Loan Agreement

(Second Additional Financing for Third Water Supply and Sanitation for Low-Income Communities / Community Based Water Supply Project (PAMSIMAS III))

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated JUNE 30, 2016
LOAN AGREEMENT

Agreement dated **June 30**, 2016, between REPUBLIC OF INDONESIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing additional financing for activities related to the Original Project (as defined in the Appendix to this Agreement). 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 three hundred million United States Dollars (USD 300,000,000, 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 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be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.

2.06. The Payment Dates are January 1 and July 1 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 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.

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 implement the Project through MoPWH, MoH, MoHA, and MOVDAT 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 this 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 No. 1
Jakarta 10710
Indonesia

Telex: FINMINISTRY 45799
Facsimile: +62-21-381-2859
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

Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

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

REPUBLIC OF INDONESIA

By

Authorized Representative

Name: ROBERT PAKPAHAN
Title: DIRECTOR GENERAL OF BUDGET FINANCING AND RISK MANAGEMENT

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

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

Project Description

The objective of the Project is to increase the number of under-served rural and peri-urban populations accessing sustainable water supply and sanitation services.

The Project consists of the Original Project as modified below:

Part A: Community Empowerment and Local and Village Institutional Development

1. (a) Provision of technical advisory services and training - for governmental and non-governmental organizations, community facilitators as well as participating communities - to support the preparation and implementation of Community Action Plans (CAPs), focusing on informed choice, design and costs of community and school water supply, community and school hygiene behavior change activities, school sanitation facilities and post-construction management and sustainability.

(b) Recruitment and provision of community facilitators.

2. Provision of technical advisory services and training to strengthen inter-agency coordination at the Province- and District-level and to develop the institutional capacity of the units, teams and related personnel involved in the implementation of the Project, including development and revision of guidelines and manuals, and training materials to ensure compliance with the relevant rules and procedures.

3. (a) Provision of training, through the recruitment of a Training Development Services (TDS) team at the national level, to provide support to PPMUs and DPMUs, including planning, preparation and quality assurance for training and capacity building activities.

(b) Implementation of a program of activities designed to support capacity building and advocacy activities for governments and civil society to improve overall WSS delivery, encourage increase or reallocations in overall local government budgets in favor of community-driven development WSS efforts, and promote post-construction innovations to enhance the sustainability of WSS services.

4. Implementation of a program of capacity building and advocacy activities designed to enhance sustainability of PAMSIMAS-supported water supply and sanitation services over the long-run, such a program to include such activities as integrating of water and sanitation expenditures into the mid-term and annual development plans of village government and facilitating increase of village government’s expenditures for maintenance and expansion of the existing water supply facilities, including provision of capacity building and facilitation for asset management of WSS facilities at village level.
Part B: Improving Hygiene and Sanitation Behavior and Services

1. Provision of technical advisory services and training to support implementation of a phased program of community behavior change, consisting of the promotion of the community-led total sanitation approach to: (i) safe excreta management; (ii) hand-washing and other locally relevant environmental sanitation practices; (iii) water storing and handling; (iv) food hygiene; (v) solid waste and wastewater management; and (vi) water quality surveillance.

2. Provision of technical advisory services and training, and carrying out of studies, to support a sanitation and hygiene marketing program designed to generate consumer demand for improved sanitation, facilitate the ability of local markets to respond to this demand, and promote improved hygiene behavior.

3. Provision of technical advisory services and training to support school-based hygiene promotion training and facilitation, and facilitate school-based hygiene promotion programs and health education programs.

4. Provision of technical advisory services and training to strengthen the capacity of the units responsible for environmental health and hygiene promotion in Participating Provinces and Participating Districts to monitor progress in meeting their universal access of water supply and sanitation, assess performance of their sanitation and hygiene programs and evaluate their impact on hygiene behavior.

