Loan Agreement

(Strategic Irrigation Modernization and Urgent Rehabilitation Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

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

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; and

(B) the Borrower has also requested Asian Infrastructure Investment Bank ("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 two hundred and fifty million United States Dollars (USD 250,000,000), ("Co-financing"), pursuant to the agreement to be entered into between the Borrower and the Co-financier ("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) apply to and form part of this Agreement.

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

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of two hundred and fifty million United States Dollars (USD 250,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan"), to assist in financing the Project.

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

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

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

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

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

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

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

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

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

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through the Ministry of Public Works and Housing (MoPWH), the Ministry of Home Affairs (MoHA), and the Ministry of Agriculture (MoA) in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Condition of Effectiveness is that the Co-financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

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

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

(b) the Borrower’s Electronic Address is:
Facsimile: +62-21-381-2859
5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank’s address is:

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

(b) the Bank’s Electronic Address is:
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF INDONESIA

By

Authorized Representative

Name: LUKY ALFIRMAN
Title: DIRECTOR GENERAL OF BUDGET
FINANCING AND ECONOMIC MANAGEMENT
Date: JULY 25, 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: GEORGE SORAYA
Title: ACTING COUNTRY DIRECTOR
Date: JULY 12, 2018
SCHEDULE 1

Project Description

The objective of the Project is to improve irrigation services and strengthen accountability of irrigation schemes management in Selected Areas.

The Project consists of the following parts:

Part A: Urgent Rehabilitation of Irrigation and Drainage System

1. Improvement and revitalization of national irrigation and drainage infrastructure through such activities as: (a) assessments of water resources and performance of select national irrigation schemes; (b) carrying out engineering surveys, investigations and designs and preparation of safeguard and tender documents; and (c) rehabilitation and upgrading of the irrigation and drainage infrastructure.

2. Irrigation management modernization through such activities as: (a) establishment of water accounting systems, formulation of service delivery standards and preparation of service agreements; (b) installation of water distribution and service delivery monitoring network; (c) installation and operationalization of management information and decision support systems for water and asset management and for monitoring and reporting on management performance; (d) establishment of a benchmarking system for assessing service delivery performance of the participating irrigation systems; and (e) supporting integration of agriculture value chains through training and carrying out Climate Smart Agriculture Pilots.

3. Irrigation management institutions capacity building through such activities as: (a) institutional reviews to assess current management arrangements and inform future institutional options; (b) improvement of inter-agency coordination and support to stakeholders involvement; (c) support for enhancement of their legal and regulatory framework at national and local levels to enable better synchronization, harmonization and coordination of tasks and responsibilities among irrigation management institutions and coordination platforms; (d) facilitation of incorporation of participatory irrigation management in programming, planning and budgeting for investments and O&M in the regional planning documents; (e) piloting irrigation co-management methods within select canals along with piloting the application of volumetric measurement; (f) investigation and piloting of options for outsourcing of irrigation management tasks through, inter alia, maintenance contracts, management contracts or partnerships with WUAF/WUA; and (g) conducting studies on topics relevant to these issues including on options for financing O&M.

4. Human resources development through such activities as: (a) socialization and provision of training on participatory irrigation management and irrigation management modernization to government agencies, Irrigation Commissions and WUAFs; (b) establishment and strengthening of WUAs and WUAFs; and (c) undertaking gender focused activities and gender diagnostics to inform the design of WUA structure and WUA training programs.

Part B: Strategic Modernization of Irrigation and Drainage System

1. Improvement and modernization of irrigation and drainage infrastructure in Jatiluhur Irrigation System through such activities as: (a) assessment of water resources; (b) carrying out engineering surveys, investigations and designs; and (c) rehabilitation and modernization of the irrigation and drainage infrastructure including East and North Tarum primary canals, and as their secondary and tertiary irrigation and drainage systems.
2. Modernization of irrigation management in Jatiluhur Irrigation System through such activities as:
(a) preparation, introduction and operationalization of a system management plan including
hydrological data gathering; (b) establishment of asset management systems; (c) evaluation of
irrigation systems performance; (d) development of irrigation management cooperation; (e)
installation of advanced information system, telemetry and tele-control irrigation system; (f)
modernization of water irrigation allocation and distribution; and (g) agricultural modernization
and water resources management including carrying out Climate Smart Agriculture Pilots.

