CONFORMED COPY

LOAN NUMBER 1337 - IND

LOAN AGREEMENT
(Tanjung Priok Port Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated November 4, 1976
LOAN AGREEMENT

AGREEMENT, dated November 4, 1976, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (hereinafter called the Bank).
ARTICLE I

General Conditions; Definitions

Section 1.01. The parties to this Agreement accept all the provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated March 15, 1974, with the same force and effect as if they were fully set forth herein (said General Conditions Applicable to Loan and Guarantee Agreements of the Bank being hereinafter called the General Conditions).

Section 1.02. Wherever used in this Agreement, 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) "BPP" means Badan Pengusahaan Pelabuhan (Tanjung Priok Port Administration) a perusahaan nejara (statutory corporation) of the Borrower or any other division of or within the Perum responsible for the Tanjung Priok Port.

(b) "Master Plan" means the master plan for the development of Tanjung Priok port during the period 1976-1983, as the same may be modified from time to time by agreement between the Borrower and the Bank.

(c) "perum" means perusahaan umum, a statutory corporation of the Borrower established pursuant to the provisions of the Borrower's Law No. 19 of 1960, as amended from time to time.
(d) "Ports Directorate" means the directorate established pursuant to Presidential Decrees 44 and 45, 1975, and any successor thereto.

(e) "PERUM" means the perum to be established by the Borrower for the management and operation of the ports (to be designated) with powers, responsibilities, organization, resources and financial structure and policies satisfactory to the Borrower and the Bank insofar as they affect the management and operation of BPP.
ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions in the Loan Agreement set forth or referred to, an amount in various currencies equivalent to thirty-two million dollars ($32,000,000).

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 The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Bank, 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. Except as the Bank shall otherwise agree, contracts for the purchase of goods or for civil works required for the Project and to be financed out of the proceeds of the Loan, shall be procured in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.04. The Closing Date shall be December 31, 1979 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent (3/4 of 1%)
Section 2.06. The Borrower shall pay interest at the rate of eight and seventy hundredths per cent (8.70%) per annum on the principal amount of the Loan withdrawn and outstanding from time to time.

Section 2.07. Interest and other charges shall be payable semi-annually on May 15 and November 15 in each year.

Section 2.08. 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. The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and port management practices, as follows:

(a) Parts A, B, C (2), D and E (2) of the Project shall be carried out through an adequately staffed Project Unit to be established and thereafter maintained in BPP;

(b) Parts C (1) and E (1) of the Project shall be carried out by the Directorate General of Highways within the Borrower's Ministry of Public Works in cooperation with the Borrower's Ministry of Communications;

(c) Part E (3) of the Project shall be carried out through the Borrower's Ministry of Communications in cooperation with the Borrower's Ministry of Finance;

(d) Part E (4) of the Project shall be carried out through the Borrower's Ministry of Communications; and

(e) Part E (5) of the Project shall be carried out through the Borrower's Ministry of Industry in cooperation with the Borrower's Ministry of Communications.

The Borrower shall provide, promptly as needed, the funds, facilities, services and other resources required for the purpose.
Section 3.02. In order to provide assistance in the design engineering, procurement, construction supervision, studies, surveys, accounting assistance to BPP and training required for or included in the Project, the Borrower shall employ or cause to be employed consultants and experts whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank.

Section 3.03. The Borrower shall maintain, within its Ministry of Communications a Ports Directorate which shall be responsible for the supervision of the management and operations of the Borrower's ports, not under the management and control of the PERUM and which, inter alia, shall include an adequately staffed unit charged with the planning of all port development in Indonesia.

Section 3.04. (a) The Borrower shall cause BPP and its Directorate General of Highways of the Ministry of Public Works to insure, or make adequate provision for the insurance of, the imported goods to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable by the Borrower, BPP or the said Directorate General, as the case shall require, to replace or repair such goods.

(b) Except as the Bank shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively for the Project.
Section 3.05. (a) The Borrower shall furnish to the Bank, promptly upon their preparation, the plans, specifications, reports, contract documents and construction and procurement schedules for the Project, and any material modifications thereof or additions thereto, in such detail as the Bank shall reasonably request.

