

CONFORMED COPY

LOAN NUMBER 3282 IND

(Fertilizer Restructuring Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated January 16, 1991

LOAN NUMBER 3282 IND

LOAN AGREEMENT

AGREEMENT, dated January 16, 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;

(B) "Statement" means the letter dated October 10, 1990, from the Borrower setting out a comprehensive set of policies to govern the development of the fertilizer sector in the medium term and declaring the Borrower's commitment to the principles contained in the Statement;

(C) Part A of the Project will be carried out by P.T. Petrokimia Gresik (Persero) (hereinafter called Gresik) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Gresik part of the proceeds of the Loan as provided in this Agreement;

(D) Part B.1 of the Project will be carried out by P.T. Pupuk Iskandar Muda (Persero) (hereinafter called PIM) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PIM part of the proceeds of the Loan as provided in this Agreement;

(E) Part B.2 of the Project will be carried out by P.T. Pupuk Kalimantan Timur (Persero) (hereinafter called Kaltim) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Kaltim part of the proceeds of the Loan as provided in this Agreement;

(F) Part B.3 of the Project will be carried out by P.T. Pupuk Kujang (Persero) (hereinafter called Kujang) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Kujang part of the proceeds of the Loan as provided in this Agreement; and

(G) Part B.4 of the Project will be carried out by P.T. Pupuk Sriwidjaja (Persero) (hereinafter called Pusri) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to Pusri 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 Gresik Project Agreement of even date herewith between the Bank and Gresik, and in the Project Agreement of even date herewith amongst the Bank and PIM, Kaltim, Kujang and Pusri;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "Project Agreement" means the agreement among the Bank and PIM, Kaltim, Kujang and Pusri 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;

(c) "Gresik Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and P.T. Petrokimia Gresik (Persero) pursuant to Section 3.01 (b) and (c) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Gresik Subsidiary Loan Agreement;

(d) "PIM Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and P.T. Pupuk Iskandar Muda (Persero) 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 to the PIM Subsidiary Loan Agreement;

(e) "Kaltim Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and P.T. Pupuk Kalimantan Timur (Persero) 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 to the Kaltim Subsidiary Loan Agreement;

(f) "Kujang Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and P.T. Pupuk Kujang (Persero) pursuant to Section 3.01 (f) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Kujang Subsidiary Loan Agreement;

(g) "Pusri Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and P.T. Pupuk Sriwidjaja (Persero) pursuant to Section 3.01 (g) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the Pusri Subsidiary Loan Agreement;

(h) "the five state-owned Commercial Banks" means Bank Negara Indonesia, Bank Dagang Negara, Bank Rakyat Indonesia, Bank Bumi Daya, and Bank Ekspor Indonesia;

(i) "PERTAMINA" means Perusahaan Tambang Minyak Negara; and

(j) "Governing Laws" means Law No. 9 of 1969, Government Regulation No. 12 of 1969, Government Regulation No. 19 of 1975, Government Regulation No. 29 of 1977, Government Regulation No. 3 of 1983, Presidential Decree No. 64/M of 1988, and any other legal provisions in force at any time governing the organization and operations of Gresik, PIM, Kaltim, Kujang and Pusri, 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 set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of two hundred twenty-one million seven hundred thousand dollars (\$221,700,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1997 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 February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without limitation or restriction upon any of its other obligations under the Loan Agreement, the Borrower shall:

- (i) carry out, or cause to be carried out, the Project in accordance with the Statement;
- (ii) cause Gresik to perform all its obligations set

forth in the Gresik 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 Gresik to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;

- (iii) cause PIM, Kaltim, Kujang and Pusri each to perform all their 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 PIM, Kaltim, Kujang and Pusri each to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance;
- (iv) through its Directorate General of Basic Chemical Industry of its Ministry of Industry, carry out Part C of the Project with due diligence and efficiency and in conformity with appropriate administrative and financial practices and shall provide, promptly as needed, the funds, facilities, services and other resources required for such Part of the Project; and
- (v) provide, or cause to be provided, to Gresik in a timely manner and under terms and conditions satisfactory to the Bank, the required natural gas to enable Gresik to carry out Part A.1 of the Project.

