

CONFORMED COPY

FINANCING NUMBER 4252-IND

Financing Agreement

(Third Development Policy Financing)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 20, 2006

FINANCING NUMBER 4252-IND

FINANCING AGREEMENT

Agreement dated December 20, 2006, entered into between REPUBLIC OF INDONESIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to the Loan Agreement). The Association has decided to provide this financing on the basis, inter alia, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to the Loan Agreement; and (b) the Recipient’s maintenance of an appropriate macro-economic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I – GENERAL CONDITIONS; DEFINITIONS

- 1.01. The International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, with the modifications set forth in the Appendix to the Financing Agreement (“IDA General Conditions”) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in the Financing Agreement have the meanings ascribed to them in the IDA General Conditions, the Financing Agreement or the Loan Agreement between the Recipient and the Bank in support of the Program, of the same date as the Financing Agreement, as such agreement may be amended from time to time (“Loan Agreement”).

ARTICLE II – FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to forty seven million three hundred and seventy thousand Special Drawing Rights (SDR 47,370,000) (“Credit”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to the Loan Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.

- 2.06. The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in the Schedule to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III – PROGRAM

- 3.01. Subject to Section 3.02 of this Agreement, Articles III and IV of the Loan Agreement, as well as Schedule 1, and Section I of the Appendix, to the Loan Agreement, are incorporated in this Agreement, with the following modifications in the corresponding provisions of the Loan Agreement, unless the context otherwise requires:
- (a) references to the “Borrower” and the “Bank” shall be construed as references to the “Recipient” and the “Association”, respectively;
 - (b) references to the “Loan” and the “Loan Account” shall be construed as references to the “Credit” and the “Credit Account”, respectively;
 - (c) references to “this Agreement” or the “Loan Agreement” shall be construed as references to the “Financing Agreement”; and
 - (d) references to terms defined in the IBRD General Conditions shall be construed as references to the corresponding terms defined in the IDA General Conditions.
- 3.02. So long as any part of the Loan provided for under the Loan Agreement shall remain outstanding, and unless the Recipient has been otherwise notified by the Association:
- (a) all actions taken, including approvals given, by the Bank pursuant to Articles III and IV of the Loan Agreement, or Schedule 1, or Section I of the Appendix, to the Loan Agreement shall be deemed to be taken or given in the name and on behalf of both the Association and the Bank; and
 - (b) all information or documentation furnished by the Recipient to the Bank pursuant to the provisions of Articles III and IV of the Loan Agreement, as well as Schedule 1, and Section I of the Appendix, to the Loan Agreement shall be deemed to be furnished to both the Association and Bank.

ARTICLE IV – EFFECTIVENESS

- 4.01. The Additional Condition of Effectiveness consists of the following, namely, that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of the Financing Agreement) have been fulfilled.
- 4.02. The Effectiveness Deadline is the date sixty (60) days after the date of this Agreement.

ARTICLE V – REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient’s Representative is the Minister of Finance.
- 5.02. The Recipient’s Address is:

Ministry of Finance
c/o Directorate General of Debt Management
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

- 5.03. The Association’s Address is:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Jakarta, Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By: /s/ Mr. Rahmat Waluyanto

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Mr. Andrew Steer

Authorized Representative

SCHEDULE

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing April 15, 2017 to and including October 15, 2026	1.25%
commencing April 15, 2027 to and including October 15, 2041	2.5%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to *Applications for Withdrawal*) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

“Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two (2) years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

6. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six (6) months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

(b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.