



Treaty Series No. 55 (1971)

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) 1971)
(with supplementary Notes)

London, 5 May 1971

[The Agreement entered into force on 5 May 1971]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
August 1971*

LONDON

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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

*The Minister for Overseas Development, Foreign and Commonwealth Office, to
His Royal Highness the Sultan of Jogjakarta, State Minister for
Economic, Financial and Industrial Affairs of Indonesia*

*Foreign and Commonwealth Office,
Overseas Development Administration.*

Your Royal Highness,

5 May 1971.

1. 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 £4,000,000 (four 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 with a copy of the Government'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 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 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 31 March 1972.
- (3) 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 being goods that appear in Parts A and B of the import list made under Article 2 of the Department of Trade Regulations (No. 69/KP/IV/1970) (the Indonesian official list of goods for which payment by means of "Devisa Kredit" foreign exchange from foreign credits is authorised by the Government of Indonesia) 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 Government of the United Kingdom for financing from the loan; and
 - (iii) is entered into after the date of this Note and before 31 December 1971.
- (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 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 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 Government of the United Kingdom the relevant supplementary or revised documents.

- (5) (a) After 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), the Government of the United Kingdom shall notify the Banks in the form set out in Annex C (i) to this Note whether and to what extent they accept that a contract is eligible for payment from the loan.
- (b) To the extent that the Government of the United Kingdom 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, make 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 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 November 1978 and on the 1st of November in each of the succeeding 17 years	114,000
1 May 1979 and on the 1st of May in each of the succeeding 16 years	114,000
1 May 1996	10,000

- (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.

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 Royal Highness'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 Agreement (No. 2) 1971.

I have the honour to be with the
highest consideration and respect
Your Royal Highness's obedient Servant,

RICHARD WOOD

ANNEX A

The Manager,

Bank Indonesia

..... Bank Ltd.,

Dear Sirs,

**United Kingdom/Indonesia Loan (No. 2) 1971
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 £4,000,000 (four million pounds sterling).

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 1971 Account (hereinafter called "the Account").

3. Five 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 in the form marked Annex C (Chemicals) also attached hereto, will be attached by the advising bank (*i.e.*, the London bank which is requested to advise the relative letter of credit) to each irrevocable letter of credit opened or advised 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 the advising bank urgently four copies of the Contract Certificate. The advising bank will forward to you three copies of the completed Contract Certificate and two copies of the contract (or of the letter of credit in lieu) and you will retain one copy of each document and submit the remainder on behalf of the Government, to the Government of the United Kingdom who will inform you in the form marked Annex C (i) attached hereto whether and to what extent it accepts that 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 Government of the United Kingdom for financing from the loan, must be notified to the Government of the United Kingdom. The advising bank will accordingly be required to submit to you three copies of a fresh Contract Certificate duly signed by the supplier together with two copies of the proposed amendment and action will then proceed in paragraph 3 above.

5. Payments into the Account will be made from time to time by the Government of the United Kingdom 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 to make reimbursement to any bank in the United Kingdom in respect of payments made 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 reimbursement 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 Government of the United Kingdom 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 Government of the United Kingdom for their retention the Payment Certificate (where applicable) and invoices mentioned in paragraph 6 (b) immediately the reimbursements 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 Government of the United Kingdom and to Bank Indonesia Head Office, Djakarta, 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 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.

Yours faithfully,

ANNEX B

United Kingdom/Indonesia Loan (No. 2) 1971

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.

Signed on behalf of the Government of
the Republic of Indonesia

Date

ANNEX C

Reqn. No.:

Acceptance No.....

United Kingdom/Indonesia Loan (No. 2) 1971

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.

Signed

Position held

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.

