

CONFORMED COPY

GEF GRANT NUMBER TF 028488
GEF Trust Fund Grant Agreement related to Loan Number 4132 IND

Global Environment Facility
Trust Fund Grant Agreement
(Solar Home Systems Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global
Environment Facility

Dated March 11, 1997

GEF GRANT NUMBER TF 028488

GLOBAL ENVIRONMENT FACILITY
TRUST FUND GRANT AGREEMENT

AGREEMENT, dated March 11, 1997, between REPUBLIC OF INDONESIA (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS: (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements are continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank establishing the GEF Trust Fund;

(C) the Recipient, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested assistance from the resources of the GEF Trust Fund in the financing of the Project, and the Bank has determined that such assistance would be in accordance with the provisions of Resolution No. 94-2 referred to above;

(D) the Recipient has also requested the Bank to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Recipient and the Bank, the Bank has agreed to provide such assistance in an aggregate principal amount equivalent to twenty million Dollars

(\$20,000,000) (the Loan); and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements of the Bank, dated January 1, 1985, with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (11), (15), (18) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (a), (c), (d), (e), (f), (i) and (k), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Section 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: "the term "Special Drawing Rights" and the symbol "SDR" mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement";
 - (ii) the term "Bank", wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term "Bank" shall also include the Bank acting in its own capacity;
 - (iii) the term "Borrower", wherever used in the General Conditions, means the Recipient;
 - (iv) the term "Loan Agreement", wherever used in the General Conditions, means this Agreement;
 - (v) the term "Loan" and "loan", wherever used in the General Conditions, means the GEF Trust Fund Grant;
 - (vi) the term "Loan Account", wherever used in the General Conditions, means the GEF Trust Fund Grant Account;

- (vii) The second sentence of Section 5.01 is modified to read: "Except as the Bank and the Borrower shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.";
- (viii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: "an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF."; and
- (ix) Section 6.03 is modified to read:

"Section 6.03. Cancellation by the Bank. If (a) the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account shall have been suspended with respect to any amount of the GEF Trust Fund Grant for a continuous period of thirty days, or (b) at any time, the Bank determines, after consultation with the Recipient, that an amount of the GEF Trust Fund Grant will not be required to finance the Project's costs to be financed out of the proceeds of the GEF Trust Fund Grant, or (c) at any time, the Bank determines, with respect to any contract to be financed out of the proceeds of the GEF Trust Fund Grant, that corrupt or fraudulent practices were engaged in by representatives of the Recipient or of a beneficiary of the GEF Trust Fund Grant during the procurement or the execution of such contract, without the Recipient having taken timely and appropriate action satisfactory to the Bank to remedy the situation, and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (d) at any time, the Bank determines that the procurement of any contract to be financed out of the proceeds of the GEF Trust Fund Grant is inconsistent with the procedures set forth or referred to in the GEF Trust Fund Grant Agreement and establishes the amount of expenditures in respect of such contract which would otherwise have been eligible for financing out of the proceeds of the GEF Trust Fund Grant, or (e) after the Closing Date, an amount of the GEF Trust Fund Grant shall remain unwithdrawn from the GEF Trust Fund Grant Account, or (f) the Bank shall have received notice from the Guarantor pursuant to Section 6.07 with respect to an amount of the GEF Trust Fund Grant, the Bank may, by notice to the Recipient and the Guarantor, terminate the right of the Recipient to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the GEF Trust Fund Grant shall be canceled."

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "BAPPENAS" means Recipient's National Development Planning Agency, and includes any successor or successors thereto.

(b) "BI" means Bank Indonesia, the central bank of the Recipient, established and operating under Law No. 13 of 1968 of the Recipient.

(c) "BI Subgrant Agreement" means the agreement entered into between the Recipient and BI pursuant to Section 3.02(a) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the BI Subgrant Agreement, and the term "BI Subgrant" means the grant provided under the BI Subgrant Agreement.

