAPINDO Project Agreement of even date herewith between the Bank and BAPINDO, in the UPPINDO Project Agreement of even date herewith between the Bank and UPPINDO and in the LPPI Project Agreement of even date herewith between the Bank and LPPI;

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 modifications set forth in Schedule 4 to this Agreement (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) "BI" means Bank Indonesia, the central bank of the Borrower, established and operating under Law No. 13 of 1968 of the Borrower;

(b) "LPPI" means Lembaga Pengembangan Perbankan Indonesia (Indonesia Banking Development Institute) established and operating on December 29, 1977, as an autonomous institution in

accordance with the Borrower's laws;

(c) "LPPI Project Agreement" means the agreement between the Bank and LPPI 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 LPPI Project Agreement;

(d) "Commercial and Regional Development Banks Project Agreement" means the agreement between the Bank and Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN and BCA 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 Commercial and Regional Development Banks Project Agreement;

(e) "BAPINDO Project Agreement" means the agreement between the Bank and BAPINDO of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements to the BAPINDO Project Agreement;

(f) "UPPINDO Project Agreement" means the agreement between the Bank and UPPINDO 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 UPPINDO Project Agreement;

(g) "Participating Financial Institutions" means Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN, BCA, BAPINDO, and UPPINDO collectively and "Participating Financial Institution" means any one of them;

(h) "Bank BNI Governing Law" means Act on Bank Negara Indonesia 1946 (Act No. 17 of year 1968), as amended to the date of this Agreement;

(i) "BDN Governing Law" means Act on Bank Dagang Negara (Act No. 18 of year 1968), as amended to the date of this Agreement;

(j) "BRI Governing Law" means Act on Bank Rakyat Indonesia (Act No. 21 of year 1968), as amended to the date of this Agreement;

(k) "BBD Governing Law" means Act on Bank Bumi Daya (Act No. 19 of year 1968), as amended to the date of this Agreement;

(l) "RDB of Central Java Governing Law" means Regional Government of Central Java Regulation No. 3 of year 1969, dated September 1, 1969, as amended to the date of this Agreement;

(m) "RDB of East Java Governing Law" means Regional Government of East Java Regulation No. 2 of year 1971, dated July 10, 1976, as amended to the date of this Agreement;

(n) "RDB of North Sumatera Governing Law" means Regional Government of North Sumatera Regulation No. 5 of year 1961, dated November 4, 1961, as amended to the date of this Agreement;

(o) "Bank Niaga Charter" means the Articles of Association on Bank Niaga dated September 26, 1955, as amended to the date of this Agreement;

(p) "Bank Duta Charter" means the Articles of Association on Bank Duta dated August 30, 1966, as amended to the date of this Agreement;

(q) "BUN Charter" means the Articles of Association on BUN dated March 31, 1953, as amended to the date of this Agreement;

(r) "BCA Charter" means the Articles of Association on BCA dated February 21, 1957, as amended to the date of this Agreement;

(s) "BAPINDO Governing Law" means Act on Bank Pembangunan

Indonesia (Act No. 21 of year 1960), as amended to the date of this Agreement;

(t) "UPPINDO Charter" means the Articles of Association on UPPINDO dated February 15, 1972, as amended to the date of this Agreement;

(u) "Subsidiary" means any company of which a majority of the outstanding voting stock or other proprietary interest is owned or effectively controlled by a Participating Financial Institution or by any one or more subsidiaries of a Participating Financial Institution or by a Participating Financial Institution and one or more of its subsidiaries;

(v) "BI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BI pursuant to Section 3.01 (b) (i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BI Subsidiary Loan Agreement;

(w) "Bank BNI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Bank BNI pursuant to Section 3.01 (b) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Bank BNI Subsidiary Loan Agreement;

(x) "BDN Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BDN pursuant to Section 3.01 (b) (iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BDN Subsidiary Loan Agreement;

(y) "BRI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BRI pursuant to Section 3.01 (b) (iv) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BRI Subsidiary Loan Agreement;

(z) "BBD Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BBD pursuant to Section 3.01 (b) (v) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BBD Subsidiary Loan Agreement;

(aa) "BAPINDO Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BAPINDO pursuant to Section 3.01 (b) (vi) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BAPINDO Subsidiary Loan Agreement;

