

CONFORMED COPY

LOAN NUMBER 3602 IND

(Cirata Hydroelectric Phase II Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated June 25, 1993

LOAN NUMBER 3602 IND

LOAN AGREEMENT

AGREEMENT, dated June 25, 1993 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 Borrower intends to enter into financial arrangements with non-Indonesian sources in an aggregate amount equivalent to about one hundred forty nine million two hundred thousand dollars (\$149,200,000) to assist in financing the turbine generating equipment and metalworks, transformers and switchgear under Parts A.1, A.2 and A.3 of the Project;

(C) Part C of the Project will be carried out by the Borrower and Parts A and B of the Project will be carried out by Perusahaan Umum Listrik Negara (PLN as herein defined) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PLN part of 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 modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Cirata Hydroelectric Plant" means the power plant located on the Citarum River in West Java designed to generate about 1000 MW through eight 125 MW generating units.

(b) "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;

(c) "PLN" means Perusahaan Umum Listrik Negara, a corporate entity established and existing under the laws of the Borrower;

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

(e) "Rupiah" means the Borrower's currency; and

(f) "Subsidiary Loan Agreement" means the agreement to be entered or entered into between the Borrower and 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 the term "Subsidiary Loan" means the loan provided to PLN under the Subsidiary Loan 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, various currencies that shall have an aggregate value equivalent to the amount of one hundred four million dollars (\$104,000,000), 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 June 30, 1999 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 ( $3/4$  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 ( $1/2$  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 February 1 and August 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

#### 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, shall: (i) carry out Part C of the Project, through its Ministry of Mines and Energy, with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and environmental practices, and shall provide, promptly as needed the funds, facilities, services and other resources for carrying out such part of the Project; and (ii) without any limitation or restriction upon any of its other obligations under the Loan Agreement, 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 to PLN out of the proceeds of the Loan an amount equivalent to \$101,700,000 under a subsidiary loan agreement to be entered into between the Borrower and PLN, under terms and conditions satisfactory to the Bank, including the following principal terms and conditions: (i) PLN shall pay interest on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a variable rate per annum equal to the sum of the following: the interest rate paid by the Borrower pursuant to Section 2.05 of this Agreement, plus a percentage fee to be established by the Borrower for each payment date on the basis of the average of the annual rate of change in the value of the Rupiah in respect to the Dollar during the previous three years and to be calculated in accordance with a methodology satisfactory to the Bank, plus one percent; (ii) the principal amount of the Subsidiary Loan shall be repaid over 20 years including five years' grace; and (iii) the foreign exchange risk shall be borne by the Borrower.

(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. (a) Except as the Bank shall otherwise agree, procurement of consultants' services required for Part C of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of sub-paragraph (b) hereof.

(b) In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall employ, consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such 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.

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, in respect of Parts A and B of the Project pursuant to Section 2.03 of the Project Agreement, and by the Borrower in respect of Part C of the Project.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of Part C of the Project of the departments and agencies of the Borrower responsible for carrying out Part C of the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section 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 nine months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

Section 4.02. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall:

(a) review annually with the Bank and PLN, PLN's proposed investment plan for the next five fiscal years, including the priorities assigned to the investments included under such plans and the balance between 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 forecasts and financing plan provided for in Section 4.04 of the Project Agreement, and take appropriate measures to facilitate the access of PLN to possible sources of finance required for the implementation of such plans.

Section 4.03. The Borrower shall take all such actions as shall be necessary to ensure that transfer of profits from PLN to the Overall Development Fund (Dana Pembangunan Semesta) shall not prevent PLN from implementing its annual investment plans referred to in Section 4.02 (b) of this Agreement.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) 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.

(f) Any of the financial arrangements, referred to in paragraph (B) of the Preamble to this Agreement, shall have failed to become effective by March 31, 1994, or such later date as may be agreed by the Bank; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

(a) any 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;

(b) any event specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur; and

(c) the event specified in paragraph (f) of Section 5.01 of this Agreement shall occur, subject to the proviso of the said Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and PLN.

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 one hundred twenty (120) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance  
c/o Directorate General of Budget  
Jalan Lapangan Banteng Timur 2-4  
P.O. Box 139  
Jakarta, Indonesia

Cable address:

Telex:

FINMINISTRY  
Jakarta

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:

Telex:

INTBAFRAD  
Washington, D.C.

