TO: The President, International Bank for Reconstruction and Development

Report of the Committee under Section 4 (iii) of Article III of the Articles of Agreement on the Proposed Additional Loan (Additional Financing to the Local Government and Decentralization Project/Local Government and Decentralization Project Phase II) to the Republic of Indonesia.

The undersigned Committee constituted under Section 7 of Article V of the Articles of Agreement of International Bank for Reconstruction and Development (the Bank) hereby submits its report pursuant to Section 4 (iii) of Article III of said Articles in respect of the proposal that the Bank grant to the Republic of Indonesia an additional loan in the amount of five hundred million United States Dollars (US$ 500,000,000). The purpose of said additional loan is to provide additional funds to supplement the financial assistance furnished by the Bank under Loan Agreement for Local Government and Decentralization Project (Loan 7914-ID), dated June 23, 2010, between the Republic of Indonesia and the Bank, by improving the accountability and reporting of the central government’s Specific Purpose Grants (DAK) for basic infrastructure, consisting of roads, irrigation, and water and sanitation, within Selected Local Governments.

1. The Committee has carefully studied the merits of the proposal to grant such an additional loan, and of the purpose to which the proceeds of the additional loan are to be applied.

2. The Committee is of the opinion that the project toward the financing of which the proceeds of such additional loan are to be applied continues to come within the purposes of the Bank as set forth in Article I of said Articles of Agreement, and that said project is designed to promote the development of the productive facilities and resources of the Republic of Indonesia and is in the interest of the Republic of Indonesia and of the members of the Bank as a whole.
3. Accordingly, the Committee finds that said project continues to merit financial assistance from the Bank, and hereby recommends said project for such additional assistance.

COMMITTEE

Senior Vice President and Group General Counsel

Expert Selected by Governor for the Republic of Indonesia

Regional Vice President
East Asia and Pacific Region

Dated at Washington, D.C.
SEPTEMBER 16, 2014