Loan Agreement

(Third National Program for Community Empowerment in Rural Areas)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Dated April 9, 2010
LOAN AGREEMENT


The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The International Bank for Reconstruction and Development General Conditions for Loans, dated July 1, 2005 (as amended through February 12, 2008) (“General Conditions”) 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 seven hundred eighty five million United States Dollars (US$785,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 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 (60) days after the Effective Date.

2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the
Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.

2.05. The Payment Dates are April 1 and October 1 in each year.

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

2.07. (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 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; and (iii) the setting of limits on the Variable 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.

(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.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through MOHA, 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 Additional Condition of Effectiveness consists of the following: the Borrower, through the PMD, shall have adopted the Project Manual, in form and substance satisfactory to the Borrower and the Bank.

4.02. 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 of the Borrower.

5.02. The Borrower’s Address is:

Ministry of Finance  
c/o Directorate General of Debt Management  
Jalan Lapangan Banteng Timur 2-4  
Jakarta 10710  
Indonesia

Cable address: FINMINISTRY45799  
Telex: DJMLN-IA  
Facsimile: (21) 381 2859

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

Cable address: INTBAFRAD  
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: /s/ Rahmat Waluyanto

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: /s/ Joachim von Amsberg

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is that villagers in PNPM rural locations benefit from improved socio-economic and local governance conditions.

The Project consists of the following parts:

Part 1: Kecamatan Grants

(a) Provision of Kecamatan Grants to Beneficiaries to support:

(i) planning for community development, including the preparation of Sub-Project proposals;

(ii) training and capacity building, including in development planning and investment;

(iii) investment in social and economic infrastructure identified through community development planning;

(iv) investment in activities identified through community development planning using Revolving Funds; and

(v) preparing for and responding to disaster, emergency or catastrophic event, as needed, through Sub-projects and/or using the Project implementation arrangements.

(b) Provision of Kecamatan Grants to Beneficiaries for Pilot and Special Programs.

Part 2: Facilitation Support

Provision of technical advisory services, training and other material support, through Facilitators, to strengthen the capacity of Kabupaten and Kecamatan government institutions and communities in development planning and investment.

Part 3: Implementation Support and Technical Assistance

Provision of technical advisory services, training and other material support for PNPM implementation at national- Province- Kabupaten- and Kecamatan- levels, including training of Facilitators, monitoring and evaluation and enhanced technical and financial audits.
Part 4: Project Management Support

Provision of technical advisory services and other material support to strengthen PMD and support the management of the incremental activities generated by the Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. At the national level, the Borrower shall:

   (a) ensure that the Project shall be implemented under the umbrella of PNPM, and subject to the overall guidance of Tim Pengendali PNPM;

   (b) through MOHA, designate PMD to be responsible for the overall management and monitoring of the Project at the national level;

   (c) except as the Bank and the Borrower may otherwise agree, cause PMD to:

      (i) maintain, until the completion of the Project, the PMD Secretariat, with a mandate, composition and terms of reference acceptable to the Bank and the Borrower and set out in the Project Manual, to be responsible for the management and monitoring of the Project;

      (ii) ensure that the PMD Secretariat shall be provided with adequate funds and other resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including a suitably qualified Project Manager and National Management Consultants;

      (iii) ensure coordination, as necessary, with the Tim Pengendali PNPM; and

      (iv) in the event that PMD decides to establish more than one PMD Secretariat, in consultation with the Bank, then each PMD Secretariat shall meet the requirements set out in this paragraph.

2. At the Province level, the Borrower shall, except as the Bank and the Borrower may otherwise agree:

   (a) cause to be established in each Province prior to the disbursement of any Kecamatan Grant in such Province, and thereafter maintained until the completion of the Project, a Provincial Satker, to be responsible for the
day-to-day implementation of the Project at the Province-level, with a mandate, composition and terms of reference acceptable to the Bank and the Borrower, and set out in the Project Manual;

(b) ensure that each Provincial Satker shall be provided with adequate funds and other resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including, a PJOK, and Oversight Consultants; and

(c) ensure that each Provincial Satker shall coordinate Project activities, as necessary, with the Provincial Poverty Alleviation Coordination Team responsible for its respective Province.

