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LOAN NUMBER \_\_\_\_-INO

LOAN AGREEMENT  
(Ordinary Operations)  
(Public Expenditure Support Facility Program)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED \_\_\_\_\_

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PLL:INO 43009

**LOAN AGREEMENT**  
**(Ordinary Operations)**

LOAN AGREEMENT dated \_\_\_\_\_ between REPUBLIC OF INDONESIA (hereinafter called the "Borrower") and ASIAN DEVELOPMENT BANK (hereinafter called "ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter, dated 28 January 2009 (hereinafter called the "Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to address the increased vulnerabilities and risks to the Indonesian economy from the global financial crisis (hereinafter called the "Program");

(B) the Borrower has applied to ADB for a loan from its ordinary capital resources for the purposes of the Program; and

(C) ADB has, on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001, are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications thereof (said Ordinary Operations Loan Regulations as so modified being hereinafter called the Loan Regulations):

(a) Section 2.01(49) is deleted and the following is substituted therefor:

49. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

- (c) Section 2.01(51) is deleted and the following is substituted therefor:

51. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

- (d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

- (e) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit. (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the amount of the credit against the interest payable by the Borrower.

- (f) Section 3.06 is deleted and the following is substituted therefor:

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

- (g) Section 3.07 is deleted and the following is substituted therefor:

(a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(h) Section 6.01(a) is deleted and the following is substituted therefor:

(a) Subject to any conditions or restrictions specified in the Loan Agreement, the Borrower shall be entitled to withdraw from the Loan Account such amounts as shall be required to meet payments for expenditures required for the Program and to be financed under the Loan Agreement.

Section 1.02. Wherever used in this Loan Agreement, unless the context otherwise requires, several terms defined in the Loan Regulations have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Bank Indonesia" means the central bank of the Borrower, operating under the Bank Indonesia Law, and any amendments thereto;

(b) "Bank Indonesia Law" means the Borrower's Law No. 23 Year 1999, as last amended by Law No. 6 Year 2009, and as may be further amended from time to time;

(c) "Bappenas" means *Badan Perencanaan Pembangunan Nasional*, the National Development Planning Agency of the Borrower or any successor thereto;

(d) "CMEA" means the Coordinating Ministry of Economic Affairs of the Borrower or any successor thereto;

(e) "CMSW" means the Coordinating Ministry of Social Welfare of the Borrower or any successor thereto;

(f) "Counterpart Funds" means the Rupiah proceeds accruing to the Borrower and generated from the proceeds of the Loan under the Program and referred to in Schedules 1 and 5 to this Loan Agreement;

(g) "Deposit Account" means the account referred to in paragraph 4 of Schedule 3 to this Loan Agreement;

(h) "Deposit Insurance Corporation" means the Deposit Insurance Corporation of the Borrower, established pursuant to the Borrower's Law No. 24 Year 2004 regarding Deposit Insurance, or any successor thereto;

(i) "Development Partners" means the multilateral and bilateral agencies that are providing financial assistance to the Borrower pursuant to the Financing Plan, which includes but is not limited to ADB, International Bank for Reconstruction and Development, Japan Bank for International Cooperation, and Australia;

(j) "Directorate General of Debt Management" means the Directorate General of Debt Management of the Borrower under MOF or any successor thereto;

(k) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to Attachment 1 to Schedule 3 to this Loan Agreement), the costs of which are eligible for financing out of the proceeds of the Loan;

(l) "Extractive Industries Transparency Initiative" means a coalition of governments, companies, civil societies, investors and international organizations, which aims to strengthen governance by improving transparency and accountability in the extractive industries;

(m) "Financial Sector Assessment Program" means the joint assessment normally conducted by International Monetary Fund and International Bank for Reconstruction and Development to increase the effectiveness of efforts to promote the soundness of financial systems in a particular country;

(n) "Financing Plan" means the Borrower's financing plan for public expenditure support for Fiscal Year 2009, issued by Director General of Debt Management through Decree No. KEP04/PU/2009, dated 27 January 2009, as may be amended from time to time, that specifies (a) the Borrower's financing targets for Fiscal Year 2009; (b) the terms and circumstances under which the Borrower would draw on the financing support available from the Development Partners; and (c) the terms under which such Financing Plan may be rolled over and reissued for Fiscal Year 2010;

(o) "Fiscal Year" means the Borrower's fiscal year commencing 1 January and ending 31 December;

(p) "Government Regulation in Lieu of the Law" means the Borrower's Government Regulation in Lieu of the Law, which is issued in the case of emergency and to be deliberated by the Parliament in its next session;

- (q) "MOF" means the Ministry of Finance of the Borrower or any successor thereto;
- (r) "MOT" means the Ministry of Trade of the Borrower or any successor thereto;
- (s) "Parliament" means the Parliament of the Borrower;
- (t) "Policy Matrix" means the Policy Matrix as set out in Appendix [ ] of the RRP;
- (u) "Presidential Decree" means a decree issued by the President of the Borrower;
- (v) "Presidential Regulation" means a regulation issued by the President of the Borrower;
- (w) "Program Executing Agency" means for the purposes and within the meaning of the Loan Regulations, CMEA, which is responsible for the carrying out of the Program;
- (x) "RRP" means the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Loan; and
- (y) "Rupiah" means the currency of the Borrower.

