

No. 11178

**INTERNATIONAL DEVELOPMENT ASSOCIATION
and
INDONESIA**

**Development Credit Agreement—*Pusri Fertilizer Project*
(with annexed General Conditions Applicable to Development
Credit Agreements and Project Agreements between the
Association and P. T. Pupuk Sriwidjaja and P. N. Pertam-
bangan Minjak Dan Gas Bumi Nasional, respectively). Signed
at Washington on 15 June 1970**

Authentic text : English.

Registered by the International Development Association on 22 June 1971.

**ASSOCIATION INTERNATIONALE
DE DÉVELOPPEMENT
et
INDONÉSIE**

**Contrat de crédit de développement — *Projet relatif à la
construction d'une usine d'engrais* (avec, en annexe,
les Conditions générales applicables aux contrats de crédit de
développement et les Contrats relatifs au Projet entre l'Asso-
ciation et la P. T. Pupuk Sriwidjaja et la P. N. Pertambangan
Minjak Dan Gas Bumi Nasional, respectivement). Signé à
Washington le 15 juin 1970**

Texte authentique : anglais.

Enregistré par l'Association internationale de développement le 22 juin 1971.

DEVELOPMENT CREDIT AGREEMENT¹

AGREEMENT, dated June 15, 1970, between REPUBLIC OF INDONESIA (hereinafter called the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association).

WHEREAS the Borrower, as part of its agricultural development policy, has undertaken, with the financial assistance of the Association, to carry out a study of future national fertilizer demand, supply and marketing requirements for fertilizer and incentives to farmers to buy fertilizer in the territories of the Borrower (hereinafter called the National Fertilizer Study);

WHEREAS the Borrower, in order to increase the supply of fertilizer within its territories, intends to construct a fertilizer plant near Palembang, Sumatra, and a gas conservation and transmission system to supply such plant and has requested assistance for the financing of the foreign exchange cost of such plant and system and related technical services;

WHEREAS the Government of Japan (acting through the Overseas Economic Cooperation Fund) and the Government of the United States of America (acting through the Agency for International Development), the Asian Development Bank, and the Association (hereinafter collectively called the Lenders) are willing to grant such assistance to the Borrower in various currencies in an aggregate principal amount equivalent to not less than sixty-seven million dollars (\$67,000,000), representing the estimated foreign exchange component of the total cost of the above-mentioned construction and technical services;

WHEREAS the construction of the fertilizer plant will be carried out by P. T. Pupuk Sriwidjaja (hereinafter called PUSRI), a state enterprise limited by shares ("PERSERO") established and operating under the laws of the Borrower, and the Borrower will make available to PUSRI the funds required for the carrying out of such construction and for related technical services, including proceeds of the Credit, in accordance with the terms and conditions of a financing agreement to be entered into between the Borrower and PUSRI;

WHEREAS the operation of said fertilizer plant will depend on gas to be supplied by the P. N. Pertambangan Minyak dan Gas Bumi Nasional (hereinafter called PERTAMINA), a state enterprise ("Perum") established and operating

¹ Came into force on 15 January 1971, upon notification by the Association to the Government of Indonesia.

under the laws of the Borrower, to PUSRI, in accordance with a gas purchase agreement to be entered into between PERTAMINA and PUSRI and therefore the construction of the gas conservation and transmission system as well as additional investments required to ensure continued gas supply will be carried out by PERTAMINA, and the Borrower will make available or cause to be made available to PERTAMINA the funds, including proceeds of the Credit, required to carry out such construction and additional investments in accordance with the terms and conditions of a subsidiary loan agreement to be entered into between the Borrower and PERTAMINA; and

WHEREAS the Association, *inter alia* on the basis of the foregoing, has agreed to grant the Credit to the Borrower for the above-mentioned purposes and upon the terms and conditions set forth in this Development Credit Agreement, in the Project Agreement of even date herewith between the Association and PUSRI¹ and in the Project Agreement of even date herewith between the Association and PERTAMINA;²

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, 1969,³ 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) The following sub-paragraph is added to Section 2.01 of the General Conditions :

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

(b) Section 6.06 of the General Conditions is modified by inserting the words “, the Project Agreements ” after the words “ the Development Credit Agreement ”.

(c) Section 8.02 of the General Conditions is modified by inserting the words “ or either Project Agreement ” after the words “ the Development Credit Agreement ”.

¹ See p. 26 of this volume.

² See p. 38 of this volume.

³ See p. 26 of this volume.

