

CONFORMED COPY

LOAN NUMBER 8079-ID

Loan Agreement

**(Fourth National Program for Community
Empowerment in Rural Areas)**

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated July 27, 2011

LOAN AGREEMENT

AGREEMENT dated, July 27, 2011, between REPUBLIC OF INDONESIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) 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 five hundred thirty one million one hundred ninety thousand United States Dollars (US\$531,190,000), 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 the Reference Rate 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 Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are January 15 and July 15 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, or from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; 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 the Ministry of Home Affairs 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 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:	Telex:	Facsimile:
FINMINISTRY 45799 Jakarta	DJMLN-IA 44319 DEPKEU-IA	(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:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	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/ Stefan Koeberle

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;
 - (v) preparing for and responding to disaster, emergency or catastrophic events, as needed, through Sub-projects and/or using the Project implementation arrangements; and
- (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 Pokja Pengendali PNPM;
 - (b) through MOHA, designate PMD to be responsible for the overall management and monitoring of the Project; and
 - (c) except as the Bank and the Borrower may otherwise agree in writing, cause PMD to:
 - (i) maintain, until the completion of the Project, the PMD Secretariat, with a mandate, staff composition, filled staff positions and terms of reference acceptable to the Bank and the Borrower, to be responsible for the management and monitoring of the Project;
 - (ii) ensure that the PMD Secretariat shall be provided with adequate resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project;
 - (iii) ensure that the Project shall be supported by a suitably qualified Project Manager and by National Management Consultants to oversee Project facilitation and technical assistance in accordance with the Operations Manual, in each case with terms of reference satisfactory to Borrower, through PMD, and the Bank; and
 - (iv) ensure coordination, as necessary, with the Pokja Pengendali PNPM.
2. At the Regional level, the Borrower shall, except as the Borrower and the Bank may otherwise agree in writing, ensure that the Project is supported by Regional Management Consultants to oversee the quality of Project implementation in the Provinces assigned by PMD to the each respective regional grouping in accordance with the Operations Manual, and in each case with terms of reference satisfactory to PMD and the Bank.

3. At the Province level, the Borrower shall, except as the Bank and the Borrower may otherwise agree in writing:
 - (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, filled staff positions and terms of reference acceptable to the Bank and the Borrower, through PMD, and set out in the Operations Manual;
 - (b) ensure that each Provincial Satker shall be provided with adequate resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including, a Province-level PJOProv, and Province-level Oversight Consultants under the supervision of the Regional Management Consultants responsible for the relevant Province;
 - (c) ensure that each Provincial Satker shall coordinate Project activities, as necessary, with the Provincial Poverty Alleviation Coordination Team responsible for its respective Province; and
 - (d) ensure that the appointment letter (*surat keputusan*) for each Provincial Satker is issued in a timely manner early in each fiscal year of Project implementation.
4. At the Kabupaten level, the Borrower shall, except as the Bank and the Borrower may otherwise agree in writing:
 - (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 Operations Manual;
 - (b) ensure that each Kabupaten Satker shall be provided with adequate resources, and supported by qualified personnel in adequate numbers as needed to accomplish the objectives of the Project, including, a Kabupaten-level PJOKab and Facilitators (including at least one engineer, one social organizer and one financial specialist), except as may be otherwise agreed in writing on a case by case basis between PMD and the Bank;

- (c) ensure that each Kabupaten Satker shall coordinate Project activities, as necessary, with the Kabupaten Poverty Alleviation Coordination Team responsible for its respective area; and
 - (d) ensure that the appointment letter (*surat keputusan*) for each Kabupaten Satker is issued in a timely manner early in each fiscal year of Project implementation.
5. At the Kecamatan level, the Borrower shall, except as the Bank the Borrower may otherwise agree in writing, ensure through PMD that all Sub-project activities are supported by at least two Facilitators (one engineer and one social organizer), except as may be otherwise agreed in writing on a case by case basis between PMD and the Bank.
 6. At the Village level, the Borrower, through PMD, shall, except as the Bank and the Borrower may otherwise agree in writing, maintain institutional arrangements at the village level in accordance with the Operations Manual.
 7. The Borrower, through PMD, shall ensure that the ASF-RMCs and the NMC are in place in a timely manner as necessary to facilitate implementation of the Project.

