



Treaty Series No. 41 (1970)

# 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 (No. 1) Loan, 1970—  
Crumb Rubber Plant Project)

Djakarta, 13 March 1970

[The Agreement entered into force on 13 March 1970]

*Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
July 1970*

LONDON

HER MAJESTY'S STATIONERY OFFICE

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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 Djakarta to the Minister for  
Foreign Affairs of Indonesia*

*British Embassy,  
Djakarta.*

*13 March, 1970.*

Your Excellency,

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 Your Excellency 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 parts A, B and C 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 £400,000 (Four hundred thousand pounds sterling) towards the cost of financing at selected Government-owned rubber estates (known as PNPs) the procurement of equipment and its erection to form crumb rubber manufacturing plants together with the provision of ancillary services in connection therewith (hereinafter called "the project"), subject to the conditions and agreements set out in the following paragraphs of this Note.
- B. (1) The Government of the United Kingdom shall adopt the arrangements and procedures described in the following paragraphs of this Note in so far 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 in so far as they relate to things to be done by or on behalf of that Government.
- B. (2) (a) In connection with the project the Government of the Republic of Indonesia shall permit detailed implementation studies for each selected estate in order to optimise the location and design of the equipment and the general implementation of the project and agrees that these will be undertaken by Guthrie Estates Limited and an independent consultant appointed by the Government of the United Kingdom, in close association with the PNP managements concerned. The recommendations contained in these studies, which will include strategy for the consolidation of existing facilities at the

selected estates, the provision of standby equipment and the processing of the low quality output and of all supplies in excess of the capacities of the new plant, shall be accepted by the Government of Indonesia as integral to the project.

- (b) The Government of Indonesia shall either provide or ensure provision in respect of the project of such additional rupiah finance as may be needed as and when required to enable the project or ancillary matters relating to it to be carried out, including finance of all identifiable local costs, either arising from the erection and operation of the factories or the implementation studies in connection therewith, or in the training of staff.
- (c) The Government of Indonesia shall either construct or ensure the construction of such structures, buildings and ancillary warehouses as may be necessary to house and operate the equipment supplied, or as may be necessary for the due execution and completion of the project, and will make such arrangements as are necessary for the provision of labour, raw materials and other inputs, power, water and other essential services in connection therewith.
- (d) The Government of Indonesia shall ensure that the Indonesian authorities responsible for the selected estates will accept training facilities to be supplied locally or elsewhere abroad by Guthrie Estates Limited for selected operators in the new factories.
- (e) The Government of Indonesia agrees to permit an extended commissioning period to be undertaken, the length of which will be determined by mutual agreement, during which time the factory and plant would remain the responsibility of Guthrie Estates Ltd. or their agents, and that thereafter the Indonesian authorities will execute a contract with Messrs. Guthrie Estates Limited for regular visits by the latter's engineers to ensure the continued satisfactory operation of the plants and output.
- (f) The Government of Indonesia agrees to provide data and progress reports from time to time, during the course of and on the completion of the project, which may be required by the Government of the United Kingdom for evaluation purposes. The Government of Indonesia also agrees to permit visits by representatives of the Government of the United Kingdom during the construction of factories and the installation of equipment, and thereafter at all reasonable times during the continuance of the project.
- (g) The Government of Indonesia shall ensure that funds provided under this loan by the Government of the United Kingdom, together with such local cost funds, if any, as are derived from the Indonesian Development Budget for use in support of the project, will be on-lent to the PNP management concerned on terms acceptable to the Government of the United Kingdom.

- C. (1) (a) For the purposes of these arrangements the Government of Indonesia shall, by a request in the form set out in Annex A to this Note, open a special account (hereinafter referred to as "the Account") with the Crown Agents for Oversea Governments and Administrations of 4, Millbank, London, SW1 (hereinafter referred to as "the Crown Agents"). The Account shall be operated solely for the purposes of the loan and in accordance with the instructions contained in the said request.
- (b) As soon as the Account is 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 with a copy of the Government's instructions to the Crown Agents given in accordance with the foregoing provisions of this paragraph. The Government of Indonesia or the Crown Agents on their behalf shall at the same time and so often as any change is made therein, notify the Government of the United Kingdom of the names of the officers who are duly authorised to sign on its behalf the Payment Authorities and Requests for Drawing hereinafter provided and shall furnish a specimen signature in duplicate of each such officer.
- (c) The Government of Indonesia shall ensure that the Crown Agents forward monthly to the Government of the United Kingdom a statement of receipts to and payments from the Account.
- (d) Unless the Government of the United Kingdom otherwise agree, payments into the Account shall not be made after the 30th September 1970.
- (2) 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 for payments under a contract 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 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, or for work to be done or for services to be rendered by persons ordinarily resident or carrying on business in the United Kingdom or for two or more of such purposes, being a contract which:
- (a) provides for payment in sterling to persons carrying on business in the United Kingdom; and
- (b) is approved on behalf of the Government of Indonesia and accepted by the Government of the United Kingdom for financing from the loan; and
- (c) is a contract entered into after the date of this Note and before the 30th June 1970.