## **ARTICLE II**

### **The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one billion Dollars (\$1,000,000,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of twelve (12) years, and a grace period as defined in paragraph (c) of this Section.

(c) The term "grace period" as used in paragraph (b) of this Section means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of LIBOR and 0.60% as determined by Section 3.02 of the Loan Regulations, less a credit of 0.40% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay to ADB a commitment charge of 0.15% per annum on the unwithdrawn amount of the Loan. Such charge shall accrue from a date sixty (60) days after the date of this Loan Agreement to the respective dates on which amounts shall be withdrawn from the Loan Account or shall be cancelled.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 May and 1 November in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures for the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Eligible Items to be financed out of the proceeds of the Loan shall be produced in, and procured from, ADB's member countries in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account in respect of expenditures for Eligible Items incurred more than one hundred eighty (180) days prior to the Effective Date.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.02 of the Loan Regulations shall be 31 December 2010 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. (a) The Borrower shall cause the Program to be carried out with due diligence and efficiency and in conformity with sound administrative, financial, engineering, environmental and public expenditure practices.

(b) In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed, the funds, facilities, services and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Program.

Section 4.03. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Program are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.04. (a) The Borrower shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to indicate the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.05. (a) As part of the reports and information referred to in Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

## **ARTICLE V**

### **Suspension; Cancellation; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(l) of the Loan Regulations: any of the Development Partners has suspended or cancelled its assistance to the Borrower under the Financing Plan.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 9.07(a)(iv) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

Ministry of Finance  
Directorate General of Debt Management  
P.O. Box 1139  
Jakarta 10710, Indonesia

Facsimile Number:

(62-21) 381-2859.

For ADB

Asian Development Bank  
P.O. Box 789  
0980 Manila, Philippines

Facsimile Numbers:

(632) 636-2444

(632) 636-2331.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

REPUBLIC OF INDONESIA

By \_\_\_\_\_  
Authorized Representative

ASIAN DEVELOPMENT BANK

By \_\_\_\_\_

**SCHEDULE 1****Description of the Program**

1. The principal objective of the Program is to mitigate the adverse economic and social impacts of the global financial crisis in Indonesia, with the expected outcome that the Program will be able to secure adequate access to financing for critical expenditures and required counter-cyclical policy. The scope of the Program includes policy actions to (a) reassure financial markets and maintain financial system stability; (b) sustain critical public expenditures to alleviate poverty while maintaining budget discipline; and (c) crowd in private investment and support exports. The Program is described in more detail in the Policy Letter.

2. In support of the Program:

(a) the proceeds of the Loan shall be used to finance the foreign exchange costs of Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 6 of Schedule 5 to this Loan Agreement.

3. The proceeds of the Loan are expected to be utilized by 31 December 2010.

**SCHEDULE 2****Amortization Schedule****(Public Expenditure Support Facility Program)**

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Sequence</u>	<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a % based on 10% annuity)
1	1 Nov 2012	2.247090
2	1 May 2013	2.359445
3	1 Nov 2013	2.477417
4	1 May 2014	2.601288
5	1 Nov 2014	2.731352
6	1 May 2015	2.867920
7	1 Nov 2015	3.011316
8	1 May 2016	3.161881
9	1 Nov 2016	3.319975
10	1 May 2017	3.485974
11	1 Nov 2017	3.660273
12	1 May 2018	3.843286
13	1 Nov 2018	4.035451
14	1 May 2019	4.237223
15	1 Nov 2019	4.449085
16	1 May 2020	4.671539
17	1 Nov 2020	4.905116
18	1 May 2021	5.150371
19	1 Nov 2021	5.407890
20	1 May 2022	5.678285
21	1 Nov 2022	5.962199
22	1 May 2023	6.260309
23	1 Nov 2023	6.573324
24	1 May 2024	6.901991
	TOTAL	100.000000

Schedule 2

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

**SCHEDULE 3****Withdrawal of Loan Proceeds**

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) Withdrawals from the Loan Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawals from the Loan Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

3. (a) Applications for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal application shall be accompanied by a certificate of the Borrower confirming that (i) in case the proceeds of the Loan will finance imports already made, the value of Eligible Imports in the period concerned exceeded the amount of the requested withdrawal; or (ii) in case the proceeds of the Loan will finance items to be imported, the value of Eligible Imports in the immediately preceding one-year period was equal to or greater than the amount of the requested withdrawal plus all other amounts expected to be withdrawn from the Loan Account during the succeeding one-year period.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in Attachment 1 to this Schedule; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans or grants made by ADB.