(d) "BPPT" means Recipient's Agency for the Assessment and Application of Technology, and includes any successor or successors thereto.

(e) "Dealer" means an individual resident in Indonesia and cooperatives and private enterprises established and operating under the laws of the Recipient, which is engaged in the sale of Solar Home Systems or other products in rural areas of Indonesia and to which a Participating Bank proposes to make or has made a Subgrant.

(f) "Dealer Obligations" means the standards for Dealer conduct referred to in paragraph B.2.c. of Schedule 4 to the Loan Agreement.

(g) "DGEED" means the Directorate General of Electricity and Energy Development in the Recipient's Ministry of Mines and Energy.

(h) "Fiscal Year" means the twelve (12) month period corresponding to any of the Recipient's fiscal years, which period commences on April 1 and ends on March 31 in each calendar year.

(i) "ISO 25" means the General Requirements for the Competence of Calibration and Testing Laboratory Accreditation, standard number 25 of the International Standards Organization.

(j) "ISO 25 Action Plan" means the plan prepared by the Recipient in accordance with paragraph C. 2. b. of Schedule 4 to this Agreement.

(k) "Loan Agreement" means the agreement of even date herewith between the Recipient and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(l) "Participating Banks" means, collectively, the Private Commercial Banks and the State-owned Commercial Banks, and "Participating Bank" means any one of them.

(m) "Participating Bank Agreement" means, with respect to a Participating Bank, the State Bank Subsidiary Loan Agreement or the Private Bank On-lending Agreement to which such Participating Bank is a party pursuant to Section 3.02 of the Loan Agreement.

(n) "Private Commercial Banks" means the commercial banks other than commercial banks owned by the Recipient which propose to make or have made a Subgrant to a Dealer and which have entered into a Participating Bank Agreement with BI, and "Private Commercial Bank" means any one of them.

(o) "Project Area" means the Recipient's provinces of Lampung, South Sulawesi and West Java (excluding the kecamatan of Surade, Agrabinta, Ciemas and Sagarantan) together with any kabupaten which

is immediately contiguous to any of such provinces, and any other rural areas within the territory of the Borrower as may be agreed by the Recipient and the Bank.

(p) "PSG" means the Project Support Group established by the Recipient and maintained in accordance with paragraph A.1.a. of Schedule 4 to this Agreement.

(q) "PT PLN" means Perseroan Terbatas Perusahaan Perseroan (PERSERO) P.T. Perusahaan Listrik Negara, a limited liability company established and existing under the laws of the Recipient, and includes any successor or successors thereto.

(r) "RESC" means the Rural Electrification Steering Committee established by the Recipient and maintained in accordance with paragraph A.2 of Schedule 4 to this Agreement.

(s) "Solar Home System" and the acronym "SHS" mean a system of one or more solar photovoltaic panels, battery storage and battery charge and discharge controllers, suitable for powering energy-efficient home appliances, and at least three lighting fixtures with bulbs.

(t) "Solar Home System Action Plan" means the plan developed and adopted by the Recipient in accordance with paragraph C.1.c. of Schedule 4 to this Agreement.

(u) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement.

(v) "State-owned Commercial Banks" means the commercial banks owned by the Recipient which propose to make or have made a Subgrant to a Dealer and which have entered into a Participating Bank Agreement with the Recipient, and "State-owned Commercial Bank" means any one of them.

(w) "Subgrant" means the portion of the proceeds of the GEF Trust Fund Grant provided through a Participating Bank to a Dealer in accordance with paragraph B.3. of Schedule 4 to this Agreement and the terms of the Participating Bank Grant Agreement entered into between the Participating Bank and BI or the Recipient, as the case may be.

(x) "Subgrant Ceiling" means, with respect to a Dealer, the annual aggregate maximum of Subgrants to be made to such Dealer, determined in accordance with paragraph B.3.e. of Schedule 4 to this Agreement.

