Loan Agreement

(National Urban Water Supply Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF INDONESIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of one hundred million United States Dollars (USD 100,000,000), as such amount may be converted from time to time through a Currency Conversion ("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 is one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.06. The Payment Dates are January 15 and July 15 in each year.

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

2.08. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day ("Exposure Surcharge"). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

(b) For purposes of this Section the following terms have the meanings set forth below:

(i) "Allocated Excess Exposure Amount" means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so
determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.

(ii) “Standard Exposure Limit” means the standard limit on the Bank’s financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.

(iii) “Total Exposure” means for any given day, the Bank’s total financial exposure to the Borrower, as reasonably determined by the Bank.

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 in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

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

4.02. For purposes of Section 10.01 of the General Conditions: (a) 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; and

(b) the Borrower’s Electronic Address is: Facsimile: +62-21-381-2859

4.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:

Telex: Facsimile:
248423(MCI) or 1-202-477-6391
64145(MCI)
AGREED as of the Signature Date.

REPUBLIC OF INDONESIA

By

Authorized Representative

Name: LUKY ALFIRMAN
Title: DIRECTOR GENERAL OF BUDGET
FíNANCING AND RISK MANAGEMENT
Date: AUGUST 2, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: YOAANA PRASTA
Title: ACTING COUNTRY DIRECTOR
Date: JULY 23, 2018
SCHEDULE 1

Project Description

The objective of the Project is to provide access to improved water sources for the population and strengthen the operational performance of water service providers in selected urban areas.

The Project consists of the following parts:

Part 1: Investment Support for Urban Water Supply Infrastructure Development

Support the implementation of Sub-projects designed to: (i) improve or augment water supply infrastructure (by, *inter alia*, constructing or rehabilitating water treatment plants); (ii) improve PDAMs operation efficiency and financial sustainability (by, *inter alia*, installing water meters or improving customer database); and (iii) expand, rehabilitate, replace or repair water distribution networks, all through the provision of:

(a) Seed Grants to eligible Local Governments (LGs) in which their PDAMs meet the criteria based on their comparatively low capacity and low coverage rates as further detailed in the Project Management Manual.

(b) Matching Grants to LGs which are financially capable and their PDAMs are financially and technically capable – as further detailed in the Project Management Manual - to complement the recipients’ approved domestic Non-public Financing for water supply infrastructure development.

(c) Performance-based Grants to LGs in which their PDAMs that achieve specified targets related to the key performance indicators for PDAMs’ operation efficiency.

Part 2: Technical Assistance and Capacity Building for Local Governments and PDAMs

(a) Develop and implement a capacity building and training program designed to assist Local Governments and PDAMs to improve water supply services, develop investment projects and access financing for these investment projects.

(b) Develop and implement a technical assistance program designed to provide on-demand support to Local Governments and PDAMs to improve, as applicable, their operational and financial performance, identify and develop viable investment projects and access financing for these investment projects.

Part 3: Advisory and Policy Development Support for Central Government

Provision of technical assistance to support the operationalization of national urban water supply investment and service delivery improvement framework designed to accelerate the achievement of universal access to safe water supply services through, *inter alia*: (a) development and improvement of national level policies, implementation guidelines and other instruments; (b) enhancement of the monitoring and evaluation of Local Governments and PDAMs progress towards sustainable universal access to safe water by developing an urban water supply management information system; (c) carrying out of dissemination and dialogue activities, including supporting an iterative process to enhance the monitoring and LGs/PDAMs categorization over time.
Part 4: **Project Implementation and Management Support**

Supporting the overall capacity of the Project implementing entities at central, provincial and local government levels to coordinate, manage and supervise the implementation of the Project, including:

(a) carrying out financial management, procurement, environmental and social safeguards management;
(b) recruitment of consultants to support implementation of all Project activities including identifying, baselining, screening and assessing of Local Governments and PDAMs technical assistance and capacity building proposals;
(c) monitoring, verification, reviewing and evaluation of the Project; and
(d) carrying out Project communication and dissemination activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. At the national level, the Borrower shall:

