

No. 10650

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

Development Credit Agreement—*Electricity Distribution Project* (with annexed General Conditions Applicable to Development Credit Agreements and Project Agreement between the Association and Perusahaan Listrik Negara). Signed at Washington on 29 October 1969

Authentic text: English.

Registered by the International Development Association on 11 August 1970.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

Contrat de crédit de développement — *Projet relatif à la distribution de l'électricité* (avec, en annexe, les Conditions générales applicables aux contrats de crédit de développement et le Contrat relatif au Projet entre l'Association et la Perusahaan Listrik Negara). Signé à Washington le 29 octobre 1969

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 11 août 1970.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated October 29, 1969 between REPUBLIC OF INDONESIA (hereinafter called the borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower has requested the Association to assist in the financing of an electricity distribution project, more particularly described in Schedule 2 to this Agreement;

WHEREAS the Perusahaan Listrik Negara (hereinafter called PLN), a public authority ("PERUM") of the Borrower, will execute the above-mentioned project;

WHEREAS for such purpose the Borrower will make available to PLN the proceeds of the credit provided for herein under terms and conditions satisfactory to the Association; and

WHEREAS the Association has, on the basis of the foregoing, agreed to make a credit to the Borrower for the said project upon the terms and conditions set forth herein and in the Project Agreement of even date herewith² between the Association and PLN;

NOW THEREFORE the parties hereto hereby agree as follows:

Article I

GENERAL CONDITIONS; DEFINITIONS

Section 1.01. The parties to this Development Credit Agreement accept all the provisions of the General Conditions Applicable to Development Credit Agreements of the Association, dated January 31, 1969³, with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said General Conditions Applicable to Development Credit Agreements of the Association, as so modified, being hereinafter called the General Conditions):

(a) Section 8.02 is amended by inserting the words "or either party under the Project Agreement" after the words "the Development Credit Agreement".

¹ Came into force on 1 June 1970, upon notification by the Association to the Government of Indonesia.

² See p. 24 of this volume.

³ See p. 24 of this volume.

(b) The following sub-paragraph is added to Section 2.01:

“13. The term ‘Project Agreement’ shall have the meaning set forth in the Development Credit Agreement.”

Section 1.02. Wherever used in this Development Credit 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) “Project Agreement” means the agreement of even date herewith between the Association and PLN, as the same may be amended or supplemented from time to time.

(b) “Governing Laws” means Government Act No. 19, 1960, Government Decree No. 19, 1965, Presidential Decree No. 17, 1967, Law No. 9, 1969, Government Regulation No. 11, 1969 and any other legal provisions at any time governing the organization and operations of PLN, as any of them may be amended or supplemented from time to time.

Article II

THE CREDIT

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions in this Development Credit Agreement set forth or referred to, an amount in various currencies equivalent to fifteen million dollars (\$15,000,000).

Section 2.02. (a) The Association shall open a Credit Account on its books in the name of the Borrower and shall credit to such Account the amount of the Credit.

(b) The amount of the Credit may be withdrawn from the Credit Account as provided in, and subject to the rights of cancellation and suspension set forth in, this Development Credit Agreement and in accordance with the allocation of the proceeds of the Credit set forth in Schedule 1 to this Agreement, as such allocation shall be modified from time to time pursuant to the provisions of such Schedule or by further agreement between the Borrower and the Association.

Section 2.03. The Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of goods and services required for the Project and to be financed under this Agreement:

(a) such amounts as shall have been paid (or if the Association shall so agree, as shall be required to meet payments to be made) in currencies

other than that of the Borrower, for such goods and services described under Categories 1 through 5 of the allocation of the proceeds of the Credit referred to in Section 2.02 (b) of this Agreement as are imported directly for the Project; and

- (b) the equivalent of seventy-five per cent (75%) of such amounts as shall have been expended by the Borrower for any locally-procured goods under Category 1, 2 or 3 of such Schedule 1.

Section 2.04. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one per cent ($\frac{3}{4}$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Service charges shall be payable semi-annually on June 15 and December 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each June 15 and December 15 commencing December 15, 1979 and ending June 15, 2019, each installment to and including the installment payable on June 15, 1989 to be one-half of one per cent ($\frac{1}{2}$ of 1%) of such principal amount, and each installment thereafter to be one and one-half per cent ($1\frac{1}{2}\%$) of such principal amount.