3. Modernization of irrigation management institutions in Jatiluhur Irrigation System through such
activities as: (a) institutional reviews to assess current management arrangements and inform
future institutional options; (b) support for enhancement of the legal and regulatory framework
for Jatiluhur Irrigation System; (c) strengthening irrigation co-management methods within select
canals along with piloting the application of volumetric measurement; (d) undertaking studies to
explore possibilities for outsourcing irrigation management tasks – through, inter alia,
maintenance contracts, management contracts or partnerships with WUAF/WUA - and piloting
options arising from such studies; and (e) development of a modified strategy for organization of
water users in the area covered by Jatiluhur Irrigation System to accommodate the transition in
land ownership, tenure and agriculture practice.

4. Human resources development through such activities as: (a) establishment and strengthening of
WUAs, WUAFs and Irrigation Commissions; (b) strengthening of Citarum River Basin
Organization (RBO) and PJT2; (c) development and implementation of training programs for
irrigation service development and irrigation system modernization; (d) implementation of
training programs targeting WUA and WUAFs on, inter alia, Climate Smart Agriculture and
participatory irrigation management; and (e) undertaking gender focused activities and gender
diagnostics to inform the design of WUA structure and WUA training programs.

Part C: Project Management

Supporting overall capacity of the Project implementing entities at central, provincial, RBO and local
levels to coordinate, manage and supervise the implementation of the Project through: (a) carrying out
of financial management, procurement, environmental and social safeguards management as well as
communication, monitoring, verification and evaluation of the Project; (b) recruitment of consultants
to support implementation of the Project including providing technical assistance to RBOs and other
implementing entities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:

(a) maintain until completion of the Project the National Steering Committee for Water Resources - with composition, institutional framework, functions, and resources satisfactory to the Bank as shall be required for purposes of Project implementation - which shall be responsible for synchronization of the Project within the context of the national water resources priorities, as well as conducting independent monitoring and evaluation of the Project and ensuring that Annual Work Plans and Budgets conform with the Project Operations Manual;

(b) cause Directorate General of Water Resources (DGWR) to be the implementing agency for the Project and maintain - until completion of the Project - the Central Project Management Unit (CPMU) with terms of reference and staffing acceptable to the Bank, which shall be responsible for overall management and coordination of the Project;

(c) maintain - until completion of the Project - Central Project Implementation Units (CPIUs) in the Directorate General of Water Resources, the Directorate General of Regional Development and the Agency of Agricultural Extension and Human Resources Development; in each case with terms of reference and staffing acceptable to the Bank, which shall be responsible for provision of technical guidance on Project activities, as further detailed in the Project Operations Manual; and

(d) establish - by no later than ninety (90) days after Effective Date - and thereafter maintain, until completion of the Project - Project Implementation Units (PIUs) in the participating River Basin Organizations; in each case with terms of reference and staffing acceptable to the Bank, to be responsible for day-to-day Project activities in the area under jurisdiction of the corresponding River Basin Organization, in accordance with the Project Operations Manual.

2. The Borrower shall provide, or cause to be provided, as the case may be, each of the CPMU, the CPIUs and PIUs at all times with adequate funds (allocated in the DIPA budget) and other resources, and with qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its terms of reference and objectives.

3. The Borrower shall engage and retain the Technical Assistance Consultants, in accordance with the provisions of Section III of this Schedule 2, to assist in management and implementation of the Project.

B. Project Operations Manual

1. The Borrower shall:

(a) ensure that the Project is implemented in accordance with the Project Operations Manual, acceptable to the Bank, which shall include the description of: (i) implementation arrangements including delineation of roles and responsibilities of
various entities, institutions and agencies involved in Project implementation and their coordination; (ii) the procurement procedures set forth in Section III of this Schedule 2 and standard procurement documentation; (iii) disbursement arrangements, financial management procedures and audit procedures; (iv) procedures for preparing and reviewing a consolidated annual work plan and budget for each Fiscal Year including Counterpart Funds; (v) the Project performance indicators and monitoring and evaluation arrangements; (vi) arrangement and procedures for environment and social safeguard management; and (vii) eligibility and selection criteria, procedures and arrangements for identifying, preparing, appraising and implementing Sub-projects; and (viii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project;

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

(c) with the prior written agreement of the Borrower and the Bank, update the Project Operations Manual, as necessary, at all times ensuring compliance thereof with the terms of this Agreement.

