

No. 13475

**FEDERAL REPUBLIC OF GERMANY
and
INDONESIA**

**Agreement concerning financial assistance (with exchange
of letters). Signed at Djakarta on 7 December 1973**

Authentic texts: German, English and Indonesian.

Registered by the Federal Republic of Germany on 27 August 1974.

**RÉPUBLIQUE FÉDÉRALE D'ALLEMAGNE
et
INDONÉSIE**

**Accord d'aide financière (avec échange de lettres). Signé à
Djakarta le 7 décembre 1973**

Textes authentiques : allemand, anglais et indonésien.

Enregistré par la République fédérale d'Allemagne le 27 août 1974.

AGREEMENT¹ BETWEEN THE GOVERNMENT OF THE FEDERAL REPUBLIC OF GERMANY AND THE GOVERNMENT OF THE REPUBLIC OF INDONESIA CONCERNING FINANCIAL ASSISTANCE

The Government of the Federal Republic of Germany and the Government of the Republic of Indonesia,

In the spirit of the friendly relations existing between the Federal Republic of Germany and the Republic of Indonesia,

Desiring to strengthen and intensify those friendly relations by fruitful co-operation in the field of development assistance,

Aware that the maintenance of those relations constitutes the basis of the present Agreement,

Intending to promote the development of the Indonesian economy,

Have agreed as follows:

Article 1. (1) The Government of the Federal Republic of Germany shall enable the Government of the Republic of Indonesia to have the Bank of Indonesia, acting with the authority and on behalf of the Government of the Republic of Indonesia, raise with the Kreditanstalt für Wiederaufbau (Development Loan Corporation), Frankfurt/Main, pursuant to paragraphs 2 to 4 below, loans up to a total of one hundred and sixty million German Marks for the stabilization and recovery of the Indonesian economy.

(2) Up to sixty-four million five hundred thousand German Marks are intended for financing the import of goods to cover Indonesia's current civilian requirements as well as related transport and other services in accordance with detailed arrangements.

The Government of the Federal Republic of Germany understands that the Government of the Republic of Indonesia will use for development projects the Rupiah counterpart funds accruing from the sale of the German Marks provided on loan.

(3) Up to fifteen million five hundred thousand German Marks are intended as a maintenance support for the financing of equipment, of replacement and supplementary investments as well as of spare parts for projects of civilian public enterprises still to be agreed upon by the two Governments, and for the financing of related services.

(4) Up to eighty million German Marks are intended for the financing of financial assistance projects to be jointly selected by the two Governments. The final allocation shall be made after an appraisal has shown the projects to be eligible for promotion.

Article 2. (1) The utilization of the loans as well as the terms and conditions on which they are granted shall be governed by the provisions of the loan agreements to be concluded between the Bank of Indonesia, acting with the au-

¹ Came into force on 7 December 1973 by signature, in accordance with article 8.

thority and on behalf of the Government of the Republic of Indonesia, and the Kreditanstalt für Wiederaufbau, which shall be subject to the legal provisions applicable in the Federal Republic of Germany.

(2) The Government of the Republic of Indonesia shall guarantee to the Kreditanstalt für Wiederaufbau all payments and the resultant transfer to be made in fulfilment of the borrower's liabilities under the loan agreements to be concluded.

Article 3. The Government of the Republic of Indonesia shall exempt the Kreditanstalt für Wiederaufbau from all taxes and other public charges levied in the Republic of Indonesia at the time of the conclusion, or during the execution, of the loan agreements referred to in article 2 of the present Agreement.

Article 4. The Government of the Republic of Indonesia shall allow passengers and suppliers free choice of transport enterprises for such transportation by sea or air of persons and goods as results from the granting of the loans, and shall abstain from taking any measures that will exclude or impair the fair and equal participation of transport enterprises having their seat in the German area of application of this Agreement, and grant the relevant permits are required.

Article 5. Supplies and services for projects financed from the loans pursuant to the provisions of article 1 (3), and (4) of the present Agreement shall be subject to international public bidding, unless otherwise provided for in individual cases after appraisal of the projects concerned.

Article 6. With regard to the supplies resulting from the granting of the loans, the Government of the Federal Republic of Germany attaches particular importance to preference being given to products of industries of *Land Berlin*.

Article 7. With the exception of those provisions of article 4 which refer to air transport, this Agreement shall also apply to *Land Berlin*, provided that the Government of the Federal Republic of Germany does not make a contrary declaration to the Government of the Republic of Indonesia within three months after the entry into force of the present Agreement.

Article 8. The present Agreement shall enter into force on the date of signature thereof.

DONE at Jakarta on the seventh day of December nineteen hundred seventy three in two originals, each in the German, English and Indonesian languages. The Indonesian and the German texts shall be equally authentic; in case of divergent interpretation of the Indonesian and German texts the English text shall prevail.

For the Government
of the Federal Republic
of Germany:

[Signed — Signé]¹

For the Government
of the Republic
of Indonesia:

[Signed — Signé]²

¹ Signed by R. Balken — Signé par R. Balken.

² Signed by Adam Malik — Signé par Adam Malik.

EXCHANGE OF LETTERS

I

THE AMBASSADOR OF THE FEDERAL REPUBLIC OF GERMANY

Jakarta, 7 December 1973

Excellency,

I refer to the first sentence of article 1 (2) and to article 5 of the Agreement, signed on 7 December 1973 between the Government of the Federal Republic of Germany and the Government of the Republic of Indonesia concerning financial assistance, which reads as follows:

“Up to sixty-four million five hundred thousand German Marks are intended for financing the import of goods to cover Indonesia’s current civilian requirements as well as related transport and other services in accordance with detailed arrangements.

“Supplies and services for projects financed from the loans pursuant to the provisions of article 1 (3) and (4) of the present Agreement shall be subject to international public bidding, unless otherwise provided for in individual cases after appraisal of the projects concerned.”

With regard to the foregoing, I have the honour to state the following on behalf of the Government of the Federal Republic of Germany:

In the interest of developing countries, the Government of the Federal Republic of Germany supports the principle of untied supplies in connexion with financial assistance. It has stated this repeatedly in public and confirmed it by the untied project aid it has granted to Indonesia since 1970. This year for the first time it will also untie its commodity aid, so that its entire financial assistance will no longer be tied to supplies and services from the Federal Republic of Germany. The Government of the Federal Republic of Germany expects, however, that the Government of the Republic of Indonesia in utilizing the commodity aid shall give sympathetic consideration to requirements by enterprises established in Indonesia with German interest as well as requirements by holders of German licences.

With regard to project aid the Government of the Federal Republic of Germany has left no doubt about the fact that it hopes to see international public bidding for supplies and services observed as an internationally valid principle and that, in untying its aid in 1970, it wanted to set an example by taking a first step in this direction. In corresponding statements on the occasion of bilateral and multilateral contacts, the Government of the Federal Republic of Germany has committed itself to this principle and expressed its hope that other donor countries would follow suit. It has, moreover, never left any doubt about the fact that—particularly in view of the Indonesian interest—it could not disregard the approach of other donor countries in this matter. Based on this fundamental point of view, the Government of the Federal Republic of Germany reserves the right to examine on a case-by-case basis what bidding modalities are appropriate for the individual project and, if it appears to be imperative on substantive grounds in individual cases, to limit bidding to the Federal Republic of Germany.

In the light of the same considerations of principle the Government of the Federal Republic of Germany cannot disregard the approach of the other donor countries with regard to commodity aid. It therefore reserves the right to analyse the experience gained in connexion with the initial untying of commodity aid this year, and to make new decisions on the procedure of handling such aid.

I would be grateful if Your Excellency would acknowledge the receipt of this letter.

Accept, Excellency, the assurances of my highest consideration.

[Signed — Signé¹]

His Excellency the Minister for Foreign Affairs
of the Republic of Indonesia
Mr. Adam Malik
Jakarta

II

MINISTER FOR FOREIGN AFFAIRS REPUBLIC OF INDONESIA

Jakarta, December 7, 1973

No.: D.1256/73/01/I

Excellency,

I have the honour to acknowledge receipt of your note dated December 7, 1973, which reads as follows:

[See letter I]

I have the honour to confirm that I agree to the content of the above-mentioned letter and that the Government of the Republic of Indonesia will take due note of the expectations of the Government of the Federal Republic of Germany with regard to the utilization of the commodity aid.

Accept, Excellency, the assurances of my highest consideration.

[Signed]
ADAM MALIK

His Excellency Richard Balken
Ambassador of the Federal Republic of Germany
Jakarta

¹ Signed by R. Balken — Signé par R. Balken.