Article III

USE OF PROCEEDS OF THE CREDIT

Section 3.01. The Borrower shall make the proceeds of the Credit available to PLN under arrangements in form and substance satisfactory to the Association, such proceeds to be applied by PLN in accordance with the provisions of this Development Credit Agreement exclusively to expenditures on the Project, described in Schedule 2 to this Agreement.

Section 3.02. Except as provided in Schedule 3 to this Agreement, or as the Borrower and the Association shall otherwise agree, (i) the goods and services to be financed out of the proceeds of the Credit shall be procured on the basis of international competitive bidding in accordance with the *Guidelines for Procurement under World Bank Loans and IDA Credits*, published by the Bank in August, 1969, and in accordance with such other procedures supplementary thereto as are set forth in such Schedule 3, and

(ii) contracts for the procurement of such goods and services shall be subject to the prior approval of the Association.

Section 3.03. Except as the Association may otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Credit to be used exclusively in carrying out the Project.

Article IV

PARTICULAR COVENANTS

Section 4.01. (a) The Borrower shall cause the Project to be carried out by PLN with due diligence and efficiency, and PLN to be managed and operated, in conformity with sound administrative, financial, engineering and public utility practices.

(b) For the purpose, the Borrower shall make available to PLN, promptly as needed, (i) any funds, facilities, services and other resources required for the carrying out of the Project, including, if necessary, funds and facilities for the prompt clearance through customs of goods imported therefor, and (ii) , if PLN's resources shall be inadequate, the funds required to cover the operating expenses of PLN.

Section 4.02. The Borrower shall exercise its rights under the arrangements referred to in Section 3.01 in such manner as to protect the interests of the Borrower and the Association, and, except as the Association shall otherwise agree, the Borrower shall not take or concur in any action which would have the effect of modifying such arrangements.

Section 4.03. The Borrower (i) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit, all other plants, sites, works, property and equipment of PLN and any relevant records and documents; and (ii) shall furnish or cause to be furnished to the Association all such information as the Association shall reasonably request concerning the Credit and the maintenance of the service thereof, the expenditure of the proceeds of the Credit, the goods and services financed out of such proceeds, the Project, and the administration, operations and financial condition of PLN, and, with respect to the Project, of any other agency of the Borrower responsible for the carrying out of the Project or any part thereof.

Section 4.04. (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that

end, each of them shall furnish to the other all such information as it shall reasonably request with regard to the general status of the Credit. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower and the international balance of payments position of the Borrower.

(b) The Borrower and the Association shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and the maintenance of the service thereof. The Borrower shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the maintenance of the service thereof.

(c) The Borrower shall afford all reasonable opportunity for accredited representatives of the Association to visit any part of the territories of the Borrower for purposes related to the Credit.

Section 4.05. The Borrower shall take all action which shall be necessary on its part to enable PLN to perform its obligations under the Project Agreement, including the establishment and maintenance of tariffs and charges as specified in Sections 2.02 (b) and 2.04 thereof, and shall not take any action that would interfere with the performance of such obligations.

(b) Amounts owed to PLN for services provided by it to Governmental entities which are due and payable as of the date of this Agreement shall be paid to PLN within one year following such date. The Borrower shall take all action necessary to ensure at all times that amounts owed to PLN for such services so provided after such date be promptly paid when due.

Section 4.06. The principal of, and service charges on, the Credit shall be paid without deduction for, and free from, any taxes, and free from all restrictions, imposed under the laws of the Borrower or laws in effect in its territories.

Section 4.07. The Development Credit Agreement and the Project Agreement shall be free from any taxes that shall be imposed under the laws of the Borrower or laws in effect in its territories on or in connection with the execution, delivery or registration thereof.

Section 4.08. Within a period ending not later than April 1, 1971 the Borrower shall cause PLN to be vested with full and exclusive responsibility for the public electric power sector of the Borrower, including planning, procurement, construction, operation, maintenance and ownership of all facilities therein.