3. At the Kabupaten level, the Borrower shall, except as the Bank and the Borrower may otherwise agree:

(a) cause to be established in each Project Kabupaten prior to the disbursement of any Kecamatan Grant in such Project Kabupaten, and thereafter maintained until the completion of the Project, a Kabupaten Satker, to be responsible for the day-to-day implementation of the Project at the Kabupaten and Kecamatan levels, with a mandate, composition and terms of reference acceptable to the Bank and the Borrower, as set out in the Project Manual;

(b) ensure that each Kabupaten Satker shall be provided with adequate funds and other resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including, a PJOK and Facilitators; and

(c) ensure that each Kabupaten Satker shall coordinate Project activities, as necessary, with the Kabupaten Poverty Alleviation Coordination Team responsible for its respective area.

4. The Borrower shall ensure that the appointment letter (surat keputusan) for each Provincial Satker and each Kabupaten Satker is issued in a timely manner early in each fiscal year of Project implementation.

B. Implementation Arrangements

1. The Borrower shall, through the PMD:

(a) adopt, and thereafter apply in the implementation of the Project, a Project Manual acceptable to the Bank and the Borrower, giving details of: (i) implementation arrangements; (ii) procurement procedures as set forth
in Section III of this Schedule and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section II.B of this Schedule; (iv) project performance indicators; (v) the Environmental Management Framework, the Isolated Vulnerable Peoples Framework, and the Land Acquisition and Resettlement Framework, including the technical guidelines for implementation of such frameworks; (vi) Eligibility Criteria for the selection of Sub-projects and the terms and conditions of governing the Kecamatan Grants and Local Government Participation, including the terms and conditions set forth in the Annex 1 to this Schedule; (vii) maintenance provisions for works to be carried out under a Sub-project; and (viii) the Better Governance Action Plan;

(b) adopt, prior to the commencement of Sub-project selection for any Pilot and Special Program or Sub-project for a natural disaster, emergency or catastrophic event under Part I(a)(v) of the Project, a Supplemental Manual, acceptable to the Borrower and the Bank, as necessary to set out criteria and implementation arrangement unique to such Pilot and Special Program;

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

(d) ensure that the Project Manual, and each Supplemental Manual, as applicable, is made available, at all times until completion of the Project, to each Local Government and all Oversight Consultants and Facilitators, and applied in the carrying out of Sub-projects; and

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

2. For the purposes of providing Kecamatan Grants to Beneficiaries under the Project, the Borrower shall only submit an application for withdrawal of the proceeds of the Loan allocated to Category (1) in the Table in Section IV.A of this Schedule to finance Sub-projects prepared and selected in accordance with the Eligibility Criteria set forth in Annex 1 to this Schedule, the Project Manual, and any applicable Supplemental Manual.

3. The Borrower shall ensure that Facilitators are contracted, trained and mobilized by no later than April 30 in each year of Project implementation in accordance with the Project Manual.
4. The Borrower, through PMD, shall ensure that, prior to carrying out Sub-project works, the technical Facilitators shall have completed a technical review of each Sub-project in accordance with the Project Manual and the requirements of Annex 1 to this Schedule. The Borrower shall ensure that the applicable Kabupaten Satker shall retain records of each such review.

5. The Borrower shall ensure that, prior to undertaking any activities under Part 1(a)(v) of the Project with respect to any natural disaster, emergency or catastrophic event, (a) the Bank and the Borrower have agreed in writing that a disaster, emergency and/or catastrophic event requiring support for such activities has occurred; and (b) the Bank and the Borrower have adopted a Supplemental Manual, if necessary, which defines the scope of such activities, and their implementation and disbursement arrangements.

6. The Borrower, through PMD, shall ensure, on an annual basis during Project implementation, that adequate budget is made for training of Facilitators and Oversight Consultants based on a training plan agreed in writing between the Bank and the Borrower. The Borrower shall ensure that the Facilitators responsible for Sub-projects shall provide facilitation services until such Sub-projects are completed.

7. The Borrower and the Bank shall agree, by no later than June 30 in each year of Project implementation, commencing on the first June 30 to occur after the Effective Date, on the list with each Project Kecamatan, which will be eligible for Sub-projects for the upcoming calendar year.

8. The PMD Secretariat shall make available to the public through its website and in hard copy at its office, at all times until completion of the Project, free of charge, a list of each Project Kecamatan, amounts of Kecamatan Grants and the Project Manual.

