

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF 029805 IND

Global Environment Facility
Trust Fund Grant Agreement

(Western Java Environmental Management Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as an Implementing Agency of the Global Environment Facility

Dated August 30, 2001

GEF TRUST FUND GRANT NUMBER TF 029805 IND

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated August 30, 2001, 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 continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Bank has received a letter from the Recipient dated May 15, 2001, describing a program designed to enhance the environmental quality, human health, and economic productivity of the Recipient's Provinces of Banten, DKI Jakarta and Jawa Barat through the provision of assistance to local governments for the development of local environmental agendas, pollution reduction, methane generation reduction, and improved municipal services (the Program) and declaring the Recipient's commitment to

the execution of such program;

(E) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Program through a series of grants over a period of approximately ten years, to be utilized by the Recipient in the implementation of the Program, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(F) the Recipient has also requested the Bank to provide additional financing towards the financing of the Project by an agreement of even date herewith between the Recipient and the Bank, the Bank is agreeing to provide such assistance in an aggregate principal amount equivalent to eleven million seven hundred thousand Dollars (\$11,700,000) (the Loan); and

(G) the Recipient has also requested the International Development Association (the Association) to provide additional financing towards the financing of the Project by an agreement of even date herewith between the Recipient and the Association, the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to four million six hundred thousand Special Drawing Rights (SDR 4,600,000) (the Credit); 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 for Single Currency Loans of the Bank, dated May 30, 1995, (as amended through October 6, 1999) 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), (5), (6), (7), (8), (9), (10), (14), (17) and (21), 2.02 and 2.03;
- (iii) Section 3.01;
- (iv) Sections 4.01 and 4.06;
- (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) Sections 12.01 (c), 12.03 and 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 (6) 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 "Recipient", 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) a new subparagraph is added after subparagraph (p) 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

(viii) Paragraph (c) of Section 9.07 of the General Conditions is modified to read as follows:

"(c) Not later than six months before the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, the Recipient shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, its cost and the benefits derived and to be derived from it, the performance by the Recipient and the Bank of their respective obligations under the Grant Agreement and the accomplishment of the purposes of the GEF Trust Fund Grant."

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) "AMDAL" means Analisis Mengenai Dampak Lingkungan, the Recipient's national procedures for the preparation of environmental impact assessment, including mitigation and monitoring measures established by Government Regulation No. 27 of 1999, of the Recipient;

(b) "BAPPENAS" means the Recipient's National Development Planning Agency;

(c) "BAPEDA" means the Provincial Planning Agency in the Recipient's Participating Province of Jawa Barat;

(d) "BAPPEDA" means the Provincial, Kabupaten and Kota Development Planning Agency in the Recipient's Participating Provinces of Banten and DKI Jakarta; and the Kabupaten and Kota Development Planning Agency in the Recipient's Participating Province of Jawa Barat;

- (e) "BAPEDAL" means the Recipient's National Environmental Impact Management Agency;
- (f) "BAPEDALDA" means the Provincial Environmental Impact Management Agency;
- (g) "Bupati" means the chief executive of a Kabupaten;
- (h) "Central Program Support Unit" means the unit established in the Recipient's Directorate General of Urban and Rural Development in the Ministry of Settlements and Regional Infrastructure to coordinate the implementation of the Program;
- (i) "DPRD" means the provincial council of a Province and the local council of a Kabupaten and Kota;
- (j) "Environmental Forum" means a forum established by a Participating Local Government consisting of a group of residents of a Kabupaten or Kota, interested in local environmental issues;
- (k) "Fiscal Year" and "FY" mean the Recipient's fiscal year commencing January 1 and ending December 31;
- (l) "Grantee" means a person or an entity carrying out activities under Part B.4 of the Project;
- (m) "Kabupate" means a district;
- (n) "Kota" means a municipality;
- (o) "Land Acquisition and Resettlement Guidelines" means the framework issued by a Participating Local Government describing procedural and institutional aspects pertaining to land acquisition and the resettlement, rehabilitation and compensation of Project Affected Persons under the Project, as such Guidelines may be amended from time to time in agreement with the Bank;
- (p) "Local Program Support Unit" means the unit established in the BAPEDA or BAPPEDA in each participating Kabupaten and Kota to manage the Project components carried out by such Kabupaten and Kota;
- (q) "Memorandum of Understandings" means the memorandum of understandings entered into between the Recipient and each of the Participating Local Governments;
- (r) "Participating Local Government" means a Kabupaten, Kota or a Province whose DPRD has passed a resolution agreeing to its participation in the Project and whose chief executive has entered into a Memorandum of Understandings with the Recipient's Ministry of Settlements and Regional Infrastructure;
- (s) "Participating Provinces" means the Recipient's provinces of Banten, DKI Jakarta and Jawa Barat;
- (t) "Project Affected Persons" means persons who, on account of the execution of Part D of the Project, had or would have their: (i) standard of living adversely affected; or (ii) right, title or interest in any house, land (including premises, agricultural and grazing land) or any other fixed or movable asset acquired or possessed, temporarily or permanently, adversely affected; or (iii) business, occupation, work or place of residence or habitat adversely affected, and "Project Affected Person" means individually all those who qualify as Project Affected Persons;
- (u) "Project Coordination and Review Committee" means the committee established to coordinate and annually review the Project on the basis of the reports prepared by the Central Program Support Unit;
- (v) "Project Management Manual" means the manual to assist the Central, Provincial and Local Governments' Project staff in the implementation of the Project through the description of, inter alia, procurement procedures (including the letter on national competitive bidding procedures) and standard documentation, reporting requirements, financial management procedures including audit procedures, the Project Performance Indicators, and environmental criteria applicable to Project and Sub-project design, as such Project Management Manual may be amended from time to time in agreement with the Bank;
- (w) "Project Performance Indicators" means those indicators designed to

