Amended and Restated Loan Agreement

(Village Innovation Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Originally dated January 22, 2013
Amended and restated on APRIL 06, 2017
AMENDED AND RESTATED LOAN AGREEMENT

AMENDED AND RESTATED LOAN AGREEMENT

AGREEMENT originally dated January 22, 2013, amended and restated on April 26, 2016, entered into between REPUBLIC OF INDONESIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank").

WHEREAS (A) under an agreement dated January 22, 2013 between the Borrower and the Bank ("Original Loan Agreement"), as amended on June 16, 2015, the Bank agreed to provide the Borrower with a loan in an amount of six hundred fifty million United States Dollars ($650,000,000), to assist in financing the project described in Schedule 1 to the Original Loan Agreement ("Original Project"); and

(B) the Borrower has requested the Bank to make specific amendments to the Original Project including changing the name of the project (originally titled “National Program for Community Empowerment in Rural Areas 2012-2015”) to Village Innovation Project.

NOW THEREFORE the Borrower and the Bank hereby agree to amend and restate the Original Loan Agreement, with effect as of the date of the countersignature of this Amended and Restated Financing Agreement ("Agreement"), as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of six hundred fifty million United States Dollars ($650,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than 60 days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.05. The Payment Dates are June 1 and December 1 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.

2.07. (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, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference 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 the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through the Ministry of Village, Development of Disadvantaged Regions, and Transmigration (MOV) in accordance with the provisions of Article V of the General Conditions.
3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of the Original Loan Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower’s Representative is the Minister of Finance.

5.02. The Borrower’s Address is:

Directorate General of Budget Financing and Risk Management
Ministry of Finance
Gedung Frans Seda
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710
Indonesia

Cable address: Facsimile:
FINMINISTRY45799 (21) 381 2859
Jakarta

5.03. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: Facsimile:
INTBAFRAD 1-202-477-6391
Washington, D.C.
AGreed at jakarta, Indonesia, as of the day and year first above written.

republic of Indonesia

By ________________
Authorized Representative

Name: Robert Pakpahan
Title: Director General, Budget
        Finance and Risk Management

international bank for
reconstruction and development

By ________________
Authorized Representative

Name: Rodrigo A. Choy
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve participating village capacity to develop quality village development and implementation plans.

The Project consists of the following parts:


(a) Provision of Village Innovation Grants to Beneficiaries to support the identification, documentation, dissemination and replication of innovations in the use of the village fiscal transfers to address village development problems, including: (i) planning for and preparation of knowledge exchange proposals; (ii) training and capacity building for Beneficiaries; and (iii) implementation of knowledge exchange activities; and

(b) provision of Village Innovation Incubation Grants to Beneficiaries to support piloting of new initiatives and innovations in select villages under Pilots or Special Programs.

Part 2: Village and Technical Capacity Building

Provision of technical assistance to:

(a) help identify, document, share and facilitate replication of village innovations as well as coordinate village capacity building activities at the district level;

(b) support local firms, NGOs as well as existing technical facilitator teams to become Technical Service Providers capable of addressing village demand for technical advice focusing on such themes as: village entrepreneurship, village infrastructure and basic social services; and

(c) support activities that aim to build and strengthen the capacity of village cadres, village officials and local government staff to collect, consolidate and use village non-financial data, with a particular focus on village economic activity, infrastructure, and basic health and education service needs, utilization and quality.

Part 3: Implementation Support and Technical Assistance

Provision of oversight, technical advisory services, training and other support for: (a) Project implementation at national, provincial and district levels; (b) strengthening the capacity of the Ministry of Village, Development of Disadvantaged Regions, and Transmigration, in particular the Directorate General for Village Community Development and Empowerment (PPMD); and, (c) formulation of policy and procedures governing the implementation of the Village Law at the national level.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. At the National level, the Borrower shall:

   (a) ensure that the Project shall be implemented under the overall framework of the Village Law;

   (b) designate PPMD to be responsible for the overall management and monitoring of the Project; and

   (c) except as the Bank and the Borrower may otherwise agree in writing, cause PPMD to:

      (i) maintain until the completion of the Project, the Program Secretariat, with a mandate, staff composition, filled staff positions and terms of reference acceptable to the Bank and the Borrower, to be responsible for improving general coordination, budgeting and Project implementation;

      (ii) ensure that the Program Secretariat shall be provided with adequate resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including legal, technical, procurement and financial management specialists; and

      (iii) ensure that the Project shall be supported by suitably qualified National Consultants to oversee Project facilitation and technical assistance in accordance with the Operations Manual, in each case with terms of reference satisfactory to Borrower and the Bank;

2. At the Regional level, the Borrower shall, except as the Borrower and the Bank may otherwise agree in writing, ensure that the Project is supported by Regional Management Consultants to oversee the quality of Project implementation in the Provinces assigned by PPMD to each respective regional grouping in accordance with the Operations Manual, and in each case with terms of reference satisfactory to the Bank.

3. At the Province level, the Borrower shall, except as the Bank and the Borrower may otherwise agree in writing:

   (a) cause to be established in each Province prior to the disbursement of any Village Innovation Grant or Village Innovation Incubation Grant in such Province, and thereafter maintained until the completion of the Project, a Provincial Satker, to be responsible for the day-to-day implementation of the Project at the Province-level, with a mandate, composition, filled staff positions and terms of reference

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acceptable to the Bank and the Borrower, through PPMD, and set out in the Operations Manual;

(b) ensure that each Provincial Satker shall be provided with adequate resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including, a Province-level Project Operation Officer, and Province-level Oversight Consultants under the supervision of the Regional Management Consultants responsible for the relevant Province;

(c) ensure that each Provincial Satker shall coordinate Project activities, as necessary, with provincial departments responsible for village development and community empowerment;

(d) ensure that the appointment letter (surat keputusan) for each Provincial Satker is issued in a timely manner early in each fiscal year of Project implementation.

