



Treaty Series No. 34 (1974)

Exchange of Notes

concerning an Interest-free Development
Loan by the Government of the United
Kingdom of Great Britain and Northern
Ireland to the Government of the
Republic of Indonesia

(United Kingdom/Indonesia Loan Agreement (No. 2) 1973)

Jakarta, 20 December 1973

[The Agreement entered into force on 20 December 1973]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
May 1974*

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**EXCHANGE OF NOTES
CONCERNING AN INTEREST-FREE DEVELOPMENT LOAN
BY THE GOVERNMENT OF THE UNITED KINGDOM OF
GREAT BRITAIN AND NORTHERN IRELAND TO THE
GOVERNMENT OF THE REPUBLIC OF INDONESIA**

No. 1

*Her Majesty's Ambassador at Jakarta to the Minister for Foreign Affairs
of the Republic of Indonesia*

*British Embassy,
Jakarta.*

Your Excellency,

20 December 1973.

I have the honour to refer to the recent discussions concerning development aid from the Government of the United Kingdom of Great Britain and Northern Ireland to the Government of the Republic of Indonesia and to inform you that the Government of the United Kingdom are prepared to conclude an Agreement with the Government of Indonesia on this question. The position of the Government of the United Kingdom with regard to the provision of finance and the commitments of that Government and of the Government of Indonesia as regards associated matters shall be as respectively set out in Part A and Part B below:

- A. The Government of the United Kingdom declare that it is their intention to make available to the Government of Indonesia by way of an interest-free loan a sum not exceeding £1,000,000 (one million pounds sterling) for the purchase in the United Kingdom (which expression in this Note shall be deemed to include the Channel Islands and the Isle of Man) of British goods.
- B. (1) The Government of the United Kingdom shall adopt the arrangements and procedures described in the following paragraphs of this Note insofar as they relate to things to be done by or on behalf of that Government. The Government of Indonesia shall adopt the arrangements and procedures so described insofar as they relate to things to be done by or on behalf of that Government.
- (2) (a) For the purpose of these arrangements, the Government of Indonesia through the Central Bank of Indonesia (Bank Indonesia) shall, by requests in the form set out in Annex A to this Note, open special Accounts (hereinafter referred to as "the Accounts") with banks in London (hereinafter referred to as "the Banks"). These Accounts shall be operated solely for the purposes of the loan and in accordance with the instructions contained in the said requests.
- (b) As soon as these Accounts are opened and before taking any other step required by these arrangements for obtaining any part of the loan, the Government of Indonesia shall furnish the Government of the United Kingdom and the Crown Agents for Oversea Governments and Administrations, 4 Millbank, London, SW1P 3JD

(hereinafter referred to as " the Crown Agents ") with a copy of the former's instructions to the Banks given in accordance with the foregoing provisions of this paragraph. The Government of Indonesia shall, at the same time, and so often as any change is made therein, ensure that the Government of the United Kingdom and the Crown Agents are notified of the names of the Officers who are duly authorised to sign on its behalf the Requests for Drawings referred to in paragraph 5 (b) and shall also ensure that a specimen signature in duplicate of each such officer is provided.

- (c) The Government of Indonesia shall ensure that the Banks shall forward monthly to the Crown Agents acting on behalf of the Government of the United Kingdom statements of all receipts to and payments from the Accounts.
 - (d) Unless the Government of the United Kingdom otherwise agree, payments into the Accounts shall not be made after 30 June 1975.
- (3) (a) Save to the extent, if any, to which the Government of the United Kingdom may otherwise agree, drawings from the loan shall be used only to reimburse banks in the United Kingdom for payments (made in pursuance of irrevocable letters of credit which are opened or advised after the date of this Note) to facilitate the carrying out of a contract for the purchase in the United Kingdom of goods wholly produced or manufactured in the United Kingdom or, in the case of chemical and allied products, goods which are duly declared to be of United Kingdom origin on the form set out in Annex C (Chemicals) to this Note, and not being goods that appear on the current list of goods, the import of which is prohibited by the Government of Indonesia, or on any subsequent list of prohibited imports, and being a contract which:
- (i) provides for payment in sterling to persons carrying on business in the United Kingdom; and
 - (ii) is approved by the Government of Indonesia and accepted by the Crown Agents on behalf of the Government of the United Kingdom for financing from the loan; and
 - (iii) is entered into after the date of this Note and before 31 March 1975.
- (b) Notwithstanding the extent of the lists of prohibited imports referred to above drawings from the loan shall not be used to reimburse payments for:
- (i) Any items of defence equipment, explosives, ammunition and weapons;
 - (ii) items of a patently luxury non-developmental nature.
- (c) Capital items for new investment to a value per contract of £100,000 or more shall not be purchased under the loan without prior consultation with, and the agreement of, the Government of the United Kingdom.
- (4) (a) Where the Government of Indonesia propose that part of the loan shall be applied to a contract, that Government shall ensure that

there are forwarded at the earliest opportunity to the Crown Agents acting on behalf of the Government of the United Kingdom:

- (i) a copy of the contract, or of a letter of credit relating to the contract; and
 - (ii) two copies of a Certificate from the supplier concerned in the United Kingdom in the form set out in Annex C or Annex C (Chemicals) to this Note, whichever is appropriate.
- (b) The Government of Indonesia shall ensure that the Crown Agents acting on behalf of the Government of the United Kingdom are informed if at any time a contract (being a contract in respect of which documents have been submitted in accordance with the foregoing provisions) is amended or if liability is incurred or is to be incurred thereunder to a greater or lesser amount than the amount specified in the Contract Certificate and, in either of these cases, the Government of Indonesia shall ensure that there are forwarded as soon as possible to the Crown Agents acting on behalf of the Government of the United Kingdom the relevant supplementary or revised documents.
- (5) (a) After the Crown Agents acting on behalf of the Government of the United Kingdom have considered the documents forwarded in pursuance of the procedure described in the foregoing provisions of this Note and any additional information which they may request for this purpose from the Banks acting on behalf of the Government of Indonesia (and which that Government shall ensure is supplied on their behalf), they shall notify the Banks in the form set out in Annex C (i) to this Note whether and to what extent they accept on behalf of the Government of the United Kingdom that a contract is eligible for payment from the loan.
- (b) To the extent that the Crown Agents so accept a contract and agree to payment from the Accounts, they shall on receipt of a request duly signed by one of the Banks on behalf of the Government of Indonesia, in the form set out in Annex B to this Note, giving details of payment due and about to be made, arrange payments in sterling into the Accounts and each such payment shall constitute a drawing on the loan.
- (6) Withdrawals from the Accounts shall be made only in the manner and subject to the conditions hereinafter set out in this paragraph:
- (a) For the reimbursement to a bank in the cases to which paragraph (3) refers withdrawals shall be made only on receipt by the Banks of the relevant documents including:
- (i) a Payment Certificate in the form shown in Annex D to this Note and the invoices referred to therein; or
 - (ii) for contracts in respect of which a Contract Certificate in the form shown in Annex C (Chemicals) to this Note has been provided, the invoices only;

Provided that:

- (aa) the amount of reimbursement made in respect of any one contract shall not exceed the amount specified in relation to that contract in the notification in the form set out in Annex C (i) to this Note; and
- (bb) the Banks shall forward to the Crown Agents acting on behalf of the Government of the United Kingdom the relevant Payment Certificate (where applicable) and invoices immediately any such reimbursements have been made;
- (b) Photocopies or duplicates of invoices may be submitted instead of the originals for the purposes of this paragraph.
- (7) If any monies that have been paid out of an Account are subsequently refunded either by the supplier or by a guarantor, the Government of Indonesia shall, so long as there are payments or reimbursements to be made from that Account, pay an equivalent of such sums into that Account and in any other case, apply the refunds to the reduction of the loan.
- (8) The Government of Indonesia shall repay to the Government of the United Kingdom in pounds sterling in London the total sum borrowed under the arrangements set out in this Note, such repayment to be made by instalments paid on the dates and in the amounts specified below, except that if, on the date when any such instalment is due to be paid, there is then outstanding less than the amount specified for that instalment, only the amount then outstanding shall be payable:

INSTALMENTS

<i>Date due</i>	<i>Amount</i> £
1 March 1981 and on the 1st of March in each of the succeeding 17 years	27,800
1 September 1981 and on the 1st of September in each of the succeeding 16 years	27,800
1 September 1998	27,000

- (9) Notwithstanding the provisions of paragraph (8) of this Note, the Government of Indonesia shall be free at any earlier time to repay to the Government of the United Kingdom in pounds sterling in London the whole or any part of the loan that is still outstanding.
- (10) It is the intention of the Government of the United Kingdom that the full amount of the loan will be made available immediately for drawings.
- (11) *Shipping.* Goods shall be shipped in accordance with normal commercial competitive practice and not directed to ships of any particular flag. Provided shipping costs are paid in sterling in the United Kingdom they may, notwithstanding the foregoing provisions of the Part, be met from aid funds and the flag of the vessel is immaterial.