9. The Borrower, through the PMD Secretariat will coordinate with and ensure that Provincial and Kabupaten Satkers arrange for the public disclosure of complaints and cases related to the Project, if any, and their handling and resolution, including through media sources and on the PNPM website. By no later than the date which is two (2) months after the Effective Date, the PMD Secretariat will issue instructions to Provincial and Kabupaten Satkers, agreed between the PMD Secretariat and the Bank, which specify the criteria for which types of complaints and cases shall be disclosed in accordance with this paragraph.

10. The Borrower, through the PMD Secretariat, shall, by no later than three (3) months after the Effective Date, issue instructions or issue an updated Project Manual, acceptable to the PMD Secretariat and the Bank, to all Local Governments at the Kabupaten, Kecamatan and Province levels and to relevant
stakeholders defining time periods within which categories of complaints/cases must be resolved, to whom they should be escalated if not resolved within such time periods and what the consequences will be if such cases are not resolved or escalated in accordance with such instructions.

11. The PMD Secretariat shall ensure that the relevant Camat and Bupati in each Project Kecamatan and Project Kabupaten shall make publicly available by December 31 in each year of Project implementation, commencing on December 31, 2010, the results of Project implementation and accounts for funds used during such year.

12. The Borrower shall ensure that, except as the Bank and the Borrower shall otherwise agree, auditing activities under the Project, including those referred to in Section II.B of this Schedule, are carried out in accordance with: (a) BPKP’s audit manual, dated November 30, 2007, as such manual may be amended from time to time with the prior written agreement of the Bank and subject to its continued acceptability to the Bank; and (b) in accordance with terms of reference agreed in writing between the Borrower and the Bank.

13. With respect to PNPM rural sub-projects financed from sources other than the Loan, including PNPM rural sub-projects for which Facilitators are financed by the Project but the PNPM rural sub-projects are themselves financed from such other sources, the PMD Secretariat shall:

   (i) undertake such sub-projects in accordance with the Project Manual; and

   (ii) retain responsibility for the design, construction, fiduciary controls and implementation of such sub-projects.

C. Environmental and Social Safeguards

1. In carrying out Sub-projects, the Borrower shall:

   (a) ensure that the proceeds of Kecamatan Grants shall not be used to finance the acquisition of land;

   (b) take measures to avoid or minimize the acquisition of land or assets of villagers, and to avoid the displacement of such villagers;

   (c) where the acquisition of land or assets, or the displacement of people is unavoidable under a proposed Sub-project, ensure that the Beneficiary shall, before carrying out the works which would result in such
acquisition or displacement, provide to such people, adequate compensation, and other resettlement and rehabilitation benefits, in accordance with the Land Acquisition and Resettlement Framework; and

(d) in the case of the physical displacement of persons involving the loss of more than ten percent (10%) of their productive assets or the displacement of more than two hundred (200) people as a result of a Sub-project, ensure that:

(i) a Land Acquisition and Resettlement Action Plan shall be prepared in accordance with the Land Acquisition and Resettlement Framework, and furnished to the Bank for approval; and

(ii) prior to the carrying out of the Sub-project, ensure that all Displaced Persons shall have been compensated and provided with applicable resettlement and rehabilitation benefits in accordance with the provisions of such Land Acquisition and Resettlement Action Plan.

2. In carrying out Sub-projects, the Borrower shall:

(a) avoid, and, if not possible, minimize cultural, social and economic adverse effects on Isolated Vulnerable People, caused or likely to be caused by the Project, by taking appropriate mitigating measures; and

(b) through a process of informed participation, involve concerned Isolated Vulnerable People in the design and implementation of Sub-projects so as to ensure that the benefits received by the Isolated Vulnerable People under the Project are in harmony with their economic, social and cultural preferences, and likely to protect their customary user rights.

3. In carrying out Sub-projects, the Borrower shall ensure that the provisions of the Environmental Management Framework have been complied with and, where applicable, an Environmental Management Plan fully consistent with this Agreement and the Environmental Management Framework has been prepared and agreed in writing between the Borrower and the Bank upon and applied in the implementation of such Sub-project.
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 indicators agreed with the Bank. Each Project Report shall cover the period of one (1) 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.