4. At the District (Kabupaten) level, the Borrower shall, except as the Bank and the Borrower may otherwise agree in writing:

(a) cause to be established in each Project Kabupaten prior to the disbursement of any Village Innovation Grant or any Village Innovation Incubation Grant in such Project Kabupaten, and thereafter maintained until the completion of the Project, a Kabupaten Pokja Inovasi, to be responsible for the day-to-day implementation of the Project at the Kabupaten and Kecamatan levels, with a mandate, composition and terms of reference acceptable to the Bank and the Borrower, as set out in the Operations Manual;

(b) ensure that each Kabupaten Pokja Inovasi shall be provided with adequate resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including, a Kabupaten-level Project Operations Officer and Innovation Coordinator (as determined in the Operations Manual), except as may be otherwise agreed in writing on a case by case basis between PPMD and the Bank;

(c) ensure that each Kabupaten Pokja Inovasi shall coordinate Project activities, as necessary, with district departments responsible for village development and community empowerment;

(d) ensure that the appointment letter (surat keputusan) for each Kabupaten Pokja Inovasi is issued in a timely manner early in each fiscal year of Project implementation;

(e) ensure through PPMD that all Sub-projects are supported by at least one Innovation Coordinator and, when necessary, an assistant to support communities with Project implementation in the field, except as may be otherwise agreed in writing on a case by case basis between PPMD and the Bank.
5. At the Sub-District (Kecamatan) and Village level, the Borrower, through PPMD, shall, except as the Bank and the Borrower may otherwise agree in writing, maintain implementation and institutional arrangements in accordance with the Operations Manual.

6. The Borrower, through PPMD, shall ensure that the Regional Management Consultants and the National Consultants are in place in a timely manner as necessary to facilitate implementation of the Project.

7. Not later than by June 30, 2017, the Borrower shall develop guidelines for facilitation, the closure of PNPM, the transfer of assets and the management of Revolving Funds in a manner satisfactory to the Borrower and the Bank.

B. Implementation Arrangements

1. The Borrower shall, through the PPMD:

(a) adopt the Operations Manual, acceptable to the Bank and the Borrower, giving details of, inter alia: (i) implementation arrangements; (ii) procurement procedures as set forth in Section III of this Schedule and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section II.B of this Schedule; (iv) project performance indicators; (v) the Implementation Guidelines on Social and Environmental Safeguards, which constitutes a supplement to the Operations Manual; (vi) Eligibility Criteria and the terms and conditions governing Village Innovation Grants; (vii) the Management Information System description and procedures; and (viii) the Complaints Handling System description and procedures;

(b) adopt - prior to the commencement of implementation of any Sub-project under Part 1(b) of the Project - the Supplementary Operations Manual, acceptable to the Borrower and the Bank, setting out arrangements and procedures for implementation of Sub-projects under Part 1(b) of the Project including: (i) incremental scope of activities; (ii) eligibility criteria as well as the criteria for the selection of Sub-projects, including the terms and conditions set forth in the Annex 1 to this Schedule, (iii) implementation and fiduciary arrangements and disbursement mechanisms; and thereafter and thereafter implement such Sub-project in accordance with a Supplementary Operations Manual;

(c) implement the Project in accordance with Operations Manual and the Supplementary Operations Manual;

(d) not amend, suspend, abrogate, repeal or waive any provisions of the Operations Manual or the Supplementary Operations Manual without the prior written agreement of the Bank and the Borrower;

(e) ensure that the Operations Manual including all annexes and supplements thereto, and the Supplementary Operations Manual, as applicable, is made available, at all times until completion of the Project, to each Local Government and all National
 Consultants, Regional Management Consultants, Oversight Consultants and Technical Assistants, and applied in the carrying out of Sub-projects; and

(f) with the prior written agreement of the Bank, update the Operations Manual, and the Supplementary Operations Manual, as necessary, at all times ensuring compliance thereof with the terms of this Agreement.

2. In the event of any conflict between the provisions of the Operations Manual or the Supplementary Operations Manual and the provisions of this Agreement, the latter shall prevail.

3. The Borrower, through PPMD, shall ensure that only Sub-projects prepared, selected and implemented in accordance with the Eligibility Criteria and the terms and conditions for Sub-Projects and Village Innovation Incubation Grants set forth in Annex 1 to this Schedule 2, the Supplementary Operations Manual, and the Operations Manual shall be financed out of the proceeds of the Loan.

4. The Borrower, through PPMD, shall ensure that:

(a) Technical Assistants are assigned and trained by no later than June 30 in each year of Project implementation in accordance with the Operations Manual;

(b) during Project implementation, adequate budget is made for training of Technical Assistants and Oversight Consultants based on a training plan agreed in writing between the Bank and the Borrower; and

(c) prior to the commencement of each Sub-project, the Innovation Coordinators for the Kabupaten, together with the representatives from the local Kabupaten government, shall have completed a technical review of each such Sub-project in accordance with the Operations Manual and the Supplementary Operations Manual, as applicable, and the requirements of Annex 1 to this Schedule 2. The Borrower, through PPMD, shall ensure that the applicable Kabupaten Pokja Inovasi shall retain records of each such review.