(bb) "RDB of Central Java Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and RDB of Central Java pursuant to Section 3.01 (b) (vii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the RDB of Central Java Subsidiary Loan Agreement;

(cc) "RDB of East Java Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and RDB of East Java pursuant to Section 3.01 (b) (viii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the RDB of East Java Subsidiary Loan Agreement;

(dd) "RDB of North Sumatera Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and RDB of North Sumatera pursuant to Section 3.01 (b) (ix) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the RDB of North Sumatera Subsidiary Loan Agreement;

(ee) "Bank Duta On-lending Agreement" means the agreement to be entered into between BI and Bank Duta pursuant to Section 3.01

(c) (i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Bank Duta On-lending Agreement;

(ff) "Bank Niaga On-lending Agreement" means the agreement to be entered into between BI and the Bank Niaga pursuant to Section 3.01 (c) (ii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Bank Niaga On-lending Agreement;

(gg) "BUN On-lending Agreement" means the agreement to be entered into between BI and BUN pursuant to Section 3.01 (c) (iii) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BUN On-lending Agreement;

(hh) "BCA On-lending Agreement" means the agreement to be entered into between BI and BCA pursuant to Section 3.01 (c) (iv) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BCA On-lending Agreement;

(ii) "UPPINDO On-lending Agreement" means the agreement to be entered into between BI and UPPINDO pursuant to Section 3.01 (c) (v) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the UPPINDO On-lending Agreement;

(jj) "BI Financial Arrangement" means the arrangement to be entered into between the Borrower and BI pursuant to Section 3.01 (e) of this Agreement;

(kk) "LPPI Financial Arrangement" means the arrangement to be entered into between BI and LPPI pursuant to Section 3.01 (f) of this Agreement, as the same may be amended from time to time;

(ll) "Subsidiary Loan" means a loan provided for in the respective Subsidiary Loan Agreement or On-lending Agreement, as the case may be;

(mm) "Sub-loan" means a loan made or proposed to be made by a Participating Financial Institution to an Investment Enterprise for an Investment Project funded in part out of the equivalent of the proceeds of the Loan relented to such Participating Financial Institution under the respective Subsidiary Loan Agreement or On-lending Agreement, as the case may be;

(nn) "Free-limit Sub-loan" means a Sub-loan, as so defined, which qualifies as a free-limit Sub-loan pursuant to the provisions of paragraph 2 (b) of the Schedule to the Commercial and Regional Development Banks Project Agreement, paragraph 2 (b) of the Schedule to the BAPINDO Project Agreement, and paragraph 2 (b) of the Schedule to the UPPINDO Project Agreement;

(oo) "Investment Enterprise" means an enterprise established and operating in Indonesia which is either engaged in the manufacturing industry subsector and/or the agro-based industry subsector, or related services therein, including transportation and cold storage, having between 20 to 150 full-time employees, and operating assets (excluding land and inventories) of less than \$500,000 equivalent, to which: (a) a Participating Financial Institution proposes to make or has made a Sub-loan; and/or (b) LPPI proposes to provide or has provided technical services under Part B (i)(1) of the Project;

(pp) "Investment Project" means a specific development project to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan and to include investment and permanent working capital;

(qq) "Appraisal Advisor" means the advisor to be retained pursuant to the provisions of paragraph 6 of Schedule 2 to the

LPPI Project Agreement;

(rr) "Technical Assistance Unit" means the unit to be established pursuant to the provisions of paragraph 1 of Schedule 2 to the LPPI Project Agreement;

(ss) "Regional Project Management Units" means the units established by BI at the regional level to be entrusted, pursuant to Section 3.01 (e) of this Agreement, in assisting LPPI in carrying out Part B (i) of the Project;

(tt) "Statement of Objectives" means the statement adopted by LPPI on March 15, 1989, for purposes of carrying out the technical assistance activities under the Project;

(uu) "Technical Assistance Fund" means the fund to be financed out of the proceeds of the Japan Grant and to be administered by the LPPI for purposes of providing consultancy services to Investment Enterprises under Part B (i)(1) of the Project; and

(vv) "Rupiah" and "Rp" mean the currency of the Borrower.

