Loan Agreement

(Third Kecamatan Development Project, Phase II)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 2, 2005
LOAN AGREEMENT

AGREEMENT, dated August 2, 2005, 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 the Development Credit Agreement between the Borrower and the International Development Association (the Association) of even date herewith (the Development Credit Agreement) (the Project), has requested the Bank to assist in the financing of the Project;

(B) the Borrower has also requested the Association to provide additional financial assistance towards the financing of the Project and by the Development Credit Agreement the Association is agreeing to provide such assistance in a principal amount equivalent to fifty one million six hundred and fifty thousand Special Drawing Rights (SDR 51,650,000); and

(C) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the credit provided for in the Development Credit Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the loan provided for in Article II of this Agreement (the Loan) are made; 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;

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 for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004) with the following modification (the General Conditions)
constitute an integral part of this Agreement: Section 6.03(c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the term “Development Credit Agreement” means the agreement of even date herewith between the Borrower and the Association for the Project, as such agreement may be amended from time to time; and such term includes all schedules and agreements supplemental to the Development Credit Agreement.

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 this Agreement, an amount equal to eighty million Dollars ($80,000,000).

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to the Development Credit Agreement: (a) for amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of: (i) a Grant to meet the reasonable cost of goods, works and services required for a Sub-project and in respect of which the withdrawal from the Loan Account is requested; and (ii) a Kecamatan Planning Grant or Reconstruction Planning Grant to meet the reasonable cost of services required for the preparation of a Village-level Development Plan or Village-level Reconstruction Plan, as the case may be, and in respect of which the withdrawal from the Loan Account is requested; and (b) 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 Parts B through E of the Project and to be financed out of the proceeds of the Loan and in respect of the fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be December 31, 2008, 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 front-end fee in an amount equal to one percent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.
Section 2.05. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.06. (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 LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

(i) “Interest Period” means the initial period from and including the date of this Agreement to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.

(ii) “Interest Payment Date” means any date specified in Section 2.07 of this Agreement.

(iii) “LIBOR Base Rate” means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.

(iv) “LIBOR Total Spread” means, for each Interest Period: (A) three-fourths of one percent (3/4 of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank’s outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Borrower of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.06, the Bank determines
that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to the Loan upon not less than six (6) months’ notice to the Borrower of the new basis. The new basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the Loan.

Section 2.07. Interest and other charges shall be payable semi-annually in arrears on June 15 and December 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 6 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. Subject to Section 3.02 of this Agreement, Sections 2.02(b), 3.01, 3.02, 3.03, 4.01 and 4.02 of the Development Credit Agreement and Schedules 1 through 5 thereto are incorporated in this Agreement, with the following modifications in said Sections and Schedules 2, 3, 4, and 5, unless the context otherwise requires:

(a) the term “Association” shall be read as “Bank”;

(b) the term “Credit” and “Credit Account” shall be read as “Loan” and “Loan Account”; and

(c) the term “this Agreement” shall be read as “the Loan Agreement”.

Section 3.02. So long as any part of the Credit provided for under the Development Credit Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Bank:

(a) all actions taken, including approvals given, by the Association pursuant to any of the Sections of, and Schedules to, the Development Credit Agreement enumerated in Section 3.01 of this Agreement, as well as pursuant to Section 2.02(a) of the Development Credit 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 Borrower to the Association pursuant to the provisions of any of such Sections of the Development Credit Agreement or Schedules thereto shall be deemed to be furnished to both the Association and Bank.

ARTICLE IV

Effective Date; Termination

Section 4.01. 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 Development Credit Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of this Agreement, have been fulfilled.

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.

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: FINMINISTRY
Telex: 45799 DJMLN-IA
Jakarta 44319 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
Telex: 248423 (MCI) or 64145 (MCI)
Washington, D.C.
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/ Jusuf Anwar

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Kundhavi Kadiresan

Authorized Representative
### SCHEDULE 6

#### Amortization Schedule

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* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions