Loan Agreement

(Regional Infrastructure Development Fund Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated May 12, 2017
WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 1 to this Agreement ("Project"), has requested the Bank to extend a loan to assist in the financing of the Project;

(B) the Borrower has also requested the Asian Infrastructure Investment Bank ("AIIB") ("Co-financier"), to provide additional assistance towards the financing of the Project, and the Co-financier intends to make available to the Borrower a loan for such purpose in an amount of one hundred million United States Dollars (USD 100,000,000) ("AIIB Co-financing"), pursuant to the agreement to be entered into between the Borrower and the Co-financier ("AIIB Co-financing Agreement"); and

(C) PT Sarana Multi Infrastruktur (PERSERO) ("PT SMI") ("Project Implementing Entity") has requested the Bank, acting as an administrator of grant funds provided by various donors under the Indonesia Sustainable Urbanization Multi-Donor Trust Fund ("Trust Fund"), to provide a grant for the financing of the Project, and the Bank intends to make available to PT SMI, for the benefit of the Borrower, a grant for such purpose in an amount of three million United States Dollars (USD 3,000,000) ("Trust Fund Co-financing"), pursuant to the agreement to be entered into between PT SMI and the Bank ("Trust Fund Co-financing Agreement");

NOW THEREFORE, 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) 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 one hundred million United States Dollars (USD 100,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 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 sixty days after the Effective Date.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. 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 Fixed Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and 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.

2.06. The Payment Dates are March 15 and September 15 in each year.

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

2.08. (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 Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate; 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.
2.09. (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 cause the Project to be carried out by the Project Implementing Entity (PT SMI) in accordance with the provisions of Article V of the General Conditions and the Project Agreement.

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 — REMEDIES OF THE BANK

4.01. The Additional Events of Suspension consist of the following:

(a) either of the parties to the Subsidiary Loan Agreement shall have failed to perform any of its obligations thereunder; or

(b) PT SMI’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PT SMI to perform any of its obligations under the Project Agreement; or
(c) any of the Subsidiary Loan Agreement or the Operations Manual shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the carrying out of the Project.

4.02. The Additional Events of Acceleration consist of the following: any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Bank to the Borrower.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Conditions of Effectiveness consist of the following:

(a) The Subsidiary Loan Agreement, acceptable to the Bank, has been executed and delivered on behalf of the Borrower and PT SMI and has become effective and binding upon such parties in accordance with their respective terms, subject only to the effectiveness of this Agreement.

(b) The Co-financing Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right of the Borrower to make withdrawals under the Co-financing Agreements (other than the effectiveness of this Agreement) have been fulfilled.

(c) The procedures to intercept the fiscal transfers to subnational governments have been established by the Borrower.

5.02. The Additional Legal Matter consists of the following: The Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and PT SMI and is legally binding upon the Borrower and PT SMI in accordance with its terms.

5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

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

6.02. The Borrower’s Address is:

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

Facsimile:
+62-21-381-2859
6.03. The Bank's Address is:

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

Facsimile:
1-202-477-6391

AGREED at Jakarta, Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By

Authorized Representative

Name: ROBERT P. PARPAHAN
Title: DIRECTOR GENERAL OF BUDGET, FINANCING AND RISK MANAGEMENT

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: [Signature]
Title: [Signature]
SCHEDULE 1

Project Description

The objective of the Project is to increase access to infrastructure finance at the subnational level through a financially sustainable financial intermediary.

The Project consists of the following parts:

Part 1. Capital Support for RIDF

Providing loans to Participating Subnational Governments in Indonesia for selected infrastructure Sub-projects.