B. Implementation Arrangements

1. The Borrower shall, through the PMD:
 - (a) implement the Project in accordance with Operations Manual, including all annexes and supplements thereto, 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 Implementation Guidelines on Social and Environmental Safeguards, which constitutes a supplement to the Operations Manual; (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; (viii) the Better Governance Action Plan; (ix) the Management Information System description and procedures; and (x) the Complaints Handling System description and procedures;
 - (b) adopt, prior to the commencement of Sub-project selection for any Pilot and Special Program or Sub-project, and thereafter implement such Sub-project in accordance with a Supplemental Manual, acceptable to the

Borrower and the Bank, as necessary to set out the incremental scope of activities, eligibility criteria, implementation arrangements and disbursement mechanisms;

- (c) adopt, prior to the Borrower undertaking any activities under Part 1(a)(v) of the Project with respect to any natural disaster, emergency or catastrophic event a Supplemental Manual, as necessary to set out the incremental scope of activities, eligibility criteria, implementation arrangements and disbursement mechanisms;
 - (d) not amend, suspend, abrogate, repeal or waive any provisions of the Operations Manual or any Supplemental Manual without the prior written agreement of the Bank and the Borrower;
 - (e) ensure that the Operations Manual including all annexes and supplements thereto, and each Supplemental Manual, as applicable, is made available, at all times until completion of the Project, to each Local Government and all National Management Consultants, Regional Management Consultants, Oversight Consultants and Facilitators, and applied in the carrying out of Sub-projects; and
 - (f) with the prior written agreement of the Bank, update the Operations Manual, and each Supplemental Manual, as necessary, at all times ensuring compliance thereof with the terms of this Agreement.
2. In the event of any conflict between the provisions of the Operations Manual or any Supplemental Manual and the provisions of this Agreement, the latter shall prevail.
 3. The Borrower, through PMD, shall ensure that, prior to the Borrower undertaking any activities under Part 1(a)(v) of the Project with respect to any natural disaster, emergency or catastrophic event, the Bank and the Borrower have agreed in writing that a disaster, emergency and/or catastrophic event requiring support for such activities has occurred.
 4. The Borrower, through PMD, shall ensure that only Sub-projects prepared, selected and implemented in accordance with the Eligibility Criteria and the terms and conditions for Sub-Projects and Kecamatan Grants set forth in Annex 1 to this Schedule 2, the Operations Manual, and any applicable Supplemental Manual shall be financed out of the proceeds of the Loan.
 5. The Borrower, through PMD, shall ensure that:
 - (a) Facilitators are assigned and trained by no later than April 30 in each year of Project implementation in accordance with the Operations Manual;

- (b) during Project implementation, 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; and
 - (c) prior to the commencement of each Sub-project, the technical Facilitator(s) for the Kabupaten or Kecamatan of the Beneficiaries responsible for such Sub-Project shall have completed a technical review of each such Sub-project in accordance with the Operations Manual and Supplemental Manual, as applicable, and the requirements of Annex 1 to this Schedule 2. The Borrower, through PMD, shall ensure that the applicable Kabupaten Satker shall retain records of each such review.
- 6. The Borrower, through PMD, shall, during implementation of the Project, continue to develop an updated Management Information System based on performance indicators and control data agreed in writing between the Borrower and the Bank.
- 7. The Borrower, through PMD, shall ensure that a list of Project Kecamatan, a list of amounts of each Kecamatan Grant and the Operations Manual are made available to the public through the PNPM Website, at all times until completion of the Project.
- 8. The Borrower, through the PMD, shall ensure that the relevant Camat and Bupati in each Project Kecamatan and Project Kabupaten shall make publicly available in a manner acceptable to the Borrower and the Bank for each year of Project implementation by January 15 of the subsequent year, a report on the results of Project implementation and accounts for funds used during such year.
- 9. The Borrower, through PMD, shall ensure that: (a) all annual audit reports referred to in Section II.B of this Schedule 2, including Kabupaten audit reports, shall be published on the PNPM Website by no later than September 30 in each year of Project implementation for the prior year annual audit reports, commencing on September 30, 2011 for the 2010 annual audit reports; and (b) appropriate action to follow up on any audit findings is taken at the National, Provincial, Kabupaten or Kecamatan level, as applicable, and reported as part of the regular quarterly report and made available on the PNPM Website.
- 10. The Borrower shall ensure that, except as the Bank and the Borrower shall otherwise agree in writing: (a) BPKP shall carry out a continuous audit of the Project in partnership with Local Government inspectorates; and (b) on terms of reference agreed among PMD, BPKP and the Bank, BPKP shall, after PMD has compiled each interim financial report, review such interim financial report for each calendar quarter during Project implementation and shall provide to the Bank its report of each such review not later than forty-five (45) days after the end of each calendar quarter.

