



Treaty Series No. 5 (2002)

Exchange of Notes

between the Government of the
United Kingdom of Great Britain and Northern Ireland
and the Government of the Republic of Indonesia

concerning Certain Commercial Debts (The United Kingdom/Indonesia Debt Agreement No. 3 (2000))

Jakarta, 10 September and 29 October 2001

[The Agreement entered into force on 29 October 2001]

*Presented to Parliament
by the Secretary of State for Foreign and Commonwealth Affairs
by Command of Her Majesty
January 2002*

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**EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE UNITED
KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE
GOVERNMENT OF THE REPUBLIC OF INDONESIA CONCERNING CERTAIN
COMMERCIAL DEBTS (THE UNITED KINGDOM/INDONESIA DEBT
AGREEMENT NO. 3 (2000))**

No. 1

*The British Ambassador at Jakarta to the Minister of Finance of the Republic of
Indonesia*

*British Embassy
Jakarta
10 September 2001*

Your Excellency

I have the honour to refer to the Memorandum of Understanding on the Consolidation of the Debt of the Republic of Indonesia which was signed in Paris on 13 April 2000, and to inform Your Excellency that the Government of the United Kingdom of Great Britain and Northern Ireland is prepared to provide debt relief to the Government of the Republic of Indonesia on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Republic of Indonesia I have the honour to propose that this Note together with its Annex, and your reply to that effect, shall constitute an Agreement between our two Governments in this matter which shall be known as ‘The United Kingdom/Indonesia Debt Agreement No3 (2000)’ and which shall enter into force on the date of your reply.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

RICHARD GOZNEY

ANNEX

SECTION 1

Definitions and Interpretation

1. In this Annex, unless the contrary intention appears:
 - (a) “Appropriate Market Rate” means the Reference Rate, plus 0.5 per cent;
 - (b) “Business Day” means a day on which dealings are carried on in the London interbank market and (if payment is required to be made on such day) on which banks are open for domestic and foreign exchange business in London in the case of sterling and in both London and New York City in the case of US dollars;
 - (c) “the Consolidation Period” means the period from 1 April 2000 to 31 March 2002 inclusive;
 - (d) “Contract” means a contract, including any agreement supplemental thereto, entered into before 1 July 1997, the parties to which include the Debtor and a Creditor and which either was for the sale of goods and/or services from outside Indonesia to a buyer in Indonesia, or was for the financing of such a sale, and which in either case granted or allowed credit to the Debtor for a period exceeding one year;
 - (e) “Creditor” means a person or body of persons or corporation resident or carrying on business in the United Kingdom, the Channel Islands or the Isle of Man, or any successor in title thereto;
 - (f) “Currency of the Debt” means the currency specified in the relevant Contract as being the currency in which that Debt is to be paid;

- (g) “Debt” means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
- (h) “Debtor” means the Government of Indonesia whether as primary debtor or as guarantor;
- (i) “the Department” means the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that Government may subsequently nominate for the purpose hereof;
- (j) “Indonesia” means the Republic of Indonesia;
- (k) “Maturity” in relation to a Debt specified in Section 2(1) means the due date for the payment or repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto;
- (l) “the Memorandum of Understanding” means the Memorandum of Understanding on the Consolidation of Debt of the Republic of Indonesia due to Official Creditors which was signed in Paris on 13 April 2000;
- (m) “the Ministry” means the Ministry of Finance of the Government of Indonesia;
- (n) “Reference Rate” means the rate (rounded upwards where necessary to the nearest multiple of 1/16 (one sixteenth) of one percent) quoted by the Reuters Monitor Money Rate Service (International Swap Dealers Association Interbank Rate from London) (page reference “ISDA”) as the rate at which six-month eurodollar deposits, in the case of a Debt denominated in US dollars, or six-month sterling deposits, in the case of a Debt denominated in sterling, are offered in the London Interbank Market at 11am (London time) two Business Days before the commencement of the relevant interest period in the case of US Dollars, or 11am (London time) on the first day of the relevant interest period in the case of sterling. If the first day of a relevant interest period is a non-Business Day the sterling rate to be used will be that applying on the nearest Business Day prior to the start of the relevant interest period. If the Reuters Monitor Money Rate Services are unavailable at that time on such dates, the rate to be used will be the rate (rounded upwards where necessary to the nearest multiple of 1/16 (one sixteenth) of one percent) quoted to the Department by a bank to be agreed by the Department and the Ministry, as the rate at which that bank is offering six-month eurodollar deposits or six-month sterling deposits as the case may be;
- (o) “the Second Agreement” means the Agreement between the Government of the United Kingdom and the Government of Indonesia signed on 5 April 2000¹;
- (p) “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland.

2. All interest payable pursuant to this Annex shall be calculated on the basis of actual days elapsed and a year of 360 days, in the case of Debts denominated in US dollars, and 365 days, in the case of Debts denominated in sterling.

3. Where the context of this Annex so allows, words importing the singular include the plural and vice versa.

4. Unless otherwise indicated, reference to a specified Section shall be construed as reference to that Section of this Annex.

5. The headings to the Sections are for ease of reference only.

¹Treaty Series No. 94 (2000) Cm 4810.