(b) The Borrower: (i) shall cause records to be maintained, adequate to record the progress of the Project (including the cost thereof) and to identify the goods and services financed out of the proceeds of the Loan, and to disclose the use thereof in the Project; (ii) shall enable the Bank's accredited representatives to visit the facilities and construction sites included in the Project and to examine the goods financed out of the proceeds of the Loan and any relevant records and documents; and (iii) shall furnish to the Bank all such information as the Bank shall reasonably request concerning the Project, the expenditure of the proceeds of the Loan and the goods and services financed out of such proceeds.

Section 3.06. The Borrower shall take or cause to be taken all such action as shall be necessary to acquire as and when needed all such land and rights in respect of land as shall be required for the construction (and operation) of the facilities included in the Project and shall furnish to the Bank, promptly after such acquisition, evidence satisfactory to the Bank that such land and rights in respect of land are available for purposes related to the Project.
Section 3.07. (a) Subject to the provisions of paragraph (b) of this Section, the Borrower shall make available to BPP the funds required to carry out Parts A, B, C (2), D and E (2) of the Project, including the proceeds of the Loan, under an arrangement to be made between the Borrower and BPP with terms and conditions satisfactory to the Bank.

(b) Upon the incorporation of the PERUM, the Borrower shall:
   (i) as necessary, revise its arrangement with BPP referred to in paragraph (a) of this Section and make available to the PERUM the funds to be provided by the Borrower to BPP pursuant to paragraph (a) of this Section and the proceeds of the Loan allocated for purposes of the carrying out of Parts A, B, C (2), D and E (2) of the Project; (ii) cause the PERUM to make the said funds and proceeds of the Loan available to BPP, under an arrangement satisfactory to the Bank, and on the terms and conditions which shall be established in accordance with Section 3.07 (a) of this Agreement or such other terms and conditions as shall be agreed between the Borrower and the Bank; and (iii) cause the PERUM to take all such action as shall be necessary on its part to enable BPP to carry out its function and responsibilities in accordance with the provisions of Schedule 5 to, and other provisions of, this Agreement.

(c) The Borrower shall exercise its rights under the arrangements referred to in Sections 3.07 (a) and 3.07 (b) (ii) of this 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, nor amend, abrogate or waive the said arrangements or any provisions thereof.
Section 3.08. The Borrower shall implement, or cause the PERUM (when established) to implement, a plan of action relative to BPP set forth in Schedule 5 to this Agreement, as such Schedule shall be amended from time to time by agreement between the Borrower and the Bank.
ARTICLE IV

Other Covenants

Section 4.01. (a) It is the policy of the Bank, in making loans to, or with the guarantee of, its members not to seek, in normal circumstances, special security from the member concerned but to ensure that no other external debt shall have priority over its loans in the allocation, realization or distribution of foreign exchange held under the control or for the benefit of such member. To that end, if any lien shall be created on any public assets (as hereinafter defined), as security for any external debt, which will or might result in a priority for the benefit of the creditor of such external debt in the allocation, realization or distribution of foreign exchange, such lien shall, unless the Bank shall otherwise agree, ipso facto and at no cost to the Bank, equally and ratably secure the principal of, and interest and other charges on, the Loan, and the Borrower, in creating or permitting the creation of such lien, shall make express provision to that effect; provided, however, that, if for any constitutional or other legal reason such provision cannot be made with respect to any lien created on assets of any of its political or administrative subdivisions, the Borrower shall promptly and at no cost to the Bank secure the principal of, and interest and other charges on, the Loan by an equivalent lien on other public assets satisfactory to the Bank.

(b) The foregoing undertaking shall not apply to: (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property;
and (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.

(c) As used in this Section, the term "public assets" means assets of the Borrower, of any political or administrative subdivision thereof and of any entity owned or controlled by, or operating for the account or benefit of, the Borrower or any such subdivision, including gold and other foreign exchange assets held by any institution performing the functions of a central bank or exchange stabilization fund, or similar functions, for the Borrower.