5. The Borrower, through PPMD, shall, during implementation of the Project, continue to develop an updated Management Information System based on performance indicators and control data agreed in writing between the Borrower and the Bank.

6. The Borrower, through PPMD, shall ensure that a list of Project Kecamatan, a list of amounts of each Village Innovation Grant, each Village Innovation Incubation Grant and the Operations Manual are made available to the public through MOV Website, at all times until completion of the Project.

7. The Borrower, through the PPMD, shall ensure that the relevant Camat and Bupati in each Project Kecamatan and Project Kabupaten shall make publicly available, in a manner acceptable to the Borrower and the Bank, a report on the results of Project implementation and accounts for funds used during each year of Project implementation, by no later than May 15 of each subsequent year.

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8. The Borrower, through PPMD, shall ensure that: (a) all annual audit reports referred to in Section II.B of this Schedule 2, including Kabupaten audit reports, shall be published on the MOV Website by no later than September 30 in each year of Project implementation for the prior year annual audit reports, commencing on September 30, 2013 for the 2012 annual audit reports, and (b) appropriate action to follow up on any audit findings is taken at the National, Provincial, Kabupaten or Kecamatan level, as applicable, and reported as part of the regular quarterly report and made available on the MOV Website.

9. The Borrower shall ensure that, except as the Bank and the Borrower shall otherwise agree in writing: (a) BPKP shall carry out a continuous audit of the Project in partnership with Local Government inspectorates; and (b) on terms of reference agreed among PPMD, BPKP and the Bank, BPKP shall, after PPMD has compiled each interim financial report, review such interim financial report for each calendar semester during Project implementation and shall provide to the Bank its report of each such review not later than forty-five (45) days after the end of each calendar semester.

10. The Borrower shall ensure that all Sub-projects, whether financed by the Loan or by other sources, are undertaken in accordance with the Operations Manual.

11. The Borrower shall ensure that expenditures financed out of the proceeds of the Loan, including Sub-projects, shall not have been financed by sources other than the Loan, including from the budget of the Borrower or from grant funding development partners.

12. The Borrower and the Bank may, from time to time agree in writing that the transfer of Village Innovation Grants or Village Innovation Incubation Grant may be excluded from the Project on an interim basis, including, without limitation, in situations where: (a) one or more Facilitator position has remained vacant for more than four months; (b) a problem related to fraud or corruption as defined in the Operations Manual remains unresolved for more than the period specified in paragraph 15(c)(i) of Section I.B of this schedule; and (c) decisions with respect to the allocation of Village Innovation Grants (or Village Innovation Incubation Grant) or any activities related thereto are not taken in accordance with the eligibility, the Village Innovation Grant (or Village Innovation Incubation Grant) size formula and/or the selection criteria set out in the Operations Manual or in another relevant policy document of the Borrower regarding the Project. Upon such an agreement between the Borrower and the Bank, the Borrower, through MOV, shall not transfer funds to the Districts which have been temporarily excluded by written agreement between the Borrower and the Bank.

13. Complaints Handling. The Borrower, through PPMD, shall ensure that:

   (a) the Complaints Handling System is operated, maintained and consistently updated throughout Project implementation in accordance with the Operations Manual and terms of reference agreed in writing between the Borrower and the Bank;

   (b) tracking of all active complaints cases continues to be made available on the MOV Website;
the service standard and mechanism for its implementation includes the following except as may be otherwise agreed in writing between PPMD and the Bank and reflected in the Standard Operating Procedures:

(i) with respect to Village Innovation Grants (and Village Innovation Incubation Grant), if a problem related to fraud or corruption (as defined in the Operations Manual) is reported to the PPMD in Jakarta by any Oversight Consultant, Innovation Coordinator or official of the Borrower charged with supervising the Project and no appropriate response (as determined by reference to the Standard Operating Procedures) is taken by PPMD within thirty (30) days after the report thereof, then the Provincial Coordinator shall ensure that disbursement and transfer of Village Innovation Grant funds (or Village Innovation Incubation Grant funds) is excluded on an interim basis in the location in question until further notice issued by PPMD;

(ii) with respect to any Technical Assistant financed from the Project, if a problem related to fraud, corruption or a breach of the code of ethics (as defined in the Standard Operating Procedures) is reported to the Provincial Satker and Central Satker and no decision on appropriate action (as determined by reference to the Standard Operating Procedures) is taken by the relevant Provincial Satker within thirty (30) days after the report thereof, the Technical Assistant shall be automatically released from all duties without pay on an interim basis until a final decision related to the Technical Assistant is reached by the ethics tribunal (as defined in, and operating in accordance with, the Standard Operating Procedures); and

(iii) these arrangements shall not be construed to waive any rights that the Bank or the Borrower may otherwise have under the terms of this Agreement with respect to the ensuring that the proceeds of the Loan are used for the purposes of the Project and for Eligible Expenditures; and

(d) each Provincial Satker and Kabupaten Pokja Inovasi arranges for the local public disclosure of complaints and cases related to the Project, if any, and their handling and resolution.

C. Anti-Corruption

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Better Governance Action Plan, which reaffirms the Borrower’s commitment to good governance in the Project.