   (a) ensure that the Project is implemented subject to the overall guidance and oversight of Tim Pengarah POKJA PPAS (the national steering committee for housing, settlement, water and sanitation), chaired by the BAPPENAS and including – among others - representatives from the Ministry of Public Works and Housing (MPWH), the Ministry of Finance and the Ministry of Home Affairs. Technical coordination will be conducted through the Technical Team established in the POKJA PPAS;

   (b) maintain, until completion of the Project: (i) the Central Project Management Unit, established in MPWH, to be responsible for the management and monitoring of the Project; and (ii) Central Project Implementation Unit established in the Ministry of Home Affairs to be responsible for, inter alia, ensuring that Local Governments provide adequate support and oversight function to their respective PDAM and supported by consultants, in each case, with a mandate, composition and terms of reference acceptable to the Bank and the Borrower as set out in the Project Management Manual;

   (c) maintain the existing water and sanitation hibah central project management unit (program hibah air minum dan sanitasi) established in the Directorate General of Human Settlements, MPWH, and supported by consultants to implement Performance-based Grant; and

   (d) ensure that each of the Central Project Management Unit, Central Project Implementation Unit and the Technical Team are provided at all times with adequate funds and other resources and staffed by qualified personnel in adequate numbers as shall be necessary to accomplish its functions, responsibilities and objectives.

2. The Borrower, through MPWH, shall:

   (a) ensure that the Project is implemented at the provincial level subject to the guidance and oversight of Provincial POKJA AMPL/PPAS (provincial steering committee for water and sanitation), chaired by the BAPPEDA and with members from relevant departments, agencies and institutions;

   (b) at the level of each participating Province, cause to be established, prior to the commencement of Project activities in each such Province and thereafter maintain until completion of the Project, a Provincial Project Implementation Unit (PPIU), with a mandate, composition and terms of reference acceptable to the Bank and the Borrower, as set out in the Project Management Manual, to be responsible for coordinating project implementation at the Province level and assisting the CPMU in the monitoring and oversight of Project implementation at the Kabupaten/Kota level;
(c) ensure that the Project is implemented at the district level subject to the guidance and oversight of District POKJA AMPL/PPAS (district steering committee for water and sanitation);

(d) at the level of each Participating District, cause to be established, prior to the commencement of Project activities in such Participating District and thereafter maintain until completion of the Project, a District Project Implementation Unit (DPIU), with a mandate, composition and terms of reference acceptable to the Bank and the Borrower as set out in the Project Management Manual to be responsible for management and implementation of Project activities at the Kabupaten/Kota level and monitoring the implementation of agreements between Local Governments and their respective PDAMs; and

(e) ensure that each PPIU and DPIU shall be provided with adequate funds and other resources, and supported by qualified technical, financial and administrative personnel in adequate numbers as needed to accomplish its functions, responsibilities and objectives.

3. Without limitation to the provision of paragraphs 1 and 2 of this Section I.A, the Borrower, through MPWH and Ministry of Home Affairs, shall recruit and retain such consultants as may be needed to support the functions of the entities referred to in these paragraphs, all with composition and terms of reference acceptable to the Bank and the Borrower as further detailed in the Project Management Manual.

B. Project Management Manual and Annual Work Plans and Budgets

1. The Borrower, through MPWH, shall:

(a) ensure that the Project is implemented in accordance with the Project Management Manual, acceptable to the Bank, which shall include the description of: (i) implementation arrangements; (ii) the procurement procedures set forth in Section III of this Schedule 2 and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures consistent with those set forth in Section II of this Schedule 2; (iv) annual work plan and budget preparation and review procedures; (v) the Project performance indicators and monitoring and evaluation arrangements; (vi) arrangement and procedures for environment and social safeguard management; and (vii) arrangement and procedures for identifying, developing and implementing Sub-projects.