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) The term “ Project Agreement ” means the agreement of even date herewith between the Association and PUSRI or the agreement of even date herewith between the Association and PERTAMINA, as the context may require, as such Agreement may be amended from time to time, and such term includes all agreements supplemental to, and all schedules to, such Agreement;

(b) The term “ PUSRI Financing Agreement ” means the agreement concluded between the Borrower and PUSRI in accordance with Section 6.01 (b) of this Agreement;

(c) The term “ PERTAMINA Subsidiary Loan Agreement ” means the agreement concluded between the Borrower and PERTAMINA in accordance with Section 6.01 (b) of this Agreement;

(d) The term “ Co-Lending Agreement ” means any agreement entered into by the Borrower and/or PUSRI and/or PERTAMINA on the one side and any of the Lenders other than the Association on the other side, for the purpose of financing or carrying out the Project;

(e) The term “ Joint Loan ” means any loan or other financing extended under any of the Co-Lending Agreements;

(f) The term “ Gas Purchase Agreement ” means the agreement concluded between PUSRI and PERTAMINA for the supply of gas by PERTAMINA to PUSRI, in accordance with Section 6.01 (d) of this Agreement;

(g) The term “ Gas Assets ” means all gas well-heads, pipelines, compressor stations, equipment, and related facilities and assets of PERTAMINA, which are required or shall be required to be used in whole or in part for the conservation and supply to PUSRI of natural gas in accordance with the Gas Purchase Agreement; and

(h) The term “ Gas Operations ” means the management, administration and operation by PERTAMINA of the Gas Assets and all other activities of PERTAMINA incidental thereto.

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 thirty million dollars (\$30,000,000).

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) Subject to the rights of cancellation and suspension set forth in this Development Credit Agreement, the Borrower shall be entitled to withdraw from the Credit Account in respect of the reasonable cost of such goods or services required for the Project, as shall have been allocated for financing under the Credit by agreement between the Borrower and the Lenders :

- (i) such amounts as shall have been paid (or, if the Association shall so agree, shall be required to meet payments to be made) in a currency other than the currency of the Borrower for goods produced, or services supplied from, outside the territories of the Borrower; and
- (ii) the equivalent of such percentage as the Association shall determine to represent the foreign exchange component of such amounts as shall have been paid for goods produced in, or services supplied from, the territories of the Borrower.

Section 2.03. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.04. 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 2.05. Service charges shall be payable semi-annually on April 1 and October 1 in each year.

Section 2.06. The Borrower shall repay the principal amount of the Credit withdrawn from the Credit Account in semi-annual installments payable on each April 1 and October 1 commencing October 1, 1980 and ending April 1, 2020, each installment to and including the installment payable on April 1, 1990 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 cause the proceeds of the Credit to be applied in accordance with the provisions of this Development Credit Agreement and the Project Agreements to expenditures on the Project, described in Schedule 1 to this Agreement.

Section 3.02. The goods and services to be financed out of the proceeds of the Credit and the Joint Loans shall be procured in accordance with such procedures as shall be agreed between the Borrower and the Lenders.

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. The Borrower shall cause PUSRI to carry out Part A of the Project and PERTAMINA to carry out Part B of the Project in accordance with the provisions of the respective Project Agreements, and shall, promptly as needed, provide the funds, facilities, services and other resources and take all other action required for the purpose.

Section 4.02. (a) The Borrower shall make available to PUSRI the funds required to carry out Part A of the Project, including such proceeds of the Credit as shall be used to finance goods and services for Part A of the Project, in accordance with the terms and conditions of the PUSRI Financing Agreement.

(b) Except as the Association shall otherwise agree, the Borrower shall not take or concur in any action the effect of which would be to modify the financial obligations of the parties under the PUSRI Financing Agreement.

Section 4.03. (a) The Borrower shall lend to PERTAMINA all funds required to carry out Part B of the Project, including such proceeds of the Credit as shall be used to finance goods or services required for Part B of the Project, in accordance with the terms and conditions of the PERTAMINA Subsidiary Loan Agreement.

(b) The Borrower shall make arrangements satisfactory to the Association to provide PERTAMINA with such funds as shall be necessary to finance the cost of additional investments required to supply gas to PUSRI in accordance with the Gas Purchase Agreement.

(c) Except as the Association shall otherwise agree, the Borrower shall not take or concur in any action the effect of which would be to modify the financial obligations of the parties under the PERTAMINA Subsidiary Loan Agreement.

Section 4.04. The Borrower (i) shall enable the Association's representatives to inspect the Project, the goods financed out of the proceeds of the Credit and the Joint Loans, as well as all plants, sites, works, property and equipment of PUSRI, the Gas Assets 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 Project, the National Fertilizer Study, the Credit, the Joint Loans, and the maintenance of the service

thereof, the PUSRI Financing Agreement or the PERTAMINA Subsidiary Loan Agreement, the expenditure of the proceeds of the Credit and the Joint Loans, the goods and services financed out of such proceeds, and the administration, operations and financial condition of PUSRI and, with respect to the Gas Operations, of PERTAMINA.

Section 4.05. (a) The Borrower and the Association shall cooperate fully to ensure that the purposes of the Credit and the Joint Loans 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 and the Joint Loans. On the part of the Borrower, such information shall include information with respect to financial and economic conditions in the territories of the Borrower, the policies of the Borrower concerning the supply, marketing and consumption of fertilizers in its territories 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 Joint Loans, the maintenance of the service thereof, the PUSRI Financing Agreement or the PERTAMINA Subsidiary Loan Agreement, and the policies of the Borrower concerning the supply, marketing and consumption of fertilizer in the territories of the Borrower. 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 and the Joint Loans, or the maintenance of the service thereof, or with the performance by PUSRI or PERTAMINA of its obligations under its Project Agreement.

(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 or any Joint Loan.

Section 4.06. (a) 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.

(b) This Development Credit Agreement and the Project Agreements 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 4.07. The Borrower shall cause the National Fertilizer Study to be carried out with due diligence and efficiency and to be completed not later than fifteen months after the execution of the contract with the consultants to carry out such Study. Upon completion thereof the Borrower shall as soon as practicable consult with the Lenders regarding the findings and recommendations

arising from the Study and shall take such action required to implement such recommendations as shall be agreed upon between the Borrower and the Lenders.

Section 4.08. So long as the Borrower shall own or control the majority of the voting rights in the meetings of shareholders of PUSRI, the Borrower, before nominating or voting for the election of any member of the Board of Management (*Direksi*) or the Board of Directors (*Dewan Komisaris*) of PUSRI, shall inform the Association of the names and qualifications of the persons it intends to nominate or for whose election it intends to vote and shall afford the Association a reasonable opportunity to express its views on the qualifications of such persons.

Section 4.09. The Borrower shall promptly take or cause to be taken all reasonable action which shall be necessary on its part or on the part of its agencies or instrumentalities to enable PUSRI and PERTAMINA to perform all the covenants and agreements set forth in PUSRI's Project Agreement and PERTAMINA's Project Agreement, respectively, as well as the Gas Purchase Agreement, and shall not take or permit any of its agencies or instrumentalities to take any action which would materially interfere with the efficient conduct by PUSRI of its business or by PERTAMINA of the Gas Operations.

Section 4.10. The Borrower shall reserve or cause PERTAMINA to reserve the gas resources required for the supply of gas to PUSRI pursuant to the Gas Purchase Agreement.

Section 4.11. (a) The Borrower shall, promptly as needed, take all measures which may be necessary or desirable to assist PUSRI to build up and maintain an effective and economic marketing organization for its fertilizer products and to stimulate the sale of such products at competitive prices in accordance with sound commercial practices. Such measures shall include (i) a rice price support program or other programs which will encourage farmers to make optimum use of nitrogenous fertilizer at such prices and (ii) the provision to PUSRI's distributors, in the period preceding completion of the Project, of supplies of imported nitrogenous fertilizer sufficient to enable PUSRI to carry out its marketing expansion program.

(b) The Borrower shall consult with the Association before undertaking, or approving the undertaking by others of, any other nitrogenous fertilizer project in its territories.

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 of any obligation on the part of PUSRI under its 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 PUSRI;
- (b) A default shall occur in the performance of any obligation on the part of PERTAMINA under its 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 PERTAMINA;
- (c) Any provision of PUSRI's charter dated January 3, 1970, as amended on May 2, 1970, shall have been amended or abrogated without the prior approval of the Association;
- (d) The principal amount of any Joint Loan shall, in accordance with its terms, have become due and payable prior to the agreed maturity thereof;
- (e) PUSRI or PERTAMINA shall have been unable to pay its debts as they mature or any action or proceeding shall have been taken by PUSRI or PERTAMINA or by others whereby any of the property of PUSRI or any of the Gas Assets shall or may be distributed among its creditors;
- (f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of PUSRI or PERTAMINA or for the suspension of PUSRI's operations or the Gas Operations;
- (g) Any of the Gas Assets or the responsibility for their operation shall have been transferred to an entity other than PERTAMINA without the prior consent of the Association.

Section 5.03. For the purposes of Section 6.02 of the General Conditions, the following additional events are specified :

- (a) The right of the Borrower to withdraw or otherwise use the proceeds of any Joint Loan shall have been suspended prior to the completion of the Project;
- (b) The right of the Borrower to withdraw for the purpose of financing of the National Fertilizer Study the proceeds of the development credit granted to the Borrower by the Association under the development credit agreement

(Technical Assistance Project) dated December 27, 1968,¹ shall have been suspended by the Association before the completion of such Study.

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 on behalf of PUSRI and PERTAMINA, respectively, shall have been duly authorized or ratified by all necessary corporate and governmental action;
- (b) the PUSRI Financing Agreement and the PERTAMINA Subsidiary Loan Agreement, in form and substance satisfactory to the Association, shall have been executed and delivered and shall have become fully effective and binding on the parties thereto in accordance with their terms, subject only to the effectiveness of the Co-Lending Agreement and this Development Credit Agreement;
- (c) the Co-Lending Agreements providing for an aggregate amount of not less than thirty-seven million dollars for the purpose of financing the Project shall have been executed and delivered and all conditions precedent to the effectiveness of each such Co-Lending Agreement or the right to make withdrawals thereunder, except only the effectiveness of the other Co-Lending Agreements and this Development Credit Agreement or the right to make withdrawals thereunder, shall have been fulfilled;
- (d) the Gas Purchase Agreement, in form and substance satisfactory to the Association, shall have been executed and delivered and shall have become fully effective and binding on the parties thereto in accordance with its terms, subject only to the effectiveness of this Development Credit Agreement;
- (e) PUSRI shall have retained the services of consultants in accordance with paragraph (b) of Section 2.01 of its Project Agreement;
- (f) PERTAMINA shall have retained the services of consultants in accordance with paragraph (b) of Section 2.01 of its Project Agreement; and
- (g) the Borrower shall have retained the services of consultants, acceptable to the Association, on terms and conditions satisfactory to the Association, for the carrying out of the National Fertilizer Study.

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 :

¹ United Nations, *Treaty Series*, vol. 678, p. 377.

- (a) that the Project Agreements have been duly authorized or ratified by, and executed and delivered on behalf of, PUSRI and PERTAMINA, respectively, and constitute valid and binding obligations of PUSRI and PERTAMINA, respectively, in accordance with their terms;
- (b) that the PUSRI Financing Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto and constitutes valid and binding obligations of the parties thereto in accordance with its terms;
- (c) that the PERTAMINA Subsidiary Loan Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the parties thereto and constitutes valid and binding obligations of the parties thereto in accordance with its terms; and
- (d) that the Gas Purchase Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, PUSRI and PERTAMINA and constitutes a valid and binding obligation of PUSRI and PERTAMINA in accordance with its terms.

Section 6.03. The date of October 15, 1970 is hereby specified for the purposes of Section 10.04 of the General Conditions.

Section 6.04. The obligations of the Borrower under Sections 4.07, 4.08, 4.09, 4.10 and 4.11 of this Agreement shall terminate on the date on which this Development Credit Agreement shall terminate or on a date seventeen years after the date of this Development Credit Agreement, whichever shall be the earlier.

Article VII

MISCELLANEOUS

Section 7.01. The Closing Date shall be December 31, 1975, 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 thereunto 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 SOEDJATMOKO

Authorized Representative

International Development Association :

By SIMON ALDEWERELD

Vice President

SCHEDULE 1**DESCRIPTION OF THE PROJECT**

The Project consists of the following Parts :

Part A. (1) The detailed engineering, construction and start-up of a fertilizer plant at Palembang (Sumatra) to manufacture about 380,000 metric tons of urea annually. The plant's facilities will include :

- (a) a single train ammonia unit, employing centrifugal compressors, with a daily capacity of about 660 metric tons;
- (b) a urea unit with a daily capacity of about 1,150 metric tons;
- (c) a gas scrubbing unit; and
- (d) the usual off-sites and auxiliaries required to support such plant, including *inter alia* power and steam generation, shipping facilities and a housing colony.

(2) Technical services for the purpose of assisting PUSRI's management in the carrying out of Part A (1) of the Project, the training of local personnel, the marketing of PUSRI's products, and in management planning, financial control, accounting and executive staff training.

Part B. (1) The detailed engineering and construction of a gas conservation system, including *inter alia* a gas pipeline network of about 110 miles connecting PERTAMINA's existing wells and four compressor stations producing in the aggregate

about 13,000 horse power and a 12-inch gas transmission pipeline of about 65 miles connecting the gas conservation system with PUSRI's plant;

- (2) Technical services for the purpose of assisting PERTAMINA's management in carrying out Part B (1) of the Project, and during start-up and intermittently thereafter for the ensuing two years, in training of local personnel, and in the planning of gas operations, accounting and executive staff training.

Part A (1) and Part B (1) of the Project are expected to be completed by the end of 1973.

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 June 15, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and P. T. PUPUK SRIWIDJAJA (hereinafter called PUSRI).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Development Credit Agreement¹) between Republic of Indonesia (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to thirty million dollars (\$30,000,000), on the terms and conditions set forth in the Development Credit Agreement, for the purpose of assisting in the financing of a project (described in Schedule 1 to the Development Credit Agreement) a part of which will be carried out by PUSRI, but only on condition *inter alia* that PUSRI agree to undertake certain obligations toward the Association as hereinafter provided; and

WHEREAS PUSRI, 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 hereby agree as follows :

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,² as so defined, shall have the respective meanings therein set forth.

¹ See p. 4 of this volume.

² See above.

Article II

PARTICULAR COVENANTS

Section 2.01. (a) PUSRI shall carry out Part A of the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and industrial practices.

(b) PUSRI shall employ qualified and experienced consultants acceptable to the Association, upon terms and conditions satisfactory to the Association, for the purpose of assisting PUSRI's management in (i) the carrying out of Part A (1) of the Project, (ii) the development of training programs of PUSRI's operating personnel, (iii) in the packaging of PUSRI's products, and (iv) in the marketing of such products.

(c) PUSRI shall employ qualified and experienced contractors acceptable to the Association, upon terms and conditions satisfactory to the Association, to construct all works and perform all services included in Part A of the Project and to arrange for training of PUSRI's personnel in operating the plant and related facilities included in Part A of the Project.

(d) PUSRI shall furnish to the Association, promptly upon their preparation, the plans, specifications and the construction and procurement schedules for Part A of the Project, and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

Section 2.02. (a) The goods and services to be financed out of the proceeds of the Credit and the Joint Loans shall be procured in accordance with the provisions set forth or referred to in Section 3.02 of the Development Credit Agreement.

(b) Except as the Association shall otherwise agree, PUSRI shall cause all goods and services procured by, or for the account of, PUSRI and financed out of the proceeds of the Credit to be used exclusively in carrying out Part A of the Project.

Section 2.03. Except as the Association and PUSRI shall otherwise agree, PUSRI shall duly perform all its obligations under the PUSRI Financing Agreement and shall not take, or concur in, any action which would have the effect of modifying the financial obligations of the parties under the PUSRI Financing Agreement.

Section 2.04. (a) PUSRI shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with sound industrial practices.

(b) Without limiting the generality of the foregoing, PUSRI undertakes to insure the imported 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 PUSRI to replace or repair such goods.

Section 2.05. (a) PUSRI shall maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit or the Joint Loans, to disclose the use thereof in Part A of the Project, to record the

progress of Part A of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting principles the operations and financial condition of PUSRI. Within two months after the end of each calendar quarter, PUSRI shall submit to the Association copies of its financial statements (balance sheet, statement of income and expenses and related statements) for such quarter.

(b) PUSRI shall : (i) have its accounts and financial statements (balance sheet, statement of income and expenses and related statements) for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, (1) certified copies of its financial statements for such year as so audited and (2) the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning the accounts and financial statements of PUSRI and the audit thereof as the Association shall from time to time reasonably request.

(c) PUSRI shall : (i) enable the Association's representatives to inspect Part A of the Project, the goods financed out of the proceeds of the Credit or the Joint Loans, all other plants, sites, works, property and equipment of PUSRI and any relevant records and documents; and (ii) furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit or the Joint Loans, the goods and services financed out of such proceeds, the Project, and the administration, operations, marketing organization and financial condition of PUSRI.

Section 2.06. (a) PUSRI shall, promptly as required, take all action within its powers to maintain its corporate existence and right to carry on its operations and to retain such land, interests in land and properties, and to acquire, maintain and renew such licenses, powers, franchises and other rights, as may be necessary or useful in the carrying out of Part A of the Project or in the conduct of its business.

(b) PUSRI shall at all times operate and maintain its plants, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices.

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

(d) PUSRI may create, acquire or have any subsidiary only with the prior approval of the Association. For the purposes of this paragraph, the term " subsidiary " means any entity of which a majority of the outstanding voting stock shall be owned, or which shall otherwise be effectively controlled, by PUSRI or by one or more subsidiaries of PUSRI or by PUSRI and one or more of its subsidiaries.

Section 2.07. (a) PUSRI shall carry on its operations and conduct its affairs in accordance with sound business, industrial and financial practices under the supervision of experienced and competent management.

(b) PUSRI shall retain the services of qualified and experienced management consultants acceptable to the Association, on terms and conditions satisfactory to the Association, for the purpose of assisting its management in management planning, financial control, accounting and executive staff training at least during the construction, start-up and initial operation of Part A of the Project.

