

CONFORMED COPY

LOAN NUMBER 3402 IND

(Agricultural Financing Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated November 6, 1991

LOAN NUMBER 3402 IND

LOAN AGREEMENT

AGREEMENT, dated November 6, 1991, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

WHEREAS (B) Part A of the Project will be carried out by Bank Dagang Nasional Indonesia (BDNI), Bank Ekspor Impor Indonesia (BankExim), Bank Negara Indonesia 1946 (Bank BNI), Bank Niaga, Pan Indonesia Bank (PANIN), and Bank Pembangunan Indonesia (BAPINDO), with the Borrower's assistance, and as part of such assistance, the Borrower will make available to the BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO part of the proceeds of the Loan as provided in this Agreement;

WHEREAS (C) Lembaga Pengembangan Perbankan Indonesia (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 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, in the Project Agreement of even date herewith amongst the Bank and the BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO, 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 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) "Participating Banks" mean collectively BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO, and "Participating Bank" means any one of them;

(c) "SEHAT" means the classification of a Participating Bank as financially sound made by BI, from time to time, pursuant to criteria satisfactory to the Bank;

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

(e) "BDNI Charter" means the Articles of Association of Bank Dagang Nasional Indonesia dated January 16, 1946, as amended to the date of this Agreement;

(f) "BankExim Governing Law" means Act on Bank Ekspor Impor Indonesia (Act No. 22 of year 1968), as amended to the date of this Agreement;

(g) "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;

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

(i) "BAPINDO Governing Law" means Act on Bank Pembangunan Indonesia (Act No. 21 of year 1960), as amended to the date of this Agreement;

(j) "PANIN Charter" means the Articles of Association of Pan Indonesia Bank dated August 17, 1971, as amended to the date of this Agreement;

(k) "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 Bank or by any one or more subsidiaries of a Participating Bank or by a Participating Bank

and one or more of its subsidiaries;

(l) "Project Agreement" means the agreement between the Bank and BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO 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;

(m) "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;

(n) "BI Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and BI 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 supplemental to the BI Subsidiary Loan Agreement;

(o) "BDNI On-lending Agreement" means the agreement to be entered into between the BI and BDNI pursuant to Section 3.01 (f) (i) of this Agreement, as the same may be amended from time to time, and such term includes all schedules supplemental to the BDNI On-lending Agreement;

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

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

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

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

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

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

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

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

(x) "Initial Subsidiary Loan" means the Subsidiary Loan in an amount of \$10,000,000 equivalent on-lent to each Participating Bank pursuant to paragraphs (c), (d), (e) and (f) of Section 3.01 of this Agreement, respectively;

(y) "Additional Subsidiary Loan" means the Subsidiary Loan in the aggregate amount of \$45,000,000 equivalent on-lent to any of the Participating Banks pursuant to the provisions of Section 3.01 (k) of this Agreement;

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

(aa) "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 Project Agreement;

(bb) "Uncommitted Funds" means the aggregate amount of the proceeds of the Loan on-lent to a Participating Bank pursuant to this Agreement, which at the Remedial Date has not been committed by such Participating Bank to finance Sub-loans approved by the Bank pursuant to the provisions of the Schedule to the Project Agreement, and in the case of free-limit Sub-loans, authorized by the Bank for withdrawals from the Loan Account pursuant to the provisions of the Schedule to the Project Agreement;

(cc) "Supervision Date" means the date referred to in Section 3.01 (j) of this Agreement;

(dd) "Remedial Date" means the date referred to in Section 3.01 (j) of this Agreement;

(ee) "Investment Enterprise" means an individual resident in Indonesia, and cooperatives and private enterprises established and operating in Indonesia, which is either engaged in the agricultural sub-sector or the agro-based industry sub-sector, having operating assets (excluding land, buildings and inventories) of less than \$500,000 equivalent, to which: (a) a Participating Bank 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) of the Project;

(ff) "Agricultural Investment Project" means a specific development project for the primary production of agricultural, milk and livestock, fishery and forestry products to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(gg) "Agribusiness Investment Project" means a specific development project for the processing of agricultural, milk and livestock, fishery and forestry products to be carried out by an Investment Enterprise utilizing the proceeds of a Sub-loan;