Article V

REMEDIES OF THE ASSOCIATION

Section 5.01. If any event specified in Section 7.01 of the General Conditions or in Section 5.02 of this Agreement shall occur and shall continue for the period, if any, therein set forth, then at any subsequent time during the continuance thereof, the Association, at its option, may by notice to the Borrower declare the principal of the Credit then outstanding to be due and payable immediately, together with the service charges thereon; and upon any such declaration, such principal, together with such charges, shall become due and payable immediately, anything in this Development Credit Agreement to the contrary notwithstanding.

Section 5.02. For the purposes of Section 7.01 of the General Conditions, the following additional events are specified:

- (a) A default shall occur in the performance by PLN of any of its obligations under the Project Agreement and such default shall continue for a period of sixty days after notice thereof shall have been given by the Association to the Borrower and to PLN;
- (b) Before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have taken any action for the dissolution or disestablishment of PLN or for the suspension of its operations, without the prior consent of the Association; and
- (c) Before the Project Agreement shall have terminated in accordance with its terms, the Borrower shall have suspended, terminated, repealed or substantially amended any of the Governing Laws without the prior approval of the Association.

Article VI

EFFECTIVE DATE; TERMINATION

Section 6.01. The following events are specified as additional conditions to the effectiveness of this Development Credit Agreement within the meaning of Section 10.01(b) of the General Conditions:

- (a) The execution and delivery of the Project Agreement on behalf of PLN have been duly authorized or ratified by all necessary administrative and governmental action;
- (b) The arrangements referred to in Section 3.01 of this Agreement have been completed and have become fully effective and binding on the parties thereto in accordance with their terms, subject only to the effectiveness of this Development Credit Agreement; and

- (c) PLN has been charged with the full and exclusive responsibility for (i) the selection and procurement of services and of equipment, materials and supplies for the Project and for the electric power system of the Borrower, and (ii) the carrying out of construction projects in such system; with the exception of such selection and procurement, and construction, in respect of projects in such system construction of which was started prior to September 17, 1969.

Section 6.02. The following are specified as additional matters, within the meaning of Section 10.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association:

- (a) that the delegation of responsibility referred to in paragraph (c) of Section 6.01 above has been duly made, and that PLN has all other necessary powers and authority under the Governing Laws to carry out its obligations under the Project Agreement;
- (b) that the Project Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, PLN and constitutes a valid and binding obligation of PLN in accordance with its terms; and
- (c) that the arrangements referred to in Section 3.01 have been duly authorized or ratified by the parties thereto, and are in full force and effect.

Section 6.03. The date of January 30, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. Unless the Development Credit Agreement shall be sooner terminated, the obligations of the Borrower under Sections 4.01, 4.02, 4.03 and 4.05 of this Agreement shall terminate on a date twenty-five years after the date of this Development Credit Agreement.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1973 or such other date as shall be agreed between the Borrower and the Association.

Section 7.02. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 9.03 of the General Conditions.

Section 7.03. The following addresses are specified for the purposes of Section 9.01 of the General Conditions:

For the Borrower:

Ministry of Finance
Post Office Box 21
Djakarta, Indonesia

Alternative address for cables:

Ministry Finance
Djakarta

For the Association:

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

Alternative address for cables:

Indevas
Washington, D.C.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunder duly authorized, have caused this Development Credit Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

Republic of Indonesia:

By MARDJUNI

Authorized Representative

International Development Association:

By J. BURKE KNAPP

Vice President

SCHEDULE 1

ALLOCATION OF PROCEEDS OF CREDIT

<i>Category</i>	<i>Amounts Expressed in Dollar Equivalent</i>
1. Distribution transformers, switchgear and meters	3,100,000
2. Distribution cable and conductor	6,400,000
3. Miscellaneous power-system equipment, materials and supplies	2,500,000
4. Engineering consultants' services	600,000
5. Management consultants' services	1,400,000
6. Unallocated	1,000,000
TOTAL	<u>15,000,000</u>

REALLOCATION UPON CHANGE IN COST ESTIMATES

1. If the estimate of the cost of the items included in any of the Categories 1 to 5 shall decrease, the amount of the Credit then allocated to, and no longer required for, such Category will be reallocated by the Association to Category 6.

2. If the estimate of the cost of the items included in any of the Categories 1 to 5 shall increase, an amount equal to the portion, if any, of such increase to be financed out of the proceeds of the Credit will be allocated by the Association, at the request of the Borrower, to such Category from Category 6, subject, however, to the requirements for contingencies, as determined by the Association, in respect of the cost of the items in the other Categories.