(b) not amend, suspend, abrogate, repeal or waive any provisions of the Project Management Manual without the prior written agreement of the Borrower and the Bank;

(c) ensure that the Project Management Manual is made available, at all times until completion of the Project, to Participating Local Governments, Participating PDAMs, consultants and service providers, and applied in the carrying out of Sub-projects; and

(d) with the prior written agreement of the Borrower and the Bank, update the Project Management 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: (a) the Project Management Manual; and (b) those of this Agreement, the latter shall prevail.

3. The Borrower shall: (a) prepare and furnish to the Bank by April 30 in each year - beginning in the calendar year 2019 - a proposed Project's consolidated annual work plan and budget for the following Fiscal Year; (b) taking into account the Bank's comments, finalize the plan and furnish it to Bank for its approval not later than June 30 in each year - beginning in the calendar year 2019; (c) adopt the plan as shall have been approved by the Bank (Annual Work Plan and Budget) and proceed thereafter to implement the Annual Work Plan and Budget, in a manner satisfactory to the Bank. The Borrower shall not amend, suspend, abrogate or waiver said Annual Work Plan and Budget or any of its provisions without the prior written agreement of the Bank.

C. Safeguards

1. In carrying out Sub-projects, the Borrower shall apply and shall ensure that each Participating Local Government (and its respective Participating PDAMs) shall apply the Environmental and Social Management Framework and, where applicable: (a) prepare and ensure that each Participating Local Government shall prepare or cause to be prepared, as required, an Environmental Management Plan, an IPP or Land Acquisition and Resettlement Action Plan for each Sub-project, fully consistent with this Agreement and the Environmental and Social Management Framework; (b) furnish such plan to the Bank for written no-objection prior to carrying out the Sub-project; and (c) thereafter implement the Sub-project (or cause the Sub-project to be implemented) in accordance with such plan(s).

2. The Borrower shall ensure that all studies and technical assistance to be supported under the Project are carried out under terms of reference satisfactory to the Bank, and that such terms of reference are consistent with, and pay due attention to, the Bank's Safeguards Policies.

3. Without limitation to paragraph 1 above, in carrying out Sub-projects, the Borrower shall:

(a) take all appropriate measures to avoid or minimize to the extent possible any involuntary relocation of persons, or their loss of shelter, assets, or access to assets, or loss of income sources or means of livelihood, temporarily or permanently; and

(b) in the event that Project activities give rise to Project Affected Persons, prior to the commencement of such activities, cause to be prepared, a Land Acquisition and Resettlement Action Plan, acceptable to the Bank, in accordance with the guidelines, requirements and procedures set forth in the Land Acquisition and Resettlement Policy Framework, and thereafter implement or cause to the implemented in a timely manner said Land Acquisition and Resettlement Action Plan as approved by the Bank.

4. The Borrower shall ensure - and shall cause each Participating Local Government (including Participating PDAMs) to ensure - that all land acquisition required for the purposes of carrying out works under the Project are financed exclusively out of its own resources, and shall provide, promptly as needed, the resources needed for these purposes, including: (a) all land acquisition required for the purposes of carrying out the Project; (b) resettlement and rehabilitation payments to Project Affected Persons; and (c) all other costs associated with environmental and/or social mitigation measures set forth in the Safeguard Instruments.
5. Where Indigenous Peoples are present in, or have a collective attachment to, the area of the Participating Local Government, the Borrower shall apply, and shall ensure that the Participating Local Government shall apply, the Indigenous Peoples Planning Framework to Sub-project implementation, including:

(a) avoiding, and, if not possible, minimizing cultural, social and economic adverse effects on Indigenous Peoples caused or likely to be caused by the Project;

(b) through a process of free, prior, and informed consultation and participation, involving concerned Indigenous Peoples in the design and implementation of Sub-projects so as to ensure that there is broad community support for Sub-projects and that the benefits received by the Indigenous Peoples under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights; and

(c) preparing an Indigenous Peoples Plan for the Participating Local Government based on the foregoing consultations and furnish such Indigenous Peoples Plan to the Bank for written no-objection prior to carrying out the Sub-projects in such Participating Local Government; and thereafter implement the Sub-project in accordance with such plan.