Part C: Water Supply and Public Sanitation Infrastructure

1. Provision of technical advisory services and training to support: (a) water supply systems for new villages; (b) the scaling up and expansion of existing village water supply systems; and (c) optimization of existing underperforming village water supply systems, through the design, construction and commissioning and operation of water supply infrastructure at the community-level, based on a menu of technical options, including: rapid technical assessments and community WSS situation analysis to determine water demand and system options; informed water system technology choice; technical surveys and development of the detailed engineering designs; construction, supervision and quality control; and operations, maintenance and repair training.

2. Provision of CAP Grants to support activities under CAPs.

Part D: District and Village Incentives

1. Provision of DVI Grants to Participating Districts that meet or exceed predetermined project performance criteria based on the Participating District’s achievement of WSS coverage, contribution to CAP Grants, and management information system performance, to support activities under CAPs.

2. (a) Provision of DVI Grants to Participating Villages that meet or exceed predetermined project performance criteria based on the Participating Village’s achievement of component specific objectives of hygiene, community mobilization and contribution, and WSS coverage to support complementary activities in view of the scaling up and expansion of existing community WSS services; and (b) Carrying out of a program of specific activities to deliver water and sanitation services at low-income communities, through the provision of output-based grants (OB Grants)
to select Participating Villages, as well as associated technical advisory services and training for administering the output-based disbursement including definition of outputs, costing of output units and verification of outputs.

3. Provision of Support Grants to Participating Villages that are yet to meet predetermined project performance criteria based on the Participating Village’s achievement of component specific objectives of hygiene, community mobilization and contribution, and WSS coverage to support complementary activities for the purpose of supporting WSS system improvement and institutional performance.

4. Carrying out a program of activities designed to support select associations of BPSPAMS in: (i) providing technical assistance and support for preventive and corrective maintenance of water supply and sanitation systems operated by BPSPAMS; (ii) providing facilitation support for major technical maintenance; (iii) providing training to systems operators; (iv) promoting health and hygiene education in the communities, in cooperation with local health agencies; (v) improving management competencies in BPSPAMS, and (vi) establishing partnerships with various stakeholders to facilitate service expansion of BPSPAMS.

**Part E: Implementation Support and Project Management**

1. Provision of technical support, management, advisory services and training, through the recruitment of consultants, to provide support, for the benefit of CPMU, in terms of overall Project management, monitoring of implementation and outcomes, expansion of the national WSS program, and technical and financial reporting, as well as in the fields of sustainable WSS, hygiene promotion, capacity building, institutional strengthening, social and environmental safeguards and community empowerment.

2. Provision of oversight management services and training, through the recruitment of Regional Oversight Management Services (ROMS) teams, to provide support, for the benefit of PPMUs and DPMUs, in terms of day-to-day Project management, technical matters, implementation of community-driven processes, institutional capacity building, social inclusion and environmental safeguards, monitoring of implementation and sustainability of outcomes, and technical and financial reporting at the Province-, District- and Village-level.

3. (a) Provision of technical advisory services and training, through the recruitment of independent Project evaluation consultants, to evaluate Project performance, having regard to the performance indicators referred to in Section II.A.1 of Schedule 2 to this Agreement.

(b) Provision of technical advisory services and training for improved project monitoring using the latest ICT technologies for: (i) data collection, data verification, and data use; (ii) enhanced grievance redress mechanism to improve community feedback and response mechanisms; and (iii) enhancement of monitoring of sanitation progress and open-defecation free status, including the introduction of operational incentive mechanisms for sanitation data collection by field sanitation officials at sub-district level, improvement of monitoring of improved hygiene behaviors and increasing sanitation data use for program planning.
Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:

(a) maintain a Project Coordination and Steering Committee (PCSC), chaired by Bappenas, and whose mandate, composition and terms of reference shall be agreeable to the Borrower and the Bank, responsible for providing overall guidance and strategic direction in the implementation of the Project;

(b) maintain a PCSC secretariat/technical team, chaired by Bappenas, and whose mandate, composition and terms of reference shall be acceptable to the Borrower and the Bank, to serve as the secretariat and provide technical support to the PCSC;