SCHEDULE 2

DESCRIPTION OF THE PROJECT

The Project comprises:

- A. The reinforcement and expansion of the electricity distribution system of the City of Djakarta and environs, including
 - 1. The provision of distribution transformers, switchgear, cable, street lighting, metering and other equipment and supplies;
 - 2. Engineering services for the distribution system's reinforcement and expansion; and
- B. The provision of extensive management consultants' services to improve the organization and efficiency of the power sector and to provide assistance and training in the operational, technical, financial and administrative spheres of activity.

The Project is expected to be completed in the second half of 1972.

SCHEDULE 3

PROCUREMENT

1. With respect to equipment, materials and supplies described in Categories 1 through 3 of the allocation of the proceeds referred to in Section 2.02 (b) of this Agreement, identical or similar items to be procured shall be grouped together to the extent practicable for the purposes of inviting bids, and such grouping of items shall be subject to the approval of the Association.

2. In respect of contracts for supply of such goods expected to cost more than the equivalent of US\$50,000:

- (a) Invitations to bid, specifications, the text of proposed advertisements to be published, and all other tender documents, will be submitted to the Association

for review and approval prior to the issuance of invitations, together with a description of the advertising procedures to be followed.

- (b) After bids have been received and analyzed, the analysis, the recommendations of the consultants, where applicable, and the proposals for awards, together with the reasons for such proposals, will be submitted to the Association for review and approval prior to any award of contract or issuance of any letter of intent.
- (c) If the proposed final contract is to differ materially from the terms and conditions contained in the respective documents approved by the Association under sub-paragraphs (a) and (b) above, then the text of the proposed changes will be submitted to the Association for its approval prior to the execution of such contract or issuance of such letter of intent.
- (d) One conformed copy of each such contract or letter of intent will be sent to the Association promptly after its issuance or execution and prior to the date of the first application for withdrawal of proceeds of the Credit in respect of any payment thereunder.

3. In respect of any contract for the supply of such goods expected to cost not more than the equivalent of US\$50,000, a summary of bids or quotations received, the analysis thereof and the recommendation thereon, together with a copy of the *procès-verbal* of the public opening of the bids, will be submitted to the Association at the time the award is made. A copy of each such contract will be furnished to the Association promptly after its execution and prior to the submission to the Association of the first application for withdrawal of proceeds of the Credit in respect of any payment thereunder.

4. Pursuant to part 2.8 of the Guidelines referred to in Section 3.02 of this Agreement, the Association agrees that where any bid is submitted by any manufacturer, located in the territories of the Borrower, of equipment, materials or supplies manufactured or processed to a substantial extent in the territories of the Borrower as determined by the Association (Local Bid), the following rules shall be observed for the purpose of comparing such Local Bid, as thus defined, to any bid other than a Local Bid (Foreign Bid):

(a) All customs duties and similar taxes on the importation of the goods offered shall first be deducted from the total of each competing Foreign Bid;

(b) The portion of each competing Foreign Bid representing the c.i.f. landed price of the goods shall then be increased by 15% thereof or the rate of such duties, as applicable to non-exempt purchasers in the territories of the Borrower for the importation of such goods, whichever is lower;

(c) The resulting figure shall be deemed to be the comparison price of the Foreign bid; and

(d) For the purpose of determining the lowest evaluated bid under part 3.9 of such Guidelines, such comparison price of the Foreign Bid, after converting it into Rupiah at the Bonus Export exchange rate which prevailed 30 days prior to the

date on which bidding was closed, shall then be compared with the price of the goods offered in the competing Local Bid.

(e) In cases where an award of a contract based on a Local Bid is recommended, the analysis of bids shall state the rate of duties which would be applicable to a non-exempt purchaser for the importation of such goods.

5. Pursuant to part 1.1 of the Guidelines, it is agreed that the procurement of replacement spare parts and components for equipment utilized in or procured for the Project may be made without resort to international competitive bidding. In lieu thereof, the following procedure shall apply: quotations for the supply of such items will be requested from more than one competing supplier, where possible. Lists of such items to be procured, indicating the quotations received and the proposed suppliers thereof, will be sent to the Association periodically for its approval. A conformed copy of each purchase agreement relating to such procurement shall be sent to the Association promptly after its execution and prior to the date of the first application for withdrawal of proceeds of the Credit in respect thereof.