2. Without limitation to paragraph 1 above, in order to ensure the proper implementation of Climate Smart Agriculture Pilots under the Project, the Borrower shall:

(a) not later than eighteen (18) months after the Effective Date, prepare and furnish to the Bank for its review and approval, an annex to the Project Operations Manual which shall set forth detailed arrangements, procedures and guidelines for implementation of the Climate Smart Agriculture Pilot;

(b) afford the Bank a reasonable opportunity to review said proposed annex;

(c) promptly adopt such manual as shall have been approved by the Bank (“Climate Smart Agriculture Annex”);

(d) ensure that Climate Smart Agriculture Pilots are carried out in accordance with the Project Operations Manual including the Climate Smart Agriculture Annex; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the Climate Smart Agriculture Annex without prior approval by the Bank.

3. In the event of any conflict between the provisions of: (a) the Project Operations Manual; and (b) those of this Agreement, the latter shall prevail.

C. Annual Work Plans and Budgets

1. The Borrower shall: (a) prepare and furnish to the Bank by September 30 in each year - beginning in the calendar year 2018 - a proposed Project’s consolidated annual work plan and budget for the following Fiscal Year; (b) taking into account the Bank’s comments, finalize the plan and furnish it to the Bank for its approval not later than November 30 in each year - beginning in the calendar year 2019; (c) adopt the plan as shall have been approved by the Bank (“Annual Work Plan and Budget”) and thereafter ensure that the Project is carried out in accordance with each of such Annual Work Plan and Budget, in a manner satisfactory to the Bank.
2. The Borrower shall not amend, suspend, abrogate or waive said Annual Work Plan and Budget or any of its provisions without the prior written agreement of the Bank.

D. Safeguards

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments, and, except as the Bank shall otherwise agree in writing, the Borrower shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, any of the aforementioned, or any provision of any one thereof.

2. Wherever required pursuant to the terms of the Environmental and Social Management Framework, the Borrower shall - for the purposes of a Sub-project and prior to the implementation thereof - proceed to have an Environmental and Social Management Plan and/or an Integrated Pest Management Plan:
   (a) prepared in form and substance satisfactory to the Bank;
   (b) except as otherwise agreed with the Bank in writing, submitted to the Bank for review and approval; and
   (c) thereafter, adopted and locally disclosed.

3. Wherever required pursuant to the terms of the Land Acquisition and Resettlement Policy Framework and/or the Indigenous Peoples Planning Framework, the Borrower shall - for the purposes of a Sub-project and prior to implementation thereof - proceed to have a Land Acquisition and Resettlement Action Plan and/or an Indigenous Peoples Plan, respectively:
   (a) prepared in form and substance satisfactory to the Bank;
   (b) except as otherwise agreed with the Bank in writing, submitted to the Bank for review and approval; and
   (c) thereafter, adopted and locally disclosed.

4. The Borrower shall ensure that all land acquisition required for the purposes of carrying out works under the Project are financed exclusively out of its own resources, and shall provide, promptly as needed, the resources needed for these purposes, including: (a) all land acquisition required for the purposes of carrying out the Project; (b) resettlement and rehabilitation payments to Project Affected Persons; and (c) all other costs associated with environmental and/or social mitigation measures set forth in the Safeguard Instruments.

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

6. The Borrower shall ensure that each contract for a Sub-project includes the obligation of the relevant contractor to implement the Safeguards Instruments.

7. Without limitation to the provisions of Section II.1 of this Schedule 2, the Borrower shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports, information on the status of compliance with the Safeguards Instruments, giving details of:
(a) measures taken in furtherance of the Safeguards Instruments;

(b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguards Instruments; and

(c) remedial measures taken or required to be taken to address such conditions.

8. In the event of a conflict between the provisions of any of the Safeguards Instruments and those of this Agreement, the latter shall govern.

Dam Safety

9. For the overseeing of implementation of dam safety measures for the Project Dams, the Borrower shall:

(a) retain an Independent Expert with qualifications, and under the terms of reference, acceptable to the Bank;

(b) cause the Independent Expert to perform periodic dam safety inspections of the Project Dams pursuant to the terms of reference, and in a manner, acceptable to the Bank;

(c) inform the Bank of the dates of the field visits of the Independent Expert to enable the Bank to send an observer to such Independent Expert’s de-briefings;

(d) promptly provide to the Bank a copy of each report prepared by the Independent Expert; and

(e) unless otherwise agreed by the Bank, promptly and diligently implement dam safety measures recommended by the Independent Expert.

10. The Borrower shall assign staff and provide information and other assistance to enable the Independent Expert to discharge the assigned task in accordance with the terms of reference acceptable to the Bank.

11. The Borrower shall ensure that an operation and maintenance plan and an emergency preparedness plan for each of the Project Dams are maintained and updated from time to time, as further detailed in the Project Operations Manual.