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. 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 (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Services other than Consultants’ Services. All goods, works and services other than 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 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 the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods, Works and Services other than Consultants’ Services**

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

2. **Other Methods of Procurement of Goods, Works and Services other than Consultants’ Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services other than consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding, subject to the following additional procedures set out in Annex 2 to this Schedule</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation using procedures acceptable to the Bank as set out in the Project Manual</td>
</tr>
</tbody>
</table>

**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 table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.
<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality Based Selection</td>
</tr>
<tr>
<td>(b) Selection based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(g) Sole Source Procedures for the Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

**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) Kecamatan Grants under Part 1(a) of the Project</td>
<td>629,180,000</td>
<td>80% of Kecamatan Grant amount disbursed</td>
</tr>
<tr>
<td>(2) Kecamatan Grants under Part 1(b) of the Project</td>
<td>54,820,000</td>
<td>100% of Kecamatan Grant amount disbursed</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------</td>
<td>-----------------------------------------</td>
</tr>
<tr>
<td>(3) Consultants services, goods, training and workshops, and incremental operating costs* for facilitation support under Part 2 of the Project</td>
<td>76,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Consultants services, goods, training and workshops, and incremental operating costs for implementation support and technical assistance under Part 3 of the Project</td>
<td>23,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Consultants services, goods, training and workshops, and incremental operating costs for Project management support under Part 4 of the Project</td>
<td>2,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>785,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

*For the purposes of this Table: (i) “training and workshops” means Project-related training and workshops conducted in the territory of the Borrower, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and (ii) “incremental operating costs” means reasonable costs arising under the Project on account of local contractual support staff salaries; travel and other travel-related expenditures; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; and utilities and communications expenses, but excluding salaries an honoraria of officials and staff of the Borrower.

**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, except that withdrawals up to an aggregate amount not to exceed $157,000,000
equivalent may be made for payments made prior to this date but on or after February 10, 2010, for Eligible Expenditures.

2. The Closing Date is December 31, 2012.
ANNEX 1 to SCHEDULE 2

Terms and Conditions for Sub-projects and Kecamatan Grants

A. Eligibility Criteria for Sub-projects

1. (a) Kecamatan Grants may be provided for: (i) planning; (ii) training; and (iii) investment to support investment proposals presented on behalf of communities to finance economic or social infrastructure activities pertaining to Sub-projects other than those which are prohibited pursuant to paragraphs 2-4 of this Section A of this Annex, provided, however, that such Sub-projects:

(i) are technically and financially feasible, and capable of being implemented by the communities themselves with only locally available technical assistance; and

(ii) are of benefit to the communities, and to the poor in particular; and respond to a public need.

(b) The amount of each Kecamatan Grant shall be calculated in accordance with the Decree of the Coordinating Minister for People’s Welfare (No. B.192/MENKO/KESRA/X/2009, dated October 12, 2009) and the Surat Menteri Dalam Negeri (No.414/0012/PMD, dated January 5, 2010 and No.414.2/276/PMD, dated January 25, 2010), as such decree and letters may be revised or re-issued from time to time with the concurrence of the Bank.

2. No Kecamatan Grant shall be made to finance expenditures pertaining to or involving: (a) a military or paramilitary purpose; (b) civil works for government administration or religious purposes; (c) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or drugs; (d) the manufacture or use of dynamite; (e) the financing of government salaries; (f) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (g) 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; (h) mining or excavation of live coral; (i) water resources development on rivers which flow into or out of another country; (j) alterations to river courses; (k) land reclamation covering an area in excess of 50 hectares; (l) new irrigation schemes covering an area in excess of 50 hectares; (m) the construction of water
retaining or storage structures of a capacity greater than 10,000 cubic meters; or
(n) 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 or Bank-
financed contract, whether indefinitely or for a stated period of time, as a result
of a decision of the Bank, and in accordance with the terms of the decision; or (o)
to finance land acquisition.

3. No Kecamatan Grant shall be eligible for financing out of the proceeds of the
Loan unless Facilitator(s) are engaged and carry out their functions in such
Kecamatan accordance with the Project Manual for a cumulative period of at
least eight (8) months in each fiscal year.

4. No Kecamatan Grant shall be eligible for financing out of the proceeds of the
Loan for a Pilot and Special Program unless the Borrower shall have adopted a
Supplemental Manual for such Pilot and Special Program acceptable to the
Borrower and the Bank, or the Borrower and the Bank shall have agreed in
writing that a Supplemental Manual is not required for such Pilot and Special
Program.

