

CONFORMED COPY

LOAN NUMBER 3501 IND

(Suralaya Thermal Power Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 26, 1992

LOAN NUMBER 3501-IND

LOAN AGREEMENT

AGREEMENT, dated August 26, 1992, 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) the Borrower intends to contract from the Asian Development Bank (ADB) a loan (the ADB Loan) in an amount equivalent to three hundred fifty million dollars (\$350,000,000) to assist in financing, inter alia, the acquisition and installation of the turbine generators for the coal-fired generating units under Part A of the Project on the terms and conditions set forth in an agreement (the ADB Loan Agreement) to be entered into between the Borrower and ADB;

(C) the Borrower intends to contract from sources outside Indonesia, export credits in an amount equivalent to six hundred ninety-three million dollars (\$693,000,000) to assist in financing the steam generators and associated equipment under Part A of the Project;

(D) the Borrower intends to contract from the Federal Republic of Germany a loan in an amount of Deutsche Marks 112,000,000 to assist in financing the construction of the transmission lines under Part B of the Project; and

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

(b) "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 to PLN under the Subsidiary Loan Agreement;

(c) "Governing Laws" means Law No. 19 of 1960, Law No. 9 of 1969, and Law No. 15 of 1985, Government Regulation No. 3 of 1983, Government Regulation No. 28 of 1983, Government Regulation No. 10 of 1989 and Government Regulation No. 17 of 1990, and any other legal provisions in force at the time of this Agreement governing the organization and operations of PLN, as any of them may be amended or supplemented from time to time;

(d) "Rupiah" means the Borrower's currency; and

(e) "Suralaya Thermal Power Plant" means the power plant located at Suralaya designed to generate about 3,400 MW through seven coal-fired generating units.

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 four hundred twenty three million six hundred thousand dollars (\$423,600,000), 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 September 30, 1999 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 per cent (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 March 15 and September 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 cause PLN to perform in accordance with the provisions of the Project Agreement all the obligations of PLN 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 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 the proceeds of the Loan under a subsidiary loan agreement to be entered into between the Borrower and PLN, under terms and conditions which shall have been approved by the Bank including the following principal terms and conditions: (i) PLN shall pay interest at a rate per annum 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 paid by the Borrower pursuant to Section 2.05 of this Agreement; plus a percentage fee to be established by the Borrower for each payment date on the basis of the average of the annual rate of change in the value of the Rupiah in respect to the Dollar during the previous three years and to be calculated in accordance with a methodology satisfactory to the Bank; plus one percent; (ii) the principal amount of the Subsidiary Loan shall be repaid over 20 years including five years' grace; and (iii) the foreign exchange risk to be borne by the Borrower.

(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. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for 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) shall be carried out by PLN pursuant to Section 2.03 of the Project Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. Except as the Borrower and the Bank shall otherwise agree, the Borrower shall:

(a) review annually with the Bank and PLN, PLN's proposed investment plan for the next five fiscal years, including the priorities assigned to the investments included under such plans and the balance between the generation, transmission and distribution of electric power likely to result from such investments;

(b) annually review with the Bank and PLN, PLN's development plan and associated financial forecast and financing plan provided for in Section 4.04 of the Project Agreement, and take appropriate measures to facilitate the access of PLN to possible sources of finance required for the implementation of such plans; and

(c) by September 30, 1993, furnish to the Bank for its review and comments, its proposed: (i) periodic formula based tariff adjustment mechanism, which formula, inter alia, to take into account variations in fuel price and exchange rate plus inflation; and (ii) action plan for implementing such tariff adjustment mechanism.

Section 4.02. The Borrower shall take all such actions as shall be necessary to ensure that transfer of profits from PLN to the Overall Development Fund (Dana Pembangunan Semesta) shall not prevent PLN from implementing its annual investment plans referred to in Section 4.01 (b) 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, repealed or waived 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.

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

(A) the right of the Borrower to withdraw the proceeds of any loan or grant 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.