(c) maintain a Central Project Management Unit (CPMU), chaired by a representative of DGHS, and including, among others, representatives of MoH, MoHA, and MoVDAT responsible for overall coordination, day-to-day management, budgeting, financial administration, and monitoring and reporting, of the Project at the central level;

(d) ensure that:

   (i) the CPMU shall be provided with adequate funds and other resources, and supported by suitably qualified and experienced technical, financial and administrative personnel in adequate numbers as needed to accomplish the objectives of the Project; and

   (ii) the CMAC shall provide support in terms of overall Project management support, monitoring of implementation, environmental and social safeguard, technical and financial reporting, as well as oversight and technical guidance to consultants engaged at the level of Participating Provinces and Participating Districts; and

(e) establish and maintain, a Training Development Services (TDS) team at the national level, whose mandate, composition and terms of reference shall be acceptable to the Borrower and the Bank, responsible for providing support to PPMUs and DPMUs, including planning, environmental and social safeguard management, preparation and quality assurance for training and capacity building activities.
2. The Borrower shall ensure that:

(a) there shall be established and/or maintained:

(i) in each Participating Province:

(A) a Provincial Coordinating Committee (PCC), chaired by the Bappeda, whose mandate, composition and terms of reference shall be in accordance with the Project Operations Manual, responsible for coordination and monitoring of the Project at the Province-level; and

(B) a Provincial Project Management Unit (PPMU), headed by an official of the Provincial Public Works Office, responsible for overall coordination and management of the Project at the Province-level;

(ii) in each Participating District:

(A) a District Coordinating Committee (DCC), chaired by the Bappeda, whose mandate, composition and terms of reference shall be in accordance with the Project Operations Manual, responsible for coordination and monitoring of the Project at the District-level; and

(B) a District Project Management Unit (DPMU), headed by an official of the District Public Works Office, responsible for overall coordination and management of the Project at the District-level; and

(iii) in each Participating Village, a Village Implementation Team (VIT) responsible for the design and implementation of the Project at the Village-level; and

(b) each PPMU and DPMU shall be provided with adequate funds and other resources, and supported by suitably qualified and experienced personnel in adequate numbers as needed to accomplish the objectives of the Project, including:

(i) ROMS responsible for overall coordination, day-to-day management, budgeting, financial administration, environmental and social safeguard management, monitoring and reporting, of the Project at the Province- and District-level;

(ii) Community Facilitation Teams with expertise in technical, environmental and social safeguard, health promotion and community development skills to assist in the development and strengthening of equitable community institutions to ensure sustainable improvements in WSS facilities and related behaviors; and

(iii) Stakeholders Committees at the District-level, which shall be established in accordance with the Project Operations Manual, and which shall be in charge of evaluating CAPs.
B. Implementation Obligations

1. (a) The Borrower shall maintain a Project Operations Manual, acceptable to the Borrower and the Bank, giving details of guidelines and procedures agreed with the Bank for the implementation, supervision, and monitoring and evaluation of the Project, including:

(i) implementation arrangements, along with the criteria, and terms and conditions, for the selection of Participating Provinces and Participating Districts;

(ii) details of a village implementation plan describing the community-driven development process;

(iii) reporting, and monitoring and evaluation requirements, and financial management and audit procedures as set forth in Section II of Schedule 2 to this Agreement;

(iv) procurement procedures as set forth in Section III of Schedule 2 to this Agreement as well as standard procurement documentation;

(v) details of the Environmental and Social Safeguards Policy Framework and its implementation arrangements;

(vi) the criteria, for the review and selection of Sub-project proposals, as well as the additional terms and conditions governing Grants as set forth in Part C of this Section;

(vii) guidelines and procedures governing voluntary sales transactions and voluntary land donations under Sub-projects; and

(viii) the Anti-Corruption Action Plan.

(b) The Borrower shall implement the Project in accordance with the Project Operations Manual, and except as the Borrower and the Bank shall otherwise agree, shall not waive, amend or abrogate any provision thereof.

