

CONFORMED COPY

LOAN NUMBER 3182 IND

Loan Agreement

(Third Telecommunications Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated April 30, 1990

LOAN NUMBER 3182 IND

LOAN AGREEMENT

AGREEMENT, dated April 30, 1990, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

(B) Parts B, C and D of the Project will be carried out by Perusahaan Umum Telekomunikasi (PERUMTEL) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to PERUMTEL part of the proceeds of the Loan as provided in this Agreement;

(C) the Borrower intends to contract from the United Nations Development Programme (UNDP) a grant in an amount of two million dollars (\$2,000,000) to assist in the financing of Part D of the Project on the terms and conditions set forth in the agreement (the UNDP Grant Agreement) to be entered into between the Borrower and the UNDP;

(D) the Borrower has entered into two agreements dated February 27, 1988, and November 10, 1989, respectively, (hereinafter called the First and Second KfW Loan Agreement, respectively) with the Kreditanstalt fur Weideraufbau (hereinafter called KfW) in an amount of Deutsche Marks 85,260,000 and 40,030,000, respectively

(hereinafter called the First and Second KfW Loan, respectively) and the Borrower intends to contract from KfW or from other external sources, on reasonable terms, (hereinafter called the Cofinancing Agreement) additional financing in the amounts of about \$115,000,000, all of these loans and financing to assist in the financing of the telephone exchange equipment under Part C (ii) of the Project;

(E) the Borrower intends to contract from the Overseas Economic Cooperation Fund (Japan) (hereinafter called the OECF) or from other external sources, on reasonable terms, a loan in an amount of about \$28,900,000 to assist in the financing of the six Outside Plant Maintenance Centers under Part C (v) of the Project; 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 PERUMTEL;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

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

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

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

(b) "Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and PERUMTEL 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

(c) "Outside Plant Maintenance Centers" mean each of a centralized management system to achieve efficient and effective maintenance of local telecommunication cable and telephone subscriber distribution network, through centralization of (1) man power, (2) equipment and facilities, (3) plant records, (4) vehicles, and (5) training facilities.

#### 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 fifty million dollars

(\$350,000,000) 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 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, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ( $3/4$  of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ( $1/2$  of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(III) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the

principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on June 15 and December 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 any limitation or restriction upon any of its other obligations under the Loan Agreement, shall: (i) carry out Part A of the Project through its Ministry of Tourism, Posts and Telecommunications, and shall take and cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to carry out such part of the Project; and (ii) cause PERUMTEL to perform in accordance with the provisions of the Project Agreement all the obligations of PERUMTEL therein set forth, shall take or cause to be taken all action, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable PERUMTEL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) without limitation upon the provisions of paragraph (a) (i) of this Section and except as the Bank and the Borrower shall otherwise agree, the Borrower shall carry out Part A of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) The Borrower shall, out of the proceeds of the Loan, relend to PERUMTEL an amount equivalent to \$348,000,000 under a subsidiary loan agreement to be entered into between the Borrower and PERUMTEL, under terms and conditions which shall have been approved by the Bank.

(d) 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. Except as the Bank shall otherwise agree, procurement of consultants' services required for Part A of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, and procurement of the goods and consultants' services required for Parts B and C of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 1 to the Project Agreement.

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 B, C and D of the Project shall be carried out by PERUMTEL pursuant to Section 2.03 of the Project Agreement.

#### 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 A of the Project of the departments or agencies of the Borrower responsible for carrying out such Part of 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; and
- (ii) furnish to the Bank as soon as available, but in any case not later than nine 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, including without limitation on the foregoing copies of the unaudited accounts referred to in paragraph (a) of this Section, as soon as available, but not later than four months after the end of each such fiscal year.

Section 4.02. (a) The Borrower shall, not later than January 31, 1991, or such later date as the Bank shall otherwise agree:

- (i) obtain other loans or financing, on reasonable terms, from OECF or from other sources outside Indonesia to assist in the financing of at least six Outside Plant Maintenance Centers under Part C (v) of the Project; and
- (ii) entered into the UNDP Grant Agreement to assist in the financing of the technical assistance under Part D of the Project.

(b) For the purposes of paragraph (a) of this Section, the Borrower shall keep the Bank informed of the

progress in arranging such financing, including the terms and conditions thereof, and shall take into account the Bank's comments, if any, thereon.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

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

(c) Government Regulation No. 36/1974 as modified by Government Regulation No. 21/1984 shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PERUMTEL 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 PERUMTEL or for the suspension of its operations.

(e) Either the agreement under paragraph (a) (i) of Section 4.02 of this Agreement or the UNDP Agreement shall have failed to become effective by January 31, 1991, or such later date as the Bank may agree; provided, however, that the provisions of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Bank that adequate funds for financing at least six of the Outside Plant Maintenance Centers under Part C (v) of the Project and the technical assistance under Part D of the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

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

- (A) the right of the Borrower to withdraw the proceeds of any grant or loan made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
- (B) any such loan shall have become due and payable prior to the agreed maturity thereof.

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

conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified:

(a) the event specified in paragraph (a) of Section 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;

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

(c) the events specified in paragraph (e), of Section 5.01 of this Agreement shall occur, subject to the proviso therein set forth; and

(d) the event specified in paragraph (f) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of that Section.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and PERUMTEL; and

(b) that all conditions precedent to the effectiveness of the Cofinancing Agreement, have been fulfilled, other than those related to the effectiveness of this Agreement.

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 PERUMTEL, and is legally binding upon PERUMTEL in accordance with its terms; and

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

Section 6.03. The date one hundred and twenty (120) 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 Director General of Budget  
Jalan Lapangan Banteng Timur 2-4  
P.O. Box 2458  
Jakarta, 10710 Indonesia

Cable address: Telex:

MINISTRY FINANCE DEPKEU JKT 44319  
JAKARTA DJMLN JKT 45799

For the Bank:

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

Cable address: Telex:

INTBAFRAD 197688 (TRT),  
Washington, D.C. 248423 (RCA),  
64145 (WUI) or  
82987 (FTCC)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ A. R. Ramly  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ R. 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
(1) Outside Plant	260,000,000	100% of foreign expenditures,



100%			of local expenditures (ex-factory cost) and 65% of local
expenditures			for items procured locally
(2)	Telecommunications equipment	10,000,000	100% of foreign expenditures,
100%	and materials, excluding switching equipment		of local expenditures (ex-factory cost) and 65% of local
expenditures			for items procured locally
(3)	Computer system including service arrangements	33,000,000	100% of foreign expenditures,
100%			of local expenditures (ex-factory cost) and 65% of local
expenditures			for items procured locally
(4)	Training equipment	7,000,000	100% of foreign expenditures,
100%			of local expenditures (ex-factory cost) and 65% of local
expenditures			for items procured locally
(5)	Consultancy and training:		
	(a) under Part A of the Project	2,000,000	100%
	(b) under Parts B, C and D of the Project	28,000,000	100%
(6)	Unallocated	10,000,000	
	TOTAL	350,000,000	

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;

(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; and

(c) the term "Outside Plants" means the supply, delivery, installation and commissioning of local telecommunications cable network, pulse code modulation

cable, optical fiber cable, transmission equipment (inclusive of microwave equipment), subscriber connections (inclusive of house-wiring and telephone set), and associated infrastructure.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

## SCHEDULE 2

### Description of the Project

The objectives of the Project are to assist the Borrower to improve overall management of the telecommunications sector, develop PERUMTEL's institutional capability, and accelerate implementation of telecommunications network investments.

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:

- (i) improve the administrative process for the annual development and subsequent Government approval of PERUMTEL's corporate plan;
- (ii) review telecommunications sector policies; and
- (iii) develop an adequate telecommunications regulatory and analytical capability of the Directorate General of Posts and Telecommunications, all through the provision of, inter alia, technical assistance to the Borrower's Ministry of Tourism, Posts and Telecommunications.