(b) For purposes of carrying out Part A.1 of the Project, the Borrower shall, out of the proceeds of the Loan, relend to Gresik an amount equivalent to \$126,300,000 (the Part A.1 Subsidiary Loan), under a subsidiary loan agreement to be entered into between the Borrower and Gresik, under terms and conditions which shall have been approved by the Bank which shall include:

- (i) interest on the Part A.1 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 plus one percentage point. Such rate: (A) to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the preceding six months, plus one percentage point, and (B) not to exceed the average of end-of-day quotations of the five state-owned Commercial Banks' three-month time deposits during the same period, plus one percentage point;
- (ii) the Part A.1 Subsidiary Loan shall be repaid over a period of fifteen years, including a grace period of five years;
- (iii) Gresik shall pay the Borrower a commitment charge on the undisbursed portion of the Part A.1 Sub-sidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(c) For purposes of carrying out Part A.2 of the Project, the Borrower shall, out of the proceeds of the Loan, relend to Gresik an amount equivalent to \$9,800,000 (the Part A.2 Subsidiary Loan), under a subsidiary loan agreement to be entered into between the Borrower and Gresik, under terms and conditions which shall have been approved by the Bank which shall include:

- (i) interest on the Part A.2 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 plus one percentage point. Such rate: (A) to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the preceding six months, plus one percentage point, and (B) not to exceed the average of end-of-day quotations of the five state-owned Commercial Banks' three-month time deposits during the same period, plus one percentage point;
- (ii) the Part A.2 Subsidiary Loan shall be repaid over a period of ten years, including a grace period of three years;
- (iii) Gresik shall pay the Borrower a commitment charge on the undisbursed portion of the Part A.2 Sub-sidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(d) The Borrower shall, out of the proceeds of the Loan, relend to PIM an amount equivalent to \$10,700,000 (the Subsidiary Loan), under a subsidiary loan agreement to be entered into between the Borrower and PIM, under terms and conditions which shall have been approved by the Bank which 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 plus one percentage point. Such rate: (A) to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the preceding six months, plus one percentage point, and (B) not to exceed the average of end-of-day quotations of the five state-owned Commercial Banks' three-month time deposits during the same period, plus one percentage point;
- (ii) the Subsidiary Loan shall be repaid over a period of ten years, including a grace period of three years;
- (iii) PIM shall pay the Borrower a commitment charge on the undisbursed portion of the Subsidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(e) The Borrower shall, out of the proceeds of the Loan, relend to Kaltim an amount equivalent to \$37,100,000 (the Subsidiary Loan), under a subsidiary loan agreement to be entered into between the Borrower and Kaltim, under terms and conditions which shall have been approved by the Bank which 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 plus one percentage point. Such rate: (A) to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the pre-ceding six months, plus one percentage point, and (B) not to exceed the average of end-of-day quotations of the five state-owned Commercial Banks' three-month time deposits during the same period, plus one percentage point;
- (ii) the Subsidiary Loan shall be repaid over a period of ten years, including a grace period of three years;
- (iii) Kaltim shall pay the Borrower a commitment charge on the undisbursed portion of the Subsidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(f) The Borrower shall, out of the proceeds of the Loan, relend to Kujang an amount equivalent to \$12,700,000 (the Subsidiary Loan), under a subsidiary loan agreement to be entered into between the Borrower and Kujang, under terms and conditions which shall have been approved by the Bank which 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 plus one percentage point. Such rate: (A) to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the pre-ceding six months, plus one percentage point, and (B) not to exceed the average of end-of-day quotations of the five state-owned Commercial Banks' three-month time deposits during the same period, plus one percentage point;
- (ii) the Subsidiary Loan shall be repaid over a period of ten years, including a grace period of three years;
- (iii) Kujang shall pay the Borrower a commitment charge on the undisbursed portion of the Subsidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(g) The Borrower shall, out of the proceeds of the Loan, relend to Pusri an amount equivalent to \$25,100,000 (the Subsidiary