Section 4.02. The Borrower shall maintain or cause to be maintained records adequate to reflect in accordance with consistently maintained sound accounting practices the operations, resources and expenditures, in respect of the Project, of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

Section 4.03. The Borrower shall cause BPP:

(a) to maintain records adequate to reflect in accordance with consistently maintained appropriate accounting practices the operations and financial condition of BPP;

(b) (i) to have its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited, in accordance with appropriate
auditing principles consistently applied, by independent auditors acceptable to the Bank; (ii) to furnish to the Bank as soon as available, but in any case not later than four months after the end of each such year, (A) certified copies of its financial statements for such year as so audited and (B) the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and (iii) to furnish to the Bank such other information concerning the accounts and financial statements of BPP and the audit thereof as the Bank shall from time to time reasonably request;

(c) to depreciate and to revalue from time to time in accordance with appropriate financial principles and accounting practices BPP’s fixed assets in service.

Section 4.04. The Borrower shall cause BPP:

(a) to carry on BPP’s operations and conduct BPP’s affairs in accordance with appropriate engineering, financial and port management practices under the supervision of experienced and competent management assisted by qualified staff in adequate numbers;

(b) at all times to operate and to maintain BPP’s port facilities, equipment and installations, and from time to time, promptly as needed, to make all necessary repairs and renewals thereof, all in accordance with appropriate engineering and port management practices;
(c) except as the Bank shall otherwise agree, not to sell, to lease, to transfer or otherwise to dispose of any of BPP's property or assets, except in the normal course of BPP's business; and

(d) to acquire, maintain and renew licenses, powers, franchises and other rights, as may be necessary or useful in the carrying out of the Project or in the conduct of its operations.

Section 4.05. The Borrower shall cause BPP to take out and maintain with responsible insurers, or to make other provision satisfactory to the Bank for, insurance against such risks and in such amounts as shall be consistent with appropriate port management practices.

Section 4.06. The Borrower shall ensure that, except as the Bank may otherwise agree, no expenditures or commitments for expenditures shall be incurred by or on behalf of BPP on account of fixed or capital assets not included in the Master Plan, until the fiscal year during which the last facilities included in the Master Plan have been placed into service, except for:

(a) expenditures or commitments for expenditures required for repair, maintenance or replacement of assets; and

(b) other expenditures or commitments for expenditures not exceeding in the aggregate the equivalent of one million dollars ($1,000,000) in any fiscal year.
Section 4.07. The Borrower shall ensure that, except as the Bank may otherwise agree, no debt to be serviced by BPP shall be incurred unless the net revenues of BPP for the fiscal year next preceding the date of such incurrence or for a later twelve-month period ended prior to the date of such incurrence, whichever amount is the greater, shall not be less than 1.75 times the maximum debt service requirement for any succeeding fiscal year on all debt of BPP including the debt to be incurred.

For the purposes of this Section:

(a) the term "debt" does not include debt incurred in the ordinary course of BPP's business and maturing by its terms on demand or less than one year after the date of its incurrence;

(b) debt shall be deemed to be incurred on the date on which the contract agreement providing for the incurrence of such debt is concluded;

(c) the term "net revenues" means gross revenues from any source, less all operating and administrative expenses, including adequate provision for maintenance, taxes and any payments in lieu of taxes, but before provision for depreciation and interest and other charges on debt;

(d) the term "debt service requirement" means the aggregate amount of amortization (including sinking fund payments, if any), interest and other charges on debt;
(e) the term "taxes and any payments in lieu of taxes" means any taxes normally included in the operating and administrative expenses such as, inter alia, sales tax and fees, and, income tax, revaluation tax, contributions to the national development fund and the like; and

(f) whenever it shall be necessary to value in the terms of the currency of the Borrower debt payable in another currency, such valuation shall be made on the basis of the rate of exchange at which such other currency is obtainable by BPP at the time of such valuation, for the purposes of servicing such debt, or, if such other currency is not so obtainable, at such rate of exchange as shall be reasonably determined by the Bank.

Section 4.08. Without limitation upon the generality of the provisions of Section 3.01 of this Agreement, the Borrower shall provide or cause the PERUM to provide to BPP such funds as the BPP shall require over and above its internally generated cash, from time to time, to enable it to implement its development programs.