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 in various currencies equivalent to one hundred million dollars (\$100,000,000).

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 for amounts paid (or, if the Bank shall so agree, amounts to be paid) by a Participating Financial Institution on account of withdrawals made by an Investment Enterprise under a Sub-Loan to meet the reasonable cost of goods, civil works and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested.

Section 2.03. The Closing Date shall be June 30, 1995, 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 percent ($3/4$ 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 per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of 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 for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.

- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semiannually on April 1 and October 1 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

Description of the Project; Use of Proceeds of the Loan

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:

- (i) cause Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN, BCA, BAPINDO, and UPPINDO each to perform in accordance with the provisions of the Commercial and Regional Development Bank Project Agreement, the BAPINDO Project Agreement, and the UPPINDO Project Agreement, respectively, all the obligations of Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN, BCA, BAPINDO, and UPPINDO therein set forth, shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN, BCA, BAPINDO and UPPINDO each to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;
- (ii) cause LPPI to perform in accordance with the provisions of the LPPI Project Agreement and LPPI Financial Arrangement all the obligations of LPPI therein set forth and shall take and cause LPPI to take all action including the provision of funds, facilities, services and other resources, necessary or appropriate to enable LPPI to perform its obligations therein set forth, and shall not take or permit to be taken any action which would prevent or interfere with such performance; all of the aforesaid with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering, technical, economic, managerial, training, and environmental practices.

(b) The Borrower shall, out of the proceeds of the Loan, relend to:

- (i) BI an amount equivalent to \$23,500,000 under a subsidiary loan agreement to be entered into between the Borrower and BI under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section and the obligation of BI to onlend the funds so relend under the BI Subsidiary Loan Agreement to Bank Niaga, Bank Duta, BUN, BCA, and UPPINDO pursuant to the provisions of paragraph (c) of this Section;
- (ii) Bank BNI an amount equivalent to \$15,000,000 under a subsidiary loan agreement to be entered into between the Borrower and BNI under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (iii) BDN an amount equivalent to \$13,500,000 under a subsidiary loan agreement to be entered into between the Borrower and BDN under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph

(d) of this Section;

- (iv) BRI an amount equivalent to \$20,000,000 under a subsidiary loan agreement to be entered into between the Borrower and BRI under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (v) BBD an amount equivalent to \$10,000,000 under a subsidiary loan agreement to be entered into between the Borrower and BBD under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (vi) BAPINDO an amount equivalent to \$10,000,000 under a subsidiary loan agreement to be entered into between the Borrower and BAPINDO under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (vii) RDB of Central Java an amount equivalent to \$3,000,000 under a subsidiary loan agreement to be entered into between the Borrower and RDB of Central Java under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (viii) RDB of East Java an amount equivalent to \$2,500,000 under a subsidiary loan agreement to be entered into between the Borrower and RDB of East Java under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section; and
- (ix) RDB of North Sumatera an amount equivalent to \$2,500,000 under a subsidiary loan agreement to be entered into between the Borrower and RDB of North Sumatera under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section.

Provided, however, that after February 1, 1991, the Borrower may, with the prior approval of the Bank, amend the amount of the Subsidiary Loan of those Participating Financial Institutions which by such date have not fully committed the amounts on-lent pursuant to paragraph (b) of this Section by reducing such Subsidiary Loan in the amount not committed, and amend the amount of the Subsidiary Loan of those Participating Financial Institutions which by such date have fully committed the amounts on-lent pursuant to paragraph (b) of this Section and which have requests for financing Investment Projects, which increases in the aggregate not to exceed the aggregate amount of Subsidiary Loans being reduced and in each case to represent the actual demand for financing Investment Projects by each such Participating Financial Institutions; provided, further, that with the prior approval of the Bank, the Borrower may, prior to February 1, 1991, and at the request of a Participating Financial Institution(s) reduce its (their) Subsidiary Loan(s) provided pursuant to paragraph (b) of this Section in an amount(s) equivalent to the non-committed amount(s) and increase the Subsidiary Loan provided pursuant to paragraph (b) of this Section of those Participating Financial Institutions which by such date have fully committed the amount of their Subsidiary Loans and which have requests for financing Investment Projects, which increases in the aggregate not to exceed the aggregate amount of Subsidiary Loans being reduced and in each case to represent the actual demand for financing Investment Projects.