2. The Borrower shall: (a) prior to the beginning of each new Fiscal Year, provide to the Bank, for review and comments, a proposed annual work program for that Fiscal Year, consisting of detailed work plans and budget for that Fiscal Year for the CPMU and Participating Provinces and Participating Districts; and (b) proceed thereafter to implement such annual work program and budget, taking into consideration any comments that may have been made thereon by the Bank.

3. The Borrower shall ensure that both the English and Indonesian versions of the Anti-Corruption Action Plan, as updated from time to time with a written agreement between the Borrower and the Bank, as well as the annual work program referred to in paragraph 2 of this Section, as approved by the Bank, are made publicly available until the completion of the Project, both in hard copies to interested members of the public and through an official website designed under the Project.
4. The Borrower shall ensure that the terms of reference for any consultancies related to studies, technical assistance and/or capacity building under this Agreement shall be satisfactory to the Bank following its review thereof.

C. Terms and Conditions Governing Grants

For purposes of providing Grants under the Project, the Borrower shall apply the proceeds of the Loan allocated to finance Grants in accordance with the guidelines, procedures and criteria set forth in the Project Operations Manual, including but without being limited to the following terms and conditions:

1. No Grant shall be made to finance expenditures involving or likely to involve: (a) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or drugs; (b) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (c) activities within a nature reserve or any other area designated by the Borrower for the management and/or the protection of biodiversity, except with the prior written approval of the Borrower’s agency responsible for the management and/or protection of such area; (d) over-exploitation of water resources and/or contamination of domestic water supplies; or (e) the provision of goods, works or services, directly or through intermediaries, by suppliers or contractors, as the case may be, who have been declared ineligible to participate in the procurement of any Bank-financed contract, whether indefinitely or for a stated period of time, as a result of a decision made under the Sanctions System, but only to the extent that such sanctions remain valid and applicable, according to the terms of the decision.

2. The proceeds of the Loan allocated to Grants, along with the overall number of Grants made or to be made pursuant to this Agreement, shall be adjusted from time to time, taking into account the rate of compliance by the Borrower and individual Beneficiaries with their respective obligations under this Agreement and the relevant Sub-project Grant Agreements, including, in the case of the Borrower, its obligation to provide counterpart funds under the Project.

3. No proposal for a Sub-project involving Indigenous Peoples shall be considered for approval under the Project, unless: (a) the proposal has benefited from a process of free, prior and informed consultation involving the affected Indigenous Peoples; (b) the free, prior and informed consultation process has resulted in broad community support for the Sub-project among the affected Indigenous Peoples; and (c) the Sub-project includes measures designed to avoid potentially adverse effects on Indigenous Peoples or, where avoidance is not feasible, to minimize, mitigate, or compensate for such effects in accordance with the Indigenous Peoples Planning Framework.

4. CAP Grants shall be provided to Beneficiaries to support the physical construction and implementation of WSS schemes selected from a menu of technical options, and community and school water supply, sanitation and hygiene improvements, as the case may be.

5. DVI Grants shall be provided to Participating Districts and Participating Villages that meet or exceed predetermined project performance criteria pursuant to a prior agreement between the Participating Districts or Participating Villages, as the case may be, and DGHS; provided, however that: (a) the performance criteria shall have been identified and publicized in advance in all Participating Districts or Participating Villages, as the case may be; (b) DVI Grants shall be provided on a competitive basis, and shall be limited to not more than a predetermined number of Participating Districts and Participating Villages to be specified in the Project
Operations Manual; and (c) the proceeds of DVI Grants shall be used as incentives for the scaling-up and sustainability of the community-based rural water supply and sanitation program.

6. **Support Grants** shall be provided to Participating Villages that are yet to meet predetermined project performance criteria based on the Participating Village’s achievement of component specific objectives of hygiene, community mobilization and contribution, and WSS coverage to support complementary activities for the purpose of supporting WSS system improvement and institutional performance.

7. **OB Grants.** Without limitation to the provision of paragraph 9 below of this Part C the respective Sub-project Grant Agreement for OB Grants shall specify: (a) the outputs and performance targets to be achieved by the Beneficiary; (b) the arrangements for verification of the quantity and quality of outputs delivered; and (c) the maximum Grant amounts payable against the outputs specified in the Grant Agreement, the periodicity of payments, the conditions for payments and the methodology for determining the amount of payments including the unit cost of each output.