Part 2. RIDF Project Development Facility

Providing support for subnational governments in carrying out Sub-project identification and preparation, including, but not limited to, feasibility studies, detailed engineering designs, environmental and social safeguard assessment, advisory services on financial management and procurement, and training.
SCHEDULE 2

Project Execution

Section I.  Implementation Arrangements

A.  Institutional Arrangements

1.  The Borrower shall cause PT SMI to:

   (a)  ensure that the Project is implemented in accordance with, the Operations Manual, acceptable to the Bank, which Operations Manual shall include at all times: (i) reporting requirements, financial management procedures and audit procedures; (ii) procurement procedures and standard procurement documentation; (iii) the Environmental and Social Management Framework and the procedures and arrangements for environmental and social safeguard management; (iv) arrangements and procedures for identifying, selecting, implementing and monitoring and evaluating Sub-projects; (v) terms and conditions for Sub-project Agreements; (vi) Project performance indicators; and (vii) Project monitoring and evaluation arrangements;

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

   (c)  ensure that the Operations Manual is applied in the carrying out of Sub-projects.

2.  In the event of any conflict between the arrangements and procedures set out in the Operations Manual and the provisions of this Agreement the provisions of this Agreement shall prevail.

3.  No later than September 30, 2017, the Borrower shall establish the arrangements, satisfactory to the Bank, for the management of the Contingency Fund at the Ministry of Finance.

B.  Subsidiary Loan Agreement

1.  To facilitate the carrying out of the Project, the Borrower shall make the entire proceeds of the Loan available to PT SMI under a Subsidiary Loan Agreement between the Borrower and PT SMI, under terms and conditions approved by the Bank, which shall include the following:

   (a)  the principal amount of the Loan made available under the Subsidiary Loan Agreement (“Subsidiary Loan”) shall be denominated and repayable in Rupiah;

   (b)  the interest payable on the principal amount withdrawn and outstanding from time to time shall be at a rate not greater than the prevailing coupon rate of the Borrower’s twenty-year bond of the benchmark series (“SUN”);

   (c)  repayable over a period not exceeding 10 years from the date of the Subsidiary Loan Agreement, inclusive of a grace period not exceeding 5 years;
(d) PT SMI shall: (i) carry out the Project with due diligence and efficiency and in accordance with appropriate technical, economic, financial, managerial, environmental and social standards and practices; including in accordance with the provisions of this Agreement, the Project Agreement, the Operations Manual, and the Anti-Corruption Guidelines; and (ii) provide, promptly as needed, the resources required for such purpose;

(e) PT SMI shall: (i) maintain a financial management system and prepare financial statements for the Project in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Project; (ii) retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Project until at least the later of one (1) year after the Borrower and the Bank have received the audited financial statements covering the period during which the last withdrawal from the Loan Account was made, and two (2) years after the Closing Date; (iii) prepare and furnish to the Borrower and the Bank interim unaudited financial reports for the Project as provided for in Section II.B of this Schedule; and (iv) have its records, accounts and financial statements for the Project audited annually by independent auditors acceptable to the Bank, 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, but in any event not later than six (6) months after the end of the Borrower’s fiscal year;

(f) PT SMI shall ensure that any goods, works and/or services to be financed out of the Loan for the Project are procured in accordance with the provisions of Section III of this Schedule;

(g) PT SMI shall enable the Borrower and the Bank to inspect the Project, with reasonable prior notice, its operation and any relevant records and documents;

(h) PT SMI shall permit the Bank to make the Subsidiary Loan Agreement and all financial statements audited pursuant to paragraph (e) above available to the public in accordance with the Bank’s policies on access to information;

(i) PT SMI shall maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank and set forth in the Operations Manual, the progress of the Project and the achievement of the Project’s objective;

(j) PT SMI shall 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;

(k) the Borrower shall have the right to suspend or terminate the right of PT SMI to use the proceeds of the Financing, or obtain a refund of all or any part of the amount of the Loan then withdrawn, upon PT SMI’s failure to perform any of its obligations under the Subsidiary Loan Agreement; and
a provision stipulating that, in case of conflict between any of the provisions of the Subsidiary Agreement or the Operations Manual, on the one hand, and the provisions of this Agreement and the Project Agreement, on the other, the provisions of this Agreement and the Project Agreement shall prevail.

2. The Borrower shall exercise its rights under the Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive the Subsidiary Loan Agreement or any of its provisions.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Sub-projects

The Borrower shall cause PT SMI to provide Sub-project Loans in accordance with eligibility criteria and procedures acceptable to the Bank and set forth in the Project Agreement and the Operations Manual.

