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A.I.D. Loan No. 497-H-025

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L O A N A G R E E M E N T

(Indonesia: Ketenger Transmission and Distribution Rehabilitation)

BETWEEN THE  
GOVERNMENT OF INDONESIA  
AND  
PERUSAHAAN LISTRIK NEGARA  
AND THE  
UNITED STATES OF AMERICA

Dated: NOV. 3 1971

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## LOAN AGREEMENT

AGREEMENT, dated the 3<sup>rd</sup> day of November, 1971  
between the GOVERNMENT OF INDONESIA (hereinafter called the "Borrower"),  
PERUSAHAAN LISTRIK NEGARA (hereinafter called the "Beneficiary"), and  
the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL  
DEVELOPMENT (hereinafter called "A.I.D.").

### ARTICLE I.

#### The Loan

SECTION 1.1. The Loan. A.I.D. hereby agrees to lend to the Borrower, for the use of and, under Section 9.1 hereunder, to be reloaned to the Beneficiary pursuant to the Foreign Assistance Act of 1961, as amended, up to twenty one million United States dollars (\$21,000,000) to assist in financing the reasonable foreign exchange dollar costs of certain goods and services required for the Project as defined in Section 1.2 hereof. Goods and services financed hereunder are hereinafter referred to as "Eligible Items," and the aggregate amount disbursed hereunder is hereinafter referred to as "Principal."

SECTION 1.2. Project. As used in this Agreement, the "Project" shall mean the construction of a 150 kilovolt (kv) transmission system and the rehabilitation and construction of distribution facilities in the Ketenger Electrical System the western part of Central Java Province, Republic of Indonesia, together with technical assistance and training related thereto. A more detailed description of the Project is set forth in Annex "A" of this Agreement.

ARTICLE II.

Borrower Repayment Terms and Interest

SECTION 2.1. Interest. The Borrower shall pay semi-annually to A.I.D. in United States dollars on the unpaid Principal, interest which shall accrue from the dates of the respective disbursements hereunder, the first such interest payment to be due and payable no later than six (6) months after the first such disbursement on a date to be specified by A.I.D. Principal and interest due but not paid shall accrue interest at the maximum rate hereunder until fully paid. Interest shall accrue at the rate of two percent (2%) per annum for ten (10) years after the first disbursement hereunder and at a rate of three percent (3%) per annum thereafter, computed on the basis of a three hundred sixty-five (365) day year. Disbursements hereunder shall be deemed to occur on the date on which payment by A.I.D. is made either directly to the Borrower or its designee or to a banking institution pursuant to a commitment document.

SECTION 2.2. Principal. Borrower shall repay the Principal to A.I.D. in United States dollars within forty (40) years from the date of first disbursement hereunder in sixty-one (61) level semi-annual installments of principal and interest, the first installment to be due and payable nine and one-half (9-1/2) years after the first interest payment is due.

SECTION 2.3. Application and Place of Payment. All payments shall be applied first to the payment of any interest due and unpaid and then to the repayment of Principal. All payments shall be made to the Controller, United States Agency for International Development (hereinafter called "USAID"), Djakarta, Indonesia, or to such other payee or at such other address as A.I.D. may designate, and shall be deemed to have been paid when there received.

SECTION 2.4. Prepayment. The Borrower shall have the right to prepay, without penalty, on any date on which interest is due, all or any part of the Principal. Any prepayment shall be applied first to the payment of any accrued and unpaid interest and then to the remaining installments of Principal in the inverse order of their maturity.

### ARTICLE III.

#### Conditions Precedent

SECTION 3.1. Conditions Precedent to Initial Financing.

Unless A.I.D. otherwise agrees in writing, prior to the issuance of the first letter of commitment or other commitment document for engineering services, the Borrower or the Beneficiary, as appropriate, shall furnish A.I.D., in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Minister of Justice of the Borrower that this Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Borrower and is a valid and legally binding obligation of the Borrower in accordance with its terms;

- (b) An opinion of the principal legal officer of the Beneficiary, or of other legal counsel satisfactory to A.I.D., that this Loan Agreement has been duly authorized or ratified by, and executed on behalf of, the Beneficiary and is a valid and legally binding obligation of the Beneficiary in accordance with its terms;
- (c) The names of the persons who will act as the representatives of the Borrower and the Beneficiary pursuant to Section 10.1 hereof, together with evidence of their authority and a specimen signature of each such person, certified as to its authenticity by either the persons rendering the legal opinions pursuant to Section 3.1(a) and 3.1(b) or the persons executing this Loan Agreement;
- (d) A draft contract between Beneficiary and a constructing engineering firm. The selection of said firm and the terms of said contract shall be in accordance with A.I.D. Capital Project Guidelines for Engineering Services.

SECTION 3.2. Conditions Precedent to Financing Construction Services and Procurement. Unless A.I.D. otherwise agrees in writing, prior to the issuance of letters of commitment or other commitment documents for construction services and the procurement of other Eligible Items, the Borrower or Beneficiary, as appropriate, shall have met the conditions precedent in Section 3.1, and in addition Borrower or

Beneficiary, as appropriate, shall furnish to A.I.D. in form and substance satisfactory to A.I.D.;

- (a) Advice of the Government of the Federal Republic of Germany that all conditions to the effectiveness of its agreements with the Borrower and Beneficiary for the installation of certain transmission facilities in Central Java Province have been satisfied, together with advice that firm schedules for implementation of the German assistance have been established;
- (b) A plan for implementation of the Project, including training, the procurement of equipment for the Project, and the designation of basic systems standards for the distribution system. Said system standards shall include standards for services wiring and voltage level of primary and secondary lines;
- (c) Evidence that any rights of way, rights of entry, real property leases or acquisitions necessary for Project implementation and system operation have been obtained or plans made and financing provided therefor;
- (d) Evidence of the establishment by Beneficiary of a reserve fund in Indonesian currency equal to the total Indonesian currency costs of the Project for the upcoming 6 months as estimated by the Project Engineer, said funds to be replenished to the appropriate level quarterly,

or more often in the event actual Indonesian currency expenditures substantially exceed said estimates, or such lesser amount as A.I.D. shall agree to in writing, which shall be used for the execution of the Project.

- (e) A draft contract between Beneficiary and a construction firm. The selection of the firm and the terms of said contract shall be in accordance with the A.I.D. Capital Project Guidelines for Construction Services.
- (f) Procurement contracts for equipment and materials between the Beneficiary and firms. The terms of said contracts and the selection of said firms shall be subject to A.I.D. approval prior to the execution of the contracts and selection of the firms, where appropriate, and in accordance with A.I.D. Capital Project Guidelines for the Procurement of Equipment and Materials.

SECTION 3.3. Terminal Dates for Fulfillment of Conditions Precedent. Except as A.I.D. may otherwise agree in writing, if the conditions required by Section 3.1 have not been satisfied within 3 months after the date of execution of this Loan Agreement, or if the conditions required by Section 3.2 have not been satisfied within 18 months after the date of execution of this Loan Agreement, A.I.D. may at any time thereafter terminate this Agreement by giving notice to the Borrower and to the Beneficiary. Upon such termination, and

notwithstanding any other provisions of this Loan Agreement, the Borrower shall repay to A.I.D. the unpaid Principal, if any, and any accrued interest. Upon full payment in accordance with the foregoing, all other obligations of the Borrower and A.I.D. under this Agreement shall cease.

SECTION 3.4. Notification of Meeting of Conditions Precedent.

A.I.D. shall notify the Borrower and Beneficiary upon its determination that the conditions precedent specified in Sections 3.1 and 3.2 have been met.

ARTICLE IV.

Disbursements

SECTION 4.1. Requests for Letters of Commitment. To obtain disbursements, the Beneficiary may from time to time request A.I.D. to issue, and subject to the provisions of this Loan Agreement A.I.D. shall issue, letters of commitment to one or more banks in the United States designated by the Beneficiary and satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made, through letters of credit or otherwise, to the Beneficiary or any designee of the Beneficiary, pursuant to such documentation or requirements as A.I.D. may specify.

SECTION 4.2. Other Forms of Disbursement. Disbursements may also be made through such other means as the Borrower, the Beneficiary and A.I.D. may agree in writing.

or more often in the event actual Indonesian currency expenditures substantially exceed said estimates, or such lesser amount as A.I.D. shall agree to in writing, which shall be used for the execution of the Project.

- (e) A draft contract between Beneficiary and a construction firm. The selection of the firm and the terms of said contract shall be in accordance with the A.I.D. Capital Project Guidelines for Construction Services.
- (f) Procurement contracts for equipment and materials between the Beneficiary and firms. The terms of said contracts and the selection of said firms shall be subject to A.I.D. approval prior to the execution of the contracts and selection of the firms, where appropriate, and in accordance with A.I.D. Capital Project Guidelines for the Procurement of Equipment and Materials.

SECTION 3.3. Terminal Dates for Fulfillment of Conditions Precedent. Except as A.I.D. may otherwise agree in writing, if the conditions required by Section 3.1 have not been satisfied within 3 months after the date of execution of this Loan Agreement, or if the conditions required by Section 3.2 have not been satisfied within 18 months after the date of execution of this Loan Agreement, A.I.D. may at any time thereafter terminate this Agreement by giving notice to the Borrower and to the Beneficiary. Upon such termination, and

SECTION 4.3. Terminal Date for Requests for Commitment Documents and for Disbursements. Except as A.I.D. may otherwise agree in writing, no letters of commitment or other commitment documents shall be issued in response to requests received by A.I.D. after 48 months, and no disbursements shall be made against documentation received after 56 months, from the date of execution of this Loan Agreement.

ARTICLE V.

Particular Covenants and Warranties Concerning the Project

SECTION 5.1. Borrower's Covenants. The Borrower covenants and agrees that it shall:

- (a) take all necessary actions to permit the Beneficiary to perform its obligations under Article II of the Project Agreement between the Beneficiary and the International Development Association (Credit Number 165 IND) within the time limits prescribed in said Project Agreement, or such other time limits to which IDA may agree, taking into account Borrower's specific undertakings in this regard in the Development Credit Agreement between Borrower and the International Development Association and the objectives stated in Section 5.2(a) hereof;
- (b) take all necessary action for accomplishment of the general objectives stated in Section 5.2(a) hereof;

- (c) make available foreign exchange to Beneficiary from sources other than the proceeds of this Loan necessary to purchase third country spare and replacement parts for maintenance and repair of existing generating facilities and related equipment within the Ketenger Electrical System until power supply is replaced by that from the Semarang steam power plant;
- (d) make available to Beneficiary any Indonesian currency necessary for completion of the Project, and for the modification or replacement of existing customer's electrical utilization equipment so that it will operate satisfactorily at 220 volts;
- (e) from completion of the Project until such time as Beneficiary may become an autonomous, nonbudget supported corporation, assist the Beneficiary in obtaining funds sufficient to meet the operation and maintenance expenses necessary for the effective utilization of said Project;
- (f) assist the Beneficiary to carry out the Project, or cause the Project to be carried out, with due diligence and efficiency, and in conformity with sound engineering, construction, financial, administrative, and management practices, and any plans, specifications, contracts, schedules and other arrangements, together with all modifications therein, approved by A.I.D. pursuant to this agreement.

SECTION 5.2. Beneficiary's Covenants. The Beneficiary covenants and agrees that it shall:

- (a) Perform its obligations as prescribed in Article II of the Project Agreement with the International Development Association (Credit Number 165 IND) and implement said undertakings within the time limits prescribed in said Project Agreement, or as A.I.D. may agree otherwise with respect to application of this covenant. In carrying out the recommendations of the management consultants under Section 2.02(b) of the Project Agreement with the International Development Association, Beneficiary agrees to the following general objectives that should govern Beneficiary's organization, structure, authority and operations and further agrees that Beneficiary's program to implement the recommendations of the management consultants as required by Section 2.02(b) of that agreement shall be in accordance with the objectives hereafter set forth and that said program shall be as Borrower, Beneficiary and A.I.D. shall consider appropriate;
  - (i) A revised schedule of electricity tariffs and charges fixed at such levels as should provide Beneficiary with revenue sufficient (a) to cover all its operating expenses, including administration and overhead expenses, maintenance, depreciation, and taxes, and interest on, and to the extent it exceeds depreciation, amortization of debt, and (b) to provide a reasonable return on its

assets and to finance a reasonable portion of its capital expenditures;

- (ii) A revaluation of Beneficiary's fixed assets in accordance with sound public utility practice;
  - (iii) Full and exclusive responsibility vested in Beneficiary for the public electric power sector of the Borrower, including planning, procurement, construction, operation, maintenance and ownership of all facilities therein;
  - (iv) Management organization and employment practices including staffing patterns, salary structure and employee qualifications, in accordance with sound public utility practice;
  - (v) Operating practices, including records accounting system, billing and collection procedures, financial planning and administration, insurance, repair and maintenance procedures, and procedures for systems operations, all in accordance with sound public utility practice;
  - (vi) Standards for the electric power system including standards for equipment, materials, construction, and operation and maintenance in accordance with sound public utility practice.
- (b) Replenish the Indonesian currency reserve fund required in Section 3.3 (a) hereof whenever necessary to maintain said fund at the level set forth in Section 3.3(a) hereof;

- (c) Carry out the Project, or cause the Project to be carried out, with due diligence and efficiency, and in conformity with sound engineering, construction, financial, administrative and management practices; and any plans, specifications, contracts, schedules and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this Agreement.
- (d) Except as A.I.D. may otherwise agree in writing, furnish to A.I.D. for its approval:
  - (i) All plans, specifications and construction schedules related to the Project, and any modifications thereof, prior to their implementation;
  - (ii) All bid documents and documents concerning the solicitation of proposals relating to the goods and services financed under the Loan, and any modifications thereof, prior to their issuance;
  - (iii) All contracts financed under the Loan, and any modifications thereof, prior to their execution.
- (e) Adequately maintain, repair and operate, in accordance with sound public utility practice, all Eligible Items, and any facilities constructed in connection with their use;
- (f) Establish connecting fees for all future service within the Project area that will encourage increased consumption of electricity;

- (g) Modify or replace in a timely manner customer's existing electrical utilization equipment so that it will operate satisfactorily at 220 volts.

ARTICLE VI.

General Covenants, Warranties and Agreements

SECTION 6.1. Utilization of Eligible Items. All Eligible Items shall be used exclusively in carrying out and operating the Project. This restriction shall apply only until such time as such goods can no longer be usefully employed for the Project, provided that no goods financed hereunder shall be exported from the Republic of Indonesia without the prior written approval of A.I.D., and provided further that no Eligible Items shall at any time be used to promote or assist any project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such projected use except with the prior written consent of A.I.D.

SECTION 6.2. Information and Marking. The Beneficiary shall give publicity to the Loan provided for herein and the Project as a program of United States aid, identify the Project site, and mark goods financed under such Loan as prescribed in Implementation Letters.

SECTION 6.3. Notice of Material Developments. The Borrower and the Beneficiary have disclosed to A.I.D. all circumstances which may materially affect the Project or the discharge of their obligations under this Loan Agreement, and shall inform A.I.D. of any conditions which may constitute a default hereunder or which interfere, or which it is reasonable to believe may interfere, with the Project or the discharge of any of their obligations hereunder.

SECTION 6.4. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times, whether prior to completion of the Project or subsequent thereto, to inspect the Project, the utilization of all Eligible Items, the books and records referred to in Section 6.10 and any other documents, correspondence, memoranda, or records relating to the Loan provided for herein or to the Project. The Borrower and the Beneficiary shall cooperate with A.I.D. to facilitate such inspections and shall afford a reasonable opportunity for authorized representatives of A.I.D. to visit any part of the Republic of Indonesia for any purpose related to the Loan provided for herein.

SECTION 6.5. Taxes and Duties. The Borrower covenants and agrees that this Loan Agreement and the Loan provided for herein shall be free from, and the Principal and interest shall be paid to A.I.D. without deduction for and free from any taxation or fees imposed under any laws or decrees in effect within the Republic of Indonesia or any such taxes or fees so imposed or payable shall be reimbursed by the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the same under Section 5.1(d) of this Agreement with funds other than those provided under the Loan.

SECTION 6.6. Commissions, Fees and Other Payments. The Borrower and the Beneficiary warrant and covenant that in connection with obtaining the Loan provided for herein or taking any action under or with respect to this Loan Agreement they have not paid and will not pay or agree to pay nor to the best of their knowledge has there been paid or will there be paid or agreed to be paid by any other person or entity, commissions, fees or other payments of any kind, except as regular compensation to the Borrower's or the Beneficiary's full-time officers and employees or as compensation for bona fide professional, technical or other comparable services. The Borrower and the Beneficiary shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the party concerned shall cause a reduction satisfactory to A.I.D. to be made therein.

SECTION 6.7. Renegotiation of Terms. The Borrower agrees that at any time or times when it is required to do so by A.I.D., but not sooner than six (6) months prior to the date the first repayment of Principal is due, it will negotiate with A.I.D. with respect to acceleration of the repayment of Principal by the Borrower. It is agreed that the Borrower and A.I.D. shall mutually determine to what extent repayment of such Principal should be accelerated on the basis of one or more of the following criteria:

- (a) significant improvement in the internal economic and financial situation of the Republic of Indonesia;
- (b) favorable trends in the balance of payments and foreign exchange holdings of the Republic of Indonesia;
- (c) ability of the Republic of Indonesia to make future repayment of A.I.D. loans without interfering with the service of debts owing to any United States Government agency or any international organization of which the United States is a member.

SECTION 6.8. Insurance. Beneficiary covenants that it will maintain prudent insurance coverage issued by responsible underwriters in such amounts and against such risks as is considered to be in accordance with good commercial practice.

SECTION 6.9. Maintenance and Audit of Records. The Beneficiary shall maintain, or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Loan Agreement. Such books and records shall, without limitation, be adequate to show:

- (a) the receipt and use made of Eligible Items;
- (b) the progress of the Project;
- (c) current data covering operation; and
- (d) financial condition of the Beneficiary.

Such books and records shall be regularly audited by independent public accountants acceptable to A.I.D., in accordance with sound auditing standards,

on an annual basis or for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due A.I.D. under this Loan Agreement have been paid, whichever date shall first occur.

SECTION 6.10. Reports. The Borrower and the Beneficiary will furnish A.I.D. with such information and reports relating to the Project, Eligible Items, and the Loan provided for herein as A.I.D. may reasonably request.

SECTION 6.11. Investment Guaranty Project Approval by Borrower. The Borrower agrees that the construction work to be financed under this Agreement is a project approved by the Borrower pursuant to the Agreement between the Government of Indonesia and the United States of America on the subject of investment guaranties, and no further approval by the Borrower shall be required to permit the Government of the United States of America under that Agreement to issue investment guaranties covering a contractor's investment in that project.

#### ARTICLE VII.

##### Covenants Concerning Procurement

SECTION 7.1. Procurement Source and Origin. (a) Except as A.I.D. may otherwise agree in writing and except as provided in Section 7.6 herein for marine insurance, all Eligible Items, including transportation services, shall have both their source and origin in those countries noted as eligible under Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such

**Eligible Items.** Transportation services shall be deemed to have their source and origin in such countries if procured from a flag carrier registered in any of such countries.

(b) All other goods and services obtained for the Project but not financed by A.I.D., except transportation services, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time such goods or services are procured. In addition to the ocean shipment requirement of Section 7.5 hereunder, all Eligible Items shall be transported to Indonesia on carriers of countries included in the said Code 935 as in effect at the time such transportation is procured. This covenant shall be construed in accordance with A.I.D. regulations as from time to time amended.

SECTION 7.2. Date of Procurement. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed hereunder which arise out of orders or contracts firmly placed or entered into prior to the date of this Loan Agreement.

SECTION 7.3. Port Charges. With respect to transportation services that constitute Eligible Items, A.I.D. will finance under the Loan ninety percent (90%) of all ocean freight costs of each shipment, and ninety-eight percent (98%) of such costs on any shipment under free-out terms. The remaining ten percent (10%), or two percent (2%) of free-out shipments, represent port charges in Indonesia, and Borrower covenants that it shall make available foreign exchange to finance said port charges in accordance with such rules and procedures as A.I.D. may prescribe in Implementation Letters.

SECTION 7.4. Small Business Notification. In order that American small business shall have the opportunity to participate in furnishing Eligible Items, Beneficiary or Borrower, as appropriate, shall, at such time prior to ordering or contracting for any Eligible Item estimated to cost more than the equivalent of Five Thousand United States dollars (\$5,000) as A.I.D. may specify, cause to be received by A.I.D. such information concerning Eligible Items as A.I.D. may require.

SECTION 7.5. Ocean Shipment. At least fifty percent (50%) of the gross tonnage of all Eligible Items (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels. No goods may be financed hereunder which are transported on any ocean vessel or aircraft (a) which A.I.D. in a notice to the Borrower and the Beneficiary has designated as ineligible to carry A.I.D.-financed commodities or (b) which has been chartered for the carriage of A.I.D.-financed commodities unless such charter has been approved in advance by A.I.D.

SECTION 7.6. Marine Insurance. (a) Marine insurance may be financed under the Loan provided (i) such insurance is placed at the lowest available competitive rate in the Republic of Indonesia or any country noted as eligible under Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in dollars or other freely convertible currency.

(b) If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Republic of Indonesia, by statute, decree, rule or regulation, favors any insurance company of any country over any marine insurance company authorized to do business in any state of the United States, goods financed hereunder shall during the continuance of such discrimination be so insured in the United States with a company or companies authorized to do a marine insurance business in any state of the United States of America.

SECTION 7.7. Employment of Contract Personnel. The employment of personnel to perform services under contracts financed hereunder, in whole or in part, will be subject to all applicable United States legislation and such regulations as A.I.D. may from time to time promulgate or specify, including security clearances and limitations on the employment of nationals of countries other than the Republic of Indonesia and countries noted as eligible under Code 941 of the A.I.D. Geographic Code Book, as in effect at the time orders are placed or contracts are entered into for such personnel; and, except as A.I.D. may otherwise direct, all such contracts shall include provisions necessary to implement such legislation and regulations.

#### ARTICLE VIII

##### Remedies of A.I.D.

SECTION 8.1. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) the Borrower or the Beneficiary shall fail to pay in full any interest payment or installment of principal required under this Agreement or any other agreements related to the Loan when the same shall become payable by it;
- (b) the Borrower or the Beneficiary shall fail to comply with any other provision contained herein applicable to it;
- (c) any representation or warranty made by or on behalf of the Borrower or the Beneficiary with respect to obtaining the Loan provided for herein or made or required to be made hereunder is incorrect in any material respect;
- (d) any indebtedness or obligation of the Beneficiary for the payment of borrowed money shall have become due and payable and not been paid;
- (e) all or any substantial part of the Beneficiary's assets, business or operations (whether now or hereafter existing) shall be condemned, seized or appropriated, or any action by any governmental authority shall be instituted to dissolve or disestablish the Beneficiary or to suspend its operations, or a substantial part thereof;
- (f) any franchise, license, right, privilege, or charter, granted pursuant to or existing by virtue of law or other legal authority and necessary for the conduct of the Beneficiary's business, for the completion of the Project, or for carrying out of the terms of this

Loan Agreement is revoked, cancelled, or denied in such manner as to make it improbable that the Beneficiary will be able to perform its obligations under this Loan Agreement or that the Loan provided for herein will substantially fulfill the purposes for which it has been established;

- (g) the Beneficiary shall voluntarily enter into or be subjected involuntarily to any procedure under the laws in effect within the Republic of Indonesia for the relief of a financially distressed debtor which is substantially equivalent to a petition in bankruptcy or the appointment of a receiver for the benefit of creditors; or
- (h) a material default shall have occurred after the date hereof, and not been remedied after notice, under any other loan agreement between the Borrower and A.I.D.;

then A.I.D., at its option, may declare all or any part of the unrepaid principal under the Loan provided for herein or, if the Beneficiary is in default, any part of the unrepaid principal under the Loan from the Borrower to the Beneficiary pursuant to Section 9.1 hereof, to be due and payable immediately, and upon any such declaration, unless the default may be cured and is cured within sixty (60) days thereafter, such principal and all interest accrued thereon shall become immediately due and payable.

The Borrower, if the Beneficiary is in default, at its option, may declare all or any part of the unrepaid principal under the Loan from the Borrower to the Beneficiary pursuant to Section 9.1 hereof

to be due and payable immediately, and upon any such declaration, unless the default may be cured and is cured within sixty (60) days thereafter, such principal and all interest accrued thereon shall become due and payable immediately. The Borrower shall not exercise the right set forth in the preceding sentence hereunder without the prior written concurrence of A.I.D.

SECTION 8.2. Termination of Disbursements; Transfer of Goods to A.I.D. In the event that at any time:

- (a) an Event of Default has occurred and has not been remedied as provided above;
- (b) an event occurs that A.I.D. determines to be an extraordinary situation which makes it improbable that the purposes of the Loan provided for herein will be attained or that the Borrower or the Beneficiary will be able to or will perform its obligations hereunder; or
- (c) any disbursement would be in violation of the legislation governing A.I.D.;

then A.I.D. at its option, after notice to the Borrower and the Beneficiary, may (i) decline to issue further letters of commitment or other commitment documents, (ii) suspend or cancel outstanding letters of commitment or other commitment documents to the extent that they have not been utilized through the issuance of irrevocable letters of credit or through bank payments made other than under irrevocable letters of credit, giving notice to the Borrower and the Beneficiary

thereof, (iii) decline to make disbursements other than under letters of commitment; and (iv) at A.I.D.'s expense, direct that title to goods financed under disbursements hereunder shall be transferred to A.I.D. at cost to the Beneficiary, provided the goods are from a source outside the Republic of Indonesia, are in a deliverable state and have not been off-loaded in ports of entry of the Republic of Indonesia. To the extent that any costs connected with the purchase and transportation of these goods have been financed hereunder, these amounts shall be deducted from Principal.