measure the Recipient's performance in achieving Project objectives as set forth in Schedule 5 to this Agreement;

(x) "Provincial Program Support Unit" means the unit established in the BAPEDALDA of Jawa Barat and in the BAPPEDA of Banten and DKI Jakarta to manage the Project components carried out by such Participating Province;

(y) "Resettlement Action Plan" means a resettlement and rehabilitation action plan to be prepared by a Participating Local Government pursuant to the Land Acquisition and Resettlement Guidelines;

(z) "Rupiah" and "Rp" mean the currency of the Recipient;

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

(bb) "State of the Environment Report" means the annual report prepared by a Participating Local Government as required by BAPEDAL;

(cc) "Sub-grant" means a grant made available by the Recipient out of the proceeds of the GEF Grant to a Grantee for purposes of Part B.4 of the Project;

(dd) "Sub-project" means a specific public environmental improvement investment project under Part D of the Project;

(ee) "Subsidiary Loan" means a loan made or proposed to be made by the Recipient to a Participating Local Government under a Subsidiary Loan Agreement for a Sub-project;

(ff) "Subsidiary Loan Agreement" and "SLA" mean the agreement to be entered into between the Recipient, represented by MOF, and a Participating Local Government, as the same may be amended from time to time, and such term includes all schedules to the Subsidiary Loan Agreement; and "Subsidiary Loan Agreements" and "SLAs" mean all such Subsidiary Loan Agreements;

(gg) "UKL/UPL" means the environmental management and monitoring plans prepared by each Participating Local Government in accordance with the Recipient's national guidelines for environmental assessment and mitigation established by Government Regulation No. 27 of 1999 of the Recipient; and

(hh) "Walikota" means the chief executive of a Kota.

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 two million Special Drawing Rights (SDR2,000,000).

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 (i) for amounts paid (or, if the Bank shall so agree, to be paid) by the Recipient on account of a Sub-grant under Part B.4 of the Project and in respect of which the withdrawal from the Trust Fund is requested, and (ii) for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out of Part B.3 and B.5 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 Parts B.3, B.4 and B.5 of the Project, open and maintain in dollars a special deposit account in Bank Indonesia or in a state commercial bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including, in the case of a state commercial bank, appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2005, 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 through the Directorate General of Urban and Rural Development of its Ministry of Settlements and Regional Infrastructure with due diligence and efficiency and in conformity with appropriate administrative, engineering, environmental and financial 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. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts B.3, B.4 and B.5 of 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 3.03. 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 before 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.

ARTICLE IV

Financial Conditions

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 or agencies of the Recipient responsible for carrying out the Project or any part thereof.

(b) The Recipient shall:

(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 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional events are specified:

- (a) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) the right of the Recipient to withdraw the proceeds of any loan made to the Recipient for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore, or
 - (B) any such loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that:
 - (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Recipient to perform any of its obligations under such agreement; and
 - (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement;
- (b) an event shall have occurred which shall make it improbable that the Program or a significant part thereof will be carried out.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following event is specified as a condition to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions, namely that the Development Credit Agreement and the Loan Agreement have been executed and delivered and all conditions precedent to their effectiveness, except only the effectiveness of this Agreement, have been fulfilled.