5. No Kecamatan Grant shall be eligible for financing out of the proceeds of the
Loan for Part 1(a)(v) of the Project with respect to any natural disaster,
emergency or catastrophic event unless: (a) the Bank and the Borrower have
agreed in writing that a disaster, emergency and/or catastrophic event requiring
support for such activities has occurred; and (b) the Bank and the Borrower have
adopted a Supplemental Manual, if necessary, which defines the scope of such
activities, and their implementation and disbursement arrangements.

B. Sub-project Review and Selection

1. The Borrower shall ensure that each Sub-project is the subject of a corresponding
proposal for a Kecamatan Grant that has been prepared, submitted and reviewed
in accordance with the guidelines, procedures and selection criteria set forth in
the Project Manual and this Annex.

2. The Borrower, through PMD, shall ensure that, with respect to each Sub-project
and prior to carrying out Sub-project works, a technical Facilitator shall have
completed a technical review of each Sub-project in accordance with the Project
Manual and the requirements of this Annex to ensure that all requirements have
been complied with, including, except as may be otherwise agreed in writing by
the Bank and the Borrower:
(a) necessary funding to fully finance the proposed Sub-project has been obtained, including a Kecamatan Grant, any Local Government Participation and any additional contributions to be made by communities themselves or from other sources;

(b) the provisions of the Environmental Management Framework have been complied with and, where applicable, an Environmental Management Plan fully consistent with this Agreement and the Environmental Management Framework has been prepared and agreed upon and adopted;

(c) the provisions of the Land Acquisition and Resettlement Framework have been complied with and, where applicable, a Land Acquisition and Resettlement Action Plan fully consistent with this Agreement and the Land Acquisition and Resettlement Framework, and deemed satisfactory to the Displaced Persons, has been agreed upon and adopted;

(d) the provisions of the Isolated Vulnerable People Development Framework, if applicable, has been complied with; and

(e) a maintenance program for works to be carried out under the Sub-project and related goods has been prepared.

The Borrower shall ensure that the Kabupaten Satker shall retain records of each such review.

C. Terms and Conditions of Sub-project Agreements

1. Prior to the commencement of any Sub-project or the disbursement of any Kecamatan Grant:

(a) a Sub-project Agreement shall be signed between the relevant PJOK, on behalf of the Local Government, and the Project Kecamatan, through the UPK, with respect to the transfer of funds from the central government account to the UPK, and

(b) between the UPK and the Beneficiary, setting forth the respective obligations of the parties thereunder, including:

(i) that the Beneficiary shall carry out the Sub-project in accordance with this Agreement, the Project Manual, any applicable Supplemental Manual, the provisions of the Better Governance Action Plan, the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, the
Environmental Management Framework, the Land Acquisition and Resettlement Framework and the Isolated Vulnerable Peoples Framework;

(ii) the requirement that each Beneficiary procure the goods, works and services to be financed out of the Sub-project in accordance with provisions that are fully consistent with the provisions of Section III of Schedule 2 to this Agreement;

(iii) that the Beneficiary shall monitor and evaluate the progress of the Sub-project in accordance with the Project Manual;

(iv) that the Beneficiary shall maintain a financial management system in accordance with the Project Manual and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank; and 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;

(v) that the Beneficiary enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and 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;

(vi) rights adequate to protect the interests of the Borrower and the Bank, including the right of the PJOK to: (A) suspend or terminate the right of the UPK or the Beneficiary to use the proceeds of Kecamatan Grant; or (B) obtain a refund of the Kecamatan Grant upon the failure of the UPK or the Beneficiary to perform any of its obligations under the Sub-project Agreement.
ANNEX 2 to SCHEDULE 2

Clarifications Relating to National Competitive Bidding Procedures

1. General

The procedures to be followed for National Competitive Bidding shall be those set forth in Presidential Decree No.80/2003 of the Republic of Indonesia with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Loans” dated May 2004 and revised in October 2006 (the Guidelines).

2. Registration

(a) Bidding shall not be restricted to pre-registered firms and shall not be a condition for participation in the bidding process.

(b) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

3. Pre-qualification

(a) Pre-qualification shall not be used for simple goods and works. Normally, post-qualification shall be used. Pre-qualification shall be required only for large or complex works with the prior ‘no objection’ of the World Bank. When pre-qualification shall be required.