Loan), under a subsidiary loan agreement to be entered into between the Borrower and Pusri, under terms and conditions which shall have been approved by the Bank which 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 plus one percentage point. Such rate: (A) to be adjusted on January 1 and July 1 of each year, commencing on January 1, 1991, and calculated based on the average of SBI three-month maturity quotations during the pre-ceding six months, plus one percentage point, and (B) not to exceed the average of end-of-day quotations of the five state-owned Commercial Banks' three-month time deposits during the same period, plus one percentage point;
- (ii) the Subsidiary Loan shall be repaid over a period of ten years, including a grace period of three years;
- (iii) Pusri shall pay the Borrower a commitment charge on the undisbursed portion of the Subsidiary Loan at a per annum rate identical to the rate paid by the Borrower to the Bank pursuant to Section 2.04 of this Agreement; and
- (iv) the foreign exchange risk to be borne by the Borrower.

(h) The Borrower shall exercise its rights under the Gresik Subsidiary Loan Agreement, the PIM Subsidiary Loan Agreement, the Kaltim Subsidiary Loan Agreement, the Kujang Subsidiary Loan Agreement, and the Pusri 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 any of the Gresik Subsidiary Loan Agreement, the PIM Subsidiary Loan Agreement, the Kaltim Subsidiary Loan Agreement, the Kujang Subsidiary Loan Agreement, and the Pusri Subsidiary Loan Agreement, or any provision thereof.

Section 3.02. In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall employ or cause to be employed consultants whose qualifications, experience and terms of reference shall be satisfactory to the Bank.

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:

- (a) Part A of the Project shall be carried out by Gresik pursuant to Section 2.03 of the Gresik Project Agreement;
- (b) Part B.1 of the Project shall be carried out by PIM pursuant to Section 2.03 of the Project Agreement;
- (c) Part B.2 of the Project shall be carried out by Kaltim pursuant to Section 2.03 of the Project Agreement;
- (d) Part B.3 of the Project shall be carried out by Kujang pursuant to Section 2.03 of the Project Agreement; and
- (e) Part B.4 of the Project shall be carried out by Pusri pursuant to Section 2.03 of the Project Agreement.

Section 3.04. For purposes of coordination and supervision of

each of the studies under Part C of the Project, the Borrower shall, not later than May 1, 1991, establish Steering Committees, each with a membership to include relevant Directors from the Borrower's Ministry of Agriculture; Ministry of Industry; Minister Coordinator for Economics, Financial and Industrial Affairs, and for the Supervision of Development; and Ministry of Population and the Environment.

Section 3.05. The Borrower shall, not later than March 1, 1992, complete the studies under Part C of the Project, and review jointly with the Bank the results and recommendations of each of the studies not later than sixty days after their finalization, and, thereafter, implement such recommendations pursuant to action plans satisfactory to the Bank.

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) Gresik shall have failed to perform any of its obligations under the Gresik Project Agreement.

(b) Either PIM, Kaltim, Kujang or Pusri shall have failed to perform any of their obligations under the Project Agreement.

(c) 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 Gresik, PIM, Kaltim, Kujang or Pusri will be able to perform its obligations under the Gresik Project Agreement or the Project Agreement, respectively.

(d) any of the Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Gresik to perform any of its obligations under the Gresik Project Agreement.

(e) any of the Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PIM to perform any of its obligations under the Project Agreement.

(f) any of the Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Kaltim to perform any of its obligations under the Project Agreement.

(g) any of the Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Kujang to perform any of its obligations under the Project Agreement.

(h) any of the Governing Laws shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Pusri to perform any of its obligations under the Project Agreement.

(i) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of either Gresik, PIM, Kaltim, Kujang or Pusri or for the suspension of their operations.

