Mrs. Emma Sri Martini  
President Director  
PT Sarana Multi Infrastruktur (Persero)  
Sahid Sudirman Center, 48th Floor  
Jl. Jend. Sudirman No. 86  
Jakarta 10220, Indonesia  

Dear Mrs. Martini:

Re: IDSUN Grant No. TF043871  
Regional Infrastructure Development Fund Project  
Letter Agreement

In response to the request for financial assistance made on behalf of PT Sarana Multi Infrastruktur ("PT SMI") ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by various donors ("Donor(s)") under the Indonesia Sustainable Urbanization Multi-Donor Trust Fund, proposes to extend to the Recipient for the benefit of the Republic of Indonesia ("Member Country"), a grant in an amount not to exceed three million United States Dollars (USD 3,000,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Rodrigo A. Chaves
Country Director, Indonesia

AGREED:
PT SARANA MULTI INFRASTRUKTUR (PERSERO)

By
Authorized Representative

Name  EMMANUEL MARTIN
Title  PRESIDENT DIRECTOR
Date:  MAY 12, 2017

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Investment Project Financing, dated January 2017

1818 H Street NW, Washington, DC 20433 USA
ANNEX

Article I
Standard Conditions; Definitions


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

Article II
Project Execution

2.01. Project Objectives and 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 assessments, advisory services on financial management and procurement, and training.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the Anti-Corruption Guidelines; and (c) this Article II.

2.03. Institutional and Other Arrangements.

(a) Operations Manual. The Recipient shall:

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

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

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

(b) 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.

(c) Anti-Corruption. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

(d) Safeguards.

(i) The Recipient shall cause each Participating Subnational Government to apply the Environmental and Social Management Framework and, where applicable: (A) prepare and ensure that each Participating Subnational Government shall prepare, as required, an Environmental Management Plan, a Resettlement Plan, a Plan of Action and/or an Indigenous Peoples Plan for each Sub-project, fully consistent with this Agreement and the Environmental and Social Management Framework; and (B) thereafter implement the Sub-project or cause the Sub-project to be implemented in accordance with such plan(s).

(ii) The Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the Environmental and Social Management Framework or any provision thereof.

(iii) In the event of any conflict between the provision of: (a) the Environmental and Social Management Framework; and (b) those of this Agreement, the latter shall prevail.

(iv) The Recipient shall exercise its rights under the Sub-project Agreement to cause each Participating Subnational Government to ensure that any contract for works includes the obligation of the respective contractor to implement the Environmental and Social Management Framework.

(v) The Recipient shall ensure that terms of reference for any consultancies related to studies, technical assistance and/or capacity building under this Agreement shall be satisfactory to the World Bank and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank’s Safeguard Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

2.04. Donor Visibility and Visit. (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donor(s) to visit any part of the Member Country’s territory for purposes related to the Project.
2.05. Project Monitoring, Reporting and Evaluation. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Operations Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than five months after the Closing Date.

(c) No later than December 31, 2018, the Recipient shall, in conjunction with the World 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 Recipient shall prepare and furnish to the World 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 Recipient shall act promptly and diligently in order to take, or cause to be taken, any corrective action deemed necessary by the World Bank to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

2.07. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.08. Procurement

(a) General. All goods and consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the Procurement Guidelines, in the case of goods;

(ii) Sections I and IV of the Consultant Guidelines in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").
(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World 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.

(c) Particular Methods of Procurement of Goods

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts which are specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional provisions set out in the Attachment to this Annex; (B) Shopping; and (C) Direct Contracting.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments 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) Selection of Consultant under Indefinite Delivery Contract or Price Agreement; (F) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Investment Project Financing” dated January 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, consultants' services and Training under Part 2 of the Project</td>
<td>3,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,000,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made: for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $600,000 equivalent may be made for payments made prior to this date but on or after November 1, 2016, for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2019.

**Article IV**
\**Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following, namely, that 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 this Agreement; or

4.02. The Additional Event of Acceleration consists of the following, namely, that 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 World Bank to the Recipient.

**Article V**
\*Effectiveness; Termination*

5.01. The Additional Conditions of Effectiveness consist of the following: the Co-financing Agreements have been executed and delivered and all conditions precedent to their effectiveness or to the right to make withdrawals under the Co-financing Agreements (other than the effectiveness of this Agreement) have been fulfilled.

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

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Article VI  
Recipient’s Representative; Addresses

6.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the President Director.

6.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Sahid Sudirman Center, 48th Floor
Jl. Jend. Sudirman No. 86
Jakarta 10220, Indonesia

Facsimile:
+62-21-8082-5258

6.03. World Bank’s Address. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions 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
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 Republic of Indonesia’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 Republic of Indonesia’s procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Republic of Indonesia and the World 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 Grant shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.

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

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

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

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

6. No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the World 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 World 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.
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-financer to assist in financing the Project.

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


5. “Co-financer” means any of: (a) 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; and (b) International Bank for Reconstruction and Development.

6. “Co-financing Agreements” means, collectively, the AIIB Co-financing Agreement and the Loan Agreement.


8. “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.

9. “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 World Bank, such framework incorporating among others, Resettlement Plan(s), Indigenous Peoples Plan(s), Environmental Management Plan(s) and Plan(s) of Action.
10. "Environmental Management Plan" means each plan adopted for the purposes of a Sub-project, acceptable to the World 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.

11. "Indigenous Peoples" means those social groups in the Recipient’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.

12. "Indigenous Peoples Plan" means each plan adopted for the purposes of a Sub-project, acceptable to the World 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 World Bank and the Recipient.

13. "Kabupaten" means a regency, a rural administrative division of a Province.

14. "Kota" means a city, an urban administrative division of a Province.

15. "Loan Agreement" means the agreement to be entered into between the Republic of Indonesia and the International Bank for Reconstruction and Development to cofinance the Project.

16. "Ministry of Finance" means the Recipient’s ministry responsible for finance, or any successor thereto.

17. "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 World Bank, and such term includes any schedules to the Operations Manual.

18. "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.
19. “Plan of Action” means each plan adopted for the purposes of a Sub-project in consultation with affected communities, acceptable to the World 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.


21. “Procurement Plan” means the Recipient’s procurement plan, dated December 28, 2016, and approved by the World Bank on December 30, 2016, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

22. “Province” means an administrative division of the Recipient.

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

24. “PT SMI’s Legislation” means: (i) the Recipient’s Government Regulation 66/2007 as amended by the Recipient’s Government Regulation 75/2008 on the capital participation of the Recipient for the establishment of PT SMI; (ii) the Recipient’s Government Regulation 75/2008 on the establishment of State-owned infrastructure financing company; (iii) the Recipient’s Presidential Regulation 9/2009 on financial institutions; and (iv) Recipient’s Minister of Finance Regulation 100/PMK.01/2009 on infrastructure financing company; and their implementing regulations.

25. “Resettlement Plan” means each plan adopted for the purposes of a Sub-project, acceptable to the World 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 World Bank and the Recipient.

26. “RIDF” or “Regional Infrastructure Development Fund” means a business line of PT SMI that provides loans to subnational governments.

27. “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.

28. “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.
29. "Training" means the reasonable costs of expenditure incurred by the Recipient in facilitating and conducting training and workshop activities for the purpose of the Project, including costs of training or workshop materials; honoraria; interpretation and translation; equipment and venue rental; lunches; per diem; accommodation; and transportation for those attending the training or workshop; but excluding salary and salary supplements of the Member Country's civil servants.