(c) BI shall, out of the amount of the Subsidiary Loan under

the BI Subsidiary Loan Agreement, on-lend to:

- (i) Bank Duta an amount equivalent to \$2,500,000 under an on-lending agreement to be entered into between BI and Bank Duta under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (ii) Bank Niaga an amount equivalent to \$3,000,000 under an on-lending agreement to be entered into between BI and Bank Niaga under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (iii) BUN an amount equivalent to \$3,000,000 under an on-lending agreement to be entered into between BI and BUN under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (iv) BCA an amount equivalent to \$10,000,000 under an on-lending agreement to be entered into between BI and BCA under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section;
- (v) UPPINDO an amount equivalent to \$5,000,000 under an on-lending agreement to be entered into between BI and UPPINDO under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraph (d) of this Section.

Provided, however, that after February 1, 1991, BI may, with the prior approval of the Borrower and the Bank, amend the amount of the Subsidiary Loan of those Participating Financial Institutions which by such date have not fully committed the amounts on-lent pursuant to paragraph (c) of this Section by reducing such Subsidiary Loan in the amount not committed, and amend the amount of the Subsidiary Loans of those Participating Financial Institutions which by such date have fully committed the amounts on-lent pursuant to paragraph (c) of this Section and which have requests for financing Investment Projects, which increases in the aggregate not to exceed the aggregate amount of Subsidiary Loans being reduced and in each case to represent the actual demand for financing Investment Projects by each such Participating Financial Institution; provided, further, that with the prior approval of the Bank, BI may, prior to February 1, 1991, and at the request of a Participating Financial Institution(s) reduce its (their) Subsidiary Loan(s) provided pursuant to paragraph (c) of this Section in an amount(s) equivalent to the non-committed amount(s) and increase the Subsidiary Loan provided pursuant to paragraph (c) of this Section of those Participating Financial Institutions which by such date have fully committed the amount of their Subsidiary Loan and which have requests for financing Investment Projects, which increases in the aggregate not to exceed the aggregate amount of Subsidiary Loans being reduced and in each case to represent the actual demand for financing Investment Projects.

(d) The terms and conditions of the respective Subsidiary Loan Agreements and On-lending Agreements shall include:

- (i) interest on Subsidiary Loans shall be payable at a variable rate per annum as set forth in Schedule 5 to this Agreement, provided that such rate shall not be less than the interest rate applicable to the Loan during the relevant Interest Period plus a spread of 1.75% or such other spread as the Bank may agree;
- (ii) Subsidiary Loans shall be repaid over a period of

fifteen years, including a grace period of three years;

- (iii) the Participating Financial Institutions shall pay to the Borrower a commitment charge at the rate of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum on the undisbursed portion of their respective Subsidiary Loans; and
- (iv) the Borrower to bear the foreign exchange risk on the Loan.

(e) The Borrower shall: (i) out of the proceeds of the Japan Grant, make available to BI, as a grant, an amount equivalent to Y'=423,000,000; (ii) make available to BI as a grant in-kind the Netherlands Grant in an amount equivalent to DFL 4,800,000; and (iii) out of the proceeds of the Netherlands Loan, relend to BI an amount equivalent to DFL 7,400,000, under terms and conditions which shall include: (A) that the amounts and grant-in-kind so made available or on-lent, as the case may be, shall be made available to LPPI pursuant to the provisions of Section 3.01 (f) of this Agreement; and (B) that the Regional Project Management Units shall be entering in assisting LPPI in carrying out Part B (i)(1) of the Project;

(f) BI shall make available to LPPI as a grant: (i) out of the grant in-kind of the Netherlands Grant, an amount equivalent to DFL 4,800,000; (ii) out of the proceeds of the Netherlands Loan, an amount equivalent to DFL 7,400,000; and (iii) out of the proceeds of the Japan Grant, an amount equivalent to Y'=423,000,000; all of the foregoing under a financial arrangement to be entered into between BI and LPPI, under terms and conditions satisfactory to the Bank, which shall include that the amounts and grant in-kind so made available shall be used exclusively, in the case of the Netherlands Grant and Netherlands Loan, to finance the Technical Assistance Unit and the Regional Project Management Units operating costs, including staffing and consultants therefor, and in the case of the proceeds of the Japan Grant, for purposes of carrying out Part B of the Project, except for Parts B (i) (2) and B (i) (3).