6. The Borrower shall:

(a) not amend, revise or waive, nor allow to be amended, revised or waived, the provisions of the Safeguard Instruments or any provision of any one thereof, without the prior written agreement of the Bank; and

(b) maintain policies and procedures adequate to enable it to monitor and evaluate, in accordance with guidelines acceptable to the Bank, the implementation of the Safeguard Instruments.

7. In case of any inconsistency between the provisions of any of the Safeguard Instruments and this Agreement, the provisions of this Agreement shall prevail.

D. Sub-projects

1. The Borrower shall ensure that Sub-projects under Part 1 of the Project are prepared, reviewed, approved and implemented on the basis of eligibility and selection criteria, and in accordance with guidelines and procedures, all acceptable to the Bank, including, inter alia, those set forth in this Agreement and the Project Management Manual.

2. Without limitation to the foregoing, no activity proposed as a Sub-project shall be eligible for financing out of the proceeds of the Loan unless the Borrower has entered into an agreement with the relevant Sub-project Implementing Entity (and such entity has entered into an arrangement with its corresponding PDAM) in each case on terms and conditions acceptable to the Bank, as elaborated in the Project Management Manual.

3. The Borrower shall exercise its rights in respect of each Sub-project in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan.
E. Additional Arrangements for Sub-projects financed through Performance-based Grants

1. Without limitation to any of the foregoing provisions of this Section, the Project Management Manual shall provide details on the arrangements for Sub-projects financed through Performance-based Grants including on the following:

(a) Eligibility criteria for reimbursement of Outputs to be delivered;

(b) Estimated costs for delivering Outputs including reference unit costs for Outputs;

(c) Arrangements for verification of the Outputs including the terms of reference of verification of Outputs and the entity assigned the role of verifying the Outputs; and

(d) Reimbursement procedures including procedures and conditions for reimbursement payments, the entity and the process for recommending the value of reimbursement payments at a specific period, and flow of funds to eligible Participating PDAMs.

2. Notwithstanding the foregoing provisions of this Part E, the Bank retains the right to review any verification report and, based on such review, to not disburse, or to disburse a lesser amount of the proceeds of the Loan for, any particular reimbursement.

Section II. Project Monitoring Reporting and Evaluation

1. The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar year, covering the calendar year.

2. No later than June 30, 2020, the Borrower shall, in conjunction with the Bank, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. To this end, the Borrower shall prepare - under terms of reference satisfactory to the Bank - and furnish to the Bank not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the Project’s monitoring and evaluation activities, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Borrower shall act promptly and diligently in order to take, or cause to be taken, measures recommended to ensure the efficient completion of the Project and the achievement of the objectives as well as any corrective action deemed necessary by the Bank to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

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) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in the Annex 2 to this Schedule 2; (c) Shopping; (d) Direct Contracting; (e) Force Account; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; and (g) Community Participation procedures which have been 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) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Single-source procedures for the Selection of Individual Consultant; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (h) Selection of consultants under Indefinite Delivery Contract or Price Agreement; and (i) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultant.

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.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<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) Seed Grants, Matching Grants and Performance Based Grants under Parts 1(a), 1(b) and 1(c) of the Project</td>
<td>70,000,000</td>
<td>100% of Grant amount disbursed</td>
</tr>
<tr>
<td>(2) Goods, Incremental Operating Costs, non-consulting services, consultants’ services and Training and Workshops for Parts 2, 3 and 4 the Project</td>
<td>30,000,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

TOTAL AMOUNT 100,000,000

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.

2. The Closing Date is December 31, 2022.
ANNEX 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.

1. 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.

2. 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 subcontract 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.

3. No preference of any kind shall be given to any bidders.

4. 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.