11. The Borrower, through PMD, shall ensure that:
- (a) the Complaints Handling System is operated, maintained and consistently updated throughout Project implementation in accordance with the Operations Manual and terms of reference agreed in writing between the Borrower and the Bank;
 - (b) tracking of all active complaints cases is made available on the PNPM Website by no later than September 30, 2011;
 - (c) a service standard and a mechanism for its implementation, acceptable to the Borrower and the Bank, is established by September 30, 2011 by which except as may be otherwise agreed in writing between PMD and the Bank and reflected in the Standard Operating Procedures:
 - (i) with respect to Kecamatan Grants, if a problem related to fraud or corruption (as defined in the Standard Operating Procedures) is reported to the PMD in Jakarta by any Oversight Consultant, Facilitator or official of the Borrower charged with supervising the Project and no appropriate response (as determined by reference to the Standard Operating Procedures) is taken by PMD, by the within thirty (30) days after the report thereof, then the Provincial Coordinator shall ensure that disbursement and transfer of Kecamatan Grant funds is excluded on an interim basis in the location in question until further notice issued by PMD;
 - (ii) with respect to any Facilitator, if a problem related to fraud, corruption or a breach of the code of ethics (as defined in the Standard Operating Procedures) is reported to the Provincial Satker and no decision on appropriate action (as determined by reference to the Standard Operating Procedures) is taken by the relevant Satker within thirty (30) days after the report thereof, the Provincial Coordinator shall remove on an interim basis the Facilitator from all duties without pay until a decision is reached by the ethics tribunal (as defined in and operating in accordance with the Standard Operating Procedures) and acted upon by the Provincial Satker which contracted such Facilitator; and
 - (iii) these arrangements shall not be construed to waive any rights that the Bank or the Borrower may otherwise have under the terms of this Agreement with respect to the ensuring that the proceeds of the Loan are used for the purposes of the Project and for Eligible Expenditures; and

- (d) each Provincial Satker and Kabupaten Satker arranges for the local public disclosure of complaints and cases related to the Project, if any, and their handling and resolution.
12. The Borrower shall ensure that all PNPM rural sub-projects, whether financed by the Loan or by other sources, shall undertake such sub-projects in accordance with the Operations Manual.

C. Environmental and Social Safeguards

- 1. (a) The Borrower, through PMD, shall ensure that each Sub-Project is prepared, implemented and monitored in accordance with the Implementation Guidelines for Social and Environmental Safeguards, which form a supplement to the Operations Manual, and all guidelines and checklists set out therein, including those specifically provided for Indigenous Peoples and land donation, and the Negative List.
 - (b) In the event of any conflict between the provisions of the Implementation Guidelines for Social and Environmental Safeguards and those of this Agreement, the latter shall prevail.
2. The Borrower, through PMD, shall apply the section of the Implementation Guidelines for Social and Environmental Safeguards in each Sub-Project that may affect Indigenous Peoples, in a manner to ensure that the Sub-Project shall:
- (a) avoid, and, if not possible, minimize cultural, social and economic adverse effects on Indigenous Peoples, caused or likely to be caused by the Project, by taking appropriate mitigating measures; and
 - (b) through a process of free, prior and informed participation, involve concerned Indigenous Peoples in the design and implementation of Sub-projects in which such people reside or make their living and design and implement measures so as to ensure that the benefits received by the Indigenous Peoples under the Project are in harmony with their economic, social and cultural preferences, and likely to protect their customary user rights and reduce, mitigate and offset any adverse impacts of Sub-projects.
3. The Borrower, through PMD, shall ensure that the proceeds of Kecamatan Grants shall not be used to finance the acquisition of land or compensation for involuntary resettlement and that no Sub-Project shall require or permit the involuntary acquisition of land or involuntary resettlement. The Borrower, through PMD, shall ensure that in any Sub-Project involving land donation, the planning and verification procedures for land donation (voluntary donation and donation with compensation) set out in the Implementation Guidelines for Social and Environmental Safeguards shall have been followed and documented in a

manner satisfactory to the Bank and PMD prior to the commencement of the Sub-Project.