2. The Borrower shall ensure that no activities under the Project shall involve activities related to political practices or parties.
D. Environmental and Social Safeguards

1. (a) The Borrower, through PPMD, shall ensure that each Sub-Project is prepared, implemented and monitored in accordance with the Implementation Guidelines for Social and Environmental Safeguards, which form a supplement to the Operations Manual, and all guidelines and checklists set out therein, including those specifically provided for Indigenous Peoples and land donation, and the Negative List.

(b) In the event of any conflict between the provisions of the Implementation Guidelines for Social and Environmental Safeguards and those of this Agreement, the latter shall prevail.

2. The Borrower, through PPMD, shall apply the section of the Implementation Guidelines for Social and Environmental Safeguards in each Sub-Project that may affect Indigenous Peoples, in a manner to ensure that the Sub-Project shall:

(a) avoid, and, if not possible, minimize cultural, social and economic adverse effects on Indigenous Peoples, caused or likely to be caused by the Project, by taking appropriate mitigating measures; and

(b) through a process of free, prior and informed consultation, involve concerned Indigenous Peoples in the design and implementation of Sub-projects in which such people reside or make their living and design and implement measures so as to ensure that the benefits received by the Indigenous Peoples under the Project are in harmony with their economic, social and cultural preferences, and likely to protect their customary user rights and reduce, mitigate and offset any adverse impacts of Sub-projects.

3. The Borrower, through PPMD, shall ensure that the proceeds of Village Innovation Grants (or Village Innovation Incubation Grants) shall not be used to finance the acquisition of land or compensation for involuntary resettlement and that no Sub-Project shall require or permit the involuntary acquisition of land or involuntary resettlement. The Borrower, through PPMD, shall ensure that in any Sub-Project involving land donation, the planning and verification procedures for land donation (voluntary donation) set out in the Implementation Guidelines for Social and Environmental Safeguards shall have been followed and documented in a manner satisfactory to the Bank and PPMD prior to the commencement of the Sub-Project.

4. The Borrower shall ensure that the proceeds of the Loan are not used to finance any activities or materials on the Negative List as set out in Section A.2 of Annex 1 to this Schedule 2.

5. Without limiting the obligations under Section II.A of this Schedule 2, the Borrower shall include in each Project Report: (a) information on the status of compliance with the Implementation Guidelines for Social and Environmental Safeguards; (b) details of measures taken for each Sub-Project in the implementation of such guidelines; (c) conditions, if any, in any Sub-Project which interfere or threaten to interfere with the
implementation of such guidelines; and (d) remedial measures taken or required to be taken to address such conditions.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants’ Services. All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods, Works and Non-consulting Services. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in Annex 2 to this Schedule 2; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures set out in the Operations Manual and found acceptable to the Bank.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Selection based on Consultants’ Qualifications; (b) Single-source Selection of consulting firms; (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.
Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<table>
<thead>
<tr>
<th>Category*</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Kecamatan Grants</td>
<td>199,976,357</td>
<td>100% of Kecamatan Grant amount disbursed</td>
</tr>
<tr>
<td>(1A) Village Innovation Grants</td>
<td>54,000,000</td>
<td>100% of Village Innovation Grant amount disbursed</td>
</tr>
<tr>
<td>(1B) Village Innovation Incubation Grants</td>
<td>12,000,000</td>
<td>100% of Village Innovation Incubation Grant amount disbursed</td>
</tr>
<tr>
<td>(2) Consultants services, goods, training and workshops, and incremental operating costs for facilitation support under Part 2 of the Project</td>
<td>317,031,052</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants services, goods, training and workshops, and incremental operating costs for implementation support and technical assistance under Part 3 of the Project</td>
<td>66,992,591</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT | 650,000,000 |

*For the purposes of this Table: (i) “training and workshops” means Project-related training and workshops conducted in the territory of the Borrower, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and (ii) “incremental operating costs” means reasonable costs arising under the Project on account of local contractual support staff salaries; travel and other travel-related expenditures; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials
and supplies; and utilities and communications expenses, but excluding salaries and honoraria of officials and staff of the Borrower.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

(a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or

(b) for payments made prior to the date of the Original Loan Agreement, except that withdrawals up to an aggregate amount not to exceed $130,000,000 equivalent may be made for payments made for Eligible Expenditures prior to this date but on or after January 1, 2012 but in no case made more than twelve (12) months prior to the date of this Original Loan Agreement; or

(c) under category (1A) in the table in Section IV.A of this Schedule 2 for Village Innovation Grants unless the Borrower has adopted the Manual in form and substance satisfactory to the Borrower and the Bank; or

(d) under category (1B) in the table in Section IV.A of this Schedule 2 for Village Innovation Incubation Grants, unless the Borrower has adopted the Supplementary Operations Manual in form and substance satisfactory to the Borrower and the Bank.

2. The Closing Date is December 31, 2018.
ANNEX 1 to SCHEDULE 2

Terms and Conditions for Sub-projects, Village Innovation Grants
and Village Innovation Incubation Grants

A. Eligibility Criteria for Sub-projects

1. (a) Village Innovation Grants and Village Innovation Incubation Grants may be provided for Sub-projects other than those which are prohibited pursuant to paragraphs 2-5 of this Section A, provided, however, that such Sub-projects:

   (i) are technically and financially feasible, and capable of being implemented by the communities themselves with only locally available technical assistance;

   (ii) are of benefit to the communities, and to the poor in particular; and respond to a public need; and

   (iii) are in accordance with the Operations Manual and the Supplementary Operations Manual.