(g) The Borrower shall exercise its rights under the BI Subsidiary Loan Agreement, BI Financial Arrangement, Bank BNI Subsidiary Loan Agreement, BDN Subsidiary Loan Agreement, BRI Subsidiary Loan Agreement, BBD Subsidiary Loan Agreement, BAPINDO Subsidiary Loan Agreement, RDB of Central Java Subsidiary Loan Agreement, RDB of East Java Subsidiary Loan Agreement, RDB of North Sumatera Subsidiary Loan Agreement, and shall cause BI to exercise its rights under the Bank Niaga On-lending Agreement, Bank Duta On-lending Agreement, BUN On-lending Agreement, BCA On-lending Agreement, UPPINDO On-lending Agreement and LPPI Financial Arrangement, all 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 such Subsidiary Loan Agreements or BI Financial Arrangement or any provision thereof, and shall cause BI not to assign, amend, abrogate or waive such On-lending Agreements or LPPI Financial Arrangement or any provision thereof.

Section 3.02. The Borrower and the Bank hereby agree that in respect of Part A of the Project 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 the Participating Financial Institutions pursuant to Section 2.03 of the Commercial and Regional Development Banks Project Agreement, Section 2.03 of the BAPINDO Project Agreement, and Section 2.03 of the UPPINDO Project Agreement.

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

(a) Either a Participating Financial Institution or LPPI shall have failed to perform any of their obligations under the Commercial and Regional Development Banks Project Agreement, the BAPINDO Project Agreement, the UPPINDO Project Agreement and the LPPI Project Agreement, respectively.

(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 either a Participating Financial Institution or LPPI will be able to perform their respective obligations under the Commercial and Regional Development Banks Project Agreement, the BAPINDO Project Agreement, the UPPINDO Project Agreement or the LPPI Project Agreement, respectively.

(c) The Governing Law or the Charter, as the case may be, of any Participating Financial Institution shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of the respective Participating Financial Institution or their ability to carry out the Project or any part thereof or to perform any of its obligations under the Commercial and Regional Development Banks Project Agreement, the BAPINDO Project Agreement and the UPPINDO Project Agreement, respectively.

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

(e) Any part of the principal amount of any loan to a Participating Financial Institution having an original maturity of one year or more shall, in accordance with its terms, have become due and payable in advance of maturity as provided in the related contractual instruments, or any security for any such loan shall have become enforceable.

(f) A subsidiary or any other entity shall have been created or acquired or taken over by a Participating Financial Institution, if such creation, acquisition or taking over would adversely affect the conduct of such Participating Financial Institution's business or such Participating Financial Institution's financial condition or the efficiency of such Participating Financial Institution's management and personnel or the carrying out of Part A of the Project.

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

(h) (i) Subject to subparagraph (ii) of this paragraph the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor.

(ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions con-

sistent with the obligations of the Borrower under this Agreement.

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) any event specified in paragraph (a) or (f) of Section 4.01 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 the respective Participating Financial Institution or LPPI;

(b) any event specified in paragraph (c), (d), (e) or (g) of Section 4.01 of this Agreement shall occur; and

(c) the event specified in paragraph (h) (i) of Section 4.01 of this Agreement shall occur, subject to the proviso of paragraph (h)(ii) of such Section.

ARTICLE V

Effective Date; Termination

Section 5.01. 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 BI Subsidiary Loan Agreement has been entered into between the Borrower and BI, respectively;

(b) that the Subsidiary Loan Agreements have been entered into between the Borrower and at least two of the Participating Financial Institutions amongst Bank BNI, BDN, BBD or BRI; and

(c) that the BI Financial Arrangement and the LPPI Financial Arrangement have been entered into between the Borrower and BI, and between BI and LPPI, respectively.