(j) A situation shall have arisen which shall make it improbable that the Statement, or a significant part thereof, will be carried out.

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 (b) of Section 4.01 of this Agreement shall occur and shall continue for a period

of 60 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any event specified in paragraphs (d), (e), (f), (g), (h), (i), or (j) of Section 4.01 of this Agreement shall occur.

ARTICLE V

Effective Date; Termination

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

(a) that the Gresik Subsidiary Loan Agreement has been executed on behalf of the Borrower and Gresik;

(b) that the PIM Subsidiary Loan Agreement has been executed on behalf of the Borrower and PIM;

(c) that the Kaltim Subsidiary Loan Agreement has been executed on behalf of the Borrower and Kaltim;

(d) that the Kujang Subsidiary Loan Agreement has been executed on behalf of the Borrower and Kujang; and

(e) that the Pusri Subsidiary Loan Agreement has been executed on behalf of the Borrower and Pusri.

Section 5.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

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

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

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

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

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

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

(g) that the Pusri Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Pusri and is legally binding upon the Borrower and Pusri 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

Representatives 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 Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

FINMINISTRY
Jakarta

Telex:

44319 DEPKEU -IA
45799 DJMLN -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/ A. S. Achjadi
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell J. Cheetham
Acting Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
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(1) Under Part A of the Project:

(a) Equipment and materials:

(i) Part A.1 of the Project	103,800,000	100% of foreign expenditures, 90% of local expenditures (ex-factory costs), and 60% of local expenditures for other items procured locally
(ii) Part A.2 of the Project	7,800,000	100% of foreign expenditures, 90% of local expenditures (ex-factory costs), and 60% of local expenditures for other items procured locally

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
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(b) Engineering services and licenses:

(i) Part A.1 of the Project	21,800,000	100%
(ii) Part A.2 of the Project	1,700,000	100%

(c) Consultants' services:

(i) Part A.1 of the Project	700,000	100%
(ii) Part A.2 of the Project	300,000	100%

(2) Under Part B of the Project:

(a) Equipment and materials:

(i) Part B.1 of the Project	9,200,000	100% of foreign expenditures, 90% of local expenditures (ex-factory costs), and 60% of local expenditures for other items procured locally
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Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
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(ii) Part B.2 of the Project	33,600,000	100% of foreign expenditures, 90% of local expenditures (ex-factory costs), and 60% of local expenditures for other items procured locally
(iii) Part B.3 of the Project	11,200,000	100% of foreign expenditures, 90% of local expenditures (ex-factory costs), and 60% of local expenditures for other items procured locally
(iv) Part B.4 of the Project	21,200,000	100% of foreign expenditures, 90% of local expenditures (ex-factory costs), and 60% of local expenditures for other items procured locally
(b) Engineering services and licenses:		
(i) Part B.1 of the Project	1,250,000	100%
	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(ii) Part B.2 of the Project	3,250,000	100%
(iii) Part B.3 of the Project	1,250,000	100%
(iv) Part B.4 of the Project	3,650,000	100%
(c) Consultants' services:		
(i) Part B.1 of the Project	250,000	100%
(ii) Part B.2 of the Project	250,000	100%
(iii) Part B.3 of the Project	250,000	100%
(iv) Part B.4 of the Project	250,000	100%
	TOTAL	
	221,700,000 =====	

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, except that withdrawals, in an aggregate amount not to exceed \$22,170,000, may be made in respect of all Categories on account of payments made for expenditures before that date but after January 15, 1990;

(b) payments for expenditures under Category (1) until a contract, satisfactory to the Bank, to provide Gresik with the required natural gas for carrying out Part A.1 of the Project, has been executed on behalf of Gresik and PERTAMINA;

(c) payments for expenditures under Categories (1)(a)(ii) and (1)(b)(ii) until each of the appraisal reports and the environmental impact assessments for the modernization of Gresik's plants has been found satisfactory to the Bank;

(d) payments for expenditures under Categories (2)(a)(i) and (2)(b)(i) until the appraisal report and the environmental impact assessment of the optimization investment has been found satisfactory to the Bank;

(e) payments for expenditures under Categories (2)(a)(ii) and (2)(b)(ii) until the appraisal report and environmental impact assessment of the respective optimization investment has been found satisfactory to the Bank;

(f) payments for expenditures under Categories (2)(a)(iii) and (2)(b)(iii) until the appraisal report and the environmental impact assessment of the respective optimization investment has been found satisfactory to the Bank; and

(g) payments for expenditures under Categories (2)(a)(iv) and (2)(b)(iv) until the appraisal report and the environmental impact assessment of the respective optimization investment has been found satisfactory to the Bank.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower to: (a) implement the Statement; (b) carry out a priority fertilizer investment program; (c) identify the scope for improved efficiency in fertilizer marketing and distribution; and (d) assess the fertilizer industry's environmental impact and standards and develop an environmental management program therefor.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

Part A:

1. Construction of a new ammonia/urea plant at Gresik with a capacity of about 1,350 tons per day of ammonia and about 1,400 tons per day of urea, including provision of engineering services and licenses; and provision of highly qualified fertilizer engineers to assist in the overall carrying out of this Part of the Project.

2. Modernization of Gresik's existing fertilizer plants, inter alia, to improve plant output, performance and maintenance, and to ameliorate environmental pollution, including provision of engineering services and licenses; and provision of highly qualified fertilizer engineers to assist in the overall carrying out of this Part of the Project.

Part B:

1. Carrying out of optimization investments to, inter alia, improve production, energy and raw material efficiency, plant maintenance, and pollution control in PIM's fertilizer plants, including provision of engineering services and licenses; and provision of highly qualified fertilizer engineers to assist in the carrying out of this Part of the Project.

2. Carrying out of optimization investments to, inter alia, improve production, energy and raw material efficiency, plant maintenance, and pollution control in Kaltim's fertilizer plants, including provision of engineering services and licenses; and provision of highly qualified fertilizer engineers to assist in the carrying out of this Part of the Project.

3. Carrying out of optimization investments to, inter alia, improve production, energy and raw material efficiency, plant maintenance, and pollution control in Kujang's fertilizer plants, including provision of engineering services and licenses; and provision of highly qualified fertilizer engineers to assist in the carrying out of this Part of the Project.

4. Carrying out of optimization investments to, inter alia, improve production, energy and raw material efficiency, plant maintenance, and pollution control in Pusri's fertilizer plants, including provision of engineering services and licenses; and provision of highly qualified fertilizer engineers to assist in the carrying out of this Part of the Project.

Part C:

Carrying out of studies to: (i) identify the scope for improved efficiency in fertilizer marketing and distribution; and (ii) assess the environmental impact and standards of the fertilizer industry, including identification of long-term objectives for environmental improvement and preparation of an environmental management program.

* * *

The Project is expected to be completed by June 30, 1997.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
August 15, 1996	4,045,000
February 15, 1997	4,200,000
August 15, 1997	4,365,000
February 15, 1998	4,535,000
August 15, 1998	4,710,000
February 15, 1999	4,890,000
August 15, 1999	5,080,000
February 15, 2000	5,275,000
August 15, 2000	5,480,000
February 15, 2001	5,690,000
August 15, 2001	5,910,000
February 15, 2002	6,135,000
August 15, 2002	6,375,000
February 15, 2003	6,620,000
August 15, 2003	6,875,000
February 15, 2004	7,140,000

August 15, 2004	7,415,000
February 15, 2005	7,705,000
August 15, 2005	8,000,000
February 15, 2006	8,310,000
August 15, 2006	8,630,000
February 15, 2007	8,965,000
August 15, 2007	9,310,000
February 15, 2008	9,670,000
August 15, 2008	10,040,000
February 15, 2009	10,430,000
August 15, 2009	10,830,000
February 15, 2010	11,250,000
August 15, 2010	11,685,000
February 15, 2011	12,135,000

* 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