#### Part B:

##### Improve PERUMTEL's:

- (i) management and professional development program;
- (ii) managerial, financial and technical capabilities; and
- (iii) project design, engineering, implementation and supervision capabilities, all through the provision of, inter alia, technical assistance to PERUMTEL.

#### Part C:

##### Provision of:

- (i) interface equipment to fully utilize the existing idle capacity in the telecommunications network and to connect about 125,000 main lines;
- (ii) telephone exchange equipment, associated cable distribution telecommunications network and subscriber terminal

equipment, including 35,000 pay phones to connect about 475,000 main lines;

- (iii) Pulse Code Modulation (PCM) cable and fibre-optic cable transmission facilities for inter exchange junction links within the multi exchange areas;
- (iv) computer systems, including terminals, to establish computerized telecommunications network management systems; and
- (v) equipment and facilities, including testing equipment, tools and vehicles to establish at least six Outside Plant Maintenance Centers (OPMC), three in Jakarta (Pusat, Timur and Kota), and one each in Medan, Surabaya and Ujung Pandang, all in support of PERUMTEL's 1989-93 investment program.

Part D:

- (i) Upgrading facilities in the central training center in Bandung and the 12 regional training centers of PERUMTEL; and
- (ii) Training instructors and course developers for the training center staff of PERUMTEL, through the provision of, inter alia, about 200 staff-months of international experts, about 49 staff-months of fellowships, and training equipment.

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The Project is expected to be completed by March 31, 1994.

SCHEDULE 3

Amortization Schedule

Date Payment Due dollars)*	Payment of Principal (Expressed in dollars)
December 15, 1995	6,370,000
June 15, 1996	6,620,000
December 15, 1996	6,875,000
June 15, 1997	7,140,000
December 15, 1997	7,420,000
June 15, 1998	7,705,000
December 15, 1998	8,005,000
June 15, 1999	8,315,000
December 15, 1999	8,635,000
June 15, 2000	8,970,000
December 15, 2000	9,320,000
June 15, 2001	9,680,000
December 15, 2001	10,055,000
June 15, 2002	10,445,000
December 15, 2002	10,850,000
June 15, 2003	11,270,000
December 15, 2003	11,705,000
June 15, 2004	12,160,000
December 15, 2004	12,630,000
June 15, 2005	13,120,000
December 15, 2005	13,630,000

June 15, 2006	14,160,000
December 15, 2006	14,705,000
June 15, 2007	15,275,000
December 15, 2007	15,870,000
June 15, 2008	16,485,000
December 15, 2008	17,120,000
June 15, 2009	17,785,000
December 15, 2009	18,475,000
June 15, 2010	19,205,000

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\* 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 of 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

#### SCHEDULE 4

##### Consultant's Services

In order to assist the Borrower in carrying out Part A 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.

#### SCHEDULE 5

## Implementation Program

### 1. The Borrower shall:

(a) by October 31, 1990, prepare and furnish to the Bank, for its review and comments, a timetable for establishing a legal framework for private sector participation in the provision of nonbasic telecommunications services and, thereafter, taking into account the Bank's comments, if any, take all such action as shall be necessary to develop such legal framework; and

(b) by October 31, 1990, prepare and furnish to the Bank, for its review and comments, a timetable for the strengthening of the telecommunications regulatory capacity of its Ministry of Tourism, Posts and Telecommunications, and thereafter, taking into account the Bank's comments, if any, undertake such strengthening.

2. The Borrower shall take all such action as shall be necessary, including annual reviews and adjustments, if any, of PERUMTEL's tariffs, to enable PERUMTEL to comply with the provisions of Section 4.03 and paragraphs 8, 9 and 10 of Schedule 2 to the Project Agreement.

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