SECTION 8.3. Refunds. If A.I.D. determines that any disbursement is not supported by valid documentation in accordance with the terms of this Loan Agreement, or is not made or used in accordance with the terms of this Loan Agreement, or was at the time of disbursement in violation of the legislation governing A.I.D., A.I.D., at its option, may, notwithstanding the availability of any other remedy provided for under this Loan Agreement or the exercise of the remedy provided for in Section 8.1, require the Borrower to pay to A.I.D. in United States dollars within thirty (30) days after receipt of a request therefor, an amount not to exceed the amount of such disbursement, and the Beneficiary, if it is responsible for the improper documentation or use of the disbursement, shall pay the Borrower in Indonesian currency the equivalent, as computed in accordance with Section 9.2 hereunder, of the amount to be paid to A.I.D. under this Section; provided that such request by A.I.D. shall be made not later than five (5) years after the date of the final disbursement hereunder. Any such refund

received by A.I.D. shall be applied first to any accrued interest, and then to installments of Principal in inverse order of their maturity.

SECTION 8.4. Waivers. No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Loan Agreement shall be construed as a waiver of any such right, power or remedy.

SECTION 8.5. Expenses of Collection. All reasonable costs incurred by A.I.D. (other than salaries of its staff) after an Event of Default has occurred, in connection with the collection of amounts due under this Loan Agreement, may be charged to the Borrower and reimbursed as A.I.D. shall specify.

#### ARTICLE IX.

##### Borrower Contribution to Beneficiary

SECTION 9.1. Terms of Contribution. Borrower will reloan the proceeds of this Loan to Beneficiary on terms to be established not later than May 22, 1973, or such other time as may be agreed to in writing by A.I.D. Borrower, Beneficiary and A.I.D. will consult together, and Borrower shall establish, with the concurrence of Beneficiary and A.I.D., appropriate terms for the reloan based upon Beneficiary's financial condition as of the date of such consultations and agreement, taking into account the recommendations of the management consultant under Section 2.02(b) of the Project Agreement and the program for implementing the recommendations agreed to by Beneficiary, Borrower, the International Development Association, and A.I.D. Under the repayment terms agreed upon, which terms may be made retroactive to the date of this agreement:

- (a) Beneficiary will have the right to prepay, without penalty, all or any part of the debt to the Borrower on any date on which Beneficiary's interest payments are due and payable. Any such payment will be applied first to payment of any accrued interest and then to the remaining installments of principal in the inverse order of maturity.
- (b) A "maintenance of value" section, in the form of Section 9.2 below, will be included.
- (c) All repayments made by Beneficiary to Borrower shall be used for the development budget of the Borrower or for such other economic development purposes as A.I.D. may agree.

SECTION 9.2. Rate of Exchange. With respect to principal repayments and interest payments made to the Borrower by the Beneficiary pursuant to Section 9.1 of this Loan Agreement:

- (a) The amount of Indonesian currency equivalent to the United States dollar amount for which payment is due shall be computed on the basis of the rate of exchange prescribed in subsection (c) of this Section applicable to such payment; provided that in any case where payment is made after the due date for that payment A.I.D. may require that it be computed on the basis of the prescribed rate of exchange existing on the date of payment.

- (b) In the event there is no prescribed rate of exchange on the due date for a payment, the amount of Indonesian currency equivalent to the United States dollar amount of the obligation for which payment is due shall be computed and paid on the basis of the prescribed rate of exchange existing on the date nearest preceding the due date for the payment on which such a rate can be ascertained. Within sixty (60) days after the first date after such due date on which a current prescribed rate of exchange can be ascertained, the Beneficiary shall, upon the request of A.I.D., make prompt payment to the Borrower, or the Borrower, upon the request of A.I.D., shall make prompt reimbursement to the Beneficiary of the amount of Indonesian currency required to make the total payment of Indonesian currency equivalent in value to the United States dollar amount of the obligation against which the payment was made, computed on the basis of the prescribed rate of exchange existing on the first date following such due date on which such a rate can be ascertained.
- (c) For purposes of this Section, the prescribed rate of exchange between Indonesian currency and United States dollars on any particular date shall be the effective rate of exchange at which United States dollars are sold

or offered for sale on that date in exchange for Indonesian currency to residents of the Republic of Indonesia, exclusive of Government entities, for effecting:

(1) the payment of interest and repayment of principal on loans; (2) the transfer of dividends and other forms of earnings on capital investments in the Republic of Indonesia; and (3) the transfer of investment capital; provided that there is only one such rate in the Republic of Indonesia for such transactions; provided that A.I.D. and the Republic of Indonesia may agree in writing on a rate of exchange applicable to this agreement. If there is no written agreement between A.I.D. and the Republic of Indonesia on the rate of exchange applicable to this agreement, and if there is no such single rate of exchange applicable to all of the three categories of transactions referred to in the preceding sentence the applicable rate of exchange on any particular date shall be the highest (i.e., the largest number of units of Indonesian currency per United States dollar) effective rate of exchange at which United States dollars are sold or offered for sale on that date to residents of the Republic of Indonesia,

exclusive of Government entities, to effect transactions within any of the three categories referred to in the preceding sentence.

ARTICLE X.

Miscellaneous.

SECTION 10.1. Designation of Representatives.

- (a) All actions required or permitted to be performed or taken under this Loan Agreement by the Borrower, the Beneficiary or A.I.D. may be performed by their respective duly authorized representatives.
- (b) The Borrower hereby designates Prof. Widjojo Nitisastro, State Minister for National Development and Planning, Chairman of the National Planning Board ("Bappenas") and the Beneficiary hereby designates Ir. Abdul Kadir, First Director, Perusahaan Listrik Negara (PLN) as their respective representatives with authority to designate in writing other representatives in their dealings with A.I.D. The representatives designated in or pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree, on behalf of the Borrower and the Beneficiary respectively, to any modification of this Loan Agreement which does not substantially increase their obligations hereunder.

Until receipt by A.I.D. of written notice of revocation of the authority of any such representative, A.I.D. may accept the signature of such representative on any instrument as conclusive evidence that any action effected by such instrument is authorized by the party on whose behalf such representative purports to act.

SECTION 10.2. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Loan Agreement.

SECTION 10.3. Communications. Any communication or document given, made or sent by the Borrower, the Beneficiary or A.I.D. pursuant to this Loan Agreement shall be in writing and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered by hand or by mail, telegram, cable or radiogram to such party at its following address:

To the Borrower:

Mail Address:

Departemen Luar Negeri  
Dj1. Singamangaradja 2  
Djakarta, Indonesia

Cable Address:

Dep1u Djakarta

To the Beneficiary:

Mail Address:

Perusahaan Listrik Negara (PLN)  
Djl. Trunodjojo Blok MI/135  
Kebajoran Baru, Djakarta

Cable Address:

PLN PST, Djakarta

To A.I.D.:

Mail Address:

United States Agency for International Development  
American Embassy  
Djakarta, Indonesia

Cable Address:

USAID AMEMB DJAKARTA

Other addresses may be substituted for the above upon giving of notice as provided herein.

All communications and documents submitted to A.I.D. hereunder shall be in English, and all technical and engineering specifications therein shall be in English and in terms of United States standards except as A.I.D. may otherwise agree in writing.

Executed at Djakarta, Indonesia, on the date first above written.

UNITED STATES OF AMERICA

/s/

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By: Francis J. Galbraith  
Title: Ambassador

THE REPUBLIC OF INDONESIA

/s/

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By: Oemar Senoadji  
Title: Minister for Foreign Affairs  
ad-interim

PERUSAHAAN LISTRIK NEGARA

/s/

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By: Abdul Kadir  
Title: First Director

ANNEX "A"

As used in this Agreement, the "Project" shall mean the rehabilitation of existing electric power distribution facilities and the construction of new overhead 20 kilovolt (KV) distribution lines in the major cities of Pekalongan, Tegal, Purwokerto, and Tjilatjap, and including the smaller systems at Batang, Pemalang, Slawi, Brebes, Purbolinggo, Gombong, and Kebumen. It will also provide for the design and construction of approximately 120 miles of 150 KV double circuit transmission line from Pekalongan west to Tegal, then south to Purwokerto and Tjilatjap; and the design and construction of 150/20 KV substations at Tegal, Purwokerto and Tjilatjap.

The project includes the provision of tools and service equipment for system operation and maintenance, communications equipment, and technical and management assistance to PLN to develop sound management, operation and maintenance practices.