(d) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at Bank Indonesia into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent

auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

5. The proceeds of the Loan shall be disbursed through one or more withdrawals. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Loan Account unless ADB shall be satisfied, after consultation with the Borrower, that (a) the Borrower has fulfilled or continues to fulfill the policy actions specified in Attachment 2 to this Schedule and has not committed any action which reversed the objective of the Program; (b) the Borrower has met the drawdown triggers set out in the Financing Plan, and (c) the Borrower has maintained an appropriate macroeconomic policy framework.

**Negative List**

1. Loan proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods required during the Public Expenditure Support Facility Program.
2. No withdrawals will be made for the following:
  - (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

**Table A12: Ineligible Items**

<b>Chapter</b>	<b>Heading</b>	<b>Description of Items</b>
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;

- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party, and any other goods designated as environmentally hazardous by agreement between the Borrower and ADB; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

### **Policy Actions for the Program**

In order to release the Loan proceeds, the following policy actions shall have been complied with:

1. The Borrower has submitted a draft Law to the Parliament on financial safety net that clarifies the roles, responsibilities and procedures that govern the actions and responses of Bank Indonesia, MOF, and the Deposit Insurance Corporation in the event of the failure of a financial institution.
2. The Borrower has taken steps to maintain the stability of the banking system through the issuance of (a) a Government Regulation in Lieu of Law that will increase the ceiling on deposit insurance and allow the flexibility for the Borrower to provide a blanket guarantee of all bank deposits; and (b) a Government Regulation in Lieu of Law that will amend the Bank Indonesia Law regarding the types of assets that banks can use as collateral for short-term borrowing from the central bank.
3. The Borrower has initiated a Financial Sector Assessment Program.
4. The Borrower has issued and committed to implement the Financing Plan.
5. The Borrower has issued a ministerial decree on the establishment of a poverty monitoring and response system in anticipation of a possible growth slowdown or crisis.
6. The Borrower has issued the Presidential Regulation on the coordination of poverty reduction efforts.
7. The Borrower has included specific provisions in its law related to the budget for Fiscal Year 2009 to sustain, and if necessary, increase critical public expenditures in areas of poverty alleviation, social protection, and infrastructure maintenance and development in the event of a pronounced growth slowdown.
8. The Borrower has implemented specific regulatory measures to expedite budget disbursement and enhanced its ability to rapidly direct public expenditures to preempt as well as mitigate any adverse impacts of a growth slowdown.
9. The Borrower has prepared a draft of the Presidential Regulation on the investment negative list that accommodates the Borrower's international commitments on sectoral restrictions and clarifies the status of publicly listed companies, foreign equity limits for direct investment, grandfathering and the creation of investment restrictions beyond those stipulated in the investment negative list.

10. The Borrower has taken steps to increase transparency regarding revenues from extractive industries (a) through the issuance of an inter-ministerial memorandum of understanding on the preparation for the implementation of transparency of the state revenue from extractive industries; and (b) by signing on to the Extractive Industries Transparency Initiative.
11. The Borrower has opened a re-discount window for trade finance.
12. The Borrower has promulgated a Law on the establishment of an export financing agency.

## **SCHEDULE 4**

### **Procurement**

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Loan.

2. (a) Except as provided in paragraph 2(b) below, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Borrower's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

## SCHEDULE 5

### Program Implementation and Other Matters

#### Implementation and Coordination

1. The Borrower shall appoint CMEA as the Program Executing Agency, with CMSW, MOF, MOT and Bappenas as the implementing agencies. CMEA shall be responsible for overall Program implementation and coordination. The Borrower has established the Program steering committee, chaired by the Director General of the Directorate General of Debt Management, and comprising representatives from the CMEA, MOF, Bappenas, and the Development Partners. The committee shall meet quarterly to review implementation of the Financing Plan and assess and determine the Borrower's financing shortfalls.

#### Implementation of the Policy Letter

2. The Borrower shall ensure that the policies adopted and actions taken under the Program as described in the Policy Letter and the Policy Matrix shall continue in effect during the implementation of the Program and subsequently.

#### Policy and Sector Dialogue

3. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, sector issues and policy reforms that may be considered necessary or desirable, including the progress made in carrying out policies and actions set out in the Policy Letter and the Policy Matrix.

4. The Borrower shall promptly discuss with ADB problems and constraints encountered during implementation of the Program and appropriate measures to overcome or mitigate such problems and constraints.

5. The Borrower shall keep ADB informed of policy discussions with other multilateral or bilateral agencies that have implications for implementation of the Program, and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Borrower shall consider ADB's views before finalizing and implementing any such proposals.

#### Counterpart Funds

6. The Borrower shall ensure that the Counterpart Funds are used to finance the local currency costs relating to the implementation of the Program and other activities consistent with the objectives of the Program and shall provide the necessary budget appropriations to finance the structural adjustment costs relating to the implementation of reforms under the Program.

Program Performance Monitoring and Review

7. ADB and the Borrower shall carry out quarterly review of Program implementation. The review shall include the assessment of the Borrower's shortfall in meeting its financing requirements as set out in the Financing Plan. ADB and the Borrower shall agree on the updated outcome and output indicators to monitor Program implementation and evaluate its impact, within the overall framework of the Program.