



LOAN NUMBER *1872* IND

Loan Agreement

(Ninth Power Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated

June 13

, 1980

LOAN NUMBER 1872 IND

LOAN AGREEMENT

AGREEMENT, dated June 13, 1980, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).

WHEREAS (A) the Borrower has requested the Bank to assist in the financing of the foreign exchange cost of the Project described in Schedule 2 to this Agreement by making the Loan as hereinafter provided;

(B) by agreement dated December 19, 1979, the Asian Development Bank (hereinafter called ADB) has agreed to make a loan to the Borrower in an aggregate principal amount equivalent to \$83,600,000 to assist in financing Part C of the Project (except the Bandung-Cirebon and Cirebon-Semarang sections), on the terms and conditions in the said loan agreement set forth or referred to;

(C) the Borrower intends to contract from ADB a further loan to further assist in the financing of Part C of the Project (except the Bandung-Cirebon and Cirebon-Semarang sections) on terms and conditions set forth or referred to in a loan agreement to be entered into between the Borrower and the ADB;

(D) the Borrower will make appropriate arrangements to provide the funds required to finance the cost of the Project not financed by the abovementioned loans;

(E) the Project will be carried out by Perusahaan Umum Listrik Negara (hereinafter called PLN) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PLN the proceeds of the Loan as hereinafter provided; and

WHEREAS the Bank has agreed, on the basis inter alia of the foregoing, to make the Loan available to the Borrower upon the terms and conditions set forth hereinafter and in a 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 parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "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 to the Project Agreement and all agreements supplemental to the Project Agreement;

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PLN pursuant to Section 3.02 (a) 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

(c) "Governing Laws" means Government Act No. 19 of 1960, Presidential Decree No. 17 of 1967, Law No. 9 of 1969, Government Regulation No. 18 of 1972, and any other legal provisions in force at any time governing the organization and operations of PLN as any of them may be amended or supplemented from time to time.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to two hundred and fifty three million dollars (\$253,000,000).

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, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, 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 and to be financed out of the proceeds of the Loan.

Section 2.03. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of the Schedule to the Project Agreement.

Section 2.04. The Closing Date shall be September 30, 1985 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. The Borrower shall pay interest at the rate of eight and one-fourth per cent (8.25%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semiannually on February 1 and August 1 in each year.

Section 2.08. 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) Without any limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall cause PLN to perform in accordance with the provisions of the Project Agreement all the obligations therein set forth, shall take or cause to be taken all action 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. To that end, the Borrower shall ensure that sufficient funds to cover the expenditures required for the Project shall be made available to PLN in a timely manner.

(b) The Borrower shall transfer to PLN, in addition to the funds referred to in the preceding paragraph, as and when required, sufficient funds to finance PLN's capital expenditures as annually reviewed and agreed with the Bank.

Section 3.02. (a) The Borrower shall relend the proceeds of the Loan to PLN under a subsidiary loan agreement to be entered into between the Borrower and PLN, under terms and conditions which shall have been approved by the Bank.

(b) 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, nor amend, abrogate or waive the Subsidiary Loan Agreement or any provision thereof.

Section 3.03. (a) The Borrower shall take all such action as shall be necessary to ensure at all times that amounts owed to PLN for services and electricity provided by it to any department or agency of the Borrower are promptly paid when due and, to that end, the Borrower shall ensure that sufficient liquid funds to cover such amounts owed to PLN shall be available to each department or agency of the Borrower not later than the fifteenth day of the month during which such amounts shall be payable.

(b) Without any limitation on the Borrower's obligations set forth in paragraph (a) of this Section, the Borrower shall not later than March 31, 1982, or such other date as the Borrower and the Bank shall agree, furnish to each department and agency of the Borrower for payment to PLN, such amounts as shall be sufficient to ensure that the amounts owed to PLN for services and electricity provided to such department or agency shall not exceed on the same date the billing of PLN to such department or agency for the previous two months.

Section 3.04. The Borrower shall ensure that the position of President Director of PLN shall at all times be filled by a qualified and experienced person.

ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

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

(a) review annually with the Bank, before the approval of PLN's budget by the Borrower, potential changes in the load growth of electric power of Java and the variations of PLN's development program for Java that are required as a result of such changes and take necessary steps to implement such development program; and

(b) review annually with the Bank, PLN's investment budget for the next fiscal year before its final approval by the Borrower, in order to enable the Bank to express its views on the priorities assigned to the investments included under the budget and on the balance among the generation, transmission and distribution of electric power which would result from such investments.

ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof:

(a) a default shall occur in the performance by PLN of any of its obligations under the Project Agreement;

(b) the Borrower shall have taken any action for the dissolution or disestablishment of PLN or for the suspension of its operations, without having obtained the prior concurrence of the Bank;

(c) the Borrower shall have suspended, terminated, repealed or substantially amended any of the Governing Laws or any provision thereof, without having obtained the prior concurrence of the Bank;

(d) 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; and

(e) (i) Subject to subparagraph (ii) of this paragraph:

(A) The right of the Borrower or PLN to withdraw the proceeds of any grant or loan made to the Borrower or to PLN 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, or

(B) any such loan shall have become due and payable prior to the agreed maturity therefor.

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

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following events are specified pursuant to paragraph (h) thereof:

(a) the 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 and PLN; and

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

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 *September 16, 1980*, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representatives 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 Director General for International
Monetary Affairs
Jalan Lapangan Banteng Timur 4
Jakarta, Indonesia

Cable address:

MINISTRY FINANCE
Jakarta

Telex:

DJMLN JKT 45799
DITJMON JKT 46415
DEPKEU JKT 44319

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

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

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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/ D. Ashari*

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By */s/ S. Shahid Husain*

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:

<u>Category</u>	<u>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Equipment	201,000,000	
(a) directly imported		100% of foreign expenditures
(b) locally manufactured		95% of local expenditures (ex-factory)
(c) imported goods pro- cured locally		65% of local expenditures
(2) Consultants' services and training	13,000,000	100% of for- eign expendi- tures
(3) Unallocated	39,000,000	
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	TOTAL	
	253,000,000	
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2. For the purposes of this Schedule:

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

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

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement; and

(b) payments for expenditures under Category (1) for Part C of the Project, provided, however, that payment may be made for expenditures for the Bandung-Cirebon and Cirebon-Semarang transmission line sections included in the said Part C.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no

expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.

SCHEDULE 2

Description of the Project

Parts A and B of the Project form the second phase of the first stage of PLN's planned development of its power generating capacity at Suralaya. The Project consists of the following Parts:

Part A:

Supply, installation and commissioning of the second 400 MW generating unit.

Part B:

Construction of coal handling and ash disposal facilities for both 400 MW units.

Part C:

Construction of a 500 kV transmission network from Suralaya to Semarang in Central Java with 500 kV substations at Suralaya, Jakarta, Bandung and Semarang.

Part D:

Installation of a Suralaya plant simulator to train PLN staff in thermal power plant operations.

Part E:

Installation of an integrated control center at Jakarta to control PLN's Java grid.

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The Project is expected to be completed by March 31, 1985.

SCHEDULE 3

Amortization Schedule

<u>Date Payment Due</u>	<u>Payment of Principal (expressed in dollars)*</u>
On each February 1 and August 1 beginning August 1, 1985 through August 1, 1999	8,435,000
On February 1, 2000	8,385,000

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.

Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<u>Time of Prepayment</u>	<u>Premium</u>
Not more than three years before maturity	1.25%
More than three years but not more than six years before maturity	2.50%
More than six years but not more than eleven years before maturity	4.55%
More than eleven years but not more than sixteen years before maturity	6.60%
More than sixteen years but not more than eighteen years before maturity	7.40%
More than eighteen years before maturity	8.25%

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Bank for Reconstruction and Development.

In witness whereof I have signed this Certificate and affixed the Seal of the Bank thereunto this 13th day of June, 1980.

S. N. Chir
FOR SECRETARY