Section 2.08. Except as the Association shall otherwise agree, PUSRI shall not make expenditures, or commitments for expenditures, for fixed or capital assets (including investments in or loans to other business entities) until PUSRI's plant included in the Project shall have produced an aggregate of 300,000 metric tons of urea during a period of twelve consecutive months, except :

- (a) expenditures, or commitments for expenditures, required for repair, maintenance or replacement of assets;
- (b) investments in short-term marketable securities solely for the purpose of temporarily employing its idle funds;
- (c) expenditures, or commitments for expenditures, required for the carrying out of Part A of the Project; and
- (d) other expenditures, or commitments for expenditures, not exceeding in the aggregate the equivalent of \$500,000 in any fiscal year.

Section 2.09. Except as the Association shall otherwise agree, PUSRI shall not incur any indebtedness, other than under the PUSRI Financing Agreement, if, after the incurring of any such indebtedness, the indebtedness of PUSRI then incurred and outstanding would be greater than the equity of PUSRI.

For the purposes of this Section :

(a) The term "indebtedness" means all indebtedness incurred by PUSRI, including indebtedness assumed or guaranteed by PUSRI but excluding short-term debt so incurred in the ordinary course of its business.

(b) Indebtedness shall be deemed to be incurred (i) under a contract or loan agreement, on the date it is drawn down pursuant to such contract or loan agreement, and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee shall have been entered into.

(c) The term "equity" shall mean the aggregate of (i) the unimpaired paid-in capital of PUSRI and (ii) the unallocated surplus and reserves not set apart for any specific purpose.

(d) Whenever in connection with this Section it shall be necessary to value in terms of currency of the Borrower debt repayable in a foreign currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such foreign currency could be obtained by PUSRI, at the time of such valuation, for the purposes of servicing such debt.

Section 2.10. Except as the Association shall otherwise agree, PUSRI undertakes : (i) that its present depreciable fixed assets relating to manufacturing operations shall be fully depreciated by the end of 1975, (ii) that, of the depreciable fixed assets included in Part A of the Project, those relating to manufacturing operations shall be fully depreciated within a period of twelve years starting at the close of the fiscal

year during which such assets will have been placed into service, and (iii) that all other depreciable fixed assets shall be fully depreciated in conformity with sound financial principles.

Section 2.11. (a) Except as the Association shall otherwise agree :

- (i) PUSRI shall not declare any dividend or make any other distribution with respect to its capital shares except out of its accumulated net earnings;
- (ii) PUSRI shall not pay any dividend or make any other distribution with respect to its capital shares (other than dividends or distributions payable solely in such capital shares) or purchase, redeem or otherwise acquire, directly or indirectly for any consideration, any of such capital shares if, after giving effect to such action, the quick assets of PUSRI would be less than the current liabilities of PUSRI; and
- (iii) PUSRI shall not pay any dividend or make any other distribution with respect to its capital shares until PUSRI's plant included in the Project shall have produced an aggregate of 300,000 metric tons of urea during a period of twelve consecutive months.

(b) For the purposes of this Section :

(i) The term " quick assets " means cash, securities readily convertible into cash and trade receivables realizable within one year;

(ii) The term " current liabilities " means liabilities due and payable and all other liabilities which would be due and payable, or could be called for payment, within one year including the portion of long-term indebtedness falling due within one year.

Section 2.12. (a) The Association and PUSRI shall cooperate fully to ensure that the purposes of the Credit and the Joint Loans 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 PUSRI shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Credit and the Joint Loans and the performance by PUSRI of its obligations under this Agreement, the Co-Lending Agreements, the PUSRI Financing Agreement and the Gas Purchase Agreement, and with regard to the administration, operations, marketing organization and financial condition of PUSRI.

(c) PUSRI shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit and the Joint Loans or the maintenance of the service thereof or of the PUSRI Financing Agreement, or the performance by PUSRI of its obligations under this Agreement, the Co-Lending Agreements, the PUSRI Financing Agreement and the Gas Purchase Agreement.

Section 2.13. PUSRI shall duly perform all its obligations under the Gas Purchase Agreement and, except as the Association shall otherwise agree, shall not take, or concur in, any action which would have the effect of amending, abrogating, assigning or waiving the Gas Purchase Agreement or any provision thereof.

Section 2.14. PUSRI shall make all reasonable efforts, prior to the coming into operation of the plant included in the Project and thereafter, to improve its arrange-

ments and facilities for marketing its fertilizer products and to develop and maintain an effective and efficient marketing organization.