Section 4.09. Except as the Bank may otherwise agree, the Borrower shall:

(a) take all such measures or cause BPP from time to time to take all such measures (including but not limited to adjustments of the structure or levels of its tariffs or charges) as shall be required to produce an annual return on the average current net value of BPP's fixed assets in service of not less than 5% for
each of BPP's fiscal years 1977, 1978, 1979 and 1980 and not less than 7% for each subsequent fiscal year; and

(b) before August 31, in each of its fiscal years, commencing fiscal year 1977, cause BPP, on the basis of realistic forecasts, to review the adequacy of its tariffs and charges to produce for the current and next following fiscal year such agreed annual return, and to furnish to the Bank a copy of such review upon its completion.

For the purposes of this Section:

(i) The annual return shall be calculated by dividing BPP's net operating income for the fiscal year in question by one-half of the sum of the current net value of BPP's fixed assets in service at the beginning and at the end of that fiscal year.

(ii) The term "net operating income" means gross revenues from all sources related to BPP's port operations less all expenditures incurred on account of such operations, including expenses of administration, adequate maintenance and taxes and any payments in lieu of taxes, and provision for depreciation on a straight-line basis at a rate of not less than 3% per annum of one-half of the sum of the current gross value of BPP's fixed assets in service at the beginning and at the end of the fiscal year in question. Interest and other charges on debt shall not be deducted from gross revenues.
(iii) The term "current net value of BPP's fixed assets in service" means the gross value of BPP's fixed assets in service less the amount of accumulated depreciation, both as valued from time to time in accordance with consistently maintained appropriate methods of valuation or revaluation acceptable to the Bank.

(iv) The term "taxes and any payments in lieu of taxes" means any taxes normally included in the operating and administrative expenses such as, inter alia, sales tax and fees, and income tax, revaluation tax and the like but excluding contributions to the national development fund.

Section 4.10. The Borrower shall not later than July 1, 1977 or such other date as shall be agreed between the Borrower and the Bank, prepare or cause to be prepared a plan for the full settlement of all claims and counterclaims between the Borrower and BPP, including inter alia tax-claims and claims based on port services provided to the Borrower by BPP, and after consulting with the Bank thereon, shall promptly take such action as shall be required to carry out such plan.

Section 4.11. The Borrower shall take all action necessary to ensure that at all times the amounts owed to BPP for services provided by BPP to any department, agency or enterprise of the Borrower be promptly paid when due.
Section 4.12. (a) The Borrower shall review the current port procedures whereby the cargo handling companies receive 20% of storage revenues accruing from BPP's tariff for the first 15-day period and 10% of such revenues accruing thereafter and shall take all such measures as may be necessary to ensure that (i) all storage revenues are solely collected by BPP in accordance with its tariff rates; and (ii) all payments for cargo-handling services are made directly to the cargo-handling companies by the users of such services.

(b) The Borrower shall, upon recommendation of BPP, establish and maintain tariffs and charges for each of BPP's services and each of the services provided by the cargo-handling companies that are based on the costs incurred by BPP and the said companies in providing such services.
ARTICLE V

Remedies of the Bank

Section 5.01. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified pursuant to paragraph (k) thereof, namely, that:

(a) BPP shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by BPP or by others whereby any of the property of BPP shall or may be distributed among its creditors; and

(b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of BPP or for the suspension of BPP's operations or for the transfer of a major portion of BPP's assets to another entity without the prior concurrence of the Bank.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified pursuant to paragraph (h) thereof, namely, that, any event specified in Section 5.01 of this Agreement shall occur.
ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that the execution and delivery of the arrangement referred to in Section 3.07 (a) of this Agreement on behalf of the Borrower and the BPP, respectively, have been duly authorized or ratified by all necessary governmental and corporate action.

Section 6.02. The following is specified as an additional matter, 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, namely, that the arrangement referred to in Section 3.07 (a) of this Agreement, has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and the BPP respectively, and is legally binding upon the Borrower and BPP in accordance with its terms.