(hh) "Appraisal Advisor" means the advisor to be retained pursuant to the provisions of Schedule 1 to the LPPI Project Agreement;

(ii) "Technical Assistance Unit" means the unit established within LPPI on October 1, 1988, for purposes, inter alia, of providing technical assistance to Investment Enterprises to prepare plans for Agricultural Investment Projects and Agribusiness Investment Projects;

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

(kk) "Technical Assistance Fund" means the fund to be financed in part out of the proceeds of the Loan pursuant to Section 3.01 (m) of this Agreement, and in part out of the proceeds of the Japan Grant under the Small and Medium Enterprises Project (Loan No. 3041-IND), and to be administered by the LPPI, through the Technical Assistance Unit, for purposes, inter alia, of providing consultancy services to Investment Enterprises under Part B of the

Project.

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 six million one hundred thousand dollars (\$106,100,000).

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 Bank on account of withdrawals made by an Investment Enterprise under a Sub-Loan to meet the reasonable cost of goods and services required for the Agricultural Investment Project or Agribusiness Investment Project, as the case may be, in respect of which the withdrawal from the Loan Account is requested.

Section 2.03. The Closing Date shall be December 31, 1998, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. (a) 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 June 1 and December 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 BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO each to perform in accordance with the provisions of the Project Agreement all the obligations of BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO 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 BDNI, BankExim, Bank BNI, Bank Niaga, PANIN and BAPINDO each to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and (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, agricultural, agribusiness, technical, economic, managerial, training, and environmental practices.

(b) The Borrower shall, out of the proceeds of the Loan, relend to BI an amount equivalent to \$ 30,000,000, and such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by either BDNI, Bank Niaga or PANIN to finance Sub-loans, 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:

- (i) those set forth in paragraphs (g), (h), (i), (j) and (k) of this Section;
- (ii) the obligation of BI to on-lend the funds so relend under the BI Subsidiary Loan Agreement to BDNI, Bank Niaga and PANIN pursuant to the provisions of paragraphs (g), (h), (i), (j) and (k) of this Section;
- (iii) the obligation of BI to: (A) supervise the

financial performance of each Participating Bank; and (B) require that each of the Participating Bank undertakes measures to maintain or regain, as the case may, their SEHAT classification;

- (iv) the obligation of BI to provide, free of charge, to the Participating Banks the services of its Management Information System for monitoring and reporting date on Sub-loan approvals, collection of payments of principal and interest, and arrears on such payments; and
- (v) the obligation of BI to provide, free of charge, to LPPI the services of an agricultural economist consultant, and four agricultural experts of its Regional Project Management Units, to assist LPPI in carrying out Part B of the Project.

(c) The Borrower shall, out of the proceeds of the Loan, relend to BankExim an amount equivalent to \$ 10,000,000, and such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by BankExim to finance Sub-loans, under a subsidiary loan agreement to be entered into between the Borrower and BankExim under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraphs (g), (h), (i), (j) and (k) of this Section.

(d) The Borrower shall, out of the proceeds of the Loan, relend to Bank BNI an amount equivalent to \$ 10,000,000, and such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by Bank BNI to finance Sub-loans, under a subsidiary loan agreement to be entered into between the Borrower and Bank BNI under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraphs (g), (h), (i), (j) and (k) of this Section.

(e) The Borrower shall, out of the proceeds of the Loan, relend to BAPINDO an amount equivalent to \$ 10,000,000, and such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by BAPINDO to finance Sub-loans, 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 paragraphs (g), (h), (i), (j) and (k) of this Section.

(f) BI shall, out of the amount of the Subsidiary Loan under the BI Subsidiary Loan Agreement, on-lend to:

- (i) BDNI an amount equivalent to \$ 10,000,000, and such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by BDNI to finance Sub-loans, under an on-lending agreement to be entered into between BI and BDNI under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraphs (g), (h), (i), (j) and (k) of this Section;
- (ii) Bank Niaga an amount equivalent to \$10,000,000, or such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by Bank Niaga to finance Sub-loans, 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 paragraphs (g), (h), (i), (j) and (k) of this Section; and

- (iii) PANIN an amount equivalent to \$ 10,000,000, and such other amount pursuant to paragraph (k) of this Section representing disbursements made, from time to time, from the Loan Account by PANIN to finance Sub-loans, under an on-lending agreement to be entered into between BI and PANIN under terms and conditions which shall have been approved by the Bank which shall include those set forth in paragraphs (g), (h), (i), (j) and (k) of this Section.