   (b) The amount of each Village Innovation Grant and each Village Innovation Incubation Grant shall be calculated in accordance with the formula set forth in the Operations Manual or Supplementary Operations Manual, and in consultation with BAPPENAS, Menko PMK, Ministry of Finance and Ministry of Home Affairs.

2. Negative List. No Village Innovation Grant or Village Innovation Incubation Grant shall be made to finance expenditures pertaining to or involving the following:

   (a) Activities related to the military or army; activities related to political practices or parties.

   (b) Building/rehabilitation of government offices or religious facilities.

   (c) Purchase of chainsaws, weapons, explosive materials, asbestos, or other environmentally destructive materials (such as pesticides, herbicides, prohibited drugs).

   (d) Purchase of any fishing boat with capacity above 10 tons and any related equipment.

   (e) Government officers’ salary.

   (f) Activities using child labor below working age per regulations of the Borrower.

   (g) Activities related to the production, storage or sale of goods with tobacco content.
(h) Activities in locations which are stated as a natural preserve per the regulations of the Borrower, except in any case in which there is a written permit from the official responsible for management of any such locations.

(i) Activities for mining or collecting or usage of reefs.

(j) Activities related to management of water resources from any river that flows from or to a country other than the territory of the Borrower.

(k) Activities related to relocating river lines.

(l) Activities related to reclamation of land of more than 50 hectares.

(m) Building any new irrigation network with an area of more than 50 hectares.

(n) Activities to build a dam or water tank with large capacity of more than 10,000 cubic meters.

(o) Activities that require international travel.

3. No Village Innovation Grant or Village Innovation Incubation Grant shall finance the acquisition of land or the resettlement or the compensation therefore. No Village Innovation Incubation Grant shall require or permit involuntary land acquisition or involuntary resettlement.

4. No Village Innovation Grant or Village Innovation Incubation Grant shall be eligible for financing out of the proceeds of the Loan unless Innovation Coordinators(s) are engaged and carry out their functions in such Kecamatan in accordance with the Operations Manual, for a cumulative period of at least eight (8) months in each Fiscal Year.

5. No Village Innovation Grant or Village Innovation Incubation Grant shall be eligible for financing out of the proceeds of the Loan for a Sub-project with a value higher than the Sub-project ceiling set out in the Operations Manual and the Supplementary Operations Manual.

B. Sub-project Review and Selection

1. The Borrower, through PPMD, shall ensure that each Sub-project is the subject of a corresponding proposal for a Village Innovation Grant or a Village Innovation Incubation Grant that has been prepared, submitted and reviewed in accordance with the guidelines, procedures and selection criteria set forth in the Operations Manual, the Supplementary Operations Manual and this Annex.

2. The Borrower, through PPMD, shall ensure that, with respect to each Sub-project and prior to the carrying out of Sub-project works, an Innovation Coordinator shall have completed a technical review of each Sub-project in accordance with the Operations Manual and the Supplementary Operations Manual and the requirements of this Annex to ensure that all

- 18 -
requirements have been complied with, including, except as may be otherwise agreed in writing by the Bank and the Borrower, though PPMD:

(a) necessary funding to fully finance the proposed Sub-project has been obtained, including a Village Innovation Incubation Grant and any additional contributions - amounting to not less 50% of total cost of the proposed Sub-project - to be made by participating Village or from other sources.

(b) the provisions of the Implementation Guidelines for Social and Environmental Safeguards have been complied with and appropriate measures adopted in design of the Sub-Project and in implementation and monitoring planning prior to the commencement of the Sub-Project;

(c) the requirements for undertaking and documenting land donation (voluntary donation and donation with compensation) set out in the Implementation Guidelines for Social and Environmental Safeguards have been complied with, and where any land has been donated, the donation has been verified to be voluntary and documented as such prior to the commencement of the Sub-Project;

(d) the provisions of the Implementation Guidelines for Social and Environmental Safeguards pertaining to Indigenous Peoples, if applicable, have been followed and free, prior and informed consultation has been documented prior to the commencement of the Sub-Project; and

(e) a maintenance program, and the budget therefor, for works to be carried out under the Sub-project and related goods has been prepared.

The Borrower shall ensure that the Kabupaten Pokja Inovasi shall retain records of each such review.

C. Terms and Conditions of Sub-project Agreements

1. Prior to the commencement of any Sub-project or the disbursement of any Village Innovation Grant or Village Innovation Incubation Grant, each of the following Sub-project Agreements shall be signed:

(a) between the relevant PJOK, on behalf of the Local Government, and the Project District, through the VIT, with respect to the transfer of funds from the central government account to the VIT, and

(b) between the VIT and the Beneficiary, setting forth the respective obligations of the parties thereunder, including:

(i) that the Beneficiary shall carry out the Sub-project in accordance with this Agreement, the Operations Manual including the Implementation Guidelines for Social and Environmental Safeguards, the Supplementary Operations Manual, the provisions of the Better Governance Action Plan,
and the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower:

(ii) the requirement that each Beneficiary procure the goods, works and services to be financed out of the Sub-project in accordance with provisions that are fully consistent with the provisions of Section III of Schedule 2 to this Agreement;

(iii) that the Beneficiary shall monitor and evaluate the progress of the Sub-project in accordance with the Operations Manual;

(iv) that the Beneficiary shall maintain a financial management system in accordance with the Operations Manual and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank and the Borrower; in a manner adequate to reflect the operations, resources and expenditures related to the Sub-Project and at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank and the Borrower in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