SECTION 2

The Debt

1. The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section and Article IV paragraphs 3 and 4 of the Memorandum of Understanding, apply to any amount of principal accruing up to Maturity, which is owed by the Debtor to a Creditor and:

- (i) arises under or in relation to a Contract;
- (ii) is guaranteed by the Department as to payment according to the terms of the Contract;
- (iii) is not expressed by the terms of the Contract to be payable in the lawful currency of Indonesia;
- ¹(v) is not an amount payable under the Second Agreement;
- (vi) is not due under a lease rental contract;
- (vii) has fallen due or will fall due for payment during the Consolidation Period and remains unpaid.

2. The Department and the Ministry shall, as soon as possible, agree and draw up a list of Debts (“the Debt List”) to which this Annex shall apply. The Debt List may be reviewed from time to time at the request of the Department or of the Ministry but may not be added to or amended without the agreement of both the Department and the Ministry. Delay in the completion for the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

SECTION 3

Payment of Debt

The Government of Indonesia shall pay to the Department, in accordance with the provisions of Section 5(1) each Debt specified in Section 2 on the following dates and in the following percentages:

<i>Repayment Date</i>	<i>Percentage to be Repaid</i>
1 December 2004	1.13
1 June 2005	1.24
1 December 2005	1.37
1 June 2006	1.50
1 December 2006	1.65
1 June 2007	1.82
1 December 2007	2.00
1 June 2008	2.20
1 December 2008	2.42
1 June 2009	2.66
1 December 2009	2.95
1 June 2010	3.20
1 December 2010	3.55
1 June 2011	3.90
1 December 2011	4.30
1 June 2012	4.72
1 December 2012	5.20
1 June 2013	5.70
1 December 2013	6.30
1 June 2014	6.90
1 December 2014	7.60
1 June 2015	8.36
1 December 2015	9.20
1 June 2016	10.13

¹There is no sub-paragraph (iv).

SECTION 4

Interest

1. Interest on the balance of each Debt shall be deemed to have accrued and shall accrue during, and shall be payable in respect of, the period from Maturity until the settlement of that Debt by payment to the Department.
2. The Government of Indonesia shall pay to the Department interest on each Debt in accordance with the provisions of Section 5(1) to the extent that such Debt has not been settled by payment to the Department. Such interest shall be paid to the Department half-yearly on 1 June and 1 December (the "Due Dates") each year commencing on 1st December 2001.
3. If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the Due Date for payment thereof, the Government of Indonesia shall pay to the Department interest on such amount of overdue interest. Such additional interest shall accrue from day to day from the Due Date for payment thereof in accordance with the provisions of paragraph (2) of this Section to the date of receipt of the payment by the Department, and shall be due without further notice or demand.
4. All interest payable in accordance with the provisions of this Section shall be paid at the Appropriate Market Rate applicable to each half-yearly interest period commencing with the half-yearly interest period within which the Maturity of the Debt concerned occurs.

SECTION 5

Payments to the Department

1. When payment becomes due under the terms of Section 3 or 4, the Ministry shall arrange for the necessary amount, without deduction of taxes, fees, other public charges or any other costs incurred outside the United Kingdom, to be paid in the Currency of the Debt to an account notified by the Department to the Ministry.
2. If the day on which such a payment falls due is not a Business Day payment shall be made on the next succeeding Business Day.
3. The Ministry shall give the Department full particulars of the Debts and/or interest to which the payments relate.

SECTION 6

Exchange of Information

The Department and the Ministry shall exchange all information required for the implementation of this Annex.

SECTION 7

Other Debt Settlements

1. The Government of Indonesia undertakes to fulfil its commitments under Article III of the Memorandum of Understanding and agrees to accord to the Government of the United Kingdom terms no less favourable than those agreed with any other creditor, notwithstanding any provision of this Annex to the contrary.
2. The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of interest determined by Section 4.

SECTION 8

Preservation of Rights and Obligations

This Annex and its implementation shall not affect the rights or obligations of any Creditor or Debtor under a Contract other than those rights and obligations in respect of which the Government of the United Kingdom and the Government of Indonesia are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

SECTION 9

Debt Swaps Option

The Department shall give prior notification to the Government of Indonesia if it wishes to exercise the option given in Article II Paragraph 4 of the Memorandum of Understanding to sell or exchange debt. This option may only be implemented with the consent of the Government of Indonesia and will only be exercised on condition that the Debt sold is exchanged or discharged in Indonesia.

SECTION 10

Conditionality

Unless the Department otherwise agrees, the conditions of Article IV paragraphs 3 and 4 of the Memorandum of Understanding shall apply to this Annex. If this Annex ceases to apply because any of these conditions has not been fulfilled, all outstanding payments shall be due according to the original Contracts as if this Annex had never existed.

No. 2

The Minister of Finance of the Republic of Indonesia to the British Ambassador Jakarta

*Jakarta
29th October 2001*

Your Excellency

I have the honour to acknowledge receipt of Your Excellency's Note which reads as follows:

[As in No. 1]

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Republic of Indonesia, and that your Note together with its Annex, and this reply, shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Indonesia Debt Agreement No. 3 (2000)" and which shall enter into force today.

I have the honour to convey to Your Excellency the assurance of my highest consideration.

BOEDIONO