(12) *Insurance.* On a c.i.f. contract, where the insurer is not revealed, insurance is assumed to have been placed with a United Kingdom company and the whole contract price may be met from aid funds. In all other cases the costs of insurance may, notwithstanding the foregoing provisions of the Part, be met from aid funds provided it is placed with an insurance company carrying on business in the United Kingdom and payment is made in the United Kingdom in sterling.

2. If the foregoing proposals are acceptable to the Government of the Republic of Indonesia, I have the honour to suggest that the present Note and its Annexes, together with Your Excellency's reply in that sense, shall constitute an Agreement between the two Governments which shall enter into force on the date of your reply and shall be known as the United Kingdom/Indonesia Loan No. 2, 1973 Agreement.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

W. I. COMBS

ANNEX A

The Manager,

..... Bank Ltd.,

Bank Indonesia.

Dear Sirs,

United Kingdom/Indonesia Loan (No. 2) 1973

Provision of Goods and Services from the United Kingdom

I confirm your appointment as agents of the Central Bank of Indonesia (Bank Indonesia) on behalf of the Government of Indonesia (hereinafter called "the Government") in connection with the administration of a portion amounting to £ of the above-mentioned loan which is for the sum not exceeding £ (amount in words).

2. I have to request you on behalf of the Government to open an account in the name of Bank Indonesia, to be styled United Kingdom/Indonesia (No. 2) D.K. Loan 1973 Account (hereinafter called "the Account").

3. Four blank copies of either a Contract Certificate and of a Payment Certificate in the form marked Annex C and Annex D respectively attached hereto, or of a Contract Certificate only in the form marked Annex C (Chemicals) also attached hereto, will be attached by you to each irrevocable Letter of Credit opened or advised by you in respect of Contracts which the Government desire to be financed from the loan. It will be a condition of each Letter of Credit that on receipt the beneficiary must complete and return to you urgently three copies of the Contract Certificate and where possible two copies of the relative Contract. You will retain one copy of each document and submit the remainder on behalf of the Government, to the Crown Agents for Oversea Governments and Administrations, 4, Millbank, London, SW1P 3JD —N4 Department (hereinafter called "the Crown Agents"), where it is not possible for the beneficiary to supply copies of the relative Contract a copy of the Letter of Credit in lieu should be attached to the documents submitted to the Crown Agents who will inform you in the form marked Annex C (i) attached hereto whether and to what extent a Contract is eligible for payment from the loan.

4. Any amendment necessary to a contract, which affects the details of the relevant Contract Certificate, after the contract has been accepted in whole or in part by the Crown Agents acting on behalf of the Government of the United Kingdom for financing from the loan, must be notified to the Crown Agents. The beneficiaries will accordingly be required to complete and submit three copies of a fresh Contract Certificate, and, together with a copy of the relative amendment, you will proceed in accordance with paragraph 3 above.

5. Payments into the Account will be arranged from time to time by the Crown Agents on receipt by them of requests in the form marked Annex B attached hereto and which you are authorised to present on behalf of the Government. The amount of the loan to be drawn on any one occasion will be sufficient, together with any balance which may be available in the Account, to cover the total payments made or about to be made under the contracts referred to in paragraph 3 above. It is possible that, as a result of refunds becoming due from contractors, payments into the account will also be made by the Government itself.

6. Payments from the Account are to be made from time to time only in accordance with a Letter of Credit which has been marked () for the purpose of establishing that recovery is to be effected from the Account and in respect of which you have received the relevant documents, including—

- (a) A Contract Certificate in accordance with the procedure described in paragraph 3 above
- and

(b) either a Payment Certificate in the form marked Annex D attached hereto, duly signed by the supplier and the invoices referred to therein or the invoices only in respect of contracts for the purchase of chemicals and allied products.

7. The amount of payments under paragraph 6 above will not exceed the amount specified in the notification in the form marked Annex C (i) supplied to you by the Crown Agents in relation to the contract that is the subject of the letter of credit. Any balance required to meet the full value of the letter of credit will be met from a separate account of the Government. You will send to the Crown Agents for their retention the Payment Certificate (where applicable) and invoices mentioned in paragraph 6 (b) immediately the payments to which they relate have been made.

8. The charges and commissions due to you in respect of your services as the agent of the Government in the administration of this loan and the sterling bank charges payable in the United Kingdom in respect of letters of credit referred to above shall be borne by the Government and shall not be chargeable to the Account.