Section II. Project Monitoring Reporting and Evaluation

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

2. No later than June 30, 2021 or such other date agreed with the Bank, the Borrower shall, in conjunction with the Bank, carry out a mid-term review of the Project (the “Mid-term Review”), covering the progress achieved in the implementation of the Project. To this end, the Borrower shall prepare - under terms of reference satisfactory to the Bank - and furnish to the Bank not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the Project’s monitoring and evaluation activities, on the progress achieved in the carrying out of the Project during the period preceding the date of such report,
and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Borrower shall act promptly and diligently in order to take, or cause to be taken, measures recommended to ensure the efficient completion of the Project and the achievement of the objectives, as well as any corrective action deemed necessary by the Bank to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-Consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Limited International Bidding; (b) National Competitive Bidding, subject to the additional provisions set forth in the Annex 2 to this Schedule 2; (c) Shopping; (d) Direct Contracting; (e) Force Account; (f) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; and (g) Community Participation procedures which have been found acceptable to the Bank.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection;
(b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Single-source procedures for the Selection of Individual Consultant; (g) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Bank; (h) Selection of consultants under Indefinite Delivery Contract or Price Agreement; and (i) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultant.

D. **Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank’s Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. withdrawals of Loan Proceeds**

A. **General.**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, Training and Workshops, Incremental Operating Costs, non-consulting services, and consultants’ services under Parts A and B of the Project</td>
<td>240,500,000</td>
<td>100% of Bank Share of Total Lending</td>
</tr>
<tr>
<td>(2) Training and Workshops, Incremental Operating Costs, non-consulting services, and consultants’ services under Part C of the Project</td>
<td>9,500,000</td>
<td>100% of Bank Share of Total Lending</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>250,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. **Withdrawal Conditions; Withdrawal Period.**

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

2. The Closing Date is June 30, 2024.
ANNEX TO SCHEDULE 2

National Competitive Bidding: Modifications to Procedures

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those of the Pelelangan Umum (Public Tendering) and Pemilihan Langsung / Pelelangan Sederhana (Simplified Tendering) methods as set forth in the Borrower’s Presidential Regulation No. 54/2010 and its subsequent amendments as of January 16, 2015, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. The Pemilihan Langsung / Pelelangan Sederhana method shall apply to such procurement up to the financial thresholds specified in said Regulation. In the event of a conflict between the Borrower’s procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Borrower and the Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Loan shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.

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

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

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

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

6. No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the Bank’s prior written concurrence.

7. Bid security, if it is required by the bidding documents, at the bidder’s option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.

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

9. Government-owned enterprises in Indonesia shall be eligible to participate provided that they comply with paragraph 1.10(b) of the Procurement Guidelines.
SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

**Annuity Principal Repayments**

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 15, 2026</td>
<td>5.47%</td>
</tr>
<tr>
<td>January 15, 2027</td>
<td>5.57%</td>
</tr>
<tr>
<td>July 15, 2027</td>
<td>5.66%</td>
</tr>
<tr>
<td>January 15, 2028</td>
<td>5.76%</td>
</tr>
<tr>
<td>July 15, 2028</td>
<td>5.86%</td>
</tr>
<tr>
<td>January 15, 2029</td>
<td>5.97%</td>
</tr>
<tr>
<td>July 15, 2029</td>
<td>6.07%</td>
</tr>
<tr>
<td>January 15, 2030</td>
<td>6.18%</td>
</tr>
<tr>
<td>July 15, 2030</td>
<td>6.28%</td>
</tr>
<tr>
<td>January 15, 2031</td>
<td>6.39%</td>
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<tr>
<td>July 15, 2031</td>
<td>6.51%</td>
</tr>
<tr>
<td>January 15, 2032</td>
<td>6.62%</td>
</tr>
<tr>
<td>July 15, 2032</td>
<td>6.74%</td>
</tr>
<tr>
<td>January 15, 2033</td>
<td>6.85%</td>
</tr>
<tr>
<td>July 15, 2033</td>
<td>6.97%</td>
</tr>
<tr>
<td>January 15, 2034</td>
<td>7.10%</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions

1. “Agency of Agricultural Extension and Human Resources Development” means the agency of the Ministry of Agriculture (as hereinafter defined) responsible for agriculture extension and human resources development, or a successor thereto.

2. “Annual Work Plan and Budget” means each of the consolidated annual work plans and budgets for the Project to be prepared or updated as provided for in Section I.C.1(c) of Schedule 2 to this Agreement; and “Annual Work Plans and Budgets” means, collectively, all such plans.