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 seventeen years from the date of this Agreement or upon termination of the Development Credit Agreement, whichever is earlier.

Article IV

MISCELLANEOUS

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's 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 PUSRI :

P. T. Pupuk Sriwidjaja
Djl. Sungai Selajur
Post Office Box 084
Palembang, Indonesia

Alternative address for cables :

PUSRI
Palembang
(Telex No. 17)

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of PUSRI, may be taken or executed by the President Director of PUSRI or such other person or persons as PUSRI shall designate in writing.

Section 4.03. PUSRI shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of PUSRI, take any action or execute any documents required or permitted to be taken or executed by PUSRI pursuant to any of the provisions of this Project Agreement, and the authenticated specimen signature of each such person.

Section 4.04. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in such default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

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 delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association :

By R. J. GOODMAN

Director, East Asia and Pacific Department

P. T. Pupuk Sriwidjaja :

By SOEDIATMOKO

Authorized Representative

PROJECT AGREEMENT

AGREEMENT, dated June 15, 1970, between INTERNATIONAL DEVELOPMENT ASSOCIATION (hereinafter called the Association) and P. N. PERTAMBANGAN MINJAK DAN GAS BUMI NASIONAL, a corporation established under Law No. 19 of 1960 of the Republic of Indonesia, (hereinafter called PERTAMINA).

WHEREAS by a development credit agreement of even date herewith (hereinafter called the Development Credit Agreement¹) between Republic of Indonesia (hereinafter called the Borrower) and the Association, the Association has agreed to make available to the Borrower a development credit in various currencies equivalent to thirty million dollars (\$30,000,000), on terms and conditions set forth in the Development Credit Agreement, for the purpose of assisting in the financing of a project (described in Schedule 1 to the Development Credit Agreement), a part of which will be carried out by PERTAMINA, but only on condition *inter alia* that PERTAMINA agree to undertake certain obligations toward the Association as hereinafter provided; and

WHEREAS PERTAMINA, 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 hereby agree as follows :

¹ See p. 4 of this 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) PERTAMINA shall carry out Part B of the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering and industrial practices.

(b) PERTAMINA shall employ qualified and experienced consultants acceptable to the Association, upon terms and conditions satisfactory to the Association, for the purpose of assisting PERTAMINA's management in the design, engineering and supervision of the construction and start-up of Part B (1) of the Project and in carrying out the Gas Operations to meet the requirements of the Gas Purchase Agreement.

(c) PERTAMINA shall employ qualified and experienced contractors acceptable to the Association, upon terms and conditions satisfactory to the Association, to construct all work included in Part B of the Project.

(d) PERTAMINA shall furnish to the Association, promptly upon their preparation, the plans, specifications and the construction and procurement schedules for Part B of the Project, and any material modifications subsequently made therein, in such detail as the Association shall reasonably request.

Section 2.02. (a) The goods and services to be financed out of the proceeds of the Credit and the Joint Loans shall be procured in accordance with the provisions set forth or referred to in Section 3.02 of the Development Credit Agreement.

(b) Except as the Association shall otherwise agree, PERTAMINA shall cause all goods and services procured by, or for the account of, PERTAMINA and financed out of the proceeds of the Credit to be used exclusively in carrying out Part B of the Project.

Section 2.03. Except as the Association shall otherwise agree, PERTAMINA shall duly perform all its obligations under the PERTAMINA Subsidiary Loan Agreement and shall not take, or concur in, any action which would have the effect of modifying the financial obligations of the parties under the PERTAMINA Subsidiary Loan Agreement.

Section 2.04. (a) PERTAMINA shall take out and maintain with responsible insurers, or make other provisions satisfactory to the Association for, insurance of the Gas Assets against such risks and in such amounts as shall be consistent with sound industrial practices.

¹ See p. 26 of this volume.

(b) Without limiting the generality of the foregoing, PERTAMINA undertakes to insure the imported 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 PERTAMINA to replace or repair such goods.

Section 2.05. PERTAMINA shall (i) maintain or cause to be maintained records adequate to identify the goods and services financed out of the proceeds of the Credit or the Joint Loans, to disclose the use thereof in Part B of the Project, to record the progress of Part B of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting principles and practices the Gas Operations; (ii) enable the Association's representatives to inspect the Gas Assets, the goods financed out of the proceeds of the Credit or the Joint Loans, all other plants, sites, works, property and equipment of PERTAMINA related to the Gas Operations and any relevant records and documents; and (iii) furnish to the Association all such information as the Association shall reasonably request concerning the expenditure of the proceeds of the Credit and the Joint Loans made available to PERTAMINA, the goods and services financed out of such proceeds, the Gas Assets and the Gas Operations.