(b) Eligible bidders (both national and foreign) shall not be denied pre-qualification.

(c) Invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications.

4. Joint Ventures

A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of work or part of the supply of goods as a condition of award of the contract.

5. Preferences

(a) No preference of any kind shall be given to national bidders.
(b) Regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures under the Loan or the Loan.

6. Advertising

(a) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to twenty-four (24) hours prior the deadline for the submission of bids.

(b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

(c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.

(d) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm declared the lowest evaluated bidder shall be given a reasonable opportunity for registering.

7. Bid Security

Bid security, at the bidder’s option, shall be in the form of a letter of Loan or bank guarantee from a reputable bank.

8. Bid Opening and Bid Evaluation

(a) Bids shall be opened in public, immediately after the deadline for submission of bids, and if bids are invited in two (2) envelopes, both envelopes (technical and price) shall be opened at the same time.

(b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated responsive bidder.

(c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

(d) 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 concurrence.
9. Rejection of Bids

(a) All bids shall not be rejected and new bids solicited without the World Bank’s prior concurrence.

(b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the World Bank’s prior concurrence.
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 shall 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>April 1, 2019</td>
<td>2.17</td>
</tr>
<tr>
<td>October 1, 2019</td>
<td>2.22</td>
</tr>
<tr>
<td>April 1, 2020</td>
<td>2.28</td>
</tr>
<tr>
<td>October 1, 2020</td>
<td>2.34</td>
</tr>
<tr>
<td>April 1, 2021</td>
<td>2.40</td>
</tr>
<tr>
<td>October 1, 2021</td>
<td>2.46</td>
</tr>
<tr>
<td>April 1, 2022</td>
<td>2.52</td>
</tr>
<tr>
<td>October 1, 2022</td>
<td>2.58</td>
</tr>
<tr>
<td>April 1, 2023</td>
<td>2.64</td>
</tr>
<tr>
<td>October 1, 2023</td>
<td>2.71</td>
</tr>
<tr>
<td>April 1, 2024</td>
<td>2.78</td>
</tr>
<tr>
<td>October 1, 2024</td>
<td>2.85</td>
</tr>
<tr>
<td>April 1, 2025</td>
<td>2.92</td>
</tr>
<tr>
<td>October 1, 2025</td>
<td>2.99</td>
</tr>
<tr>
<td>April 1, 2026</td>
<td>3.07</td>
</tr>
<tr>
<td>October 1, 2026</td>
<td>3.14</td>
</tr>
<tr>
<td>April 1, 2027</td>
<td>3.22</td>
</tr>
<tr>
<td>October 1, 2027</td>
<td>3.30</td>
</tr>
<tr>
<td>April 1, 2028</td>
<td>3.38</td>
</tr>
<tr>
<td>October 1, 2028</td>
<td>3.47</td>
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<tr>
<td>April 1, 2029</td>
<td>3.56</td>
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<tr>
<td>October 1, 2029</td>
<td>3.65</td>
</tr>
<tr>
<td>April 1, 2030</td>
<td>3.74</td>
</tr>
<tr>
<td>October 1, 2030</td>
<td>3.83</td>
</tr>
<tr>
<td>April 1, 2031</td>
<td>3.93</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 (2) 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.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions


3. “Beneficiary” means a Village, represented by its PNPM implementation team (tim pelaksanaan kegiatan) or other entity meeting the requirements set out in the Project Manual which is the beneficiary of a Kecamatan Grant and party to a Sub-project Agreement, and “Beneficiaries” means more than one Beneficiary.

4. “Better Governance Action Plan” means a stand-alone chapter of the Project Manual designed to integrate the contents of the Anti-Corruption Guidelines and to give effect thereto, and 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, and included as applicable in each Sub-project Agreement.


6. “Bupati” means the head of a Kabupaten.

7. “Camat” means the Kabupaten official at the Kecamatan level.

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


10. “Displaced 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 “Displaced Persons” means, collectively, all such Displaced Persons.

11. “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement.

12. “Eligibility Criteria” means the criteria for a Kecamatan Grant, as set out in this Agreement, the Project Manual and any relevant Supplemental Manual.

13. “Environmental Management Framework” means the Environmental Management Framework, dated November 15, 2008, and the technical guidelines for implementation thereof, adopted by the Borrower, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, as such Environmental Management Framework may be amended from time to time with the prior written agreement of the Bank.