Section 5.02. 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 Commercial and Regional Development Banks Project Agreement has been duly authorized or ratified by each of the Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN and BCA, and is legally binding upon each of the Bank BNI, BDN, BRI, BBD, RDB of Central Java, RDB of East Java, RDB of North Sumatera, Bank Niaga, Bank Duta, BUN and BCA in accordance with its terms;

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

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

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

(e) that the BI Subsidiary Loan Agreement has been ratified by, and is legally binding upon the Borrower and BI in accordance with its terms;

(f) that the Subsidiary Loan Agreements referred to in Section 5.01 (b) of this Agreement have been duly authorized or ratified by, and are legally binding upon the Borrower and the relevant Participating Financial Institutions in accordance with its terms;

(g) that the BI Financial Arrangement has been ratified and is legally binding upon the Borrower and BI in accordance with its terms; and

(h) that the LPPI Financial Arrangement has been ratified by, and is legally binding upon BI and LPPI in accordance with its terms.

Section 5.03. 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 VI

Representative of the Borrower; Addresses

Section 6.01. 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 6.02. 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 DEPKEU-IA
45799 DJMLN-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:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

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/ Attila Karaosmanoglu
Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Category 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 Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditure to be Financed
(1) Sub-loans	100,000,000	80%
<hr/>		
TOTAL	100,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of a Sub-loan: (i) unless the Sub-loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in the Schedule to the Commercial and Regional Development Banks Project Agreement, the Schedule to the BAPINDO Project Agreement, and the Schedule to the UPPINDO Project Agreement; (ii) until the Subsidiary Loan Agreement or On-lending Agreement, as the case may be, under which the Sub-loan is to be financed has been approved by the Bank and the Bank has been furnished with an opinion or opinions satisfactory to the Bank of counsel acceptable to the Bank showing that such Subsidiary Loan Agreement or On-lending Agreement, as the case may be, has been duly authorized or ratified by the Borrower or BI, as the case may be, and the relevant Participating Financial Institution and is legally binding upon the Borrower or BI, as the case may be, and such Participating Financial Institution in accordance with its terms; (iii) unless the Participating Financial Institution requesting the withdrawal complies with portfolio, financial and operational performance criteria satisfactory to the Bank; and (iv) except as the Borrower and the Bank shall otherwise agree, on account of expenditures by an Investment Enterprise in respect of a Sub-loan subject to the Bank's approval, unless such expenditures shall have been made not more than ninety days prior to the date on which the Bank shall have received, in respect of such Sub-loan, the application and information required by paragraph 4 (a) of the Schedule to the Commercial and Regional Development Banks Project Agreement, paragraph 4 (a) of the BAPINDO Project Agreement and paragraph 4 (a) of the UPPINDO Project Agreement or, in respect of a free-limit Sub-loan, not more than ninety days prior to the date on which the Bank shall have received in respect of such free-limit Sub-loan the request and information required by paragraph 4 (b) of the Schedule to the Commercial and Regional Development Banks Project Agreement, paragraph 4 (b) of the Schedule to the BAPINDO Project Agreement and paragraph 4 (b) of the Schedule to the UPPINDO Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to (a) finance technically, financially and economically viable and environmentally sound Investment Projects to be carried out by Investment Enterprises; (b) provide technical assistance to

Investment Enterprises in preparing Investment Projects; (c) strengthen institutional capabilities and technical services in the participating Regional Development Banks; and (d) develop the Indonesian consulting industry.

The Project consists of the following, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A: The granting of Sub-loans

Part B: Technical Assistance

- (i) Provision of technical assistance and related services to Investment Enterprises to improve their managerial and operational efficiency, and prepare plans for Investment Projects, through, inter alia, (1) the provision of consultancy services; (2) the Technical Assistance Unit; and (3) the Regional Project Management Units.
- (ii) Provision of technical assistance and training to the Participating Financial Institutions, for carrying out Part A of the Project, including the services of the Appraisal Advisor.
- (iii) Enhance the capability of the participating Regional Development Banks to evaluate, inter alia, the technical, environmental, financial and economic aspects of Investment Projects through the provision of training.
- (iv) Provision of appropriate training to management and staff of local consultants and Investment Enterprises.
- (v) Carry out studies on financial, economic, environmental, marketing and other topics relating to Investment Enterprises.
- (vi) Management of the Technical Assistance Fund.