INTERNATIONAL DEVELOPMENT ASSOCIATION

GENERAL CONDITIONS, DATED 31 JANUARY 1969

GENERAL CONDITIONS APPLICABLE TO DEVELOPMENT CREDIT AGREEMENTS

[*Not published herein. See United Nations, Treaty Series, vol. 703, p. 244.*]

PROJECT AGREEMENT

AGREEMENT, dated October 29, 1969 between the INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and PERUSAHAAN LISTRIK NEGARA (hereinafter called PLN).

WHEREAS by the Development Credit Agreement of even date herewith¹ between Republic of Indonesia (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to fifteen million dollars (\$15,000,000), on the terms and conditions set forth in the Development Credit Agreement, but only on condition that the proceeds of the said Credit be made available to PLN and that PLN agree to undertake certain obligations towards the Association as hereinafter in this Project Agreement set forth; and

WHEREAS PLN, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

¹ Voir p. 4 du présent volume.

Article I

DEFINITIONS

Section 1.01. Wherever used in this Project Agreement, unless the context shall otherwise require, the several terms defined in the Development Credit Agreement and in the General Conditions,¹ as so defined, shall have the respective meanings therein set forth.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) PLN shall carry out the Project with due diligence and efficiency and shall at all times conduct its operations and affairs in accordance with sound engineering, public utility, administrative and financial practices and under the supervision of experienced and competent management.

(b) PLN shall cause all works included in the Project to be constructed by contractors acceptable to the Association and PLN, or pursuant to other arrangements satisfactory to the Association.

(c) Upon request from time to time, PLN shall furnish promptly to the Association the plans, specifications and the construction schedule for the Project, and shall furnish details of any material modifications subsequently made therein, in such detail as the Association shall from time to time request.

Section 2.02 (a) PLN shall employ management consultants acceptable to, and on terms and conditions satisfactory to, the Association to:

1. Assist in the management and operation of PLN;
2. Review and make recommendations on the organization and operation of the electric power sector including
 - (i) the adequacy of the Governing Laws for the purpose of PLN's conducting its operations according to the criteria set forth in Section 2.01(a) of this Agreement, including the authority of PLN to determine its own tariffs according to criteria stipulated in such Laws, subject only to appropriate administrative review;
 - (ii) the electricity tariff structure, having regard to the cost to PLN of providing services, and PLN's capital requirements; and
 - (iii) employment practices within the power sector;
3. Assist PLN in the organization and implementation of a valuation of the fixed assets of PLN;
4. Review, prepare and assist in the institution of appropriate methods and procedures of PLN relating to the following:

¹ See p. 24 of this volume.

- (i) records, accounting system and financial practices;
- (ii) system planning and operating techniques;
- (iii) standards for design, operation and maintenance;
- (iv) contracting, procurement and inventory practices; and
- (v) insurance coverage.

(b) PLN undertakes that it will promptly carry out such recommendations of the consultants resulting from their activities referred to in the foregoing paragraph as the Borrower and the Association shall consider appropriate. Recommendations relating to the organization, structure and operations of PLN, including any required consolidation, modification or supplementing of the Governing Laws, shall be implemented within one year after the Effective Date; and those providing for the establishment of a schedule of tariffs and charges pursuant to Section 2.04 of this Agreement, within thirty-two months of such date.

(c) PLN undertakes that the valuation of the fixed assets of PLN shall be completed within twenty months of the Effective Date.

Section 2.03. In carrying out the Project, PLN shall employ engineering consultants acceptable to, and on terms and conditions satisfactory to, the Association, for the following purposes:

- (a) reviewing the electricity distribution system of PLN in Djakarta and environs;
- (b) preparing specifications for the equipment, supplies and materials to be procured under the Project;
- (c) assisting PLN in the evaluation of bids, awards of contracts and in the procurement of such goods for the Project; and
- (d) coordinating and supervising the installation and construction work included in the Project.