14. “Environmental Management Plan” or “EMP” means an Environmental Management Plan, acceptable to the Bank and the Borrower and consistent with the Environmental Management Framework, adopted for the purposes of a Sub-project, 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.

15. “Facilitator” means a technical or social specialist financed by the proceeds of the Loan and assigned to work with Villages to facilitate their participation in the Project, and “Facilitators” means more than one Facilitator.

16. “Fiscal Year” and “FY” mean the Borrower’s fiscal year commencing January 1 and ending December 31.

18. “Isolated Vulnerable People” 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 induced by the Project or any part thereof.

19. “Isolated Vulnerable Peoples Framework” means the Isolated Vulnerable Peoples Framework acceptable to the Bank, dated November 15, 2009, and the technical guidelines for implementation thereof, adopted by the Borrower, and giving details of the rules, guidelines and procedures needed to: (a) involve Isolated Vulnerable People, through a process of informed consultation, in the design and implementation of Sub-projects in locations in which such people reside or make their living; and (b) design and implement measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts of Sub-projects, as such Isolated Vulnerable People Development Framework may be amended from time to time with the prior written agreement of the Bank.

20. “Kabupaten” means a district, an administrative sub-division of a Province.

21. “Kapubaten Poverty Alleviation Coordination Team” means the local government-level working group established under Perpres 13/2009 in each Project Kabupaten, Project Kecamatan or Project Village, or any successor thereto.

22. “Kabupaten Satker” means each project management unit established and operating at the Kabupaten level in accordance with Section 3 of Section I.A of Schedule 2 to this Agreement.

23. “Kecamatan” means a sub-district, an administrative sub-division of a Kabupaten.

24. “Kecamatan Grant” means a grant made or to be made out of the proceeds of the Loan for the purposes of Part 1 of the Project and meeting the requirements set out in this Agreement, the Project Manual and any relevant Supplemental Manual, and “Kecamatan Grants” means more than one Kecamatan Grant.

25. “Land Acquisition and Resettlement Action Plan” means a resettlement and rehabilitation action plan, acceptable to the Bank, and consistent with the Land Acquisition and Resettlement Framework, adopted for the purposes of a Sub-project, and giving details of the agreed provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons under the Sub-
project, along with the procedural and institutional measures needed to implement such agreed provisions.

26. “Land Acquisition and Resettlement Framework” means the Land Acquisition and Resettlement Framework acceptable to the Bank, dated November 15, 2009, and the technical guidelines for implementation thereof, adopted by the Borrower, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons, as such Land Acquisition and Resettlement Framework may be amended from time to time in agreement with the Bank.

27. “Local Government” means the government of a Project Kabupaten or a Project Kecamatan, and “Local Governments” means more than one Local Government.

28. “Local Government Participation” means Local Government funding contributed to the total Sub-project cost for participating in the Project, to be made available by the government of the relevant Province or Project Kabupaten to a Project Kecamatan for a Sub-project in accordance with the formula set forth in the Project Manual.

29. “Menko Kesra” means the Borrower’s Coordinating Ministry for Peoples’ Welfare, and any successor thereto.


31. “MOHA” means the Borrower’s Ministry of Home Affairs, or any successor thereto.

32. “National Management Consultants” means the consultants, financed by the proceeds of the Loan, assigned at the central level to assist in Project implementation and monitoring.

33. “Oversight Consultants” means consultant, financed by the proceeds of the Loan, assigned at the Province level to assist in Project implementation and monitoring.

34. “P2SPP” means Program Pengembangan Sistem Pembangunan Partisipatif, the PMD’s program for development of a system for participatory development.

35. “Part” means a part of the Project described in Schedule 1 to this Agreement.
“Perpres” means a *Peraturan Presiden*, a presidential regulation.

“Pilot and Special Program” means each Sub-project under Part 1(b) of the Project, which will provide planning, training and investment related to defined activities of particular local interest agreed in writing between the Borrower and the Bank, which may include: crisis response including responding to natural disasters; activities related to millennium development goal indicators for poverty, reduction, education and health (“PNPM Generasi”); support for community investments in environmental and natural resource management; and support local government community development projects run in tandem with the Project (“PNPM Integrasi/P2SPP”); and supporting community activities in national border areas, in each case subject to the terms and conditions set out in the Project Manual and any applicable Supplemental Manual.