4. The Borrower shall ensure that the proceeds of the Loan are not used to finance any activities or materials on the Negative List as set out in Section A.2 of Annex 1 to this Schedule 2.
5. Without limiting the obligations under Section II.A of this Schedule 2, the Borrower shall include in each Project Report: (a) information on the status of compliance with the Implementation Guidelines for Social and Environmental Safeguards; (b) details of measures taken for each Sub-Project in the implementation of such guidelines; (c) conditions, if any, in any Sub-Project which interfere or threaten to interfere with the implementation of such guidelines; and (d) remedial measures taken or required to be taken to address such conditions.

D. Anti-Corruption

1. The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines and the Better Governance Action Plan, which reaffirms the Borrower's commitment to good governance in PNPM.
2. The Borrower shall ensure that no activities under the Project shall involve activities related to political practices or parties.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. 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 acceptable to 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 Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used: (a) National Competitive Bidding, subject to the following additional provisions dry set out in Annex 2 to this Schedule 2; (b) Shopping; (c) Direct Contracting; and (d) Community Participation procedures which have been set out in the Operations Manual and have been found acceptable to the Bank.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods of procurement, other than Quality- and Cost-based Selection, may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used: (a) Selection based on Consultants' Qualifications; (b) Single-source Selection of consulting firms; (c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

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.

Category*	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Kecamatan Grants	400,000,000	80% of Kecamatan Grant amount disbursed
(2) Consultants services, goods, training and workshops, and	99,110,000	100%

	incremental operating costs for facilitation support under Part 2 of the Project		
(3)	Consultants services, goods, training and workshops, and incremental operating costs for implementation support and technical assistance under Part 3 of the Project	30,980,000	100%
(4)	Consultants services, goods, training and workshops, and incremental operating costs for Project management support under Part 4 of the Project	1,100,000	100%
TOTAL AMOUNT		531,190,000	

*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 and 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 one hundred million United States Dollars (\$100,000,000) equivalent may be made for payments made prior to this date but on or after June 14, 2011 for Eligible Expenditures for Kecamatan Grants under Category 1.
2. The Closing Date is June 30, 2014.

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 Sub-projects other than those which are prohibited pursuant to paragraphs 2-6 of this Section A, 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;
 - (ii) are of benefit to the communities, and to the poor in particular; and respond to a public need; and
 - (iii) are in accordance with the Operations Manual and any applicable Supplemental Manual.
- (b) The amount of each Kecamatan Grant shall be calculated in accordance with the Circular Letter No. 900/5515/PMD on indicative allocation for block grants for PNPM Rural, dated November 10, 2010, as such letter may be revised or re-issued from time to time with the concurrence of the Bank.
2. Negative List. No Kecamatan Grant shall be made to finance expenditures pertaining to or involving the following:
 - (a) Activities related to the military or army; activities related to political practices or parties.
 - (b) Building/rehabilitation of government offices or religious facilities.
 - (c) Purchase of chainsaws, weapons, explosive materials, asbestos, or other environmentally destructive materials (such as pesticides, herbicides, prohibited drugs).
 - (d) Purchase of any fishing boat with capacity above 10 tons and any related equipment.
 - (e) Government officers' salary.
 - (f) Activities using child labor below working age per regulations of the Borrower.