(v) that the Beneficiary shall enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing; and

(vi) rights adequate to protect the interests of the Borrower and the Bank, including the right of the Borrower to: (A) suspend or terminate the right of the VIT or the Beneficiary to use the proceeds of a Village Innovation Grant or a Village Innovation Incubation Grant; or (B) obtain a refund of the Village Innovation Grant or the Village Innovation Incubation Grant upon the failure of the VIT or the Beneficiary to perform any of its obligations under the Sub-project Agreement.
ANNEX 2 to SCHEDULE 2

National Competitive Bidding: Modifications to Procedures

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those of the Pelelangan Umum (Public Tendering) and Pemilihan Langsung / Pelelangan Sederhana (Simplified Tendering) methods as set forth in the Borrower’s Presidential Regulation No. 54/2010 and its subsequent amendments as of January 16, 2015, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. The Pemilihan Langsung / Pelelangan Sederhana method shall apply to such procurement up to the financial thresholds specified in said Regulation. In the event of a conflict between the Borrower’s procedures and these modifications, the latter shall govern.

(i) Procuring entities shall use the appropriate standard bidding documents acceptable to the Borrower and the Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Loan shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.

(ii) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable time for registration. Foreign bidders shall not be required to form a joint venture or sub-contract part of the supply of goods, non-consulting services, and works as a condition for submitting bids or the award of the contract. Bidding documents shall be made available to all international bidders.

(iii) No preference of any kind shall be given to any bidders.

(iv) Under the Pelelangan Umum method, bidders shall be allowed at least twenty-one (21) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids; this period shall be ten (10) days under the Pemilihan Langsung / Pelelangan Sederhana method.

(v) Bids invited under the Pelelangan Umum method shall be submitted in one (1) envelope and evaluated using post-qualification.

(vi) No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the Bank’s prior written concurrence.

(vii) Bid security, if it is required by the bidding documents, at the bidder’s option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.
(viii) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

(ix) Government-owned enterprises in Indonesia shall be eligible to participate in provided that they comply with paragraph 1.10(b) of the Procurement Guidelines.
SCHEDULE 3
Amortization Schedule

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 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 the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Jun 2022</td>
<td>2.17%</td>
</tr>
<tr>
<td>01 Dec 2022</td>
<td>2.22%</td>
</tr>
<tr>
<td>01 Jun 2023</td>
<td>2.28%</td>
</tr>
<tr>
<td>01 Dec 2023</td>
<td>2.34%</td>
</tr>
<tr>
<td>01 Jun 2024</td>
<td>2.40%</td>
</tr>
<tr>
<td>01 Dec 2024</td>
<td>2.46%</td>
</tr>
<tr>
<td>01 Jun 2025</td>
<td>2.52%</td>
</tr>
<tr>
<td>01 Dec 2025</td>
<td>2.58%</td>
</tr>
<tr>
<td>01 Jun 2026</td>
<td>2.64%</td>
</tr>
<tr>
<td>01 Dec 2026</td>
<td>2.71%</td>
</tr>
<tr>
<td>01 Jun 2027</td>
<td>2.78%</td>
</tr>
<tr>
<td>01 Dec 2027</td>
<td>2.85%</td>
</tr>
<tr>
<td>01 Jun 2028</td>
<td>2.92%</td>
</tr>
<tr>
<td>01 Dec 2028</td>
<td>2.99%</td>
</tr>
<tr>
<td>01 Jun 2029</td>
<td>3.07%</td>
</tr>
<tr>
<td>01 Dec 2029</td>
<td>3.14%</td>
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<tr>
<td>01 Jun 2030</td>
<td>3.22%</td>
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<tr>
<td>01 Dec 2030</td>
<td>3.30%</td>
</tr>
<tr>
<td>01 Jun 2031</td>
<td>3.38%</td>
</tr>
<tr>
<td>01 Dec 2031</td>
<td>3.47%</td>
</tr>
<tr>
<td>01 Jun 2032</td>
<td>3.56%</td>
</tr>
<tr>
<td>01 Dec 2032</td>
<td>3.65%</td>
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<tr>
<td>01 Jun 2033</td>
<td>3.74%</td>
</tr>
<tr>
<td>01 Dec 2033</td>
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</tr>
<tr>
<td>01 Jun 2034</td>
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</tr>
<tr>
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<td>4.44%</td>
</tr>
<tr>
<td>01 Jun 2037</td>
<td>4.71%</td>
</tr>
</tbody>
</table>
2. If the proceeds of the Loan have not 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 have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

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

3. (a) Amounts of the Loan withdrawn within two 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.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

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

5. If the Withdrawn Loan Balance is 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.
APPENDIX

Section I. Definitions


2. “BAPPENAS” or “Badan Perencanaan Pembangunan Nasional” means the Borrower’s national development planning agency, or any successor thereto.

3. “Beneficiary” means a Village or a group of Villages - represented by its VIG implementation team or other entity meeting the requirements set out in the Operations Manual - which is the beneficiary of a Village Innovation Grant or Village Innovation Incubation Grant, and “Beneficiaries” means more than one (1) Beneficiary.

