

CONFORMED COPY

LOAN NUMBER 3249 IND

(Second BRI/KUPEDES Small Credit Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 15, 1990

LOAN NUMBER 3249 IND

LOAN AGREEMENT

AGREEMENT, dated August 15, 1990, 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 Bank Rakyat Indonesia (BRI) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to BRI 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 BRI;

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) "Bank Indonesia" means Bank Indonesia as established and operating under Law No. 13 of 1968 of the Borrower as it may be amended from time to time;

(b) "KUPEDDES" means Kredit Umum Pedesaan, BRI's general village credit program as set out in the BRI Circulars No. NOSE S-18-INV/1/1984 dated January 30, 1984, No. NOSE S-255-KTN-11/86 dated November 8, 1986, and No. NOSE S-57-DIR/BUD/04/90 dated April 23, 1990;

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

(d) "Rupiah" or "Rp" means the currency of the Borrower;

(e) "Sub-borrower" means a person or an enterprise to which BRI proposes to make or has made a Sub-loan;

(f) "Sub-loan" means a loan made or proposed to be made by BRI under KUPEDDES using the proceeds of the Loan relented by the Borrower to BRI;

(g) "Subsidiary Loan" means the loan provided for in the Subsidiary Loan Agreement;

(h) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BRI 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;

(i) "Unit Desa" means a village sub-branch of BRI;

(j) "Unit Desa Development Fund" means the account established in BRI pursuant to the BRI Circular No. NOSE S-79-DIR/3/86 dated March 14, 1986 and No. NOSE S.159-DIR/BUD/11/89 dated November 28, 1989, for the financing of activities related to the various Unit Desa; and

(k) "State-owned Commercial Banks" means collectively Bank Rakyat Indonesia, Bank Ekspor Impor Indonesia, Bank Dagang Negara, Bank Negara Indonesia 1946, and Bank Bumi Daya.

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 this Agreement, an amount in various currencies equivalent to one hundred twenty-five million dollars (\$125,000,000).

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 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, 1994, 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 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 May 1 and November 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, without any limitation or restriction upon any of its other obligations under the Loan Agreement, shall cause BRI to perform in accordance with the provisions of the Project Agreement all the obligations of BRI 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 BRI 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 BRI 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 the following:

- (i) interest on the Subsidiary Loan shall be payable at a variable rate per annum equal to the average six months interest rate per annum of Bank Indonesia's Sertifikat Bank Indonesia (SBI) with a three-month maturity. Such rate to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the preceding six months; provided, however, that the interest on the Subsidiary Loan shall not, in any given six-month period, exceed the average of the end-of-day quotations of the per annum interest rate of the three-month time deposit of the five State-owned Commercial Banks during the same six-month period; provided, further that the interest on the Subsidiary Loan for the period from the date of the Subsidiary Loan Agreement through December 31, 1990, shall be determined on the basis of the average of the per annum interest rate of SBI three-month maturity quotations during the six months preceding July 1, 1990.
- (ii) the Subsidiary Loan shall be repaid over a period of twenty years, including a grace period of five years;
- (iii) BRI shall pay the Borrower a commitment charge on the undisbursed portion of the Subsidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to 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. 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 BRI pursuant to Section 2.07 of the Project Agreement.

ARTICLE IV

Remedies of the Bank

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

(a) BRI 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 BRI will be able to perform its obligations under the Project Agreement.

(c) Law No. 21 of year 1968, as amended to the date of this Agreement, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of BRI 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 BRI or for the suspension of its operations.

(e) The exchange of letters between BRI and BI, dated February 7 and 19, 1987, and March 2, 1987, relating to repayment by BRI of liquidity credits to BI, shall have been amended without the Bank's consent.

Section 4.02. 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 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

(b) the events specified in paragraphs (c), (d) and (e) of Section 5.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as additional conditions 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 BRI.

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

(b) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and BRI and is legally binding upon the Borrower and BRI 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 Director General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

MINISTRY FINANCE
JAKARTA

Telex:

DEPKEU-IA 44319
DJMLN-IA 45799

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:

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

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/ Russell Cheetham
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:

Amount of the

Category	Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans under Part A of the Project	120,000,000	5% of the amount disbursed for Sub- loans over a three-months period, the first such period to end the calendar quarter in which the Loan Agreement is signed on a pro rata basis; not to exceed 30% of the increment in the KUPEDES loan portfolio outstanding during the same period
(2) Civil works under Part B (1) of the Project	1,950,000	50%

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Equipment under Part B (2) of the Project	190,000	100% of foreign expenditures, 100% of local expendi- tures (ex-factory cost), and 60% of local expenditures for other items procured locally
(4) Technical Assistance		
(a) under Part C(1) of the Project	1,200,000	100%
(b) under Part C(2) of the Project	720,000	100%
(5) Unallocated	940,000	
TOTAL	125,000,000 =====	

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 of payments made for expenditures prior to the date of this Agreement.

Description of the Project

The objectives of the Project are to assist BRI in strengthening and expanding BRI's Unit Desa System as a financially viable sub-branch network to provide non-subsidized credit to creditworthy small borrowers in Indonesia.

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:

Provision of KUPEDES loans to enterprises and persons in Indonesia, in furtherance of such corporate purposes of BRI as are provided in Law No. 21 of 1968, in the Unit Desa Policy Statement and in the Unit Desa Strategy Statement.

Part B:

Expansion of BRI's five Unit Desa training centers through: (1) construction of additional class rooms and ancillary facilities; and (2) provision of computers for such centers.

Part C:

Strengthening BRI's institutional capability for improving its Unit Desa and rural banking activities, by providing, inter alia: (1) long-term advisors to BRI's senior management on rural banking policy and on training matters; and (2) short-term consultants for undertaking special activities to improve BRI's Unit Desa and rural banking operations.

* * * * *

The Project is expected to be completed by December 31, 1993.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in dollars)*
May 1, 1996	2,275,000
November 1, 1996	2,365,000
May 1, 1997	2,455,000
November 1, 1997	2,550,000
May 1, 1998	2,650,000
November 1, 1998	2,750,000
May 1, 1999	2,860,000
November 1, 1999	2,970,000
May 1, 2000	3,085,000
November 1, 2000	3,205,000
May 1, 2001	3,330,000
November 1, 2001	3,455,000
May 1, 2002	3,590,000
November 1, 2002	3,730,000
May 1, 2003	3,875,000
November 1, 2003	4,025,000
May 1, 2004	4,180,000
November 1, 2004	4,345,000
May 1, 2005	4,510,000
November 1, 2005	4,685,000
May 1, 2006	4,870,000
November 1, 2006	5,055,000
May 1, 2007	5,250,000
November 1, 2007	5,455,000
May 1, 2008	5,655,000
November 1, 2008	5,885,000
May 1, 2009	6,115,000
November 1, 2009	6,350,000

May 1, 2010	6,600,000
November 1, 2010	6,865,000

* 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