E. Safeguards

The Borrower shall take, and shall cause PT SMI to take, all measures necessary to comply with, or all measures necessary to enable PT SMI to comply with, the provisions of Section I.D of the Schedule to the Project Agreement.

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 set forth in the Operations Manual. 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.

2. For purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than five months after the Closing Date.

3. No later than December 31, 2018, the Borrower shall, in conjunction with the Bank, carry out a mid-term review of the Project (“Mid-term Review”), covering the progress achieved in the implementation of the Project. To this end, the Borrower shall prepare and furnish to the Bank not later 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, 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.

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 cause PT SMI to 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 cause PT SMI to 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 and Works. All goods and works 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. 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.

B. Particular Methods of Procurement of Goods and Works

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

2. Other Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts which meet the conditions and thresholds for use of such methods as specified in the Operations Manual: (a) National Competitive Bidding, subject to the additional provisions set out in the Annex to this Schedule; and (b) Shopping.
C. Review by the Bank of Procurement Decisions

All contracts may be subject to Post Review by the Bank based on the procurement review carried by PT SMI.

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 Investment Project Financing” dated January 2017, 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 Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works and goods for Part 1 of the Project</td>
<td>100,000,000</td>
<td>100% of Bank Share of Total Lending</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>100,000,000</td>
<td></td>
</tr>
</tbody>
</table>

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 this Agreement.

2. The Closing Date is December 31, 2020.
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 1 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 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.

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 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>March 15, 2022</td>
<td>8.93%</td>
</tr>
<tr>
<td>September 15, 2022</td>
<td>9.15%</td>
</tr>
<tr>
<td>March 15, 2023</td>
<td>9.38%</td>
</tr>
<tr>
<td>September 15, 2023</td>
<td>9.62%</td>
</tr>
<tr>
<td>March 15, 2024</td>
<td>9.86%</td>
</tr>
<tr>
<td>September 15, 2024</td>
<td>10.10%</td>
</tr>
<tr>
<td>March 15, 2025</td>
<td>10.36%</td>
</tr>
<tr>
<td>September 15, 2025</td>
<td>10.62%</td>
</tr>
<tr>
<td>March 15, 2026</td>
<td>10.88%</td>
</tr>
<tr>
<td>September 15, 2026</td>
<td>11.10%</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

1. “Access Restriction” means a process that causes any local community residing in and/or near a Project site, a restriction or a loss of access to land and natural resources in a legally designated park or protected area, partially or wholly, temporarily or permanently.

2. “AIIB Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of one hundred million United States Dollars (USD 100,000,000) to be provided by the Co-financier to assist in financing the Project.

3. “AIIB Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the AIIB Co-financing.


5. “Bank Share” means the percentage agreed from time to time between the Bank and the Co-financier, and reflected in the additional instruction specified by the Bank pursuant to Section IV.A.1 of Schedule 2 to this Agreement.


7. “Co-financier” means the Asian Infrastructure Investment Bank, a multilateral financial institution whose purpose is to foster sustainable economic development, create wealth and improve infrastructure connectivity in Asia by investing in infrastructure and other productive sectors.

8. “Co-financing Agreements” means, collectively, the AIIB Co-financing Agreement and the Trust Fund Co-financing Agreement.

9. “Contingency Fund” means a fund to be established by the Ministry of Finance for the purpose of providing the repayment guarantee to PT SMI in the case of Participating Subnational Government’s default and to be replenished through intercepted intergovernmental transfers to the relevant Participating Subnational Government in default.

10. “Displaced Person” means a person who, on account of the execution of the Sub-project, has experienced or would experience a 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 “Displaced Persons” means, collectively, all such Displace Persons.
11. “Environmental and Social Management Framework” means the environmental and social safeguards management framework dated November 2, 2016 and disclosed on November 3, 2016, 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, Resettlement Plan(s), Indigenous Peoples Plan(s), Environmental Management Plan(s) and Plan(s) of Action.

12. “Environmental Management Plan” means each plan adopted for the purposes of a Sub-project, acceptable to the Bank and consistent with the Environmental and Social Management Framework, 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. “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.