- (g) Activities related to the production, storage or sale of goods with tobacco content.
 - (h) Activities in locations which are stated as a natural preserve per the regulations of the Borrower, except in any case in which there is a written permit from the official responsible for management of any such locations.
 - (i) Activities for mining or collecting or usage of reefs.
 - (j) Activities related to management of water resources from any river that flows from or to a country other than the territory of the Borrower.
 - (k) Activities related to relocating river lines.
 - (l) Activities related to reclamation of land of more than 50 hectares.
 - (m) Building any new irrigation network with an area of more than 50 hectares.
 - (n) Activities to build a dam or water tank with large capacity of more than 10,000 cubic meters.
3. No Kecamatan Grant shall finance the acquisition of land or the resettlement or the compensation therefore. No Kecamatan Grant shall require or permit involuntary land acquisition or involuntary resettlement.
 4. 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 Operations Manual, for a cumulative period of at least eight (8) months in each Fiscal Year.
 5. 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, through PMD, and the Bank, or the Borrower, through PMD, and the Bank shall have agreed in writing that a Supplemental Manual is not required for such Pilot and Special Program.
 6. 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, through PMD, have adopted a Supplemental Manual, if necessary, which defines

the scope of such activities, and their implementation and disbursement arrangements.

7. No Kecamatan Grant shall be eligible for financing out of the proceeds of the Loan for a Sub-project with a value higher than the Sub-project ceiling set out in the Operations Manual.

B. Sub-project Review and Selection

1. The Borrower, through PMD, 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 Operations Manual, any Supplemental Manual and this Annex.
2. The Borrower, through PMD, shall ensure that, with respect to each Sub-project and prior to the carrying out of Sub-project works, a technical Facilitator shall have completed a technical review of each Sub-project in accordance with the Operations Manual and any Supplemental 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, though PMD:
 - (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 Implementation Guidelines for Social and Environmental Safeguards have been complied with and appropriate measures adopted in design of the Sub-Project and in implementation and monitoring planning prior to the commencement of the Sub-Project;
 - (c) the requirements for undertaking and documenting land donation (voluntary donation and donation with compensation) set out in the Implementation Guidelines for Social and Environmental Safeguards have been complied with, and where any land has been donated, the donation has been verified to be voluntary and documented as such prior to the commencement of the Sub-Project;
 - (d) the provisions of the Implementation Guidelines for Social and Environmental Safeguards pertaining to Indigenous Peoples, if applicable, have been followed and free, prior and informed consultation has been documented prior to the commencement of the Sub-Project; and

- (e) a maintenance program, and the budget therefor, 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, each of the following Sub-project Agreements shall be signed:
 - (a) 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 Operations Manual including the Implementation Guidelines for Social and Environmental Safeguards, any Supplemental Manual, the provisions of the Better Governance Action Plan, and the provisions of the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower;
 - (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 Operations Manual;
 - (iv) that the Beneficiary shall maintain a financial management system in accordance with the Operations Manual and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank and the Borrower; in a manner adequate to reflect the operations, resources and expenditures related to the Sub-Project and at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank and the Borrower 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 shall 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; and
- (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**National Competitive Bidding: Modifications to Procedures**

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

- (i) Procuring entities shall use the appropriate standard bidding documents acceptable to the Borrower and the Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Loan shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.
- (ii) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable time for registration. Foreign bidders shall not be required to form a joint venture or sub-contract part of the supply of goods, non-consulting services, and works as a condition for submitting bids or the award of the contract. Bidding documents shall be made available, by mail or in person, to all international bidders who are willing to pay the required fee.
- (iii) No preference of any kind shall be given to any bidders.
- (iv) Under the *Pelelangan Umum* method, bidders shall be allowed at least twenty-one (21) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids; this period shall be ten (10) days under the *Pemilihan Langsung / Pelelangan Sederhana* method.
- (v) Bids invited under the *Pelelangan Umum* method shall be submitted in one (1) envelope and evaluated using post-qualification.

- (vi) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Bank's prior written concurrence.
- (vii) Bid security, at the bidder's option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.
- (viii) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.
- (ix) Government-owned enterprises in Indonesia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Borrower or sub-borrower.