8. For purposes of every Sub-project, the Beneficiary shall ensure that: (a) the Sub-project shall be implemented as far as reasonably practicable on publicly-owned land, or on land provided voluntarily by the community or individual members of the community; (b) the Sub-project shall not involve any compulsory acquisition of land, forcible eviction or involuntary resettlement of persons or restriction of access to designated parks or protected areas; (c) where unavoidable, land acquisition shall be kept to the strict minimum, and shall be undertaken exclusively on the basis of mutually-agreed voluntary sales transactions or voluntary land donations, and in accordance with the guidelines and procedures set forth in the Project Operations Manual, including establishment of appropriate grievance redress mechanisms to address potential disputes arising out of such sales or donations; and (d) the terms of reference for any consultancies related to studies, technical assistance and/or capacity building under this Agreement shall be satisfactory to the Borrower and the Bank following their review thereof.

9. For purposes of every Grant, a Sub-project Grant Agreement shall be signed with the Beneficiary, setting forth the respective obligations of the parties thereunder, including: (a) details of agreed disbursement schedules; (b) procurement procedures consistent with the provisions of Section III of Schedule 2 to this Agreement; (c) provisions for audits of the Grants; (d) the respective amounts of counterpart contributions to be provided by the Beneficiary and the Participating District; (e) the right of the Borrower and the Bank to visit any facilities pertaining to the Sub-project and to carry out physical inspections of the progress of the Sub-project; (f) an undertaking on the part of the Beneficiary to carry out its Sub-project in accordance with the provisions of the Anti-Corruption Guidelines; (g) the right of the Borrower and the Bank to require audits of the Beneficiary’s records and accounts; (h) the right of the Borrower to suspend, terminate or accelerate or seek refund of the Grant; and (i) an undertaking on the part of the Beneficiary to execute the Grant with due diligence and efficiency and, upon its completion, to ensure the continued achievement of the objectives of the Grant.

10. No Sub-project shall be eligible for financing out of the proceeds of a Grant unless a Sub-project Grant Agreement has been concluded to this effect on terms and conditions set forth in this Agreement and the Project Operations Manual.
D. Anti-Corruption

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

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 the indicators agreed with the Bank and set forth in the Project 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. No later than June 30, 2018, 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 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, 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 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 forth in the annex to this Schedule; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures 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) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) 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) Goods, consultants' services, non-consulting services, workshop and training under Parts A.1(a), A.2, A.3, A.4, B, C, D.4 and E of the Project</td>
<td>125,030,000</td>
<td>80% of consultants' services, and non-consulting services; 100% of goods, workshops and training</td>
</tr>
<tr>
<td>(2) Grants under Part C of the Project</td>
<td>62,970,000</td>
<td>100% of the Grant amount disbursed</td>
</tr>
<tr>
<td>(3) Consultants' services and non-consulting services under Part A(1)(b) of the Project</td>
<td>112,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>300,000,000</strong></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 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 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 in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Borrower or sub-borrower.
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>July 1, 2023</td>
<td>2.78</td>
</tr>
<tr>
<td>January 1, 2024</td>
<td>2.85</td>
</tr>
<tr>
<td>July 1, 2024</td>
<td>2.92</td>
</tr>
<tr>
<td>January 1, 2025</td>
<td>2.99</td>
</tr>
<tr>
<td>July 1, 2025</td>
<td>3.07</td>
</tr>
<tr>
<td>January 1, 2026</td>
<td>3.15</td>
</tr>
<tr>
<td>July 1, 2026</td>
<td>3.22</td>
</tr>
<tr>
<td>January 1, 2027</td>
<td>3.30</td>
</tr>
<tr>
<td>July 1, 2027</td>
<td>3.39</td>
</tr>
<tr>
<td>January 1, 2028</td>
<td>3.47</td>
</tr>
<tr>
<td>July 1, 2028</td>
<td>3.56</td>
</tr>
<tr>
<td>January 1, 2029</td>
<td>3.65</td>
</tr>
<tr>
<td>July 1, 2029</td>
<td>3.74</td>
</tr>
<tr>
<td>January 1, 2030</td>
<td>3.83</td>
</tr>
<tr>
<td>July 1, 2030</td>
<td>3.93</td>
</tr>
<tr>
<td>January 1, 2031</td>
<td>4.03</td>
</tr>
<tr>
<td>July 1, 2031</td>
<td>4.13</td>
</tr>
<tr>
<td>January 1, 2032</td>
<td>4.23</td>
</tr>
<tr>
<td>July 1, 2032</td>
<td>4.34</td>
</tr>
<tr>
<td>January 1, 2033</td>
<td>4.44</td>
</tr>
<tr>
<td>July 1, 2033</td>
<td>4.56</td>
</tr>
<tr>
<td>January 1, 2034</td>
<td>4.67</td>
</tr>
<tr>
<td>July 1, 2034</td>
<td>4.79</td>
</tr>
<tr>
<td>January 1, 2035</td>
<td>4.91</td>
</tr>
<tr>
<td>July 1, 2035</td>
<td>5.03</td>
</tr>
<tr>
<td>January 1, 2036</td>
<td>5.02</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.
APPENDIX