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

- (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 July 1, 1992, and calculated based on the average of SBI three-month maturity quotations during the preceding six months; provided, however, that the interest rate 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, or such other limit satisfactory to the Bank; provided, further that the interest on the Subsidiary Loan for the period from the date of the Subsidiary Loan Agreement through July 1, 1992, 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, 1992;
- (ii) Subsidiary Loans shall be repaid over a period of 15 years, including a grace period of three years;
- (iii) Each of BankExim, Bank BNI and BAPINDO, shall pay the Borrower, and each of BDNI, Bank Niaga and PANIN shall pay the Borrower through BI, a commitment charge on the undisbursed portion of their respective Initial 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. In respect of the aggregate undisbursed proceeds of the Loan in excess of the aggregate Initial Subsidiary Loan each of BankExim, BNI and BAPINDO shall pay the Borrower, and each of BDNI, Bank Niaga and PANIN shall pay the Borrower through BI, a commitment charge at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement, on an amount to be divided in equal portions amongst the Participating Banks; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(h) After September 30, 1993, (the Reallocation Date) the Borrower may, with the prior approval of the Bank, amend the amount of any Subsidiary Loan under the BankExim Subsidiary Loan, the Bank BNI Subsidiary Loan, the BAPINDO Subsidiary Loan, and BI may, with the prior approval of the Bank and the Borrower, amend the amount of any Subsidiary Loan under an On-lending Agreement, pursuant to the provisions of Schedule 5 to this Agreement.

(i) Without limitation to the provisions of paragraph (h) of this Section, prior to the Reallocation Date and at the request of a Participating Bank(s), the Borrower may, with the prior approval of the Bank, amend the amount of any Subsidiary Loan under the BankExim Subsidiary Loan, the Bank BNI Subsidiary Loan, and the BAPINDO Subsidiary Loan, and BI may, with the prior approval of the Bank and the Borrower, amend the amount of any Subsidiary Loan under an On-lending Agreement, pursuant to the provisions of Schedule 5 to this Agreement.

(j) If at any given time (the Supervision Date) BI determines that a Participating Bank does not comply with BI requirements so as to maintain its SEHAT classification, BI shall promptly, but in any event not later than 30 days after the Supervision Date, require such Participating Bank to undertake measures to regain its SEHAT status by a prescribed date (the Remedial Date). Promptly thereafter BI shall inform the Borrower and the Bank that a situation has arisen that may require by the Remedial Date the reallocation of the Uncommitted Funds of such Participating Bank. If by the Remedial Date, in the opinion of BI, such Participating Bank has not regained its SEHAT status, the Uncommitted Funds of such Participating Bank may, in consultation with the Bank, be allocated, in part or in total, to other Participating Banks by the Borrower or BI, as the case may be, provided that by the Remedial Date such other Participating Banks: (i) have fully committed to finance either approved Sub-loans or free-limit Sub-loans authorized by the Bank to withdraw from the Loan Account, as the case may be, the respective amounts which as of the Remedial Date have been on-lent pursuant to this Agreement; and (ii) have requests for financing Agricultural Investment Projects and Agribusiness Investment Projects representing in the aggregate the amount to be allocated. The amount of the Subsidiary Loan of the Participating Bank which has not been able to maintain its SEHAT status shall be reduced in the amount representing the Uncommitted Funds as of the Remedial Date, and the amount of the Subsidiary Loan of the other Participating Banks which meet the requirements of the proviso of sub-paragraphs (i) and (ii) of this paragraph shall be revised accordingly. The Uncommitted Funds not reallocated pursuant to this paragraph may be cancelled by the Bank.