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, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
July 15, 2020	2.17
January 15, 2021	2.22
July 15, 2021	2.28
January 15, 2022	2.34
July 15, 2022	2.40
January 15, 2023	2.46
July 15, 2023	2.52
January 15, 2024	2.58
July 15, 2024	2.64
January 15, 2025	2.71
July 15, 2025	2.78
January 15, 2026	2.85
July 15, 2026	2.92
January 15, 2027	2.99
July 15, 2027	3.07
January 15, 2028	3.14
July 15, 2028	3.22
January 15, 2029	3.30
July 15, 2029	3.38
January 15, 2030	3.47
July 15, 2030	3.56
January 15, 2031	3.65
July 15, 2031	3.74
January 15, 2032	3.83
July 15, 2032	3.93
January 15, 2033	4.02
July 15, 2033	4.12

January 15, 2034	4.23
July 15, 2034	4.33
January 15, 2035	4.44
July 15, 2035	4.71

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

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and as revised in January 2011.
2. “ASF-RMC” means the administrative services firms for regional management consulting services financed by the proceeds of the Loan, assigned at the Regional level to assist in Project implementation and monitoring.
3. “Bappenas” means *Badan Perencanaan Pembangunan Nasional*, the Borrower’s National Development Planning Agency, or any successor thereto.
4. “Beneficiary” means a Village, represented by its PNPM implementation team (*tim pelaksanaan kegiatan*, or *TPK*) or other entity meeting the requirements set out in the Operations Manual which is the beneficiary of a Kecamatan Grant and party to a Sub-project Agreement, and “Beneficiaries” means more than one (1) Beneficiary.
5. “Better Governance Action Plan” means a stand-alone chapter of the Operations 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 complaints handling mechanism, and an appropriate regime of sanctions and remedies, and included as applicable in each Sub-project Agreement, as such chapter may be revised from time to time with the prior written agreement of the Bank and the Borrower, and such term includes any annexes or schedules to such chapter.
6. “BPKP” means *Badan Pengawasan Keuangan dan Pembangunan*, the Borrower’s Financial and Development Supervisory Agency, or any successor thereto.
7. “Bupati” means the head of a Kabupaten.
8. “Camat” means the Kabupaten official at the Kecamatan level.
9. “Category” means a category set forth in the table in Section IV.A of Schedule 2 to this Agreement.
10. “Complaints Handling System” means the system described in the Operations Manual and related annexes/Standard Operating Procedures, and the technical

system it describes, designed to track complaints regarding the use of Kecamatan Grant funds at any level of PNPM implementation, guide resolution of such complaints, track resolution of such complaints, and if warranted in accordance with such system, as an interim measure exclude use of Kecamatan Grants in a particular Kabupaten, Kecamatan or Province, or the participation of responsible individuals or other actions authorized by the Complaints Handling System, as such system may be updated from time to time by written agreement between the Borrower, through PMD, and the Bank.

11. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers”, dated January 2011.
12. “Eligibility Criteria” means the criteria for a Kecamatan Grant, as set out in this Agreement, the Operations Manual and any Supplemental Manual.
13. “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.
14. “Fiscal Year” and “FY” mean the Borrower’s fiscal year commencing January 1 and ending December 31.
15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 31, 2010.
16. “Implementation Guidelines for Social and Environmental Safeguards” means the supplement to the Operations Manual, including all annexes thereto, containing standard operating procedures, technical guidelines and Sub-Project checklists (*Panduan Penerapan Kebijakan Pengamanan Sosial dan Lingkungan Hidup Dalam PNPM Mandiri Perdesaan*), including references as required to the main text of the Operations Manual, for environmental and social assessment and management designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental or social impacts, or reduce such impacts to acceptable levels, including: the Negative List; specific procedures applicable to Sub-Projects involving or affecting Indigenous Peoples; and procedures related to undertaking and documenting the voluntary nature of any land donation, as such guidelines may be amended from time to time with the prior written agreement of the Bank and the Borrower, through PMD.
17. “Indigenous Peoples” 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 affected by the Project or any part thereof as follows: (a) *masyarakat adat* (customary law communities) based on lineage or locality and bound by customary law with characteristics including: (i) self identification as a distinct indigenous cultural group; (ii) collective attachment to ancestral

territories and to the natural resources in the territories; and (iii) customary cultural, economic, social, or political institutions; and (b) *Komunitas Adat Terpencil (KAT)* (Isolated and Vulnerable communities), a category of customary law communities designated by the Borrower that live in isolated areas with characteristics including: (i) collective attachment to ancestral territories and to the natural resources in the territories; (ii) customary cultural, economic, social, or political institutions; (iii) an indigenous language; (iv) having a subsistence economy, (v) using simple tools and technology, (vi) having a high dependence on the environment and local natural resources, and (vii) having restricted access to social, economic, and political services.