Section I. Definitions

1. “Anti-Corruption Action Plan” means a stand-alone chapter of the Project Operations Manual exclusively dedicated to the Borrower’s anti-corruption action plan, 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 complaint handling mechanism, and an appropriate regime of sanctions and remedies.


3. “Bappeda” means Badan Perencanaan Pembangunan Daerah or the Regional Development Planning Agency of a Province or a District, as the case may be, or any successor thereto.

4. “Bappenas” means Badan Perencanaan Pembangunan Nasional or the National Development Planning Board of the Borrower, or any successor thereto.

5. “BPSPAMS” means Village Water-Board Committee, a community group that is given a mandate by beneficiaries to manage the project funded-water supply facilities.

6. “Beneficiary” means a Participating District or Participating Village, as represented by a Village Implementation Team, which is the recipient of a Grant and party to a Sub-project Grant Agreement; and “Beneficiaries” means more than one Beneficiary.

7. “CAP” or “Community Action Plan” means a community action plan referred to under Part A.1 of the Project, designed to ensure universal access to water and sanitation services and “CAPs” means more than one CAP.

8. “CAP Grant” means a grant to be financed out of the proceeds of the Loan and designed to finance a Sub-project under Part C.2 of the Project.

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

10. “Community Facilitation Team” means a Community Facilitation Team referred to under paragraph 2(b)(ii) of Section I.A of Schedule 2 to this Agreement.


13. "CMAC" means the Central Management Advisory Consultants referred to in paragraph (1)(d)(ii) of Section I.A of Schedule 2 to this Agreement.

14. "CPMU" means the Central Project Management Unit referred to in paragraph 1(c) of Section I.A of Schedule 2 to this Agreement.

15. "DCC" means a District Coordinating Committee referred to in paragraph 2(a)(ii)(A) of Section I.A of Schedule 2 to this Agreement or any successor thereof.


17. "District" means an administrative subdivision of a Province.

18. "DPMU" means a District Project Management Unit referred to in paragraph 2(a)(ii)(B) of Section I.A of Schedule 2 to this Agreement.

19. "DVI Grant" means a District Village Incentive grant, a grant designed to finance a Sub-project under Parts D.1 and D.2 of the Project; and "DVI Grants" means more than one DVI Grant.

20. "Environmental and Social Safeguards Policy Framework" means the Environmental and Social Safeguards Policy Framework issued by the Borrower on September 1, 2015, 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.

21. "Fiscal Year" means the Borrower's fiscal year commencing January 1 and ending December 31 of the same year.

22. "Grant" means any of CAP Grant, DVI Grant, Support Grant or OB Grant.

23. "ICT" means information and communication technologies.