“PJOK” means a Project operations officer at the Province, Kabupaten or Kecamatan level established in accordance with paragraphs 2(b) and 3(b) of Section I.A of Schedule 2 to this Agreement, and “PJOKs” means more than one PJOK.

“PMD” means *Pemberdayaan Masyarakat dan Desa*, the Directorate General for Community Empowerment of MOHA, or any successor thereto.

“PMD Secretariat” means the PMD Secretariat referred to in paragraph 1(c)(i) of Section I.A of Schedule 2 to this Agreement.

“PNPM” means *Program Nasional Pemberdayaan Masyarakat Mandiri*, the Borrower’s National Program for Community Empowerment, as described in Perpres 13/2009, as the same may be amended or updated from time to time.

“PNPM Website” means the Project website maintained by PMD.

“Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.

“Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 24, 2010 (Letter No. 414.2/184/PNPM-MP/II/2010, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the
Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

45. “Project Kabupaten” means a Kabupaten which is selected by the Borrower for participation in the Project in accordance with the provisions of the Project Manual.

46. “Project Kecamatan” means a Kecamatan located in a Project Kabupaten which is selected by the Borrower for participation in the Project in accordance with the provisions of the Project Manual.

47. “Project Manual” means the Project Manual meeting the requirements of paragraph 1 of Section I.B of Schedule 2 to this Agreement, as such Project Manual may be amended or updated from time to time with the prior written agreement of the Bank and the Borrower, and includes, where applicable for a particular Sub-project, each relevant Supplemental Manual.

48. “Project Village” means a Village selected by the Borrower for participation in the Project in accordance with the provisions of the Project Manual.

49. “Province” means an administrative sub-division of the Borrower’s territory at the first level below the national level.

50. “Provincial Poverty Alleviation Coordination Team” means the province-level working group established under Perpres 13/2009 in each Province, or any successor thereto.

51. “Provincial Satker” means each Province level project management unit established and operating in accordance with paragraph 2 of Section I.A of Schedule 2 to this Agreement.

52. “Rupiah” and “Rp” mean the currency of the Borrower.

53. “Satker” means satuan kerja, a Project management unit, whether at central level or at the level of the Province or Kabupaten.

54. “State Ministry for Development of Disadvantaged Regions” means the Borrower’s State Ministry for Development of Disadvantaged Regions, and any successor thereto.
55. “Sub-project” means an activity qualifying for financing by a Kecamatan Grant in accordance with the terms of this Agreement, the Project Manual and any relevant Supplemental Manual, and “Sub-projects” means more than one Sub-project.

56. “Sub-project Agreement” means an agreement between a PJOK and a UPK or between a UPK and a Beneficiary for purposes of a Sub-project, and referred to in Section C of Annex 1 to Schedule 2 to this Agreement, and “Sub-project Agreements” means more than one Sub-project Agreement.

57. “Supplemental Manual” means each Supplemental Manual for a Pilot and Special Program and each natural disaster, emergency or catastrophic event under Part 1(a)(v) of the Project meeting the requirements of Section I.B.1 of Schedule 2 to this Agreement, as each such Supplemental Manual may be amended from time to time with the prior written agreement of the Bank.

58. “Tim Pengendali PNPM” means the national-level oversight body of PNPM, chaired by Menko Kesra (Tim Pengendali PNPM), with representatives of relevant ministries, including BAPPENAS, MOHA, Ministry of Finance, Ministry of Public Works, and State Ministry for Development of Disadvantaged Regions, and any successor thereto.

59. “UPK” means a Kecamatan management unit established and operating in a Kecamatan, and “UPKs” means more than one UPK.

60. “Village” means an administrative subdivision of a Kecamatan.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Paragraph (l) of Section 7.02 is modified to read as follows:

   “Section 7.02. Suspension by the Bank

   ... (l) Ineligibility. The Bank or the Bank has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Bank, as a result of a determination by the Bank or the Bank that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Bank.”
2. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term “Conversion Date” is modified to read as follows:

“‘Conversion Date’ means, in respect of a Conversion, the Execution Date (as herein defined) or such other date as requested by the Borrower and accepted by the Bank, on which the Conversion enters into effect, and as further specified in the Conversion Guidelines.”