- (3) (a) Where the Government of Indonesia proposes that part of the loan shall be applied to a contract, that Government or the Crown Agents on their behalf shall ensure that there are forwarded at the earliest opportunity to the Government of the United Kingdom:
- (i) a copy of the contract, or of a notification thereof in the form set out in Annex B to this Note; and
  - (ii) two copies of a certificate from the contractor concerned in the United Kingdom in the form set out in Annex C or Annex C (Chemicals) (whichever is appropriate) to this Note.
- (b) The Government of Indonesia or the Crown Agents on their behalf shall ensure that the Government of the United Kingdom is informed if at any time a contract (being a contract in respect of which documents have been forwarded 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 relevant documents so forwarded; and in any of these cases the Government of Indonesia shall or the Crown Agents acting on their behalf ensure that there are forwarded as soon as possible to the Government of the United Kingdom the relevant supplementary or revised documents.
- (4) (a) After the Government of the United Kingdom has considered the documents forwarded, in respect of any contract in pursuance of the procedure described in the foregoing provisions of this Note, and any additional information which it may request from the Government of Indonesia or the Crown Agents for this purpose (and which that Government or the Crown Agents shall then supply), the Government of the United Kingdom shall notify that Government or the Crown Agents in the form set out in Annex C (i) to this Note whether and to what extent it accepts that a contract is eligible for payment from the loan.
- (b) To the extent that the Government of the United Kingdom so accepts a contract and agrees to payment from the Account, it shall, on receipt of a request from the Crown Agents on behalf of the Government of Indonesia, in the form set out in Annex C (ii) to this Note, giving details of the payment due and about to be made, make payments in sterling into the Account and each such payment shall constitute a drawing on the loan.
- (5) For payments due under a contract to which paragraph (2) refers, withdrawals from the Account shall be made in accordance with Payment Authorities in the form shown in Annex D hereto duly signed on behalf of the Government of Indonesia and countersigned by the Government of the United Kingdom. Each Payment Authority shall be forwarded in duplicate to the Government of the United Kingdom for countersignature and shall be accompanied by:

- (i) Payment Certificates from the Contractors concerned in the form shown in Annex E hereto and the invoices referred to therein, for retention by the Government of the United Kingdom, or
- (ii) the invoices only (for retention by the Government of the United Kingdom) relating to the contracts in respect of which a contract certificate in the form shown in Annex C (Chemicals) hereto has been provided.
- (6) If any monies that have been paid out of the Account are subsequently refunded either by the Contractor or by a guarantor the Government of Indonesia shall, so long as there are payments to be made from the Account, pay an equivalent of such sums into the Account and, in any other case, apply the refunds to the reduction of the loan.
- (7) 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 paid:

#### INSTALMENTS

<i>Date Due</i>	<i>Amount</i>
15th August 1977 and on 15th August in each of the succeeding 17 years	£11,250
15th February 1978 and on 15th February in each of the succeeding 16 years ... ..	£11,250
15th February 1995 ... ..	£6,250

- (8) Notwithstanding the provisions of paragraph C(7) 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.

2. If the foregoing is acceptable to the Government of the Republic of Indonesia, I have the honour to propose that the present Note 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 the Agreement shall be referred to as the United Kingdom/Indonesia (No. 1) Loan, 1970-Crumb Rubber Plant Project.

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

H. C. HAINWORTH.

## ANNEX A

To: The Crown Agents for Oversea  
Governments and Administrations,  
4, Millbank,  
London, S.W.1.

Dear Sir,

### **United Kingdom/Indonesia (No. 1) Loan 1970 Crumb Rubber Plant Project**

I confirm your appointment as agents of the Government of the Republic of Indonesia (hereinafter called "the Government") in connection with the administration in the United Kingdom of the above mentioned loan which is for a sum not exceeding £400,000 (four hundred thousand pounds sterling).

2. I have to request you on behalf of the Government to open a Special Account in the name of the Government to be styled the United Kingdom/Indonesia (No. 1) Loan, 1970, Account (hereinafter called "the Account").

3. Payments into the Account will be made from time to time by Her Majesty's Government in the United Kingdom of Great Britain and Northern Ireland on receipt of requests in the forms shown in Annex C (ii) to the Agreement between H.B.M. Ambassador in Indonesia and the Government of the Republic of Indonesia dated [13 March] 1970 (a copy of which is attached hereto) and which you are authorised to present on behalf of the Government. 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.

4. Payment from the Account are to be made only in respect of the payments falling due under the contracts and transactions described in paragraph C (2) of the Agreement referred to above and on the authority, in the manner and subject to the conditions described in paragraph C (5) of the said Agreement.

5. You will supply the Government of the United Kingdom as soon as possible with a copy of any contract or notification of contract and of any amendment thereto as provided in paragraph C (3) of the said Agreement. The Government of the United Kingdom will inform you in writing whether and to what extent it agrees that payments can be made out of the Account in respect of such contracts. You will also supply the Government of the United Kingdom with any additional information that it may require to enable it to satisfy itself that payments due under a contract may properly be debited to the Account.