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

4. “Bank’s Safeguards Policies” means the operational policies and procedures for financing of development projects by the Bank at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples, Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, Projects on International Waterways, and Projects in Disputed Areas, as published under http://policies.worldbank.org/ to the extent they are applicable to the Project.

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

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

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

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

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

10. “Climate Smart Agriculture Annex” means the annex to the Project Operations Manual referred to in Section I.B.2(c) of Schedule 2 to this Agreement;

11. “Climate Smart Agriculture Pilots” means Project activities to effectively support development and ensure food security in a changing climate.

12. “Co-financier” means the Asian Infrastructure Investment Bank (AIIB), 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.

13. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of two hundred fifty million United States Dollars to be provided by the Co-financier to assist in financing the Project.
14. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.


16. “Counterpart Funds” means a minimum amount of funds required for the Project, estimated at USD 78 million equivalent, to be provided by the Borrower.

17. “DIPA” means daftar isian pelaksanaan anggaran, a government budget document setting forth the budget activity list for a Fiscal Year.

18. “Directorate General of Regional Development” means the directorate general of the Ministry of Home Affairs (as hereinafter defined) responsible for regional development management, or a successor thereto.

19. “Directorate General of Water Resources” means the directorate general of the Ministry of Public Works and Housing (as hereinafter defined) responsible for water resource management, or a successor thereto.

20. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework dated March 2018 and disclosed on the Bank’s external website (documents & reports) on April 5, 2018 (Report No. SFG4225), giving details of a program of actions, measures and policies designed to maximize the benefits accruing under the Project, avoid or mitigate any adverse impacts arising thereunder, or, if such adverse impacts cannot be avoided altogether, reduce such impacts to acceptable levels, as the same may be updated from time to time in agreement with the Bank, such framework incorporating among others LARPF, IPPF, chance find procedures and mitigation measures for physical cultural resources, procedures and guidelines for preparation and implementation of Integrated Pest Management Plans.

21. “Environmental and Social Management Plan” or “ESMP” means an environmental and social management plan, acceptable to the Bank and consistent with the Environmental and Social Management Framework adopted for the purposes of a set of Project activities under the jurisdiction of a River Basin Organization (or a Sub-project), and giving details of the agreed actions and policies designed to maximize the benefits of the 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.

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

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

25. “Independent Expert” means any of the independent qualified dam professionals - who have not been involved with the investigation, design, construction, or operation of the dam that they are tasked to inspect – retained to perform periodic dam safety inspection of Project Dams pursuant to Section I.D.9(b) of Schedule 2 to this Agreement.

26. “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.

27. “Indigenous Peoples Plan” or “IPP” means each plan for a Sub-project, meeting the requirements of the Indigenous Peoples Planning Framework, that sets out the agreed measures to: (a) involve Indigenous Peoples, through a process of free, prior and informed consultation, in the design and implementation of each Sub-project in locations in which such people reside or make their living; (b) ensure that Indigenous Peoples affected by the Sub-project receive culturally appropriate social and economic benefits; and (c) when potential adverse effects on Indigenous Peoples are identified, those adverse effects are avoided, minimized, mitigated, or compensated for, in each case in a manner acceptable to the Bank and the Borrower.

28. “Indigenous Peoples Planning Framework” or “IPPF” means the updated indigenous peoples planning framework incorporated in the ESMF, giving details of a program of actions, measures and policies designed to facilitate a process of free, prior and informed consultation involving Indigenous Peoples in the design and implementation of every Sub-project, and to ensure that such Indigenous Peoples derive benefits from the Sub-project which are socially, economically and culturally appropriate, and gender and inter-generationally inclusive.

29. “Integrated Pest Management Plan” means the Borrower’s plan setting out measures to develop and implement integrated pest management and safe handling of pesticides during Project implementation, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.

30. “Irrigation Commissions” means, collectively, the multi-stakeholder entities responsible for the provision of advisory services in relation to the participatory irrigation management of Province (as hereinafter defined) and Kabupaten (as hereinafter defined) irrigation schemes, or any successors thereto.

31. “Jatiluhur Irrigation System” means the Jatiluhur irrigation system in the Province (as hereinafter defined) of West Java in the Borrower’s territory.