Section 6.03. The date February 4, 1977, 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
Post Office Box 21
Jakarta, Indonesia

Cable address:
Ministry Finance
Jakarta

Telex:
DEPKEU JKT 44319
DITJMON JKT 46415

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:
440098 (ITT)
248423 (RCA) or
54145 (TUI)
IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, 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/ Roesmin Nurjadin
Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By /s/ Bernard R. Bell
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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Civil works for Parts A (2) and (3), B and C of the Project</td>
<td>7,800,000</td>
<td>50% (representing the estimated foreign expenditure component)</td>
</tr>
<tr>
<td>(2) The roads and utilities included in Part D of the Project</td>
<td>500,000</td>
<td>50% (representing the estimated foreign expenditure component)</td>
</tr>
<tr>
<td>(3) Mechanical equipment</td>
<td>9,400,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(4) Consultants' services</td>
<td>2,400,000</td>
<td>100% of foreign expenditures on account of non-Indonesian Consultants and 80% of expenditures on account of Indonesian Consultants</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Loan Allocated (Expressed in Dollar Equivalent)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(5) Technical assistance and training</td>
<td>1,500,000</td>
<td>100% of foreign expenditures</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>10,400,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>32,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
2. For the purposes of this Schedule, the term "foreign expenditures" means expenditures in the currency of any country other than the Borrower and for goods or services supplied from the territory of any country other than the Borrower.

3. The disbursement percentages have been calculated in compliance with the policy of the Bank that no proceeds of the Loan shall be disbursed on account of payments for taxes levied by, or in the territory of, the Borrower on goods or services, or on the importation, manufacture, procurement or supply thereof; to that end, if the amount of any such taxes levied on or in respect of any item to be financed out of the proceeds of the Loan decreases or increases, the Bank may, by notice to the Borrower, increase or decrease the disbursement percentage then applicable to such item as required to be consistent with the aforementioned policy of the Bank.

4. 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, except that withdrawals may be made in respect of Categories (3) and (4) on account of expenditures incurred after September 30, 1975, in an aggregate amount not exceeding the equivalent of $750,000.

5. Notwithstanding the allocation of an amount of the Loan or the disbursement percentages set forth in the table in paragraph 1 above, if the Bank has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance the agreed percentage of all expenditures in that Category, the Bank may, by notice to the Borrower: (i) reallocate to such
Category, to the extent required to meet the estimated shortfall, proceeds of the Loan which are then allocated to another Category and which in the opinion of the Bank are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the disbursement percentage then applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

6. If the Bank shall have reasonably determined that the procurement of any item in any Category is inconsistent with the procedures set forth or referred to in this Agreement, no expenditures for such item shall be financed out of the proceeds of the Loan and the Bank may, without in any way restricting or limiting any other right, power or remedy of the Bank under the Loan Agreement, by notice to the Borrower, cancel such amount of the Loan as, in the Bank's reasonable opinion, represents the amount of such expenditures which would otherwise have been eligible for financing out of the proceeds of the Loan.
SCHEDULE 2

Description of the Project

The Project represents the first phase of the Master Plan for the development of the Tanjung Priok port. The Project consists of the following:

Part A: Basin III East

(1) Construction of a container berth of about 220 m., combination berth of about 180 m. and a general cargo berth of about 520 m.;

(2) establishment of 3 transit sheds, open storage areas, an access road, paving and the necessary ancillary facilities behind the general cargo berths;

(3) paving of about 6 ha. behind the container and combination berths, together with necessary services and ancillary works; and

(4) installation of two 40-ton container cranes, and provision of specialized mobile container handling equipment and mechanical general cargo handling equipment.

Part B: The Regional Harbor

(1) Construction of about 545 m. of new berths with transit sheds, an access road and the necessary ancillary facilities generally in accordance with the Master Plan; and
(2) provision of mechanical general cargo handling equipment.

Part C: Land Access Improvements

(1) Improvements to the main external access road to the port generally in accordance with the Master Plan; and

(2) construction of new access roads in the port on the piers between Basins I and II, and between Basins II and III.