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

6. 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.

7. 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.

8. All bids shall not be rejected and new bids solicited without the Bank’s prior written concurrence.

9. 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

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").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 January 2025</td>
<td>7.03</td>
</tr>
<tr>
<td>15 July 2025</td>
<td>7.05</td>
</tr>
<tr>
<td>15 January 2026</td>
<td>7.07</td>
</tr>
<tr>
<td>15 July 2026</td>
<td>7.08</td>
</tr>
<tr>
<td>15 January 2027</td>
<td>7.10</td>
</tr>
<tr>
<td>15 July 2027</td>
<td>7.12</td>
</tr>
<tr>
<td>15 January 2028</td>
<td>7.14</td>
</tr>
<tr>
<td>15 July 2028</td>
<td>7.15</td>
</tr>
<tr>
<td>15 January 2029</td>
<td>7.17</td>
</tr>
<tr>
<td>15 July 2029</td>
<td>7.19</td>
</tr>
<tr>
<td>15 January 2030</td>
<td>7.21</td>
</tr>
<tr>
<td>15 July 2030</td>
<td>7.23</td>
</tr>
<tr>
<td>15 January 2031</td>
<td>7.24</td>
</tr>
<tr>
<td>15 July 2031</td>
<td>7.22</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.


3. “BAPPEDA” means Badan Perencanaan Pembangunan Daerah or the regional development planning agency of a Province or a Kabupaten/Kota, as the case may be, or any successor thereto.

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

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

6. “Central Project Implementation Unit” or “CPIU” means the unit referred to in Section I.A.1(b)(ii) of Schedule 2 to this Agreement.

7. “Central Project Management Unit” or “CPMU” means the unit referred to in Section I.A.1(b)(i) of Schedule 2 to this Agreement.


9. “District” means for the purpose of this Project as the context requires: (a) a Kabupaten or regency, an administrative sub-division of the Borrower’s territory at the second level below the national level (one level below the Province); or (b) a Kota or municipality, an administrative division within a province of the Borrower.

10. “District POKJA AMPL” means Kelompok Kerja Air Minum dan Penyehatan Lingkungan Kabupaten/ Kota, the district steering committee for water and sanitation matters referred to in Section I.A.2(c) of Schedule 2 to this Agreement, or any successor thereto.

11. “District Project Implementation Unit” or “DPIU” means each District-level Project implementation unit established and operated by each Participating District in accordance with Section I.A.2(d) of Schedule 2 to this Agreement, and “DPIUs” means more than one DPIU.
12. “Environmental and Social Management Framework” or “ESMF” means the environmental and social safeguards management framework dated September 2017 and adopted by the Borrower and publicly disclosed on Bank infoshop on October 2, 2017, giving details of a program of actions, measures and policies designed to maximize the benefits accruing under the Project, avoid or mitigate any adverse impacts arising thereunder, or, if such adverse impacts cannot be avoided altogether, reduce such impacts to acceptable levels, as the same may be updated from time to time in agreement with the Bank, such framework incorporating among others LARPF, IPPF, EMP(s), LARAP(s) IPP(s), chance find procedure and mitigation measures for physical cultural resources.

13. “Environmental Management Plan” or “EMP” means an environmental management plan, acceptable to the Bank and consistent with the Environmental and Social Management Framework adopted for the purposes of a Sub-project, and giving details of the agreed actions and policies designed to maximize the benefits of the Sub-project, eliminate or offset any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions and policies.

14. “Fiscal Year” means the Borrower’s fiscal year commencing January 1 and ending December 31 of the same year.


16. “Incremental Operating Costs” means the reasonable incremental operating costs under the Project incurred by the Borrower for purposes of Project management, implementation and monitoring and evaluation, including office supplies and consumables, utilities, bank charges, communications, information and communication campaigns, mass media and printing services, vehicle rental, operation, maintenance and insurance, office space rental, building and equipment maintenance, travel, lodging and subsistence allowances, and salaries of contractual and temporary staff, but excluding salary and salary supplements of staff of the Borrower’s civil service.