18. “Kabupaten” means a district, an administrative sub-division of a Province.
19. “Kabupaten Poverty Alleviation Coordination Team” means the local government-level working group established under Perpres 15/2010 in each Project Kabupaten, Project Kecamatan or Project Village, or any successor thereto.
20. “Kabupaten Satker” means each project management unit established and operating at the Kabupaten level in accordance with paragrah 4 of Section I.A of Schedule 2 to this Agreement.
21. “Kecamatan” means a sub-district, an administrative sub-division of a Kabupaten.
22. “Kecamatan Grant” 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 Operations Manual and any Supplemental Manual, and “Kecamatan Grants” means more than one Kecamatan Grant.
23. “Local Government” means the government of a Project Kabupaten or a Project Kecamatan, as applicable, and “Local Governments” means more than one Local Government.
24. “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 Operations Manual.
25. “Management Information System” means the technical system, designed and operated as described in the Operations Manual for recording, tracking and publishing information pertaining to the implementation of PNPM, as such system may be redesigned and updated as part of ongoing PNPM development as agreed in writing between the Borrower, through PMD, and the Bank.

26. “Menko Kesra” means the Borrower’s Coordinating Ministry for Peoples’ Welfare, or any successor thereto.
27. “Ministry of Finance” means the Borrower’s Ministry of Finance, or any successor thereto.
28. “Ministry of Public Works” means the Borrower’s Ministry of Public Works, or any successor thereto.
29. “MOHA” means the Borrower’s Ministry of Home Affairs, or any successor thereto.
30. “National” refers to activities taking place at the central government level of the Borrower.
31. “National Management Consultants” and “NMCs” means the consultants, financed by the proceeds of the Loan, assigned at the central level to assist in Project implementation and monitoring.
32. “Negative List” means the list of activities and inputs for which the proceeds of the Loan shall not be used, as set out in Section A.2 of Annex 1 to Schedule 2 to this Agreement.
33. “Operations Manual” means the Operations Manual, including all annexes and supplements thereto, which: (a) is used by the Borrower for all of PNPM including the Project; (b) has been revised and updated as necessary to reflect the Project; (c) meets the requirements of paragraph 1 of Section I.B of Schedule 2 to this Agreement; and (d) consists of: (i) the main text of the Operations Manual (*Petunjuk Teknis Operasional Program Nasional Pemberdayaan Masyarakat (PNPM) Mandiri Perdesaan*); (ii) Standard Operating Procedures (*SOP*); (iii) the elucidation/detailed technical guidelines (*Penjelasan*); (iv) the collection of checklists and forms (*Formulir*); (v) the Implementation Guidelines for Social and Environmental Safeguards (*Panduan Penerapan Safeguards Sosial dan Lingkungan Dalam PNPM Mandiri Perdesaan*); and (e) such other supplements, annexes or schedules as may be agreed in writing from time to time by the Bank and PMD, as such Operations Manual may be amended or updated from time to time with the prior written agreement of the Bank and PMD.
34. “Oversight Consultants” means consultants, financed by the proceeds of the Loan, assigned at the Province level to assist in Project implementation and monitoring.
35. “Part” means a part of the Project described in Schedule 1 to this Agreement.
36. “Perpres” means a *Peraturan Presiden*, a presidential regulation.

