Project Agreement

(Regional Infrastructure Development Fund Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

PT SARANA MULTI INFRASTRUKTUR (PERSERO)

Dated May 12, 2017
PROJECT AGREEMENT

Agreement dated May 12, 2017, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") and PT Sarana Multi Infrastruktur (Persero) ("PT SMI", the Project Implementing Entity) ("Project Agreement") in connection with the Loan Agreement ("Loan Agreement") of same date between REPUBLIC OF INDONESIA ("Borrower") and the Bank. The Bank and PT SMI hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Loan 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 Loan Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. PT SMI declares its commitment to the objectives of the Project. To this end, PT SMI shall carry out the Project in accordance with the provisions of Article V of the General Conditions, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and PT SMI shall otherwise agree, PT SMI shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. PT SMI’s Representative is its President Director.

3.02. The Bank’s Address is:

International Bank for Reconstruction and Development
1818 H Street, NW
Washington, DC 20433
United States of America

Facsimile:
1-202-477-6391
3.03. PT SMI’s Address is:
Sahid Sudirman Center, 48th Floor
Jl. Jend. Sudirman No. 86
Jakarta 10220, Indonesia
Facsimile:
+62-21-8082-5258

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

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

[Signature]
Authorized Representative
Name: [Signature]
Title: [Signature]

PT SARANA MULTI INFRASTRUKTUR (PERSERO)

By

[Signature]
Authorized Representative
Name: [Signature]
Title: [Signature]
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

1. PT SMI shall:
   (a) carry out the Project and ensure that the Project is implemented in accordance with the Operations Manual, acceptable to the Bank, which shall include the description of: (i) reporting requirements, financial management procedures and audit procedures; (ii) procurement procedures and standard procurement documentation; (iii) the Environmental and Social Management Framework and the procedures and arrangements for environmental and social safeguard management; (iv) arrangements and procedures for identifying, selecting, implementing and monitoring and evaluating Sub-projects; (v) terms and conditions for Sub-project Agreements; (vi) Project performance indicators; and (vii) Project monitoring and evaluation arrangements;
   (b) not amend, suspend, abrogate, repeal or waive any provisions of the Operations Manual without the prior written agreement of the Borrower and the Bank; and
   (c) ensure that the Operations Manual is applied in the carrying out of Sub-projects.

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

B. Anti-Corruption

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

C. Sub-projects

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

2. PT SMI shall provide each Sub-project Loan under a Sub-project Agreement with the respective Participating Subnational Government on terms and conditions approved by the Bank and set forth in this Agreement and the Operations Manual, which shall include:
   (a) The Sub-project Loan shall be (i) denominated and repayable in Rupiah; (ii) charged interest on the principal amount withdrawn and outstanding from time to time at the rate equivalent to the yield of the Borrower’s SUN corresponding to the tenor of the respective Sub-project Loan and seventy-five basis points (0.75 percentage points); and (iii) repayable over a period not exceeding 10 years from the date of the Sub-project Agreement, inclusive of a grace period not exceeding 5 years.
(b) PT SMI shall obtain rights adequate to protect its interests and those of the Borrower and Bank, including the right to:

(i) suspend or terminate the right of the Participating Subnational Government to use the proceeds of the Sub-project Loan, or obtain a refund of all or any part of the amount of the Sub-project Loan then withdrawn, upon the Participating Subnational Government’s failure to perform any of its obligations under the Sub-project Agreement; and

(ii) require each Participating Subnational Government to:

(A) carry out its Sub-project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower;

(B) provide, promptly as needed, the resources required for the purpose;

(C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-project and the achievement of its objectives;

(D) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-project; and (2) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;

(E) enable the Borrower and the Bank to inspect the Sub-project, with reasonable prior notice, its operation and any relevant records and documents; and

(F) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. PT SMI shall exercise its rights under each Sub-project Agreement in such manner as to protect the interests of the Borrower, the Bank and PT SMI and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, PT SMI shall not assign or abrogate any Sub-project Agreement or any of its provisions, or waive or amend any provision in a way that would contravene any provision of this Agreement or the Operations Manual.
D. Safeguards

1. PT SMI shall exercise its rights under the Sub-project Agreement to 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).

2. PT SMI shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated or waived, the Environmental Social Management Framework or any provision thereof.

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

4. PT SMI 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.

5. PT SMI 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 Bank and, to that end, such terms of reference shall, *inter alia*, duly incorporate the requirements of the Bank's Safeguard Policies then in force, as applied to the advice conveyed through such studies, technical assistance and/or capacity building activities.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project and prepare Project Reports the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of the indicators set forth in the Operations Manual. Each such Project Report shall cover the period of one calendar quarter, and shall be furnished to the Borrower not later than two weeks after the end of the period covered by such report for incorporation and forwarding by the Borrower to the Bank of the overall Project Report.

2. The Project Implementing Entity shall provide to the Borrower not later than five months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.
B. **Financial Management, Financial Reports and Audits**

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.

2. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Borrower and the Bank not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Bank.

**Section III. Procurement**

All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Loan Agreement.