(k) The Additional Subsidiary Loan or portions thereof shall be on-lent to any Participating Bank pursuant to the following criteria: (i) the Participating Bank requesting an allocation from the Additional Subsidiary Loan or portions thereof shall have fully committed its Initial Subsidiary Loan and its Additional Subsidiary Loan, if that be the case, to finance either approved Sub-loans or free-limit Sub-loans authorized by the Bank to withdraw from the Loan Account, as the case may be; and (ii) such Participating Bank shall have requests for financing Agricultural Investment Projects and Agribusiness Investment Projects representing in the aggregate the amount to be allocated.

(l) The Borrower shall make available to BI an amount equivalent to \$1,100,000, out of the proceeds of the Loan allocated under Category 2 of the table in paragraph 1 of Schedule 1 to this Agreement, under a financial arrangement to be entered into between the Borrower and BI, under terms and conditions satisfactory to the Bank which shall include:

- (i) that the amounts so made available shall be made available by BI to LPPI pursuant to the provisions of Section 3.01 (m) of this Agreement;
- (ii) that BI shall entrust the Regional Project Management Units to assist LPPI in carrying out Part B of the Project; and
- (iii) that BI shall provide to LPPI, free of charge, an agricultural economist consultant to assist LPPI in carrying out Part B of the Project.

(m) BI shall make available to LPPI, as a grant, the amounts made available to BI by the Borrower pursuant to Section 3.01 (l) (i) of this Agreement, 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 amount so made available shall be used exclusively for purposes of carrying out Part B of the Project.

(n) The Borrower shall exercise its rights under the BI Subsidiary Loan Agreement, the BankExim Subsidiary Loan Agreement, the Bank BNI Subsidiary Loan Agreement and the BAPINDO Subsidiary Loan Agreement, and shall cause BI to exercise its rights under the BDNI On-lending Agreement, the Bank Niaga On-lending Agreement, and the PANIN On-lending 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 such Subsidiary Loan Agreements or any provision thereof, and shall cause BI not to assign, amend, abrogate or waive such On-lending Agreements or any provision thereof.

Section 3.02. The Borrower and the Bank hereby agree that the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 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 Banks pursuant to Section 2.04 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) Either a Participating Bank or LPPI shall have failed to perform any of their obligations under the Project Agreement or 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 Bank or LPPI will be able to perform their respective obligations under the Project Agreement or the LPPI Project Agreement, respectively.

(c) The Governing Law or the Charter, as the case may be, of any Participating Bank 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 Bank or its ability to carry out Part A of the Project or 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 a Participating Bank or for the suspension of its operations.

(e) The Governing Law of LPPI shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of LPPI or its ability to carry out Part B of the Project or to perform any of its obligations under the LPPI Project Agreement.

(f) 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.

(g) Any part of the principal amount of any loan to a Participating Bank 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 instrument, or any security for any such loan shall become enforceable.

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

(i) (1) Subject to subparagraph (2) 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.

(2) Subparagraph (1) 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 consistent 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 paragraphs (a) or (h) of Section 4.01 of this Agreement, other than failure to comply with the provisions of Section 3.04 of the Project Agreement by any given Participating Bank, 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 Bank;

(b) failure by any given Participation Bank to comply with the provisions of Section 3.04 of the Project Agreement shall occur and shall continue after the Remedial Date established by BI pursuant to Sections 3.01 (b) (iii) (B) and 3.01 (j) of this Agreement;

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

(d) the event specified in paragraph (i) (1) of Section 4.01 of this Agreement shall occur, subject to the proviso of paragraph (i)(2) of such Section.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) that the BI Subsidiary Loan Agreement has been entered into between the Borrower and BI, respectively;

(b) that at least two of the Subsidiary Loan Agreements and two of the On-lending Agreements provided for in Section 3.01 (c), (d), (e) and (f) of this Agreement have been entered between the respective Participating Bank and the Borrower and BI, as the case may be;

(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; and

(d) that the Appraisal Advisor and the agronomist have been appointed by LPPI pursuant to the provisions of Schedule 1 to the LPPI Project Agreement, and the agricultural economist has been assigned by BI to assist LPPI pursuant to the provisions of Section 3.01 (1) (iii) of this Agreement.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (b) 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 each Participating Bank and is legally binding upon each Participating Bank in accordance with its terms;