Part D: Housing

Construction of about 500 houses required for the relocation of port workers, together with the necessary roads and utilities.

Part E: Technical Assistance and Training

(1) Design engineering of the further improvements to the main external access road to the port included in the second phase of the Master Plan;

(2) training of BPP's staff in cargo handling, maintenance, accounting, management and container operations;

(3) a study of existing customs procedures in the port for the purpose of improving the efficiency of customs clearance procedures;
(4) comprehensive inventories of ports operated by the Borrower, and a port survey to identify improvements of Indonesian ports visited by regular liner ships required to improve the turnaround time of such ships and the general operation of these ports; and

(5) a study to develop appropriate methods of distribution of the products of Krakatau Steel Mill.

*       *       *

The Project is expected to be completed by June 30, 1979.
## SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Payment of Principal (expressed in dollars)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td></td>
</tr>
<tr>
<td>beginning May 15, 1981 through November 15, 1996</td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

* To the extent that any portion of the Loan is repayable in a currency other than dollars (see General Conditions, Section 4.02), the figures in this column represent dollar equivalents determined as for purposes of withdrawal.
### Premiums on Prepayment

The following percentages are specified as the premiums payable on repayment in advance of maturity of any portion of the principal amount of the Loan pursuant to Section 3.05 (b) of the General Conditions:

<table>
<thead>
<tr>
<th>Time of Prepayment</th>
<th>Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not more than three years before maturity</td>
<td>1.30%</td>
</tr>
<tr>
<td>More than three years but not more than six years before maturity</td>
<td>2.60%</td>
</tr>
<tr>
<td>More than six years but not more than eleven years before maturity</td>
<td>4.80%</td>
</tr>
<tr>
<td>More than eleven years but not more than sixteen years before maturity</td>
<td>6.95%</td>
</tr>
<tr>
<td>More than sixteen years but not more than eighteen years before maturity</td>
<td>7.85%</td>
</tr>
<tr>
<td>More than eighteen years before maturity</td>
<td>8.70%</td>
</tr>
</tbody>
</table>
A. **International Competitive Bidding**

1. Except as provided in Part B hereof, contracts for the purchase of goods or for civil works shall be procured in accordance with procedures consistent with those set forth in Part A of the "Guidelines for Procurement under World Bank Loans and IDA Credits" published by the Bank in August 1975 (hereinafter called the Guidelines), on the basis of international competitive bidding.

2. Bidders for the works included in Parts A (2) and (3), B and C of the Project shall be prequalified as described in paragraph 1.3 of Part A of the Guidelines.

B. **Other Procurement Procedures**

Contracts for the civil works for roads and utilities included in Part D of the Project shall be procured in accordance with the applicable procurement procedures of the Borrower in effect on the date of this Agreement.

C. **Evaluation and Comparison of Bids for Goods; Preference for Domestic Manufacturers**

1. For the purpose of evaluation and comparison of bids for the supply of goods: (i) bidders shall be required to state in their
bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (ii) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (iii) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. Goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following three groups:

(1) **Group A**: bids offering goods manufactured in Indonesia if the bidder shall have established to the satisfaction of the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Indonesia equal to at least 20% of the ex-factory bid price of such goods.
(2) **Group B:** all other bids offering goods manufactured in Indonesia.

(3) **Group C:** bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. Such lowest evaluated bids shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C, all group C bids shall be further compared with the lowest evaluated bid from group A after adding to the c.i.f. bid price of the imported goods offered in each group C bid, for the purpose of this further comparison only, an amount equal to (i) the amount of customs duties and other import taxes which a non-exempt importer would have to pay for the importation of the goods offered in such group C bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid in such further comparison is the lowest, it shall be selected for the award; if not, the bid from group C which as a result of the comparison under paragraph (c) is the lowest evaluated bid shall be selected.
D. Evaluation and Comparison of Bids for Civil Works; Preference for Domestic Contractors

With respect to any contract for civil works included under Category (1) of the table set forth in Schedule 1 to the Loan Agreement and to be procured in accordance with the procedures described in Part A.1 of this Schedule, except for contracts required for Part D of the Project, the Borrower may grant a margin of preference of 7-1/2% to domestic contractors, in accordance with, and subject to, the following provisions:

(a) Contractors shall be required to prequalify as provided in Part A of this Schedule and applicants for qualification applying also for such preference shall be asked to provide, as part of the data for qualification, such information, including details of ownership, as shall be required to determine whether, according to the classification accepted by the Bank, a particular firm or group of firms qualifies for a domestic preference. The bidding documents shall clearly indicate the preference and the method that will be followed in the evaluation and comparison of bids to give effect to such preference.