17. “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.

18. “Indigenous Peoples Plan” or “IPP” means each plan for a Sub-project, meeting the requirements of the Indigenous Peoples Planning Framework, that sets out the agreed measures to: (a) involve Indigenous Peoples, through a process of free, prior and informed consultation, in the design and implementation of each Sub-project in locations in which such people reside or make their living; (b) ensure that Indigenous Peoples affected by the Sub-project receive culturally appropriate social and economic benefits; and (c) when potential adverse effects on Indigenous Peoples are identified, those adverse effects are avoided, minimized, mitigated, or compensated for, in each case in a manner acceptable to the Bank and the Borrower.
19. "Indigenous Peoples Planning Framework" or "IPPF" means the indigenous peoples planning framework incorporated in the ESMF, giving details of a program of actions, measures and policies designed to facilitate a process of free, prior and informed consultation involving Indigenous Peoples in the design and implementation of every Sub-project, and to ensure that such Indigenous Peoples derive benefits from the Sub-project which are socially, economically and culturally appropriate, and gender and inter-generationally inclusive.

20. “Land Acquisition and Resettlement Action Plan” or “LARAP” means a resettlement and rehabilitation action plan for a Sub-project giving details of the agreed provisions for compensation, rehabilitation and resettlement assistance to Project Affected Persons under the Sub-project, along with the procedural and institutional measures needed to implement such agreed provisions, acceptable to the Bank and the Borrower, prepared and implemented by the Ministry of Public Works and Housing, pursuant to the Land Acquisition and Resettlement Policy Framework.

21. “Land Acquisition and Resettlement Policy Framework” or “LARPF” means the land acquisition and resettlement policy framework incorporated in the ESMF setting forth the measures and actions to be taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to Project Affected Persons, as such framework may be amended from time to time with the prior written agreement of the Bank and the Borrower.

22. “Local Government” or “LG” means the government of a Kabupaten or Kota as the context requires, and “Local Governments” or “LGs” means more than one Local Government.

23. “Matching Grant” means grant made – or proposed to be made - available by the Borrower out of the proceeds of the Loan to a Participating Local Government or Participating PDAM to finance a Sub-project under Part 1(b) of the Project, and “Matching Grants” means more than one Matching Grant.

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 internal affairs or any successor thereto.

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

27. “Non-public Financing” means external funding for infrastructure derived from sources other than national or local government official budgets (Anggaran Pendapatan dan Belanja Negara or Anggaran Pendapatan dan Belanja Daerah), such sources to include commercial banks (including state owned commercial banks), non-bank financial institutions such as PT Sarana Multi Infrastruktur (Persero), debt investors, private sector participation in any appropriate form including public-private partnership or corporate social responsibility.

28. “Participating District” means a District meeting the eligibility requirements set out in the Project Management Manual and selected to participate in the Project.
29. “Participating PDAMs” means a PDAM meeting the eligibility requirements set out in the Project Management Manual and selected to participate in the Project.

30. “Participating Local Government” means the government of a participating Kota or a participating Kabupaten meeting the eligibility criteria and selected to participate in the Project by the Borrower in accordance with the Project Management Manual, and “Participating Local Governments” means more than one participating Local Government.

31. “PDAM” means a perusahaan daerah air minum, a semi-autonomous local water supply enterprise established and operating in a Local Government of the Borrower under the jurisdiction of the relevant Local Government pursuant to the provisions of the PDAM Regulations.

32. “PDAM Regulations” means law or regulations pursuant to which any of the Participating PDAMs is established or conducts its business.

33. “Performance-based Grant” means a grant made - or proposed to be made - available by the Borrower out of the proceeds of the Loan to a Participating PDAM (through a Participating Local Government) to reimburse such Participating PDAM for Outputs produced by a Sub-project undertaken by such PDAM under Part 1(c) of the Project, and the term “Performance-based Grants” means more than one Performance-based Grant.