Section 2.04. The revised schedule of electricity tariffs and charges to be implemented as provided in Section 2.02(b) shall set forth tariffs and charges fixed at such levels as should provide PLN with revenue sufficient:

- (a) to cover (i) all operating expenses of PLN, including administration and overhead expenses, maintenance, depreciation and taxes, and (ii) interest on, and to the extent it exceeds depreciation, amortization of, debt; and
- (b) to finance a reasonable portion of PLN's capital expenditures.

Thereafter, unless the Association shall otherwise agree, PLN shall from time to time make such revisions in its schedule of tariffs as shall be necessary to maintain such a volume of revenue, and shall submit such revisions promptly to the Borrower for such administrative review as shall be required under the Governing Laws.

Section 2.05. PLN shall (i) maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit,

to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of PLN; (ii) enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit, all other plants, sites, works, property and equipment of PLN and any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the Credit and the maintenance of the service thereof, the expenditure of the proceeds, the Project, and the administration, operations and financial condition of PLN.

Section 2.06. (a) The Association and PLN shall cooperate fully to ensure that the purposes of the Credit will be accomplished. To that end, each of them shall furnish to the other all such information as it shall reasonably request.

(b) The Association and PLN shall from time to time exchange views through their representatives with regard to matters relating to the purposes of the Credit and to the administration, operations and financial condition of PLN. PLN shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit or the performance by PLN of its obligations under this Agreement or which shall increase or threaten to increase materially the estimated cost of the Project.

Section 2.07. Except as the Association shall otherwise agree, PLN (i) shall use, or cause to be used, all goods financed out of the proceeds of the Credit exclusively in the carrying out of the Project and (ii) shall obtain title to all such goods free and clear of all encumbrances.

Section 2.08. (a) PLN shall take out and maintain with responsible insurers, or make other provisions, including self-insurance, satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with sound public utility practices, or as shall be otherwise agreed by the Association.

(b) Without limiting the generality of the foregoing, PLN undertakes to insure the goods financed out of the proceeds of the Credit against marine, transit and other 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 PLN to replace or repair such goods.

Section 2.09. PLN shall, commencing with the accounts relating to the first full fiscal year of PLN following the valuation of assets referred to in Section 2.02 (b) of this Agreement, have its accounts audited annually by independent auditors acceptable to the Association, and shall transmit to the Association not later than four months after the end of each of PLN's fiscal years, certified copies of its balance sheet and statement of profit and loss and the auditors' report thereon.

Section 2.10. (a) PLN shall at all times operate and maintain its plants, equipment and property, and from time to time make all necessary renewals and repairs thereof, and plan its future expansion and maintain its financial position, all in accordance with sound engineering, public utility, administrative and financial practices.

(b) PLN shall maintain its existence and right to carry on operations and shall, except as the Association may otherwise agree in writing, maintain and renew all rights, powers, privileges and franchises owned or held by it and necessary or useful in the conduct of its business.

(c) Except as the Association shall otherwise agree, PLN shall not sell, lease, transfer or assign any of its property or assets, except in the normal course of its business.

(d) PLN shall take all action required on its part to ensure that all customs duties and other charges, if any, imposed on the goods imported for the Project are paid promptly.

Article III

EFFECTIVE DATE; TERMINATION

Section 3.01. This Project Agreement shall come into force and effect on the Effective Date.

Section 3.02. This Project Agreement and all of the obligations of the parties hereunder shall forthwith terminate on a date twenty-five years from the date of this Agreement or upon termination of the Development Credit Agreement, whichever is earlier.

Article IV

MISCELLANEOUS PROVISIONS

Section 4.01. Any notice, demand or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable or radiogram to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request.

The addresses so specified are:

For the Association:

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

Alternative address for cables:

Indevas
Washington, D.C.

For PLN:

Perusahaan Listrik Negara
Kantor Pusat
Djl. Adityauarman
Blok MI No. 135
Kebajoran Baru
Djakarta, Indonesia

Alternative address for cables:

Djakarta

Section 4.02. This Agreement may be executed in several counterparts, each of which shall be an original and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their representatives thereunto duly authorized, have caused this Project Agreement to be signed in their respective names and to be delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association:

By J. BURKE KNAPP
Vice President

Perusahaan Listrik Negara:

By AMIR HOESEIN ABDILLAH
Authorized Representative