(b) After bids have been received and reviewed by the Borrower, responsive bids will be classified into the following groups:

(i) bids offered by domestic contractors eligible for preference; and

(ii) bids offered by other contractors.
For the purpose of evaluation and comparison of bids an amount equal to 7-1/2% of the bid amount shall be added to bids received under group (ii) above.

E. Review of Procurement Decisions by the Bank

1. Review of prequalification. The Borrower shall, before qualification is invited, inform the Bank in detail of the procedure to be followed, and shall introduce such modifications in said procedure as the Bank shall reasonably request. The list of prequalified bidders, together with a statement of their qualifications and, where applicable, of their eligibility for domestic preference under Part D.1 above and of the reasons for the exclusion of any applicant for prequalification and for such eligibility shall be furnished by the Borrower to the Bank for its comments before the applicants are notified of the Borrower's decision, and the Borrower shall make such additions to, deletions from, or modifications in, the said list as the Bank shall reasonably request.

2. Review of invitations to bid and of proposed awards and final contracts:

With respect to all contracts for civil works (excluding roads and utilities under Part D of the Project) and equipment:

(a) Before bids are invited, the Borrower shall furnish to the Bank, for its comments, the text of the invitations to bid and the specifications and other bidding documents, together with a description of the advertising procedures to be followed for the bidding, and shall make such modifications in the said documents or procedures as the Bank shall reasonably request. Any
further modification to the bidding documents shall require the Bank's concurrence before it is issued to the prospective bidders.

(b) After bids have been received and evaluated, the Borrower shall, before a final decision on the award is made, inform the Bank of the name of the bidder to which it intends to award the contract and shall furnish to the Bank, in sufficient time for its review, a detailed report, by the consultants referred to in Section 3.02 of this Agreement, on the evaluation and comparison of the bids received, together with the recommendations for award of the said consultants and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the intended award would be inconsistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.

(c) The terms and conditions of the contract shall not, without the Bank's concurrence, materially differ from those on which bids were asked or prequalification invited.

(d) Two conformed copies of the contract shall be furnished to the Bank promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract.

3. With respect to each contract to be financed out of the proceeds of the Loan and not governed by the preceding paragraph, the Borrower shall furnish to the Bank, promptly after its execution and prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together
with the analysis of the respective bids, recommendations for award and such other information as the Bank shall reasonably request. The Bank shall, if it determines that the award of the contract was not consistent with the Guidelines or this Schedule, promptly inform the Borrower and state the reasons for such determination.
SCHEDULE 5

Plan of Action for BPP

1. Organizational Policy for BPP

BPP shall have exclusive responsibility for the management and operation of its assets (including procurement), for the selection of its officers and staff within the approved establishment level, for the planning and implementation of its future development, subject only to a reasonable degree of supervision by or on behalf of the Borrower or the PERUM and approval by the Borrower of BPP's annual budgets. BPP shall have timely access to sufficient liquid funds to carry out its day-to-day operations and its development programs.

2. BPP's Organization and Port Operating Procedures

The Borrower shall take and cause BPP to take the following measures which are designed to improve the efficiency of BPP's organization and the operating procedures in Tanjung Priok port:

(a) The Port Administrator, shall be given authority to dispose of scrap material in the port by auction, subject only to the approval of the Minister of Communication of the Borrower which shall not be unreasonably withheld.

(b) BPP's operational and maintenance departments shall be restructured in line with the regrouping of the port's operating companies in accordance with the provisions of paragraph 2 (d)
(iii) of this Schedule, and the section heads in those departments shall be given greater day-to-day decision making authority, including the procurement and storage of spare parts, all within the framework of established policies and budgets.