24. "Indigenous Peoples" means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process affected by the Project or any part thereof as follows: (a) masyarakat adat (customary law communities) based on lineage or locality and bound by customary law with characteristics including: (i) self-identification as a distinct indigenous cultural group; (ii) collective attachment to ancestral territories and to the natural resources in the territories; and (iii) customary cultural, economic, social, or political institutions; and (b) Komunitas Adat Terpencil (KAT) (Isolated and Vulnerable communities), a category of customary law communities designated by the Borrower that live in isolated areas with characteristics including: (i) collective attachment to ancestral territories and to the natural resources in the territories; (ii) customary cultural, economic, social, or political institutions; (iii) an indigenous language; (iv) having a subsistence economy; (v) using simple tools and technology; (vi) having a high dependence on the environment and local natural resources; and (vii) having restricted access to social, economic, and political services.
25. “Indigenous Peoples Planning Framework” means the updated Indigenous Peoples Planning Framework issued by the Borrower on September 1, 2015, 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.

26. “MoH” or Ministry of Health means the Borrower’s ministry responsible for health or any successor thereto.

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

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

29. “MOVDAT” or Ministry of Villages, Disadvantaged Areas and Transmigrations means the Borrower’s ministry responsible for villages or any successor thereto.

30. “OB Grant” means the grant referred to in Part D.2(b) of the Project.

31. “Original Loan Agreement” means the agreement dated June 11, 2013 between the Borrower and the Bank, as amended to the date of this Agreement (IBRD Loan No 8259-ID).

32. “Original Project” means the Project described in Schedule 1 to the Original Loan Agreement.

33. “Participating District” means any District in a Participating Province which is selected to participate in the Project in accordance with the provisions of the Project Operations Manual.

34. “Participating Province” means any Province which is selected to participate in the Project in accordance with the provisions of the Project Operations Manual.

35. “Participating Village” means any Village in a Participating District which is selected to participate in the Project in accordance with the provisions of the Project Operations Manual.

36. “PCC” means a Provincial Coordinating Committee referred to in paragraph 2(a)(i)(A) of Section I.A of Schedule 2 to this Agreement, or any successor thereof.

37. “PCSC” means the Project Coordination and Steering Committee referred to in paragraph 1(a) of Section I.A of Schedule 2 to this Agreement.

38. “PPMU” means Provincial Project Management Unit referred to in paragraph 2(a)(i)(B) of Section I.A of Schedule 2 of this Agreement.

40. "Procurement Plan" means the Borrower’s procurement plan for the Project, dated October 20, 2015 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.

41. “Project Operations Manual” means the updated Project Operations Manual, dated October 20, 2015 referred to in paragraph 1(a) of Section I.B 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 Operations Manual.

42. “Province” means an administrative subdivision of the Borrower’s territory.

43. “ROMS” means Regional Oversight Management Services referred to under paragraph 2(b)(i) of Section I.A of Schedule 2 to this Agreement.

44. “Sanctions System” means the system in the World Bank Group agencies to review allegations of fraud and corruption under projects financed by the agencies and to impose appropriate sanctions.

45. “Stakeholders Committee” means the stakeholders committee referred to under paragraph 2(b)(iii) of Section I.A of Schedule 2 to this Agreement; and “Stakeholders Committees” means more than one Stakeholders Committee.

46. “Sub-project” means a WSS scheme, a school sanitation and hygiene improvement program, or complementary activities under Parts C or D of the Project, to be financed in whole or in part out of the proceeds of a Grant.

47. “Sub-project Grant Agreement” means the Sub-project Grant Agreement referred to in paragraph 7 of Section I.C of Schedule 2 to this Agreement.

48. “Support Grant” means the grant referred to in Part D.3 of the Project.

49. “TDS” means Training Development Services referred to under Part A.3 of this Project.

50. “Village” means an administrative subdivision of a District.

51. “VIT” means a Village Implementation Team referred to in paragraph 2(a)(iii) of Section I.A of Schedule 2 to this Agreement.

52. “WSS” means water supply and sanitation.

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).”