9. You will send to the Crown Agents and to Bank Indonesia Head Office, Jakarta, at the end of each month a detailed statement showing all debits and credits to the Account during the month. A copy of the statement should be forwarded to the Representative's Office of Bank Indonesia for Europe in London.

10. You will send to the Government of the United Kingdom with copies to the Crown Agents and to Bank Indonesia specimen signatures of the officers of the Bank authorised to sign, as Agent of the Central Bank of Indonesia on behalf of the Government, Requests for Drawings in the form marked Annex B attached hereto.

11. A copy of this letter has been addressed to the Government of the United Kingdom and to the Crown Agents.

Yours faithfully,

ANNEX B

United Kingdom/Indonesia Loan (No. 2) 1973

REQUEST FOR DRAWING

Sums amounting to £ _____ are expected to fall due within the next two weeks (approximately) under contracts accepted by you under the terms of the above-mentioned loan.

The amount available in the Account to meet the above payments is £ _____ and a further payment into the Account of £ _____ is hereby requested.

The sum of £ _____ now requested shall on payment into the Account constitute a drawing on the loan.

Date.....

Signed on behalf of the Government
of the Republic of Indonesia

.....

To: Crown Agents for Oversea Governments
and Administrations

N4 Department

4 Millbank,

London, SW1P 3JD

ANNEX C

United Kingdom/Indonesia Loan (No. 2) 1973

Acceptance No.....

CONTRACT CERTIFICATE

(For chemicals and allied products use alternative "Certificate" overleaf)

Particulars of Contract

1. Date of Contract..... 2. Contract No.....
3. Description of goods or services to be supplied to the purchaser.....
.....
.....

If a number of items are to be supplied, a detailed list should be appended to this certificate.

4. Total contract price payable by purchaser (state CIF, C & F or FOB)
£.....

IF GOODS ARE TO BE SUPPLIED THE FOLLOWING SECTIONS MUST BE COMPLETED. If the contractor is exporting agent only, the information requested should be obtained from manufacturer.

5. Estimated % of the FOB value of the goods *not* originating in the United Kingdom, but purchased by the contractor directly from abroad, *i.e.* % of imported raw material or components used to manufacture:

- (a) % FOB value.....
(b) Description of items and brief specifications.....

6. If any raw material or components used originated from abroad, *e.g.* copper, asbestos, cotton, wood pulp, etc., but have been purchased in the United Kingdom by the contractor for this contract, specify:

- (a) % FOB value.....
(b) Description of items and brief specifications.....

IF SERVICES ARE TO BE SUPPLIED, THE FOLLOWING SECTION SHOULD ALSO BE COMPLETED

7. State the estimated value of any work to be done or services performed in the purchaser's country by:

- (a) Your firm (site engineer's charges, etc.).....
(b) Local contractor.....

8. Qualifying remarks as necessary in respect of paragraph 5, 6 or 7 above
.....

9. I hereby declare that I am employed in the United Kingdom by the Contractor named below and have the authority to sign this certificate. I hereby undertake that in performance of the contract no goods or services which are not of United Kingdom origin will be supplied by the Contractor other than those specified in paragraphs 5, 6, 7 and 8 above.

Note: For the purpose of this declaration the United Kingdom includes the Channel Islands and the Isle of Man.

Signed
 Position held
 Name and Address of Contractor
 Date

Contractors should note that goods should not be manufactured until acceptance has been notified.

FOR OFFICIAL USE ONLY				PAYMENTS			
Name or number of Project.....							
Amount committed	Date of entry	Acceptance		Date	Amount	PA No.	Initials
		Date	Initials				
£							

ANNEX C (CHEMICALS)

United Kingdom/Indonesia Loan (No. 2) 1973

CONTRACT CERTIFICATE FOR CHEMICAL AND ALLIED PRODUCTS ONLY

1. Date of Contract..... Contract No.....
Project Title (if appropriate).....

2. Description of Product(s) to be supplied to Purchaser (Note A)	Price £	United Kingdom Tariff Classification No. (Note B)	Is the product of United Kingdom origin? (See Note C) State "Yes" or "No"
.....
.....
.....

3. Total (estimated) Contract Price payable by Purchaser in Sterling—£

4. (Declaration). I hereby declare that I am employed in the United Kingdom by the contractor named below and have the authority to sign this certificate, and that the above information is correct.