4. “Better Governance Action Plan” means a stand-alone chapter of the Operations Manual designed to integrate the contents of the Anti-Corruption Guidelines and to give effect thereto, and giving details of a program of actions, measures and policies designed to reduce or eliminate fraud and corruption in all its forms under the Project, including enhanced information disclosure provisions, civil society oversight provisions, mitigation measures to deal with the risks associated with collusion, forgery and fraud, a complaints handling mechanism, and an appropriate regime of sanctions and remedies, and included as applicable in each Sub-project Agreement, as such chapter may be revised from time to time with the prior written agreement of the Bank and the Borrower, and such term includes any annexes or schedules to such chapter.

5. “BPKP” or “Badan Pengawasan Keuangan dan Pembangunan” means the Borrower’s financial and development supervisory agency, or any successor thereto.

6. “Bupati” means the head of a Kabupaten.

7. “Camat” means the Kabupaten official who is the head of the Kecamatan.

8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

9. “Complaints Handling System” means the system described in the Operations Manual and related annexes/Standard Operating Procedures, and the technical system it describes, designed to track complaints regarding the use of Village Innovation Grant or Village Innovation Incubation Grant funds at any level of Project implementation, guide resolution of such complaints, track resolution of such complaints, and if warranted in accordance with such system, as an interim measure exclude use of Village Innovation Grants or Village Innovation Incubation Grant in a particular Kabupaten, Kecamatan or Province, or the participation of responsible individuals or other actions authorized by the Complaints Handling System, as such system may be updated from time to time by written agreement between the Borrower, through PPMD, and the Bank.

11. “Eligibility Criteria” means the criteria for a Village Innovation Grant or Village Innovation Incubation Grant, as set out in this Agreement, the Operations Manual and the Supplementary Operations Manual.

12. “Technical Assistant” means a technical or social specialist financed by the proceeds of the Loan and assigned to work with Villages to facilitate their participation in the Project, and “Technical Assistants” means more than one Technical Assistant.

13. “Fiscal Year” and “FY” mean the Borrower’s fiscal year commencing January 1 and ending December 31.


15. “Implementation Guidelines for Social and Environmental Safeguards” means the supplement to the Operations Manual, including all annexes thereto, containing standard operating procedures, technical guidelines and Sub-Project checklists (Panduan Penerapan Kebijakan Pengamanan Sosial dan Lingkungan Hidup Dalam Program Inovasi Desa), including references as required to the main text of the Operations Manual, for environmental and social assessment and management designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental or social impacts, or reduce such impacts to acceptable levels, including: the Negative List; specific procedures applicable to Sub-Projects involving or affecting Indigenous Peoples; and procedures related to undertaking and documenting the voluntary nature of any land donation, as such guidelines may be amended from time to time with the prior written agreement of the Bank and the Borrower, through PPMD.

16. “Indigenous Peoples” means those social groups in the Borrower’s territory that have a distinct, vulnerable, social and cultural identity, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.

17. “Kabupaten” means a district, an administrative sub-division of a Province.

18. “Kabupaten-level Project Operations Officer” means a Project operations officer at the Kabupaten level, established in accordance with paragraph 4(b) of Section I.A of Schedule 2 to this Agreement.
19. “Kabupaten Pokja Inovasi” means each project management unit established and operating at the Kabupaten level in accordance with paragraph 4 of Section I.A of Schedule 2 to this Agreement.

20. “Kecamatan” means a sub-district, an administrative sub-division of a Kabupaten.

21. “Local Government” means the government of a Project Kabupaten or a Project Kecamatan, as applicable, and “Local Governments” means more than one Local Government.

22. “Management Information System” means the technical system, designed and operated as described in the Operations Manual for recording, tracking and publishing information pertaining to the implementation of the Project, as such system may be redesigned and updated as part of ongoing Project development as agreed in writing between the Borrower, through PPMD, and the Bank.

23. “Menko PMK” means the Borrower’s coordinating ministry for human development and culture, or any successor thereto.

24. “Ministry of Finance” means the Borrower’s ministry responsible for finance, or any successor thereto.

25. “Ministry of Home Affairs” means the Borrower’s ministry responsible for home affairs, or any successor thereto.

26. “Ministry of Public Works and Housing” means the Borrower’s ministry responsible for public works, or any successor thereto.

27. “Ministry of Villages, Development of Disadvantaged Areas and Transmigration” or “MOV” means the Borrower’s ministry responsible for Villages, or any successor thereto.

28. “MOV Website” means the Project website maintained by PPMD, (www.kemendesa.go.id) or such other website as may be established from time to time and agreed in writing between the Borrower, through PPMD, and the Bank.

29. “National” refers to activities taking place at the central government level of the Borrower.

30. “National Consultants” means the consultants, financed by the proceeds of the Loan, assigned at the central level to assist in Project implementation and monitoring.

31. “Negative List” means the list of activities and inputs for which the proceeds of the Loan shall not be used, as set out in Section A.2 of Annex 1 to Schedule 2 to this Agreement.

32. “Original Loan Agreement” has the meaning ascribed to that term in the preamble to this Agreement.

33. “Original Project” has the meaning ascribed to that term in the preamble to this Agreement.
34. "Operations Manual" means the operations manual to be adopted by the Borrower pursuant to Section I.B.1(f) of this Agreement which consists of: (i) the main text of the Operations Manual; (ii) Standard Operating Procedures (SOP); (iii) the elucidation/detailed technical guidelines (Penjelasan); (iv) the collection of checklists and forms (Formulir); (v) the Implementation Guidelines for Social and Environmental Safeguards; and (e) such other supplements, annexes or schedules as may be agreed in writing from time to time by the Bank and the Borrower, as such Operations Manual may be amended or updated from time to time with the prior written agreement of the Bank and Borrower.