Section 6.02. 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 6.03. 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 VII

Representative of the Recipient; Addresses

Section 7.01. 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 7.02. 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 1139
Jakarta 10710
Indonesia

Cable address:	Telex:	Facsimile:
FINMINISTRY Jakarta	45799 DJMLN-IA 44319 DEPKEU-IA	(21) 381 2859

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:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

REPUBLIC OF INDONESIA

By /s/ H. E. DR. Boediono

Authorized Representative

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

By /s/ Mark Baird

Authorized Representative

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) Sub-grants under Part B.4 of the Project	1,700,000	100% of Sub-grant amount disbursed
(2) Consultants' services under Part B.3 and B.5 of the Project	300,000	100%
TOTAL	2,000,000	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of (i) payments made for expenditures prior to the date of this Agreement, and (ii) payments made for expenditures under Category (2) until a program, acceptable to the Bank, has been established in accordance with Part B.3 of the Project.

3. 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) Sub-grants, (ii) contracts for the employment of consulting firms valued at less than \$100,000 equivalent each, and (iii) contracts for the employment of individual consultants valued at less than \$50,000 equivalent each, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

4. 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 objective of the Project is to assist the Recipient in implementing the Program by providing assistance to Participating Local Governments for the preparation of local environmental agendas to reduce local environmental degradation in the Participating Local Governments through improved infrastructure services and the strengthening of the overall management skills of Participating Local Governments.

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: Overall Urban Environmental Management

1. Development of provincial and local environmental strategies and medium- and long-term environmental action plans for Participating Local Governments.
2. Development of a strategic plan and a detailed action plan for the collection, transportation and disposal of medical waste for Participating Local Governments.
3. Strengthening of the Central Program Support Unit, the Provincial Program

Support Units and the Local Program Support Units through the provision of staff training and management and technical advisory services, and provision of training to environmental groups.

4. Development and implementation of an environmental awareness program for Participating Local Governments.

5. Carrying out of a review of the curriculum for environmental education in the school system in the Participating Provinces, and implementation of improvements to such curriculum.

6. Preparation of an emergency response plan for large scale industries for Kota Cilegon and Kabupaten Serang.

7. Carrying out of a feasibility study and detailed engineering design for the treatment of waste water discharges and improvement of the oxidation pool in Kesenden in Kota Cirebon.

8. Carrying out of a study for the normalization and the development of the lakes in Kota Depok.

9. Preparation of a sanitation and sewerage scheme to improve the quality of the Cikapundung river in Kota Bandung.

10. Carrying out of a feasibility study and detailed engineering design for a wastewater treatment plant in Kota Tangerang.

Part B: Solid Waste Management

1. Development of the organizational structure and establishment of the proposed Jabotabek and the Greater Bandung Waste Management Corporations.

2. Preparation of feasibility studies for landfills and preparation of waste management plans, including environmental impact assessments and remedial plans for Kota Cirebon and Kabupaten Serang.

3. Development of a compost production and marketing system, including design and establishment of a program to foster good quality compost production under Part B.4 of the Project, and carrying out of a marketing plan and a consumer socialization plan for use of compost produced on a commercial scale.

4. Carrying out of a program to support the production of good quality compost by compost producers in the Participating Provinces, through the provision of Sub-grants to producers.

5. Design of guidelines for the commercial production of compost in DKI Jakarta.

6. Preparation of an assistance program for waste-pickers at landfills and collectors in cities, and development of a community-based solid waste management program for waste reduction through waste reduction, waste reuse and waste recycling in the Participating Provinces.

Part C: Community and Private Sector Participation

1. Preparation of an industrial waste, wastewater and effluents minimization and disposal program, including design of an incentives program and design of a credit facility for small- and medium-scale industries to build waste treatment or improve production efficiency to reduce pollution in the Participating Provinces.

2. Preparation of a program design and implementation plan for a Community Environment Facility to assist the community in developing activities and small businesses which help reduce pollution and improve environmental quality in the

Participating Provinces.

3. Preparation of a scheme to reduce waste from small- and medium-size soybean cake and tofu processing industries in DKI Jakarta.