32. “Kabupaten” means a district, an administrative division of the Borrower, within a Province (as hereinafter defined).
33. “LARAP” means a resettlement and rehabilitation action plan for a Sub-project giving details of the agreed provisions for compensation, rehabilitation and resettlement assistance to Project Affected Persons under the Sub-project, along with the procedural and institutional measures needed to implement such agreed provisions, acceptable to the Bank and the Borrower, prepared and implemented by the Ministry of Public Works and Housing, pursuant to the Land Acquisition and Resettlement Policy Framework.

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

35. “Ministry of Agriculture” or “MoA” means the Borrower’s ministry responsible for agriculture, or any successor thereto.

36. “Ministry of Finance” means the Borrower’s ministry responsible for finance or any successor thereto.

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

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

39. “National Steering Committee for Water Resources” means the inter-agency committee chaired by BAPPENAS - referred to in Section I.A.1(a) of Schedule 2 to this Agreement - established pursuant to Ministerial Decree No. 555/M.PPN/HK/04/2018 of the Minister of BAPPENAS, as the same may be revised from time to time, and any successor thereto.

40. “O&M” means operations and maintenance.

41. “PJT2” or “Perum Jasa Tirta 2” means the Borrower’s wholly-owned enterprise responsible for the management, operation and maintenance of Juanda reservoir, the Curug headworks and the three main canals East, West and North of Jatiluhur Irrigation System, and for the operation of the secondary irrigation system, and established and operating pursuant to Government Regulation No. 7/2010, or any successor thereto.


43. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated May 22, 2018 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.

44. “Project Affected Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Project Affected Persons” means, collectively, all such Project Affected Persons.
45. "Project Dams" means existing dams or dams under construction that are situated to the upstream of irrigation schemes under Parts A and B of the Project.

46. "Project Implementation Units" and the acronym "PIUs" mean all the units referred to in Section I.A.1(d) of Schedule 2 to this Agreement.

47. "Project Operations Manual" means the manual, dated May 22, 2018 referred to in Section I.B.1(a) of Schedule 2 to this Agreement, as the same may be amended from time to time in agreement with the Bank, and such term includes any schedules to the Project Operations Manual.

48. "Province" means a province, an administrative division of the Borrower.

49. "River Basin Organization" and the acronym "RBO" (or in Bahasa Indonesia the abbreviation “BBWS/BWS”) means the river basin organization established and funded by the national government and operating as functional part of MoPWH, and “RBOs” means more than one RBO.

50. "Safeguards Instruments" means, collectively, the Environmental and Social Framework, any Environmental and Social Management Plans, the Indigenous Peoples Planning Framework, any Indigenous Peoples Plans, the Land Acquisition and Resettlement Policy Framework, any Land Acquisition and Resettlement Action Plans, the Integrated Pest Management Plans, and such term includes any annexes or schedules to such instruments.

51. "Selected Areas" means the areas in territory of the Borrower where the following national irrigation schemes are located: Pamakulu, Cipancuh, Cikeusik, Kedung Putri, Banjarcahyana, Talang, Pondok Waluh, Jurang Batu, Jurang Sate Hilir, Sei Ular, Tabo-Tabo, San Rego, Karang Agung Hilir, Katingan and Jatiluhur Irrigation System, as this list may be changed from time to time with the prior written agreement of the Bank and Borrower.

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

53. "Sub-project" means a set of specific activities under Part A or Part B of the Project, in each case having been identified, prepared and appraised pursuant to criteria, guidelines and procedures set forth in the Project Operations Manual and “Sub-projects” means more than one Sub-project.

54. "Technical Assistance Consultants" means the consultants to be engaged by the Borrower to assist with implementation of the Project as referred to in Section I.A.3 of Schedule 2 to this Agreement.

55. "Total Lending" means the amount constituted by the Co-financing and the Loan.

56. "Training and Workshops" means the costs of training activities under the Project, based on the Annual Work Plans and Budgets approved in advance by the Bank, and attributable to seminars, workshops, and domestic and overseas training, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.
57. "Water Users Association" and the acronym "WUA" mean an autonomous association of irrigators and other water users in a specific irrigation scheme, established pursuant to registration with a notary public, owning accounts, empowered to raise and retain revenue, and having a democratically elected leadership, or any successor thereto; and "Water Users Associations" means more than one (1) such association.

58. "Water Users Associations Federation" and the acronym "WUAF" mean an autonomous federation of Water Users Associations, established pursuant to registration with a notary public, owning accounts, empowered to raise and retain revenue, and having a democratically elected leadership, or any successor thereto; and "Water Users Associations Federations" means more than one (1) such federation.

Section II. **Modifications to the General Conditions**

The General Conditions are hereby modified as follows:

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

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