(y) "Subloan" means a loan made or proposed to be made by a Participating Bank to a Dealer to finance a Subproject, funded in part out of the equivalent of the proceeds of the Loan relented to such Participating Bank pursuant to the terms of the Loan Agreement.

(z) "Subproject" means a specific investment project for the sale to customers and installation of Solar Home Systems in the Project Area, to be carried out by a Dealer utilizing the proceeds of a Subgrant.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to sixteen million eight hundred thousand Special Drawing Rights (SDR 16,800,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures

made (or, if the Bank shall so agree, to be made) in respect of (i) Subgrants under Part A of the Project and (ii) the reasonable cost of goods and services required for carrying out Part B of the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) The Recipient may, for the purposes of the Project, open and maintain in Dollars a special deposit account in Bank Indonesia or a commercial bank on terms and conditions satisfactory to the Bank, including, in the case of a commercial bank, appropriate protection against set off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be April 30, 2002 or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) The Recipient shall make available to BI an amount out of the proceeds of the GEF Trust Fund Grant corresponding to the aggregate amount of Subgrants approved to be made from time to time by the Private Commercial Banks, under a subsidiary grant agreement entered into between the Recipient and BI, under terms and conditions which shall have been approved by the Bank which shall include the terms and conditions set forth in paragraph B.1 of Schedule 4 to this Agreement.

(b) The Recipient shall cause BI to make available to each Private Commercial Bank the amount out of the proceeds of the BI Subgrant corresponding to the aggregate amount of Subgrants approved to be made by such Private Commercial Bank from time to time, under an agreement entered into between BI and such Private Commercial Bank, under terms and conditions which shall have been approved by the Bank which shall include the terms and conditions set forth in paragraph B.2 of Schedule 4 to this Agreement.

(c) The Recipient shall make available to each State-owned Commercial Bank the amount out of the proceeds of the GEF Trust Fund Grant corresponding to the aggregate amount of Subgrants approved to be made by such State-owned Commercial Bank from time to time, under an agreement entered into between the Recipient and such State-owned Commercial Bank, under terms and conditions which shall have been approved by the Bank which shall include the terms and conditions set forth in paragraph B.2 of Schedule 4 to this Agreement.

Section 3.03. Except as the Bank shall otherwise agree, procurement of the consultants' services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan designed to ensure the continued achievement of the objectives of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.05. (a) The Recipient undertakes that, unless the Bank shall otherwise agree, Subgrants will be made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraph B.3 of Schedule 4 to this Agreement.

(b) The Recipient shall ensure that each Participating Bank shall exercise its rights in relation to each Subgrant in such manner as to:

- (i) protect the interests of the Recipient and the Bank;
- (ii) comply with its obligations under this Agreement;
and
- (iii) accomplish the purposes of the Project.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments, agencies or entities of the Recipient responsible for carrying out the Project or any part thereof, and of BI and the Participating Banks.

(b) The Recipient shall, and shall cause BI and the Participating Banks to:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six (6) months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the Fiscal Year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such

records; and

- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such Fiscal Year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. Except as the Bank shall otherwise agree, the Recipient shall not provide to any Dealer, whether directly or indirectly, in cash or in kind, any loan, subsidy, grant, credit enhancement or financing of any kind other than out of the proceeds of the Loan pursuant to the Loan Agreement and the proceeds of the GEF Trust Fund Grant pursuant to this Grant Agreement.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following event is specified as a condition to the effectiveness of this Agreement, namely that the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 5.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VI

Representative of the Recipient; Addresses

Section 6.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 6.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Ministry of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P. O. Box 2458
Jakarta 10710, Indonesia

Cable address: Telex:

FINMINISTRY 45799 DJMLN - IA
Jakarta 44319 DEPKEU - IA

For the Bank:

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

Cable address: Telex:

INTBAFRAD 248423 (MCI) or

Washington, D.C. 64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Washington, D.C., as of the day and year first above written.