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)

Reqn. No.:

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	U.K. Tariff Classification No. (Note B)	Is the product of U.K. 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 :
- H.M. Customs and Excise Tariff H.M.S.O.
 - 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.
- The EFTA qualifying processes are set out in Schedule I of the ' EFTA Compendium for Use of Exporters ', H.M.S.O.
 - For the purposes of this declaration it is to be emphasised that the ' alternative percentage criterion ' DOES NOT APPLY.
 - The words ' Area Origin ' where they appear in the above Schedule must be taken to mean ' U.K. Origin ' only.
 - For the purposes of this declaration, the ' Basic Materials List ' (Schedule III of the EFTA Compendium) does not apply.
 - If a qualifying process is not listed for the material in question, advice should be sought from CS4 Department, Crown Agents for Oversea Governments and Administrations, 4 Millbank, London, S.W.1.
- 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) 1971

ODA Contract No.:

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 ODA Contract number is quoted on all
payment 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) 1971

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 certificate 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

His Royal Highness the Sultan of Jogjakarta, State Minister for Economic, Financial and Industrial Affairs of Indonesia, to the Minister for Overseas Development, Foreign and Commonwealth Office

*Indonesian Embassy,
London.*

Sir,

5 May 1971.

I have the honour to acknowledge receipt of your Note dated 5 May 1971, which reads as follows:

[As in No. 1]

In reply, I have the honour to inform you that the above proposals are acceptable to the Government of the Republic of Indonesia, who therefore agree that your Note and this reply, together with the Annexes thereto, shall constitute 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 Loan Agreement (No. 2) 1971.

Please accept, Sir, the assurances of my highest consideration.

H. BUWONO
*Hamengku Buwono IX
Sultan of Jogjakarta, State Minister
for Economic, Financial and
Industrial Affairs.*

[Annexes as in No. 1]

No. 3

The Minister for Overseas Development, Foreign and Commonwealth Office, to His Royal Highness the Sultan of Jogjakarta, State Minister for Economic, Financial and Industrial Affairs of Indonesia

*Foreign and Commonwealth Office,
Overseas Development Administration.*

Your Royal Highness,

5 May 1971.

1. I have the honour to refer to the Agreement on development aid concluded today between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Indonesia (United Kingdom/Indonesia Loan Agreement (No. 2) 1971).

2. In discussions on the Agreement the question of shipping charges and insurance charges on goods imported with the aid was raised. As this is not covered specifically in the Agreement, the position is set out below for further clarification and to enable your Government to inform importers and Banks.

Shipping

3. Goods should 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 be met from aid funds and the flag of the vessel is immaterial.

Insurance

4. On a cif 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 insurance costs may 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.

I have the honour to be with the
highest consideration and respect
Your Royal Highness's obedient Servant,

RICHARD WOOD

No. 4

*His Royal Highness the Sultan of Jogjakarta, State Minister for Economic,
Financial and Industrial Affairs of Indonesia, to the Minister for
Overseas Development, Foreign and Commonwealth Office*

*Indonesian Embassy,
London.*

Sir,

5 May 1971.

I have the honour to acknowledge receipt of your Note dated 5 May 1971, reading as follows:

[As in No. 3]

I have the honour to inform you that the arrangement as set out above correctly stated the position on these matters.

Please accept, Sir, the assurances of my highest consideration.

H. BUWONO

*Hamengku Buwono IX
Sultan of Jogjakarta, State Minister
for Economic, Financial and
Industrial Affairs.*

No. 5

*The Minister for Overseas Development, Foreign and Commonwealth Office, to
His Royal Highness the Sultan of Jogjakarta, State Minister for
Economic, Financial and Industrial Affairs of Indonesia*

*Foreign and Commonwealth Office,
Overseas Development Administration.*

Your Royal Highness,

5 May 1971.

I have the honour to refer to the Agreement on Development Aid concluded today between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Indonesia (United Kingdom/Indonesia Loan Agreement (No. 2) 1971).

2. In order to simplify the administration of the loan provided for under the terms of the Agreement, it has been agreed that 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.

I have the honour to be with the
highest consideration and respect
Your Royal Highness's obedient Servant,

RICHARD WOOD

No. 6

*His Royal Highness the Sultan of Jogjakarta, State Minister for Economic,
Financial and Industrial Affairs of Indonesia to the Minister for
Overseas Development, Foreign and Commonwealth Office*

*Indonesian Embassy,
London.*

Sir,

5 May 1971.

I have the honour to acknowledge receipt of your Note dated 5 May 1971, reading as follows:

[As in No. 5]

Please accept, Sir, the assurances of my highest consideration.

H. BUWONO
*Hamengku Buwono IX,
Sultan of Jogjakarta, State Minister
for Economic, Financial and
Industrial Affairs.*

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