Section 2.06. (a) PERTAMINA shall, prior to completion of Part B (1) of the Project, establish and shall thereafter maintain in accordance with sound industrial principles and practices separate administrative, accounting and engineering records covering the Gas Operations (including the Gas Assets) satisfactory to the Association.

(b) PERTAMINA shall prepare, in accordance with principles and practices satisfactory to the Association, consolidated statements of (i) all fixed Gas Assets in service, and (ii) operating revenues, operating expenses and operating income, if any, on a *pro forma* basis, all in accordance with consistently maintained sound accounting principles.

(c) PERTAMINA shall : (i) have the before-mentioned accounting records and consolidated statements for each fiscal year audited, in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Association; (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, (1) certified copies of such records and statements for such year as so audited and (2) the report of such audit by said auditors, of such scope and in such form and detail as the Association shall have reasonably requested; and (iii) furnish to the Association such other information concerning such records and statements and the audit thereof as the Association shall from time to time reasonably request.

Section 2.07. (a) PERTAMINA shall, promptly as required, take all action within its powers to maintain its corporate existence and right to carry on the Gas Operations and to retain such land, interests in land and properties, and to acquire, maintain and renew such licenses, powers, franchises and other rights, as may be necessary or useful in the carrying out of the Project, the conduct of the Gas Operations or the fulfillment of its obligations under the Gas Purchase Agreement.

(b) PERTAMINA shall at all times operate and maintain the Gas Assets, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering and financial practices and with the standards set forth in the Gas Purchase Agreement.

(c) Except as the Association shall otherwise agree, PERTAMINA shall not sell, lease, transfer or otherwise dispose of any of the Gas Assets, except in the normal course of the Gas Operations.

Section 2.08. PERTAMINA shall carry on the Gas Operations and conduct its affairs related thereto in accordance with sound business, industrial and financial practices under the supervision of experienced and competent management.

Section 2.09. (a) The Association and PERTAMINA shall cooperate fully to ensure that the purposes of the Credit and the Joint Loans 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 PERTAMINA shall from time to time, at the request of either party, exchange views through their representatives with regard to matters relating to the purposes of the Credit and the Joint Loans and the performance by PERTAMINA of its obligations under this Agreement, the Co-Lending Agreements, the PERTAMINA Subsidiary Loan Agreement and the Gas Purchase Agreement, and with regard to the Gas Operations.

(c) PERTAMINA shall promptly inform the Association of any condition which interferes with, or threatens to interfere with, the accomplishment of the purposes of the Credit and the Joint Loans or the maintenance of the service thereof or of the PERTAMINA Subsidiary Loan Agreement, or the performance by PERTAMINA of its obligations under this Agreement, the Co-Lending Agreements, the PERTAMINA Subsidiary Loan Agreement or the Gas Purchase Agreement.

Section 2.10. (a) PERTAMINA shall take all action necessary to ensure that, at all times after PUSRI's plant included in Part A of the Project will have been placed into service, PUSRI's gas requirements are fully met, all in accordance with the Gas Purchase Agreement.

(b) PERTAMINA shall duly perform all its obligations under the Gas Purchase Agreement and, except as the Association shall otherwise agree, shall not take, or concur in, any action which would have the effect of amending, abrogating, assigning or waiving the Gas Purchase Agreement or any provision thereof.

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 seventeen years from the date of this Agreement or upon termination of the Development Credit Agreement, whichever is earlier.

Article IV

MISCELLANEOUS

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project 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, telex, or radiogram to the party to which it is required or permitted to be given or made at such party's 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 PERTAMINA :

P. N. Pertamina
2.6 Djl. Perwira
(Post Office Box 12)
Djakarta, Indonesia

Alternative address for cables :

PERTAMINA
Djakarta

Section 4.02. Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement on behalf of PERTAMINA, may be taken or executed by the President Director of PERTAMINA or such other person or persons as PERTAMINA shall designate in writing.

Section 4.03. PERTAMINA shall furnish to the Association sufficient evidence of the authority of the person or persons who will, on behalf of PERTAMINA, take any action or execute any documents required or permitted to be executed by PERTAMINA pursuant to any of the provisions of this Project Agreement, and the authenticated specimen signature of each such person.

Section 4.04. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or acquiescence in such default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

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 delivered in the District of Columbia, United States of America, as of the day and year first above written.

International Development Association :

By R. J. GOODMAN

Director, East Asia and Pacific Department

P. N. Pertambangan Minyak Dan Gas Bumi Nasional :

By I. SUTOWO

Authorized Representative