REPUBLIC OF INDONESIA

By /s/ Arifin M. Siregar
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an implementing agency of the Global
Environment Facility

By /s/ Marianne Haug
Acting Regional Vice President
East Asia and Pacific

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Subgrants	13,810,000	100%
(2) Consultants' services	2,990,000	100%
TOTAL	<u>16,800,000</u> =====	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement;

(b) in respect of Category (1) in excess of an aggregate amount of SDR 8,290,000 and in respect of Category (2) in excess of an aggregate amount of SDR 2,590,000, unless the independent review of the Project conducted pursuant to paragraph D.1.d. of Schedule 4 to this Agreement has been completed and, following the submission of the reports of the Recipient and the independent panel convened in connection with such review on the outlook for the future implementation of the Project, the disbursement of the funds in such Categories in excess of such respective amounts has been duly authorized by the chief executive officer of the GEF; and

(c) in respect of Subgrants to a Dealer unless such Dealer has been approved by the Bank.

3. If the authorization to disburse funds referred to in paragraph 2(b) above has not been made within thirty (30) days of submission of the report of the independent panel convened pursuant to paragraph D.1.d. of Schedule 4 to this Agreement, or if the disbursement of less than all of the unwithdrawn funds has been authorized, then the Bank may, by notice to the Recipient, cancel the unwithdrawn amount of the GEF Trust Fund Grant in excess of the amount so authorized to be disbursed, or any part thereof.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for: (i) Subgrants and (ii) contracts for the employment of consulting firms costing less than \$100,000 equivalent each and contracts for the employment of individuals costing less than \$50,000 equivalent each, in each case under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Recipient to:

- (a) expand availability of electricity to rural customers in Indonesia who cannot be served economically or in a timely manner by conventional rural electrification;
- (b) facilitate participation by the private sector in advancing renewable energy commercialization;
- (c) promote environmentally sound energy resource development and reduce the dependence of Recipient's energy sector on fossil fuels;
- (d) bring about cost effective mitigation of carbon dioxide (CO₂) emissions; and
- (e) strengthen the Recipient's institutional capacity to support and sustain decentralized rural electrification.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives.

Part A:

Provision of Subloans and Subgrants to finance Subprojects consisting of the sale and installation in the Project Area of an aggregate of about 200,000 Solar Home Systems by Dealers.

Part B: Technical Assistance

1. Strengthening the Recipient's capacity for Project implementation through provision of consultants' services in connection with:

(a) the evaluation and monitoring of Dealer compliance with the terms and conditions of Subloans and the GEF Grant;

(b) assessment of business plans and Subproject applications submitted by Dealers;

(c) establishment of contacts with and assessing the capacity of prospective Dealers; and

(d) maintenance of contacts with actual and prospective Solar Home System customers.

2. Strengthening the Recipient's capacity to design and implement a long-term strategy for the utilization of appropriate solar photovoltaic technology, through:

(a) the conduct of a decentralized rural electrification study to complement Recipient's existing least-cost grid-based rural electrification plan;

(b) the development of the Solar Home Systems Action Plan; and

(c) provision of training and study tours in photovoltaic utilization to selected officials of the Recipient, including, without limitation, relevant officials of BPPT, DGEED and BAPPENAS, and for selected officials of private sector organizations involved in implementation of decentralized rural electrification by Solar Home Systems.

3. Strengthening BPPT's capability to technically certify Solar Home Systems and to monitor systems in the field, through the provision of training to selected BPPT staff in the use of appropriate testing equipment and techniques.

* * * * *

The Project is expected to be completed by October 31, 2001.

