

CONFORMED COPY

LOAN NUMBER 3978 IND

Loan Agreement

(Second Power Transmission and Distribution Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 29, 1996

LOAN NUMBER 3978 IND

LOAN AGREEMENT

AGREEMENT, dated March 29, 1996, 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) Parts A, B and C of the Project will be carried out by Perseroan Terbatas Perusahaan Perseroan (PERSERO) P.T. Perusahaan Listrik Negara (PLN) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PLN a portion 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) The second sentence of Section 5.01 is modified to read:

"Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

(c) 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 and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Affected Person" means a person who on account of the execution of Part A of the Project had or would have his/her: (a) standard of living adversely affected; or (b) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently; or (c) business, occupation, work or place of residence or habitat adversely affected, and "Affected Persons" means collectively all persons who qualify as an Affected Person.

(b) "DGEED" means the Directorate General of Electricity and Energy Development of the Borrower's Ministry of Mines and Energy and any successor thereto.

(c) "Governing Laws" means the Borrower's Law No. 19 of 1960, Law No. 9 of 1969, Law No. 15 of 1985, Government Regulation No. 3 of 1983, Government Regulation No. 28 of 1983, Government Regulation No. 10 of 1989, Government Regulation No. 23 of 1994, Ministry of Justice Decree No. 02-11.519-HT.01.01.TH.94, dated August 1, 1994 and PLN's Articles of Incorporation as a Persero.

(d) "PLN" means Perseroan Terbatas Perusahaan Perseroan (PERSERO) P.T. Perusahaan Listrik Negara (abbreviated as P.T. PLN (PERSERO)), a limited liability company established and existing under the laws of the Borrower, and any successor thereto.

(e) "PLN Subsidiaries" means P.T. PLN Pembangkitan Jawa-Bali I and P.T. PLN Pembangkitan Jawa-Bali II, each a PLN's wholly owned limited liability company established and existing under the laws of the Borrower since October 3, 1995.

(f) "PLN's General Policy concerning the establishment of overhead transmission lines" means the policy adopted by PLN's Board on January 24, 1996, satisfactory to the Bank, to compensate, resettle and rehabilitate the Affected Persons as well as all those persons similarly being affected by PLN's

other overhead transmission power projects.

(g) "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.

(h) "500kV-RAP" means the Resettlement and Rehabilitation Action Plan, satisfactory to the Bank, approved by PLN's Board for purposes of carrying out the compensation, resettlement and rehabilitation of each Affected Person under Parts A(i) and A(ii) of the Project, as such plan may be amended from time to time by agreement between the Bank and PLN;

(i) "150kV-RAP" means the Resettlement and Rehabilitation Action Plan, satisfactory to the Bank, approved by PLN's Board for purposes of carrying out the compensation, resettlement and rehabilitation of each Affected Person under Parts A(iii) and A(iv) of the Project, as such plan may be amended from time to time by agreement between the Bank and PLN; and

(j) "Subsidiary Loan Agreement" means the agreement to be 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 for 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 three hundred seventy three million dollars (\$373,000,000), 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 works, 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 September 30, 2000 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:

(i) shall, through DGEED, carry out Part D of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and power regulatory practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for said Part of the Project; and

(ii) without limitation or restriction upon any of its other obligations under the Loan Agreement,

the Borrower shall cause PLN to perform all its obligations set forth in the Project Agreement, 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 \$371,000,000 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 calculated in accordance with Section 2.05 of this Agreement, plus one half of one percent (1/2 of 1%) per annum;
- (ii) PLN shall pay to the Borrower a commitment charge on the principal amount of the Subsidiary Loan not withdrawn from time to time at the rate payable by the Borrower pursuant to Section 2.04 of this Agreement;
- (iii) the principal amount of the Subsidiary Loan shall be repaid over 20 years including five years' grace; and
- (iv) the principal amount repaid by PLN shall be the equivalent in dollars at the time of repayment of the amounts withdrawn from time to time from the Loan Account under Categories (1) and (2) of the table set forth in Schedule 1 to this Agreement.