35. "Oversight Consultants" means consultants, financed by the proceeds of the Loan, assigned at the Province level to assist in Project implementation and monitoring.

36. "Part" means a part of the Project described in Schedule 1 to this Agreement.

37. "Perpres" means a Peraturan Presiden, a presidential regulation.

38. "Pilots or Special Program" means each Sub-project under Part 1 (b) of the Project, which will involve provision of planning, training and investment related to defined activities of particular interest agreed in writing between the Borrower, through PPMD, and the Bank, which may include, but is not limited to: small scale infrastructure investment as well as activities supporting business productivity enhancement, youth job creation, community health, nutrition, early childhood education and development, and economic livelihoods, in each case subject to the terms and conditions set out in the Operations Manual and the Supplementary Operations Manual.

39. "PJOK" means a Project operations officer at the Kecamatan level, established in accordance with the Operations Manual.

40. "Province-level Project Operations Officer" means a Project operations officer at the Province established in accordance with paragraphs 3(b) of Section I.A of Schedule 2 to this Agreement.

41. "PPMD" means Pemberdayaan Masyarakat dan Desa, the Directorate General for Community and Village Empowerment of MOV, or any successor thereto.

42. "PNPM" means Program Nasional Pemberdayaan Masyarakat Mandiri, the Borrower’s National Program for Community Empowerment, as described in Perpres 15/2010, as the same may be amended or updated from time to time.


44. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated October 19, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
45. “Program Secretariat” means the entity referred to in paragraph 1(c)(i) of Section 1.A of Schedule 2 to this Agreement.

46. “Project Kabupaten” means a Kabupaten which is selected by the Borrower for participation in the Project in accordance with the provisions of the Operations Manual.

47. “Project Kecamatan” means a Kecamatan located in a Project Kabupaten which is selected by the Borrower for participation in the Project in accordance with the provisions of the Operations Manual.

48. “Province” means an administrative sub-division of the Borrower’s territory at the first level below the national level, and “Provinces” means more than one Province.

49. “Provincial Coordinator” means the head of the Oversight Consultants team at the Provincial level.

50. “Provincial Satker” means each Province level project management unit established and operating in accordance with paragraph 3 of Section 1.A of Schedule 2 to this Agreement.

51. “Regional” refers to activities taking place at the level of a group of two or more Provinces designated in accordance with the Operations Manual.

52. “Regional Management Consultants” means the consultants, financed by the proceeds of the Loan, assigned at the level of a cluster of Provinces as designated in the Operations Manual to assist in Project implementation and monitoring at the Regional level.

53. “Revolving Funds” means the funds made available under Part 1(a) iv of the Original Project.

54. “Rupiah” and “Rp” mean the currency of the Borrower.

55. “Satker” means satuan kerja, a Project management unit, whether at central level or at the level of the Province or Kabupaten.

56. “Standard Operating Procedures” means the sections of the Operations Manual and its annexes setting out details of procedures for management of the Project at the National, Regional, Provincial, Kabupaten and Kecamatan levels, including for example, lines of decision making, resolution of disputes or complaints.

57. “Sub-project” means an activity or set of activities qualifying for financing by a Village Innovation Grant or a Village Innovation Incubation Grant in accordance with the terms of this Agreement, the Supplementary Operations Manual and the Operations Manual, and “Sub-projects” means more than one Sub-project.

58. “Sub-project Agreement” means an agreement between a PJOK and a VIT or between a VIT and a Beneficiary for purposes of a Sub-project, and referred to in Section C of Annex
1 to Schedule 2 to this Agreement, and “Sub-project Agreements” means more than one Sub-project Agreement.

59. “Supplementary Operations Manual” means the supplemental manual for a Pilot and Special Program under Part 1 (b) of the Project acceptable to the Bank to be prepared by the Borrower, as such Supplementary Operations Manual may be amended from time to time with the prior written agreement of the Borrower and Bank and includes any annexes or schedules to such Manual.

60. “Tim Percepatan Pengalihan PNPM Mandiri Pedesaan dan Persiapan Pelaksanaan UU No. 6 Tahun 2014” means the national-level working group of PNPM, chaired by Menko PMK, with representatives of relevant ministries, including BAPPENAS, Ministry of Home Affairs, Ministry of Finance, Ministry of Public Works and Housing, and MOV, or any successor thereto.

61. “Village Innovation Grant” a grant made or to be made out of the proceeds of the Loan for the purposes of Part 1(a) of the Project and meeting the requirements set out in this Agreement, the Operations Manual and the Supplementary Operations Manual, and “Village Innovation Grants” means more than one Village Innovation Grant.

62. “Village Innovation Incubation Grant” a grant made or to be made out of the proceeds of the Loan for the purposes of Part 1(b) of the Project and meeting the requirements set out in this Agreement, the Operations Manual and the Supplementary Operations Manual, and “Village Innovation Incubation Grants” means more than one Village Innovation Incubation Grant.

63. “VIT” or “Village Innovation Team” means a Kabupaten management unit established in accordance with the Operations Manual, operating in a Kabupaten and consisting of local government representatives and supported by the Innovations Coordinator, and “VITs” means more than one VIT.

64. “Village” means desa, the smallest administrative division of the Borrower, as defined in the Village Law.

65. “Village Law” means the Borrower’s law no. 6 of 2014 on Villages (Undang-Undang Nomor 6 Tahun 2014 Tentang Desa).