SCHEDULE 3

Consultants' Services

Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications thereto as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to: (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; or (b) contracts for the employment of individual consultants estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above; or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

SCHEDULE 4

Implementation Program

A. Project Management.

1. The Recipient shall establish:

a. no later than May 15, 1997, a project support group, to be responsible for, inter alia, monitoring compliance by Dealers with the Dealer Obligations and the development of contacts with prospective and actual Solar Home System customers; and

b. no later than November 30, 1997, a working group to be headed by the Director of Electric Power Planning of DGEED and with representation from BAPPENAS, BPPT, the Ministry of Finance and the Ministry of Cooperatives and Small Enterprise Development of the

Recipient, and PT PLN, to be responsible for coordinating and assisting consultants engaged in connection with the implementation of subparagraphs (a) and (b) of Part B.2 of the Project; and shall maintain both groups throughout the period of implementation of the Project, with terms of reference, membership, staffing and other resources acceptable to the Bank.

2. The Recipient shall maintain throughout the period of implementation of the Project the Rural Electrification Steering Committee, to be responsible for, inter alia, coordinating the activities of the PSG and the Working Group.

B. Terms and Conditions of Subgrants

1. BI Subsidiary Grant Agreement. The terms and conditions of the BI Subsidiary Grant Agreement shall include:

a. the obligation of BI to make available funds provided under the BI Subsidiary Grant Agreement to the Private Commercial Banks, on terms and conditions satisfactory to the Bank, which shall include, without limitation, the terms and conditions set forth in paragraph B.2 of this Schedule; and

b. the obligation of BI to require that Participating Banks party to Participating Bank Agreements agree to make Subgrants to Dealers only on the terms and conditions set forth in paragraph B.3 of this Schedule.

2. Participating Bank Agreements. For the purpose of making Subgrants to Dealers, the Recipient or BI, as the case may be, shall make available a portion of the GEF Trust Fund Grant to Participating Banks under Participating Bank Agreements to be entered into between the Recipient or BI and each of the Participating Banks upon terms and conditions satisfactory to the Bank, including the following:

a. the obligation of each Participating Bank to make available funds provided under the Participating Bank Agreement to the Dealers, on terms and conditions satisfactory to the Bank which shall include the terms and conditions set forth in paragraph B.3 of this Schedule;

b. the agreement of the Participating Bank that the aggregate amount of Subgrants made or proposed to be made by the Participating Bank to a particular Dealer will not exceed the Subgrant Ceiling applicable to such Dealer;

c. the obligation of each Participating Bank to establish an escrow account for each Dealer to whom it proposes to make Subgrants, for the purpose of financing certain costs incurred in providing after sales service to Solar Home System customers, on terms and conditions satisfactory to the Bank;

d. no obligation to pay any administration or banking fee to the Recipient or BI, as the case may be, on the proceeds of the Subsidiary Grant disbursed to such Participating Bank; and

e. an undertaking by each Participating Bank to charge no fees with respect to the Subgrants made or to be made to Dealers.

3. Subgrants.

a. Subject to subparagraphs b., c., and d. below, the amount of the Subgrant to a Dealer shall be equivalent to: (i) \$75 for each Solar Home System sold and installed under a Subproject by such Dealer within that portion of the Project Area lying on the island of Java; and (ii) \$125 for each Solar Home System sold and installed under a Subproject by such Dealer within that portion of the Project Area not lying on the island of Java;

b. Initial Subgrant payments to each Dealer will be made only after the PSG has conducted an audit and found satisfactory the installation of at least 50 Solar Home Systems by such Dealer under

an approved Subproject.

c. Subsequent Subgrant payments to each Dealer will be made upon receipt by the relevant Participating Bank of satisfactory evidence of installation under the respective Subproject of at least 50 Solar Home Systems, together with duly executed hire purchase contracts in respect of each such system installed, following which the Participating Bank will forward to the Recipient a request for payment to be made to the Dealer.

d. Subgrant payments to each Dealer shall not exceed the Subgrant Ceiling for such Dealer.

e. The Recipient shall cause the PSG to establish and, no later than October 1 in each year, furnish to the Bank for approval, maximum Subgrant amounts with respect to each Dealer, to be paid during the succeeding calendar year (the Subgrant Ceiling).