(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) In order to assist the Borrower in carrying out Part D 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 (the Consultant Guidelines). For complex, time-based assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

(b) Notwithstanding the provisions of subsection (a) of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (i)

contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (ii) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (i) the terms of reference for such contracts; (ii) single-source selection of consulting firms; (iii) assignments of a critical nature, as reasonably determined by the Bank; (iv) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (v) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

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) in respect of Parts A, B and C of the Project shall be carried out by PLN pursuant to Section 2.03 of the Project Agreement.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Borrower shall:

- (a) prepare and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and
- (b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

#### ARTICLE IV

##### Financial and Other 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 D of the Project of the departments or agencies of the Borrower responsible for carrying out 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 six 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.

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;

- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

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

- (a) by December 31 each year commencing in 1996:
  - (i) review with the Bank: (A) its current power sector development program, (B) the least cost planning analysis and parameters, including the planning power generating capacity reserve margin used to formulate the said program; (C) the realized power generating capacity reserve margin; (D) the roles of PLN, PLN's Subsidiaries and the private sector in the said program; and (E) the transparency and appropriateness of the business environment for private power participation; and
  - (ii) review with the Bank and PLN, PLN's and PLN's Subsidiaries' consolidated current development and investment programs with respect to: (A) their consistency with the Borrower's power sector development program; (B) the balance among generation, transmission and distribution investments; and (C) the balanced development of regions; and

(b) ensure that PLN and PLN's Subsidiaries have access to sufficient funds to finance capital expenditures for their consolidated development and investment programs pursuant to the said reviews.

For purposes of this Section, the term "power generating capacity reserve margin" means the difference between the total installed power generating capacity and the highest load reached by the system in the fiscal year ("peak load") divided by the peak load.

Section 4.03. (a) The Borrower shall: (i) by June 30, 1996, furnish to the Bank, for its review and comments, draft rules and procedures to govern private sector participation in the power sector, including the solicitation and evaluation of all forms of proposals for private sector power supply; and (ii) by September 30, 1996, adopt and, thereafter, enforce such rules and procedures, satisfactory to the Bank.

(b) The date "December 31, 1995" set forth in Section 3.04 of the Loan Agreements entered into between the Borrower and the Bank dated July 25, 1994 and April 20, 1995 for Loans 3761-IND and 3845-IND, respectively (Sumatera and Kalimantan Power Project and Second Rural Electrification Project) is hereby amended by the provisions of Section 4.03 (a) of this

Agreement.

Section 4.04. (a) The Borrower shall: (i) by June 30, 1996, furnish to the Bank, for its review and comments, draft regulations for the power sector; and (ii) by September 30, 1996, adopt and, thereafter, enforce such regulations, satisfactory to the Bank.

(b) The date "June 30, 1996" set forth in Section 3.05 of the Loan Agreements entered into between the Borrower and the Bank dated July 25, 1994 and April 20, 1995 for Loans 3761-IND and 3845-IND, respectively (Sumatera and Kalimantan Power Project and Second Rural Electrification Project) is hereby amended by the provisions of Section 4.04 (a) 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, or repealed 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.

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; and

(b) any event specified in paragraphs (c), (d), or (e) 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;

(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; and

(c) that the PLN's General Policy concerning the establishment of overhead transmission lines has been duly approved by PLN's Board and all necessary actions have been taken to enable the said Policy to be applied in accordance with its terms.

Section 6.03. 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 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 1139  
Jakarta, Indonesia

Cable address:

FINMINISTRY  
Jakarta

Telex:

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:

INTBAFRAD  
Washington, D.C.

Telex:

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/ Arifin M. Siregar, Ambassador

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Nicholas Hope  
Acting 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:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Equipment and materials under:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(a) Parts A (i) and (ii) (3) of the Project	178,400,000	
(b) Part A (iii) and (iv) of the Project	28,800,000	
(c) Part A (v) of the Project	95,000,000	
(d) Part C (ii) of the Project	3,800,000	
(2) Technical assistance under Parts A, B and C of the Project	30,000,000	100%
(3) Technical assistance and training under Part D of the Project	2,000,000	100%
(4) Unallocated	35,000,000	
Total	373,000,000 =====	

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:

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

(b) expenditures under Category 1(a) of the table in paragraph 1 of this Schedule until PLN shall have prepared and furnished to the Bank the 500kV-RAP pursuant to the provisions of paragraph 1(b) of Schedule 2 to the Project Agreement, together with a legal opinion of counsel acceptable to the Bank indicating that all necessary actions have been taken to enable the 500kV-RAP to be implemented in accordance with its terms; and

(c) expenditures under Category 1(b) of the table in paragraph 1 of this Schedule until PLN shall have prepared and furnished to the Bank the 150kV-RAP pursuant to the provisions of paragraph 1(c) of Schedule 2 to the Project Agreement, together with a legal opinion of counsel acceptable to the Bank indicating that all necessary actions have been taken to enable the 150kV-RAP to be implemented in accordance with its terms.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statement of expenditure for expenditures under contracts for goods not exceeding \$200,000 equivalent, contracts for the employment of consulting firms not exceeding \$100,000 equivalent, contracts for the employment of individual consultants not exceeding \$50,000 equivalent and training, under such terms and conditions as the Bank shall specify by notice to the Borrower.

## SCHEDULE 2

### Description of the Project

The objective of the Project is to assist the Borrower to improve the provision of electricity service to PLN's consumers through: (a) promoting power sector efficiency, competition and private sector participation; and (b) increasing the capacity, efficiency and reliability of the Java-Bali power transmission system and distribution network.

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: Power Transmission and Distribution Facilities

(i) Construction of about 415 kilometers of 500 kilovolt (kV) double circuit overhead power transmission lines between Paiton and Kediri and between Kediri and Klaten.

(ii) Extension of three existing 500kV substations at (1) Paiton, (2) Kediri and (3) Klaten.

(iii) Construction of about 60 kilometers of 150kV double circuit overhead transmission lines in Jakarta and West Java.

(iv) Construction of three substations in Jakarta and West Java and extension of four existing 150kV substations in Central Java, including about 360 megavolt amperes (MVA) transformer capacity.

(v) Construction in Java of power distribution facilities, including about 420,000 customer connections, an aggregate distribution transformer capacity of 230 (MVA), about 2,200 kmc of medium voltage (MV) power distribution lines and about 1,600 kmc of low voltage (LV) power distribution lines.

(vi) Resettlement and rehabilitation of the Affected Persons under Parts A (i) through (v).

#### Part B: PLN Corporate Restructuring

Implementing PLN's corporate restructuring by

strengthening the organization, management and operations of its: (A) Jakarta Electricity Distribution Unit; (B) West Java, Central Java and East Java Distribution Units; and (C) Java-Bali Electricity Transmission Unit, through, inter alia, the design and implementation of appropriate management, financial, operations and consumer information systems.

Part C: PLN Efficiency Improvement

(i) Upgrading of PLN's Geographic Information System to enhance its transmission and distribution investment planning capability.

(ii) Upgrading of PLN's power-plant simulator at Suralaya thermal power plant.

Part D: Power Sector Regulatory Regime

Training of, and expert support to, the staff of the DGEED to implement the Borrower's power sector regulatory regime.

\* \* \*

The Project is expected to be completed by December 31, 1999.

### SCHEDULE 3

#### Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
November 1, 2001	7,185,000
May 1, 2002	7,440,000
November 1, 2002	7,700,000
May 1, 2003	7,975,000
November 1, 2003	8,255,000
May 1, 2004	8,545,000
November 1, 2004	8,850,000
May 1, 2005	9,160,000
November 1, 2005	9,485,000
May 1, 2006	9,820,000
November 1, 2006	10,170,000
May 1, 2007	10,525,000
November 1, 2007	10,900,000
May 1, 2008	11,285,000
November 1, 2008	11,685,000
May 1, 2009	12,095,000
November 1, 2009	12,500,000
May 1, 2010	12,965,000
November 1, 2010	13,425,000
May 1, 2011	13,900,000
November 1, 2011	14,390,000
May 1, 2012	14,900,000
November 1, 2012	15,425,000
May 1, 2013	15,970,000
November 1, 2013	16,535,000
May 1, 2014	17,120,000
November 1, 2014	17,725,000
May 1, 2015	18,355,000
November 1, 2015	19,000,000
May 1, 2016	19,690,000

\* 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

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 (expressed as a percentage per annum) applicable to 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