37. “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 interest agreed in writing between the Borrower, through PMD, and the Bank, which may include, but is not limited to: crisis response, including responding to natural disasters; activities related to millennium development goal indicators for poverty reduction, education and health; support for community investments in environmental and natural resource management; supporting community activities in national border areas; supporting Aceh-specific programs; and supporting Papua and West Papua activities in nutrition and food security, education, primary health care, village infrastructure, and economic livelihoods, in each case subject to the terms and conditions set out in the Operations Manual and any applicable Supplemental Manual.
38. “PJOK” means a Project operations officer at the Kecamatan level, established in accordance with the Operations Manual.
39. “PJOKab” means a Project operations officer at the Kabupaten level, established in accordance with paragraph 4(b) of Section I.A of Schedule 2 to this Agreement, and “PJOKabs” means more than one PJOKab.
40. “PJOProv” means a Project operations officer at the Province established in accordance with paragraphs 3(b) of Section I.A of Schedule 2 to this Agreement, and “PJOProvs” means more than one PJOProv.
41. “PMD” means *Pemberdayaan Masyarakat dan Desa*, the Directorate General for Community Empowerment of MOHA, or any successor thereto.
42. “PMD Secretariat” means the PMD Secretariat referred to in paragraph 1(c)(i) of Section I.A of Schedule 2 to this Agreement.
43. “PNPM” means *Program Nasional Pemberdayaan Masyarakat Mandiri*, the Borrower’s National Program for Community Empowerment, as described in Perpres 15/2010, as the same may be amended or updated from time to time.
44. “PNPM Rural” means the Rural section of PNPM, or *Program Nasional Pemberdayaan Masyarakat Mandiri Perdesaan*.
45. “PNPM Website” means the Project website maintained by PMD, (www.pnpm-perdesaan.or.id) or such other website as may be established from time to time and agreed in writing between the Borrower, through PMD, and the Bank.
46. “Pokja Pengendali PNPM” means the national-level working group of PNPM, chaired by Menko Kesra, with representatives of relevant ministries, including BAPPENAS, MOHA, Ministry of Finance, Ministry of Public Works, and State Ministry for Development of Disadvantaged Regions, or any successor thereto.

47. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011.
48. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated June 13, 2011 (Letter No. 414.2/853/PNPM MP/II/2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
49. “Project Kabupaten” means a Kabupaten which is selected by the Borrower for participation in the Project in accordance with the provisions of the Operations Manual.
50. “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 Operations Manual.
51. “Project Manager” means a suitably qualified person appointed by the PMD Secretariat to be responsible for the management and monitoring of the Project in accordance with paragraph 1(c)(iii) of Section I.A of Schedule 2 to this Agreement.
52. “Project Village” means a Village selected by the Borrower for participation in the Project in accordance with the provisions of the Operations Manual.
53. “Province” means an administrative sub-division of the Borrower’s territory at the first level below the national level, and “Provinces” means more than one Province.
54. “Provincial Coordinator” means the head of the Oversight Consultants team at the Provincial level.
55. “Provincial Poverty Alleviation Coordination Team” means the province-level working group established under Perpres 13/2009 in each Province, or any successor thereto.
56. “Provincial Satker” means each Province level project management unit established and operating in accordance with paragraph 3 of Section I.A of Schedule 2 to this Agreement.
57. “Regional” refers to activities taking place at the level of a group of two or more Provinces designated in accordance with the Operations Manual.
58. “Regional Management Consultants” means the consultants, financed by the proceeds of the Loan, assigned at the level of a cluster of Provinces as designated

in the Operations Manual to assist in Project implementation and monitoring at the Regional level.

59. “Revolving Funds” means funds made available under Part 1(a)(iv) of the Project, subject to the conditions for revolving funds set out in Annex 1 to Schedule 2 to this Agreement and the Operations Manual.
60. “Rupiah” and “Rp” mean the currency of the Borrower.
61. “Satker” means *satuan kerja*, a Project management unit, whether at central level or at the level of the Province or Kabupaten.
62. “Standard Operating Procedures” means the sections of the Operations Manual and its annexes setting out details of procedures for management of the PNPM Rural between and among the National, Regional, Provincial, Kabupaten and Kecamatan levels, including for example, lines of decision making, resolution of disputes or complaints.
63. “State Ministry for Development of Disadvantaged Regions” means the Borrower’s State Ministry for Development of Disadvantaged Regions, or any successor thereto.
64. “Sub-project” means an activity qualifying for financing by a Kecamatan Grant in accordance with the terms of this Agreement, the Operations Manual and any Supplemental Manual, and “Sub-projects” means more than one Sub-project.
65. “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.
66. “Supplemental Manual” means each Supplemental Manual for a Pilot and Special Program under Part 1(b) and each natural disaster, emergency or catastrophic event under Part 1(a)(v) of the Project meeting the requirements of paragraph 1(b) and paragraph 1(c), respectively, of Section I.B 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 Borrower Bank and includes any annexes or schedules to such Manual.
67. “UPK” means a Kecamatan management unit established and operating in a Kecamatan, and “UPKs” means more than one UPK.
68. “Village” means an administrative subdivision of a Kecamatan.