f. Subgrants shall be made on terms whereby the Participating Bank shall obtain, by written contract with the Dealer or by other appropriate legal means, rights adequate to protect the interests of the Bank, the Recipient and the Participating Bank, including the right to:

- (i) require the Dealer to carry out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental records;
- (ii) require that: (a) the goods to be financed out of the proceeds of the Subgrant shall be procured at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and availability of maintenance facilities and spare parts therefor, and (b) such goods shall be used exclusively in the carrying out of the Subproject;
- (iii) inspect, by itself or jointly with representatives of the Bank if the Bank shall so request, such goods and the operation thereof and any relevant records and documents;
- (iv) require that: (a) the Dealer shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (b) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Subgrant to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Dealer to replace or repair such goods;
- (v) obtain all such information as the Bank or the Recipient shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Dealer and to the benefits to be derived from the Subproject; and
- (vi) suspend or terminate the right of the Dealer to the use of the proceeds of the GEF Grant upon failure by such Dealer to perform its obligations under its contract with the Participating Bank.

4. Payment Procedures. Disbursement of the proceeds of the GEF Grant by the Recipient and BI shall be made pursuant to procedures and subject to documentation acceptable to the Bank.

C. Implementation of Technical Assistance

1. Solar Home System Action Plan. The Recipient shall, through DGEEED:

a. undertake and furnish to the Bank for review and comment no later than September 30, 1998, a draft final version of the decentralized rural electrification study under Part B.2.(a) of the Project, in accordance with terms of reference and in a manner satisfactory to the Bank;

b. promptly thereafter, exchange views with the Bank on the study referred to in sub-paragraph a. above; and

c. prepare and furnish to the Bank for review and comment no later than March 31, 1999 a draft decentralized rural electrification plan with a focus on solar photovoltaic technology under part B.2.(b) of the Project and based on the study and review thereof referred to in sub-paragraphs a. and b. above, and, thereafter, finalize and adopt said plan no later than November 30, 1999, taking into account the Bank's comments thereon.

2. ISO 25 Action Plan. The Recipient shall, through BPPT:

a. no later than October 31, 1997, pursuant to terms of reference acceptable to the Bank and in accordance with the provisions of Schedule 3 of this Agreement, engage and mobilize consultants to assist in the implementation of Part B.3. of the Project;

b. prepare and furnish to the Bank for review and comment no later than February 28, 1998, a time-bound action plan for the achievement of ISO 25 status for BPPT's Energy Technology Laboratory; and

c. complete the implementation of the technical assistance to be provided under Part B.3. of the Project no later than October 31, 1999.

D. Monitoring and Reporting

1. The Recipient shall:

a. maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in Schedule 6 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

b. prepare, or cause the PSG to prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about December 31 in each year, commencing December 31, 1997, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph a. above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

c. review with the Bank, by February 28 in each year, commencing February 28, 1998, or such later date as the Bank shall request, the report referred to in sub-paragraph b. above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter;

d. prepare, or cause the PSG to prepare, and furnish, through the RESC, to the Bank and the independent panel referred to in subparagraph e. below, no later than April 30, 1999, a report under terms of reference satisfactory to the Bank, inte-

grating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph a. above as limited by said terms of reference, on the progress achieved in the carrying out of the Project during the period preceding the date of said report;

e. convene an independent technical panel comprised of experts acceptable to the Bank, which panel shall prepare, and furnish to the Bank through the RESC, no later than July 31, 1999, an independent report on the outlook for future implementation of the Project, under terms of reference satisfactory to the Bank.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories means Categories (1) and (2) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$1,600,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$800,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions for the Project shall be equal to or exceed the equivalent of SDR 2,200,000.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the

Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the Special Account:

- (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or
- (ii) was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank:
 - (A) provide such additional evidence as the Bank may request; or
 - (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise

agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 6

Performance Indicators

PLEASE SEE ORIGINAL

