

CONFORMED COPY

LOAN NUMBER 3282 IND

(Fertilizer Restructuring Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

P.T. PETROKIMIA GRESIK (PERSERO)

Dated January 16, 1991

LOAN NUMBER 3282 IND

GRESIK PROJECT AGREEMENT  
AGREEMENT, dated January 16, 1991, between INTERNATIONAL BANK  
FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and P.T. PETROKIMIA  
GRESIK (PERSERO) (hereinafter called Gresik).

WHEREAS (A) by the Loan Agreement of even date herewith  
between Republic of Indonesia (the Borrower) and the Bank, the Bank  
has agreed to make available to the Borrower an amount in various  
currencies equivalent to two hundred twenty-one million seven hun-  
dred thousand dollars (\$221,700,000), on the terms and conditions  
set forth in the Loan Agreement, but only on condition that Gresik  
agree to undertake such obligations toward the Bank as are set forth  
in this Agreement;

(B) by a subsidiary loan agreement to be entered into  
between the Borrower and Gresik, part of the proceeds of the loan  
provided for under the Loan Agreement will be relent to Gresik on  
the terms and conditions set forth in the Gresik Subsidiary Loan  
Agreement; and

WHEREAS Gresik, in consideration of the Bank's entering into  
the Loan Agreement with the Borrower, has agreed to undertake the

obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so defined) have the respective meanings therein set forth, and the following additional term has the following meaning:

(a) "Environmental Management Plan" means specific guidelines setting out the basic design and operating requirements for mitigating environmental effects caused by Gresik's existing and future investments.

#### ARTICLE II

##### Execution of the Project

Section 2.01. Gresik declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out Part A of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, engineering services and licenses, 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 the Schedule to this Agreement.

Section 2.03. Gresik shall carry out 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 this Agreement and Part A of the Project.

Section 2.04. Gresik shall duly perform all its obligations under the Gresik Subsidiary Loan Agreement. Except as the Bank shall otherwise agree, Gresik shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Gresik Subsidiary Loan Agreement or any provision thereof.

Section 2.05. (a) Gresik shall, at the request of the Bank, exchange views with the Bank with regard to the progress of Part A of the Project, the performance of its obligations under this Agreement and under the Gresik Subsidiary Loan Agreement, and other matters relating to the purposes of the Loan.

(b) Gresik shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of Part A of the Project, the accomplishment of the purposes of the Loan, or the performance by Gresik of its obligations under this Agreement and under the Gresik Subsidiary Loan Agreement.

Section 2.06. Gresik shall, not later than November 30, 1991, develop and, thereafter, implement an Environmental Management Plan, satisfactory to the Bank.

Section 2.07. Gresik shall, for the purpose of implementation of its modernization subproject, furnish to the Bank, not later than June 30, 1992, for the Bank's review and approval: (i) a subproject appraisal report, and (ii) an environmental impact assessment of the subproject.

### ARTICLE III

#### Management and Operations of Gresik

Section 3.01. Gresik shall carry on its operations and conduct its affairs in accordance with sound administrative, financial, engineering and environmental practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. Gresik shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial, industrial and environmental practices.

Section 3.03. Gresik shall take out and maintain with responsible insurers, or make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

### ARTICLE IV

#### Financial Covenants

Section 4.01. (a) Gresik shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) Gresik shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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: (A) certified copies of its financial statements for such year as so audited, and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

### ARTICLE V

Effective Date; Termination;  
Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 5.02. This Agreement and all obligations of the Bank and of Gresik thereunder shall terminate on the date on which the Loan Agreement shall terminate in accordance with its terms, and the Bank shall promptly notify Gresik thereof.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

### ARTICLE VI

#### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

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)

For Gresik:

PT. Petrokimia Gresik (Persero)  
Jl. Jenderal Akhmad Yani, Gresik  
East Java  
Indonesia  
Cable address:

Telex:

PETROKIMIA GRESIK

31477 PETROG IA  
31012 PETROG IA

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of Gresik may be taken or executed by the President Director or such other person or persons as the President Director shall designate in writing, and Gresik shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell J. Cheetham  
Acting Regional Vice President  
Asia

P.T. PETROKIMIA GRESIK (PERSERO)

By /s/ A. S. Achjadi  
Authorized Representative

SCHEDULE

Procurement and Consultants' Services  
Section I: Procurement of Equipment and Materials, and  
Engineering Services and Licenses

Part A: International Competitive Bidding

Equipment and materials, and engineering services and licenses shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of equipment and materials in accordance with the procedures described in Part A hereof, goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Proprietary equipment estimated to cost in the aggregate an amount not to exceed the equivalent of \$11,700,000, may be procured by direct negotiations with original suppliers eligible under the Guidelines.

2. Equipment and materials estimated to cost less than the equivalent of \$400,000 per contract, up to an aggregate of \$18,600,000, may be procured under contracts awarded through limited international bidding procedures on the basis of evaluation and comparison of bids invited from a list of at least three qualified suppliers eligible under the Guidelines and in accordance with the procedures set forth in Sections I and II of the Guidelines (excluding paragraphs 2.8, 2.9, 2.55 and 2.56, thereof); provided, however, that equipment and materials estimated to cost less than the equivalent of \$100,000 per contract, up to an aggregate of \$9,700,000, may be procured under contracts awarded on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for equipment and materials estimated to cost the equivalent of \$1,000,000 or more, and each contract for engineering services and licenses, the procedures set forth in paragraphs 2 and 4 of Appendix 1 of the Guidelines shall apply.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II: Employment of Consultants

1. In order to assist Gresik in carrying out Part A.1 of the Project, Gresik shall, not later than May 1, 1991, employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

2. In order to assist Gresik in carrying out Part A.2 of the Project, Gresik shall, not later than May 1, 1991, employ consultants whose qualifications, experience and terms and conditions of

employment shall be satisfactory to the Bank.

3. The above referenced consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