4. Revision of the development plan for a wastewater treatment plant in the Jakarta Industrial Estate Pulogadung to include wastewater from neighboring residential areas of Pulogadung, including preparation of an environmental impact assessment, detailed design, management plans and financial plans.

5. Carrying out of feasibility studies for centralized industrial wastewater treatment plants in Kabupaten Serang and Kota Tangerang.

Part D: Investment Sub-projects

Carrying out of public environmental improvement investment Sub-projects through the provision of Subsidiary Loans to Participating Local Governments.

* * *

The Project is expected to be completed by December 31, 2004.

SCHEDULE 3

Consultants' Services

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Recipients" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services under Part B.3 and B.5 of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services under Part B.5 of the Project may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed

plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract estimated to cost the equivalent of \$100,000 or more, and the first contract by each of the Participating Local Government agencies, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

1. The Recipient shall establish and, thereafter, maintain until completion of the Project, a Central Program Support Unit, headed by the representative from Ministry of Settlements and Regional Infrastructure, and including representatives from BAPEDAL and the Participating Provinces.

2. The Recipient shall establish and, thereafter maintain until completion of the Project, a Project Coordination and Review Committee, headed by the representative from BAPPENAS, and including representatives from the Ministry of Settlements and Regional Infrastructure, the Ministry of Finance, BAPEDAL and the Participating Provinces.

3. The Recipient shall establish and, thereafter, maintain until completion of the Project, a Provincial Program Support Unit in each Participating Province, with competent staff in adequate numbers, who shall report directly to the Governor.

4. The Recipient shall establish and, thereafter, maintain until completion of the Project, a Local Program Support Unit in each Participating Kabupaten and Kota, with competent staff in adequate numbers, who shall report directly to the Bupati and Walikota, respectively.

5. The Recipient shall:

(a) cause at least four Participating Local Governments, as coordinated by the respective Participating Province, to prepare an annual State of the Environment Report, and furnish such report to the Central Program Support Unit and the Bank not later than March 31 in each year, commencing not later than March 31, 2002, and cause the remaining Participating Local Governments, as coordinated by the respective Participating Province, to prepare an annual State of the Environment Report, and furnish such report to the Central Program Support Unit and the Bank not later than March 31 in each year, commencing not later than March 31, 2003, and

(b) cause each of such Reports to be evaluated by an independent team, acceptable to the Bank, by not later than July 31 in each year, commencing not later than July 31, 2002.

6. The Recipient shall cause each Participating Local Government which does not have an Environmental Forum that is part of an existing urban forum, to establish, not later than July 31, 2002, an Environmental Forum.

7. The Recipient shall cause the Participating Local Governments which operate landfills to each select at least one landfill and establish for such landfill, by not later than December 31, 2003, a neighborhood advisory committee to advise the Participating Local Government on the performance of the agency responsible for such landfill.

8. In carrying out Part B.3 of the Project, the Recipient shall furnish to the Bank for its approval, the program to foster good quality compost production under Part B.4 of the Project.

9. In carrying out Part B.4 of the Project the Recipient shall make Sub-grants in accordance with the program agreed with the Bank under Part B.3 of the Project.

10. 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 5 to this Agreement, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about July 31, 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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; and

(c) review with the Bank, by September 30, 2003, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, 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.

SCHEDULE 5

Performance Indicators

1. At least 50% of the Participating Local Governments have met the following indicators by Project completion:

(a) the Participating Local Government which operates landfills has selected at least one landfill and established for such landfill a neighborhood advisory committee that meets on a regular basis;

(b) the Participating Local Government's solid waste net revenues have increased by 20% over FY 2001 net revenues; and

(c) at least eight annual "State of the Environment" reports, acceptable to the Bank, have been prepared by Participating Local Governments.

2. By Project completion, the Jabotabek Waste Management Corporation has been established and its operations funded partially by the revenues generated from transactions.

3. By Project completion, the Greater Bandung Waste Management Corporation has been established and its operations funded partially by the revenues generated from transactions.

4. By Project completion, waste management master plans for the Jabotabek and

Bandung regions have been updated, agreed and publicly vetted. Environmental impact assessments, consistent with the Bank's environmental assessment requirements, and operating plans exist for all operating and proposed landfills.

5. By Project completion, an aggregate of at least 60,000 tons of quality, certified compost has been produced.

SCHEDULE 6

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 Parts B.3, B.4 and B.5 of 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 \$250,000 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 \$125,000 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 shall be equal to or exceed the equivalent of \$500,000.

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.