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/ Mr. Tjahjono, Chargé d'Affaires  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji  
Regional Vice President  
East Asia and Pacific

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:

| Amount of the<br>Loan Allocated | % of |
|---------------------------------|------|
|---------------------------------|------|

| Category                                      | (Expressed in<br>Dollar Equivalent | Expenditures<br>to be Financed |
|---|------------------------------------|--------------------------------|
| (1) Civil works                               | 55,000,000                         | 75%                            |
| (2) Consultants'<br>services and<br>training: |                                    |                                |
| (a) under Part A.4<br>of the Project          | 23,300,000                         | 100%                           |
| (b) under Part B<br>of the Project            | 15,200,000                         | 100%                           |
| (c) under Part C<br>of the Project            | 2,300,000                          | 100%                           |
| (3) Unallocated                               | 8,200,000                          |                                |
| TOTAL   | 104,000,000                        |                                |

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not to exceed \$5,000,000 may be made in respect of Categories 2 (a) and 2 (b) set forth in the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after December 31, 1992.

#### SCHEDULE 2

##### Description of the Project

The objectives of the Project are to: (a) expand PLN's peaking electricity generating capacity and improve service reliability; (b) update hydroelectric inventories and strengthen PLN's capability in planning investigation and operation of hydroelectric schemes and in environmental management of power projects; (c) enhance the environmental conditions in the area of the existing reservoirs on the Citarum river; and (d) strengthen PLN's institutional and financial capacity.

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:

1. Construction of two headrace tunnels, each about 690 meters long and about 8.4 meters in diameter; two surge shafts, each about 80 meters long and about 18.6 meters in diameter; four steel lined penstock tunnels, each about 200 meters long and about 5.2 meters in diameter; and four tailrace tunnels, each about 138 meters long and about 6.4 meters in diameter, with associated outlet structures.
2. Installation, within the existing cavern of the powerhouse of the Cirata Hydroelectric Plant, of four additional power generating units each of 125 megawatt, including turbine, generators, governors regulators, control equipment and associated facilities.

3. Installation of transformers and switchgear for connection to the existing grid.

4. Provision of technical assistance for engineering and construction supervision of Parts A.1, A.2 and A.3 of the Project.

PART B:

1. Carrying out studies relating to: (a) upgrading of hydrological and environmental data bases; (b) updating of hydroelectric inventories and determining pre-feasibility of selected hydroelectric schemes; and (c) identifying options to enhance the environmental conditions in the existing reservoirs on the Citarum River.

2. Carrying out of training programs for PLN staff in: (a) environmental management in relation to both hydroelectric and thermal power projects; and (b) dam safety and instrumentation monitoring.

3. Provision of pre-construction stage engineering services for the proposed Besai Hydroelectric Project in South Sumatra.

Part C:

Carrying out studies regarding the power sector, including studies relating to: (a) institutional and regulatory framework of the power sector; and (b) long-term strategy for financing power sector investments.

\* \* \*

The Project is expected to be completed by August 31, 1998.

SCHEDULE 3

Amortization Schedule

| Date Payment Due | Payment of Principal<br>(expressed in dollars)* |
|------------------|---|
| February 1, 1999 | 1,945,000                                       |
| August 1, 1999   | 2,015,000                                       |
| February 1, 2000 | 2,090,000                                       |
| August 1, 2000   | 2,170,000                                       |
| February 1, 2001 | 2,250,000                                       |
| August 1, 2001   | 2,335,000                                       |
| February 1, 2002 | 2,420,000                                       |
| August 1, 2002   | 2,510,000                                       |
| February 1, 2003 | 2,605,000                                       |
| August 1, 2003   | 2,700,000                                       |
| February 1, 2004 | 2,800,000                                       |
| August 1, 2004   | 2,905,000                                       |
| February 1, 2005 | 3,010,000                                       |
| August 1, 2005   | 3,125,000                                       |
| February 1, 2006 | 3,240,000                                       |
| August 1, 2006   | 3,360,000                                       |
| February 1, 2007 | 3,485,000                                       |
| August 1, 2007   | 3,615,000                                       |
| February 1, 2008 | 3,750,000                                       |
| August 1, 2008   | 3,890,000                                       |
| February 1, 2009 | 4,035,000                                       |
| August 1, 2009   | 4,185,000                                       |
| February 1, 2010 | 4,340,000                                       |
| August 1, 2010   | 4,500,000                                       |
| February 1, 2011 | 4,665,000                                       |
| August 1, 2011   | 4,840,000                                       |
| February 1, 2012 | 5,020,000                                       |
| August 1, 2012   | 5,205,000                                       |
| February 1, 2013 | 5,400,000                                       |
| August 1, 2013   | 5,590,000                                       |

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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<br>(expressed as a<br>percentage per annum)<br>applicable to the Loan<br>on the day of prepayment<br>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  |