(c) BPP's planning and project bureau shall be separated from BPP's maintenance department and be established and maintained as a new department of BPP, with adequate qualified staff.

(d) The port's operating procedures shall be improved as follows:

(i) the port shall be divided into operational areas for cargo-handling operations, as may be agreed between the Borrower, Bank and the BPP, each such area to include the transit sheds and warehouses serving the berths within its limits and to be enclosed by a customs fence with control gate; each such area shall be a separate customs area;

(ii) within each such area unrestricted movement between transit sheds and warehouses shall be permitted for all cargo remaining in the sheds beyond the free period, subject only to notification to (not permission of) customs;

(iii) The allocation of sheds to operating companies on each pier shall be rearranged so that sheds allocated to one company shall, to the extent
possible, be adjacent. Such rearrangement shall be completed within two years from the Effective Date, except as may be agreed between the Bank and BPP. The amalgamation of operating companies being arranged in the Nusantara Basin area shall, if successful, be applied as speedily as possible to the remaining areas of the Tanjung Priok Port;

(iv) the warehouses situated in the Perahu basin shall be designated as separate storage areas for the long-term storage of such goods as BPP shall determine; movement of goods to such warehouses shall be done by forwarding companies after obtaining permission of customs;

(v) delivery of goods from any area to the consignee shall be made by the forwarding company of the consignee's choice, following customs clearance; and

(vi) in licensing the operating companies or newly formed associations of operating companies, BPP shall require them to improve their productivity by increased use of mechanical equipment after palletization of cargo in the ships' hold, on the quay, in the transit sheds or open storage areas and in subsequent transfer to the warehouse.
The Borrower shall take all action necessary to achieve the introduction of the measures and policies described in this sub-paragraph (d) except sub-paragraph d(iii) not later than June 30, 1978, or such later date as shall be agreed between the Borrower and the Bank.

(e) The Borrower shall cause BPP to implement within 24 months immediately following the Effective Date, or such longer period of time as the Bank may agree, those recommendations made by the team of specialists from the port of Amsterdam, included in that team's fifth progress report dated April 16, 1975, which are acceptable to the Borrower.

3. Customs Procedures

Upon completion of the study of existing customs procedures in Tanjung Priok port, included in Part E (3) of the Project, the Borrower shall furnish to the Bank a copy of the study and shall, after having exchanged views with the Bank on the study, implement such recommendations emanating from the study as shall be necessary for the improvement of such customs procedures as shall be satisfactory to the Borrower and the Bank.

4. Accounting and Costing

(a) The Borrower shall cause BPP to further improve its accounting system, inter alia: by establishing general ledger budget centers, or functional departmental accounts; by accounting for expenses by types of expenses; by consolidating its asset valuation methods and depreciation accounts to exclude inconsistencies; and
by discontinuing the use of the detailed classification of accounts to assign expenses to revenue centers, as a basis for cost finding.

(b) The Borrower shall cause BPP to introduce a costing system, satisfactory to the Borrower and the Bank, which shall be in accordance with the following principles:

(i) The costing system shall be objective and therefore without reference to or consideration of present tariffs, kinds or levels of rates and without reference to ability to pay, value of the service, promotional or other rate making policies or any demand factors affecting the levels of rates.

(ii) The costing system shall be reasonably apportioned on the basis of the beneficial use theory whereby the beneficiary or user of a function is charged objectively with the proportion of the total costs of that function according to the degree of use. Many costs can be assigned directly to the activities for which they are incurred.

(iii) Cost finding should be done periodically, not continuously, based on the uses made of all facilities over the period to be costed, as reflected by special statistics maintained for the purpose. It must be carried out separately from the continuous day-to-day accounting procedures, by an independent section.
(iv) The costing system shall be comprehensive and shall include, inter alia, the determination of the costs incurred in cargo-handling.

5. Strengthening of Financial Accounting Staff

The Borrower shall cause BPP to strengthen its financial accounting staff in a manner satisfactory to the Borrower and the Bank, based on the recommendations to be made by BPP's accounting consultants.