(g) The export credits from sources outside Indonesia required to assist in financing the steam generators and associated equipment under Part A of the Project shall have failed to become effective by September 30, 1993, or such later date as may be agreed by the Bank.

(h) The Agreement to be entered into between the Borrower and the Federal Republic of Germany for the financing of the construction of the transmission lines under Part B of the Project shall have failed to become effective by December 31, 1993, or such later date as may be agreed by the Bank; 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 the financing of the construction of the transmission lines under Part B of the Project are available to the Borrower from other sources outside Indonesia 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) 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;

(b) any event specified in paragraphs (c), (d), (e) and (g) of this Agreement shall occur;

(c) the event specified in paragraph (g) 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) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (f) (ii) of such 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) the Subsidiary Loan Agreement has been executed on behalf of the Borrower and PLN;

(b) all conditions precedent to the effectiveness of the ADB Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement; and

(c) the Borrower has furnished to the Bank evidence satisfactory to the Bank that the Central Commission for Environment of the Borrower's Ministry of Mines and Energy has approved the Project for implementation.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

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

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

Section 6.03. The date one hundred 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 Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
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/ Abdul Rachman Ramly
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Gautam Kaji
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) Marine Works	18,800,000	100% of foreign expenditures and 50% of local expenditures
(2) Stacks (boiler chimneys)	26,900,000	100% of foreign expenditures and 60% of local expenditures
(3) Goods	272,600,000	100% of foreign expenditures 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(4) Consulting Services for Part C (a) of the Project	47,000,000	100%

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(5) Consulting Services for Parts C (b), (c) and (d) of the Project, and training	12,600,000	100%
(6) Unallocated	45,700,000	
TOTAL	423,600,000	

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.

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

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to expand PLN's electricity generating capacity through completion of the Suralaya Thermal Power Plant; (b) to promote the economic use of coal for electricity generation; (c) to develop PLN's institutional capacity to operate and maintain thermal power plants; and (d) to strengthen PLN's financial capacity.

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: Construction and installation of, and provision of equipment and materials for, the coal-fired thermal generating units 5, 6 and 7 of 600 MW each of the Suralaya Power Thermal Power Plant, including turbine generators, steam generators and associated facilities.

PART B: Construction of 500 kV transmission lines between Cilegon and Cibinong to connect with the double-circuit lines from Suralaya to Cilegon, including associated sub-stations and civil works.

PART C: Provision of technical assistance to PLN, inter alia, for the carrying out of: (a) engineering, design and construction supervision of the coal-fired thermal generating units under Part A of the Project; (b) engineering and design of a proposed thermal power plant to be located at Banjarmasin in South Kalimantan; (c) a feasibility study for the construction of high voltage submarine cable link between Java and Sumatra; (d) its institutional development; and (e) training for PLN's staff in public utility practices.

* * *

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

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 15, 1998	7,725,000
September 15, 1998	8,025,000
March 15, 1999	8,335,000
September 15, 1999	8,655,000
March 15, 2000	8,990,000
September 15, 2000	9,335,000
March 15, 2001	9,700,000
September 15, 2001	10,075,000
March 15, 2002	10,465,000
September 15, 2002	10,865,000
March 15, 2003	11,285,000
September 15, 2003	11,725,000
March 15, 2004	12,175,000
September 15, 2004	12,645,000
March 15, 2005	13,135,000

September 15, 2005	13,645,000
March 15, 2006	14,170,000
September 15, 2006	14,720,000
March 15, 2007	15,285,000
September 15, 2007	15,880,000
March 15, 2008	16,490,000
September 15, 2008	17,130,000
March 15, 2009	17,790,000
September 15, 2009	18,480,000
March 15, 2010	19,195,000
September 15, 2010	19,935,000
March 15, 2011	20,705,000
September 15, 2011	21,505,000
March 15, 2012	22,335,000
September 15, 2012	23,200,000

* 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