* * *

The Project is expected to be completed by December 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
October 1, 1994	1,835,000
April 1, 1995	1,905,000
October 1, 1995	1,980,000
April 1, 1996	2,055,000
October 1, 1996	2,135,000
April 1, 1997	2,215,000
October 1, 1997	2,300,000
April 1, 1998	2,385,000
October 1, 1998	2,480,000
April 1, 1999	2,575,000
October 1, 1999	2,670,000
April 1, 2000	2,775,000
October 1, 2000	2,880,000
April 1, 2001	2,990,000
October 1, 2001	3,105,000
April 1, 2002	3,225,000
October 1, 2002	3,345,000
April 1, 2003	3,475,000
October 1, 2003	3,610,000

April 1, 2004	3,745,000
October 1, 2004	3,890,000
April 1, 2005	4,040,000
October 1, 2005	4,190,000
April 1, 2006	4,355,000
October 1, 2006	4,520,000
April 1, 2007	4,690,000
October 1, 2007	4,870,000
April 1, 2008	5,060,000
October 1, 2008	5,250,000
April 1, 2009	5,450,000

* 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

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Modifications of the General Conditions

For purposes of this Agreement, the provisions of the General Conditions are modified as follows:

- (1) The last sentence of Section 3.02 is deleted.
- (2) The words "or for Investment Projects" are added after the words "the Project" at the end of Section 5.03.
- (3) Section 6.03 is deleted and replaced by the following new Section:

"Section 6.03. Cancellation by the Bank. If (a) the

right of the Borrower to make withdrawals from the Loan Account shall have been suspended with respect to any amount of the Loan for a continuous period of thirty days, or (b) by the date specified in paragraph 3 (c) of the Schedule to the Project Agreement no applications or requests permitted under paragraph (a) or paragraph (b) of such Section shall have been received by the Bank in respect of any portion of the Loan, or having been so received, shall have been denied, or (c) at any time, the Bank determines that the procurement of any item is inconsistent with the procedures set forth or referred to in the Loan Agreement and establishes the amount of expenditures in respect of such item which would otherwise have been eligible for financing out of the proceeds of the Loan, or (d) after the Closing Date an amount of the Loan shall remain unwithdrawn from the Loan Account, the Bank may, by notice to the Borrower, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice such amount or portion of the Loan shall be cancelled."

SCHEDULE 5

Formula for Calculation of Relending Rate from the Borrower to Participating Financial Institutions

1. The interest rate payable by Participating Financial Institutions to the Borrower on funds out of the Loan shall be a variable rate per annum equal to the average weighted interest cost of the Participating Financial Institutions' (excluding BAPINDO and UPPINDO) loanable funds arising out of their customer deposits (i.e., excluding free funds from government and parastatal agencies) over a six-month period. This rate will be determined according to the following formula and adjusted every six months or such other period of time to be determined by the Borrower in consultation with the Bank:

$$t=6$$

$$rTt (Tt) + rSt (St) + rDt (MDt)$$

$$I = (1/6)$$

$$(Tt + St + Dt) - (RTt + RSt + RDt)$$

$$t = 1$$

Definitions

t = the last day of each of the most recent six months prior to an Interest Period for which BI has consolidated data on the deposit base of the PFIs

rDt = interest rate payable on PFIs' demand deposits, at time t

rTt = interest rate payable on PFIs' time deposits, at time t

rSt = interest rate payable on PFIs' saving deposits, at time t

Dt = the amount of PFIs' demand deposits, at time t

Tt = the amount of PFIs' time deposits, at time t

St = the amount of PFIs savings deposits, at time t

MDt = minimum average balance of PFIs' demand deposits outstanding during month immediately preceding time t

RTt = reserves on time deposits of PFIs' at time t
RSt = reserves on savings deposits of PFIs' at time t
RDt = reserves on demand deposits of PFIs' at time t
I = interest rate applicable on Subsidiary Loan (from the Borrower to all PFIs) for each interest period.

2. Notwithstanding the above cost-of-funds formula, the relending rate of the Participating Financial Institutions, shall not be less than the interest rate on the Loan plus a margin of 1.75%.