6. You are to send to the Government of the United Kingdom at the end of each month a detailed statement showing all debits and credits to the Account during the month.

7. You are to send to the Government of the United Kingdom with copies to the Government specimen signatures of the officers of the Crown Agents authorised to sign Payment Authorities and Requests for Drawing on behalf of the Government.

8. Specimen signatures of the officers authorised to countersign Payment Authorities on behalf of the Government of the United Kingdom will be sent to you direct.

9. Your charges and commissions for acting as our agents in connection with this loan shall be chargeable to the Account.

10. A copy of this letter has been sent to the Government of the United Kingdom.

Yours faithfully,

ANNEX B

United Kingdom/Indonesia (No. 1) Loan 1970

NOTIFICATION OF CONTRACT

To: The Government of the United Kingdom

Notification of Contract No.....

The following are details of a contract under which it is proposed that payment shall be made in accordance with the terms and conditions of the above loan.

- 1. Name and address of United Kingdom contractor:
- 2. Date of Contract:
- 3. Name of purchaser:
- 4. Short description of goods and/or works or services:
- 5. Value of Contract: £
- 6. Terms of Payment:

Signed on behalf of the Government of the Republic of Indonesia

.....  
Date.....

ANNEX C

United Kingdom/Indonesia (No. 1) Loan 1970

CONTRACT CERTIFICATE

*Particulars of Contract*

1. Date of Contract	Contract Number
---------------------	-----------------

	<i>United Kingdom Origin</i>	<i>Non-United Kingdom Origin</i>
2. Description of goods, works and services to be supplied to the Purchaser		

	<i>Sterling</i>	<i>Other Currency, if any</i>
3. Total/estimated/contract price payable by Purchaser		



4. Estimated amounts, if any, paid or to be paid by the Contractor in respect of goods or services of non-United Kingdom origin procured or to be procured for the purpose of the Contract
- In respect of non-United Kingdom goods and services
- (a) goods or materials
  - (b) work to be done or services performed in Buyer's country
  - (c) know-how
  - (d) plans, designs and technical documentation
  - (e) other services

5. I hereby declare that I am employed in the United Kingdom by the Contractor named below and I 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 paragraph 4 above.

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.

**ANNEX C (CHEMICALS)**

**United Kingdom/Indonesia (No. 1) Loan 1970**

**CONTRACT CERTIFICATE FOR CHEMICAL AND ALLIED PRODUCTS ONLY**

1. Date of Contract..... Contract Number.....

2. Description of Product(s) to be supplied to Purchaser <i>(Note A)</i>	Price £	United Kingdom Tariff Classification No. <i>(Note B)</i>	Is the product of United Kingdom origin? <i>(see Note C)</i> 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 United Kingdom Tariff.

B. See:

- (i) Her Majesty's 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 of "United Kingdom origin" if made either wholly from indigenous United Kingdom 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 I of the "EFTA Compendium for Use by Exporters", H.M.S.O.

(iii) For the purpose 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 "United Kingdom 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 Loans Administration Section, Finance Department, Ministry of Overseas Development, Eland House, Stag Place, London, S.W.1.

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

ANNEX C (i)

**United Kingdom/Indonesia (No. 1) Loan 1970**

To:

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 £

Date.....

Signed on the behalf of the Government  
of the United Kingdom

ANNEX C (ii)

United Kingdom/Indonesia (No. 1) Loan 1970

REQUEST FOR DRAWING

The following payments are expected to fall due under contracts accepted under the terms of the above-mentioned loan:---

Name and address of Beneficiary	Contract No.	Date payment is due	Amount £

The amount available in the Special 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: The Government of the United Kingdom

ANNEX D

United Kingdom/Indonesia (No. 1) Loan 1970

PAYMENT AUTHORITY

Crown Agents for Oversea  
Governments and Administrations,  
4, Millbank,  
London, S.W.1.

To: The Government of the United Kingdom

Serial No.

Dear Sir,

.....ACCOUNT

I have to request authority to pay and debit direct to the above-mentioned Account the amounts listed below:

Name and address of Contractor	Contractor	Amount £

Date.....

.....  
Signed on behalf of the Crown Agents  
for Oversea Governments and  
Administrations acting on behalf of the  
Government of the Republic of  
Indonesia

Date.....

.....  
Countersigned on behalf of the  
Government of the United Kingdom

No. 2

*The Minister for Foreign Affairs of Indonesia to Her Majesty's Ambassador  
at Djakarta*

*Djakarta.*

Your Excellency,

*13 March, 1970.*

I have the honour to acknowledge receipt of your Excellency's Note dated 13 March, 1970 which reads as follows:

[As in No.1]

In reply to the above, I have the honour to inform your Excellency that the foregoing is acceptable to the Government of the Republic of Indonesia and that your Excellency's Note and this reply shall be regarded as constituting an Agreement between the two Governments on this matter.

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

ADAM MALIK.

[Annexes as in No. 1]

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