15. “Indigenous Peoples Plan” means each plan adopted for the purposes of a Sub-project, acceptable to the Bank and consistent with the Environmental and Social Management Framework, and giving details of the agreed measures to: (a) involve Indigenous Peoples, through a process of free, prior and informed consultations, in the design and implementation of each Sub-project in location 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.

16. “Kabupaten” means a regency, a rural administrative division of a Province.

17. “Kota” means a city, an urban administrative division of a Province.

18. “Ministry of Finance” means the Borrower’s ministry responsible for finance, or any successor thereto.
19. “Operations Manual” means the Project operations manual, dated January 24, 2017 referred to in paragraph 2 of Section I.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 Operations Manual.

20. “Participating Subnational Government” means a government of a participating Province or Kota or Kabupaten meeting the eligibility requirements set out in the Operations Manual and selected by PT SMI to receive financing to carry out a Sub-project, and “Participating Subnational Governments” means, collectively, all such Participating Subnational Governments.

21. “Plan of Action” means each plan adopted for the purposes of a Sub-project in consultation with affected communities, acceptable to the Bank and consistent with the Environmental and Social Management Framework, and giving details of the agreed actions and policies designed to mitigate any adverse impact of Access Restriction or to reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions and policies.


23. “Project Implementing Entity” means PT SMI (as hereinafter defined), or any successor thereto.

24. “Province” means an administrative division of the Borrower.

25. “PT Sarana Multi Infrastruktur (Persero)” or “PT SMI” 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.

26. “PT SMI’s Legislation” means: (i) the Borrower’s Government Regulation 66/2007 as amended by the Borrower’s Government Regulation 75/2008 on the capital participation of the Borrower for the establishment of PT SMI; (ii) the Borrower’s Government Regulation 75/2008 on the establishment of State-owned infrastructure financing company; (iii) the Borrower’s Presidential Regulation 9/2009 on financial institutions; (iv) Borrower’s Minister of Finance Regulation 100/PMK.010/2009 on infrastructure financing company; and their implementing regulations.

27. “Resettlement Plan” means each plan adopted for the purposes of a Sub-project, acceptable to the Bank and consistent with the Environmental and Social Management Framework, and giving details of agreed provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons under the Sub-project, along with procedural and institutional measures needed to implement such agreed provisions, acceptable to the Bank and the Borrower.

28. “RDF” or “Regional Infrastructure Development Fund” means a business line of PT SMI that provides loans to subnational governments.
29. “Sub-project” means a set of activities to be financed by PT SMI and carried out by a Participating Subnational Government in accordance with the terms and conditions set forth in this Agreement and included in the Operations Manual and the relevant Sub-project Agreement, and “Sub-projects” means, collectively, all such Sub-projects.

30. “Sub-project Agreement” means each agreement to be entered into between PT SMI and a Participating Subnational Government for the purposes of implementing a Sub-project on the terms and conditions set forth in this Agreement and included in the Operations Manual, and “Sub-project Agreements” means, collectively, all such Sub-project Agreements.

31. “Sub-project Loan” means each loan made available under the Sub-project Agreement, and “Sub-project Loans” means, collectively, all such Sub-project Loans.

32. “Subsidiary Loan” means the loan made available under the Subsidiary Loan Agreement.

33. “Subsidiary Loan Agreement” means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the PT SMI.

34. “Total Lending” means the amount constituted by the AIIB Co-financing and the Loan.

35. “Trust Fund” means the Indonesia Sustainable Urbanization Multi-Donor Trust Fund administered by the Bank for the purposes of the Project.

36. “Trust Fund Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of three million United States Dollars (USD 3,000,000) to be provided by the Trust Fund to assist in financing the Project.

37. “Trust Fund Co-financing Agreement” means the agreement to be entered into between the Borrower and the Bank providing for the Trust Fund Co-financing.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

“Section 3.01. Front-end Fee: Commitment Charge

(a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the “Front-end Fee”).
(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the "Commitment Charge"). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date."

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of "Commitment Charge", and renumbering the subsequent paragraphs accordingly:

"19. "Commitment Charge" means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b)."