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

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

(d) that the agreements referred to in Section 5.01 (b) of this Agreement have been duly authorized or ratified by the parties thereto and are legally binding upon such parties in accordance with their terms;

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

(f) 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 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/ 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 such Category and the percentage of expenditures for items so to be financed in such Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans	105,000,000	80%
(2) Technical Assistance under Part B of the Project	1,100,000	100%
TOTAL:	106,100,000 =====	

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 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 and ratified by the Borrower or BI, as the case may be, and the relevant Participating Bank, and is legally binding upon the

Borrower and BI, as the case may be, and such Participating Bank in accordance with its terms; and (iii) 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 Project Agreement or, in the 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 Project Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) strengthen the capacity of the Participating Banks to finance on a long-term basis, at market rates, agricultural and agribusiness Investment Enterprises, and assist the Participating Banks to develop appropriate financial services to the agriculture and agribusiness sectors; and (ii) assist in financing economically, financially and environmentally sound investments in the agriculture and agribusiness sectors 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: The granting of Sub-loans

Part B:

- (i) Provision of technical assistance and related services to Investment Enterprises to prepare plans and feasibility studies for Agricultural Investment Projects and Agribusiness 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 Banks for carrying out Part A of the Project, including the services of an Appraisal Advisor, an agricultural economist, and an agronomist.
- (iii) Enhancement of the capability of the Participating Banks to evaluate, inter alia, the technical, environmental, financial and economic aspects of Agricultural Investment Projects and Agribusiness Investment Projects, through, inter alia, the provision of training.
- (iv) Management of the Technical Assistance Fund.

* * *

The Project is expected to be completed by June 30, 1998.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
June 1, 1997	1,935,000
December 1, 1997	2,010,000
June 1, 1998	2,085,000
December 1, 1998	2,170,000
June 1, 1999	2,250,000

December 1, 1999	2,340,000
June 1, 2000	2,430,000
December 1, 2000	2,525,000
June 1, 2001	2,620,000
December 1, 2001	2,720,000
June 1, 2002	2,825,000
December 1, 2002	2,935,000
June 1, 2003	3,050,000
December 1, 2003	3,170,000
June 1, 2004	3,290,000
December 1, 2004	3,415,000
June 1, 2005	3,550,000
December 1, 2005	3,685,000
June 1, 2006	3,830,000
December 1, 2006	3,975,000
June 1, 2007	4,130,000
December 1, 2007	4,290,000
June 1, 2008	4,455,000
December 1, 2008	4,630,000
June 1, 2009	4,805,000
December 1, 2009	4,995,000
June 1, 2010	5,185,000
December 1, 2010	5,385,000
June 1, 2011	5,595,000
December 1, 2011	5,820,000

* 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

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) 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."
- (3) The words "or for Agricultural Investment Projects or Agribusiness Investment Projects" are added after the words "the Project" at the end of Section 5.03.
- (4) 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 4 (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) after the Remedial Date provided for in Section 3.01 (h) of this Agreement any Uncommitted Funds have not been reallocated pursuant to the provisions of such Section; or (d) 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 (e) 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

Reallocation

1. Reallocation of the proceeds of the Loan pursuant to Sections 3.01 (h) and (i) shall comply with the following principles:
 - (a) The amount of the Subsidiary Loans shall be reduced in the amount representing the Uncommitted Funds as of the Reallocation Date to increase the amount of Subsidiary Loans pursuant to the provisions of paragraph 1(c) of this Schedule;
 - (b) The increase in the amount of the Subsidiary Loans shall not in the aggregate exceed the aggregate amount of the Subsidiary Loans being reduced; and
 - (c) The Participating Bank whose respective Subsidiary Loan is to be increased shall: (i) have fully committed to finance either approved Sub-loans or free-limit Sub-loans authorized by the Bank to withdraw from the Loan Account, as the case may be, the respective amounts which as of the Reallocation Date have been on-lent pursuant to this Agreement; and (ii) have requests for financing Agricultural Investment Projects and Agribusiness Investment Projects representing in the aggregate the amount to be allocated.

