

CONFORMED COPY

CREDIT NUMBER 3453 IND

Development Credit Agreement
(Kecamatan Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 31, 2001

CREDIT NUMBER 3453 IND

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 31, 2001, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to the Loan Agreement No. 4330-IND dated June 26, 1998, between the Borrower and the International Bank for Reconstruction and Development (the Project), requested the International Bank for Reconstruction and Development (the Bank) to assist in the financing of the Project;

(B) the Bank agreed to the Borrower's request and extended a Loan in the amount of \$225,000,000 under the terms and conditions set forth in the Loan Agreement; and

(C) the Borrower has requested the Association to provide additional assistance towards the financing of the Project; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this

Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

No. 1999; and
"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 11 of Resolution 194 of the Board of Governors of the Association, adopted on April 8, 1999; and 'Participating Countries' means, collectively, all such countries." ;

(b) The second sentence of Section 5.01 is modified to read:

territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, the Preamble to this Agreement and in the Loan Agreement, have the respective meanings therein set forth and the term "Loan Agreement" means the agreement dated June 26, 1998, between the Borrower and the Bank for the Project, as amended by the letters of amendment dated October 26, 1998, December 29, 1999, and May 12, 2000, and the amending letter of even date herewith, and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, as amended through December 2, 1997, as applied to such Loan Agreement, and all schedules and agreements supplemental to the Loan Agreement.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to thirty seven million eight hundred and ten thousand Special Drawing Rights (SDR 37,810,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to the Loan Agreement (i) for amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of a Grant or a Sub-loan made under Part A of the Project to meet the reasonable cost of goods and services required for a Sub-project and in respect of which the withdrawal from the Credit Account is requested; and (ii) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B and C of the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in Bank Indonesia or in a state commercial bank

acceptable to the Bank, on terms and conditions satisfactory to the Association, including, in the case of a state commercial bank, appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 7 to the Loan Agreement.

Section 2.03. The Closing Date shall be December 31, 2002, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semi-annually on June 1 and December 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each June 1 and December 1 commencing June 1, 2011, and ending December 1, 2035. Each installment to and including the installment payable on December 1, 2020, shall be one and one-fourth percent (1-1/4%) of such principal amount and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned

repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to paragraph (b) of this Section, Sections 3.01, 3.02, and 4.01 of the Loan Agreement and Schedules 1, 2, 3, 4, 5, 6 and 7 to the Loan Agreement are incorporated in this Agreement with the following modifications to said Sections and to Schedules 2, 3, 4, 5, 6 and 7 unless the context otherwise requires:

- (i) the term "Bank" shall be read as "Association";
- (ii) the term "Loan" shall be read as "Credit";
- (iii) the term "Loan Account" shall be read as "Credit Account"; and
- (iv) the term "this Agreement" shall be read as "the Development Credit Agreement".

(b) As long as any part of the Loan provided for under the Loan Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Association:

- (i) all actions taken, including approvals given, by the Bank pursuant to any of the Sections of, and Schedules to, the Loan Agreement enumerated in paragraph (a) of this Section, as well as to Section 2.02 (a) of the Loan Agreement, shall be deemed to be taken or given in the name and on behalf of both the Bank and the Association;
- (ii) all information or documentation furnished by the Borrower to the Bank pursuant to the provisions of the Sections of, and Schedules to, the Loan Agreement enumerated in paragraph (a) of this Section, shall be deemed to be furnished to both the Bank and the Association.

Section 3.02 For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association 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 Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Effective Date; Termination

Section 4.01. The following event is specified as an additional condition to the

effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the letter of amendment to the Loan Agreement shall have been executed and delivered on behalf of the Borrower.

Section 4.02. 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.

Section 4.03. If the Loan Agreement terminates prior to the termination of this Agreement, the provisions of the Loan Agreement referred to in this Agreement shall continue in full force and effect between the Borrower and the Association.

ARTICLE V

Representative of the Borrower; Addresses

Section 5.01. 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 5.02. 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 10710
Indonesia

Cable address:

Telex:

Facsimile:

FINMINISTRY
Jakarta

45799 DJMLN-IA
44319 DEPKEU-IA

(21) 381 2859

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

477-6391

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202)

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

REPUBLIC OF INDONESIA

By /s/ A. Anshari Ritonga,

Director General of Budget, MoF
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Vikram Nerhu, Acting Country Director
Authorized Representative