34. “POKJA PPAS” means Kelompok Kerja Nasional Perumahan, Permukiman, Air Minum dan Sanitasi, the national-level oversight body for water and sanitation matters referred to in Section I.A.1(a) of Schedule 2 to this Agreement, or any successor thereto.


36. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 13, 2017 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.

37. “Project Affected Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Project Affected Persons” means, collectively, all such Project Affected Persons.

38. “Project Management Manual” means the manual, dated July 23, 2018 referred to in Section I.B.1(a) of Schedule 2 to this Agreement, as the same may be amended from time to time in agreement with the Bank, and such term includes any schedules to the Project Management Manual.

39. “Province” means an administrative sub-division of the Borrower’s territory at the first level below the national level.
40. "Provincial POKJA AMPL" means *Kelompok Kerja Air Minum dan Penyehatan Lingkungan Propinsi*, the provincial steering committee for water and sanitation matters referred to in Section I.A.2(a) of Schedule 2 to this Agreement, or any successor thereto.

41. "Provincial Project Implementation Unit" or "PPIU" means each Province-level Project implementation unit established and operated by each Participating Province in accordance with Section I.A.2(b) of Schedule 2 to this Agreement, and "PPIUs" means more than one PPIU.

42. "PT Sarana Multi Infrastruktur (Persero)" means a state-owned enterprise incorporated and established under the Borrower’s Government Regulation 66/2007, as amended through the Borrower’s Government Regulation 75/2008, or any successor thereto.

43. "Output" means any of the units referred to in that constitute a Sub-project under Part 1(c) of the Project such as the level of reduced NRW and the scale of increase in energy efficiency kilometers or other units of measurement - meeting the eligibility criteria and other requirements to be financed out of the proceeds of the Loan (including being subject to credible verification process) all in accordance with the provisions of this Agreement and as further detailed in the Project Management Manual; and "Outputs" means more than one Output.

44. "Safeguards Instruments" means, collectively, the Environmental and Social Management Framework, the Environmental Management Plan(s), LARPF, IPPF, EMP(s), LARAP(s) and IPP(s).

45. "Seed Grant" a one-time grant made - or proposed to be made - available by the Borrower out of the proceeds of the Loan to an eligible LG/ PDAM to finance the Sub-project under Part 1(a) of the Project designed to support the implementation of any of the following menu of activities: (a) measures to reduce non-revenue water and improve energy efficiency; (b) measures to expand water distribution network and thereby utilize idle capacity; or (c) rehabilitation or upgrading of existing water treatment plans.

46. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

47. "Sub-project" means a set of activities: (a) under Part 1(a) of the Project proposed to be financed with the proceeds of a Seed Grant; (b) under Part 1(b) of the Project proposed to be financed with the proceeds of a Matching Grant; under Part 1(c) of the Project proposed to be financed with the proceeds of a Performance-based Grant; in each case developed and implemented pursuant to criteria and procedures set forth in the Project Management Manual, and the term “Sub-projects” means more than one Sub-project.

48. "Sub-project Implementing Entity" means the Participating Local Government which having met the criteria set forth in the Project Management Manual has been selected to receive a Seed Grant (under Part 1(a) of the Project); a Matching Grant (under Part 1(b) of the Project); or a Performance-based Grant (under Part 1(c) of the Project), and the term “Sub-project Implementing Entities” means more than one Sub-project Implementing Entity.
49. "Technical Team" means the team referred to in Section I.A.1(a) of Schedule 2 to this Agreement.

50. "Training and Workshops" means Project-related training and workshops conducted in the territory of the Borrower, including acquisition and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 5.13 (Procurement) is deleted in its entirety and the remaining section in Article V is renumbered accordingly.

2. Paragraphs 84 (Procurement Plan) and 85 (Procurement Regulations) in the Appendix are deleted in their entirety and the subsequent paragraphs are renumbered accordingly.