Signed

Position held

Name and Address of Contractor

Date

NOTES

- A. This form is only to be used for chemical and allied products, most of which are covered by the appropriate sub-headings of Chapters 15, 25, 28-35, and 37-40 of the U.K. Tariff.
- B. See:
(i) H.M. Customs and Excise Tariff H.M.S.O.
(ii) Classification of Chemicals in Brussels Nomenclature H.M.S.O.
- C. (i) A product is regarded as "U.K. origin" if made *either* wholly from indigenous U.K. materials *or* according to the appropriate EFTA qualifying process using imported materials wholly or in part.
(ii) The EFTA qualifying processes are set out in Schedule 1 of the "EFTA Compendium for Use of Exporters", H.M.S.O.
(iii) For the purposes of this declaration it is to be emphasised that the "alternative percentage criterion" DOES NOT APPLY.
(iv) The words "Area Origin" where they appear in the above Schedule must be taken to mean "U.K. origin" only.
(v) For the purpose of this declaration, the "Basic Materials List" (Schedule III of the EFTA Compendium) does not apply.
(vi) If a qualifying process is not listed for the material in question, advice should be sought from N4 Department, Crown Agents for Oversea Governments and Administration, 4 Millbank, London, SW1P 3JD.
- D. For the purpose of this declaration the U.K. includes the Channel Islands and the Isle of Man.

ANNEX C (i)

United Kingdom/Indonesia Loan (No. 2) 1973

N4/

To: The Manager,

..... Bank Ltd.,
London.

We are pleased to inform you that we accept

We regret to inform you that we cannot accept the Contract particulars of which are set out in the copy certificate attached hereto, as eligible for payment from the above-mentioned loan to the extent of £

Would you please ensure that the above Crown Agents Contract number is quoted on all payments documents and correspondence relating to this contract.

Date.....

Signed on behalf of the Government
of the United Kingdom

ANNEX D

Crown Agents Reqn. No.

Suppliers Contract Ref.

United Kingdom/Indonesia Loan (No. 2) 1973

PAYMENT CERTIFICATE

I hereby certify that:

- (i) The payments referred to in the invoices listed below, which or copies of which accompany this payment certificate, fall due and are due to be made in respect of Contract No. dated between the contractor named below and (Purchaser) and are in accordance with particulars of this contract notified in the contract certificates signed on behalf of the said contractor on

Contractor's Invoice No.	Date	Amount £	Short description of goods, works and/or services

- (ii) The amounts specified in paragraph (i) do not include any additional foreign content to that already declared in paragraphs 5, 6, or 7 of the contract certificate.

- (iii) I have the authority to sign this certificate on behalf of the Contractor named below:

Signed

Position held

For and on behalf of

Name and Address of Contractor

.....

Date

Note: For the purpose of this declaration the United Kingdom includes the Channel Islands and the Isle of Man.

No. 2

*The Minister for Foreign Affairs of the Republic of Indonesia to
Her Majesty's Ambassador at Jakarta*

Jakarta,

Your Excellency,

20 December 1973.

I have the honour to acknowledge receipt of your Note dated December 20, 1973 which reads as follows:

[As in No. 1]

In reply to the above, I have the honour to inform Your Excellency that the above proposals are acceptable to the Government of the Republic of Indonesia, who therefore agree that Your Excellency's Note and this reply, together with the Annexes thereto, shall institute an Agreement between the two Governments in this matter which shall enter into force on the date of this reply and shall be known as the United Kingdom/Indonesia (DK) Loan Agreement (No. 2) 1973.

Please accept, Your Excellency, the assurances of my highest consideration.

ADAM MALIK

[Annexes as in No. 1]

No. 3

*Her Majesty's Ambassador at Jakarta to the Minister for Foreign Affairs
of the Republic of Indonesia*

British Embassy,

Jakarta.

Your Excellency,

20 December 1973.

I have the honour to refer to the Agreement concluded today between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Indonesia and to inform you that with reference to part B sub-paragraph 3 (b) all items listed under category "D" in the Appendices of the Decree of the Minister of Trade of the Republic of Indonesia Number 334/KP/X/1971 dated October 29 1971, with the exception of those items listed below, shall be eligible for financing under United Kingdom Loan (No. 2) 1973. The exceptions are those items covered by tariff No. 113, 114, 115, 116, 117, 159, 186, 187, 352 V, 356 VI, 360 VI, 411, 920 and 921.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

W. I. COMBS

No. 4

*The Minister for Foreign Affairs of the Republic of Indonesia to
Her Majesty's Ambassador at Jakarta*

Jakarta, December 20, 1973.

Your Excellency,

I have the honour to acknowledge receipt of your Note dated December 20, 1973, which reads as follows:

[As in No. 3]

I have the honour to inform Your Excellency that the above proposal is acceptable to the Government of Indonesia.

Please accept, Your Excellency, the assurances of my highest consideration.

ADAM MALIK