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**LOAN NUMBER 4834-IND**

# **Loan Agreement**

**(Strategic Roads Infrastructure Project)**

**between**

**REPUBLIC OF INDONESIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**Dated September 13, 2007**

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## **LOAN AGREEMENT**

Agreement dated September 13, 2007, 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 the Loan 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 two hundred and eight million Dollars (USD208,000,000) (“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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.
- 2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.
- 2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.

- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE III – PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project through MPW 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**

- 4.01. The Additional Conditions of Effectiveness consist of the following:
  - (a) The detailed engineering designs and bid documents for WP-1, in each case satisfactory to the Bank, shall have been adopted by the Borrower.
  - (b) The Project Implementation Plan satisfactory to the Bank shall have been adopted by the Borrower.
  - (c) The Project Management Manual satisfactory to the Bank shall have been adopted by the Borrower.
  - (d) The Borrower shall have shortlisted the Financial Management Experts in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement.
- 4.02. The Additional Legal Matter consists of the following: the Environmental and Social Assessment Management Plan, and the Anti-Corruption Action Plan have been adopted by the Borrower and are legally binding upon the Borrower in accordance with the laws of the Republic of Indonesia.
- 4.03. 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.

5.02. The Borrower's Address is:

Ministry of Finance  
c/o Directorate General of Treasury  
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

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/ Joel Hellman

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objective of the Project is to improve economic competitiveness by improving the capacity and quality of strategic national roads on the Borrower's islands of Java and Sumatra, improving road safety and increasing the efficiency, quality and transparency of works procurement and implementation in the Borrower's Ministry of Public Works.

The Project consists of the following parts:

#### **Part 1: Improvements to Strategic National Roads**

- (a) Betterment of approximately 155 kilometers of urban and inter-urban roads;
- (b) Expansion of road capacity on approximately 85 kilometers of urban and inter-urban roads, including bridges;
- (c) Construction of approximately 55 kilometers of new urban and inter-urban roads, including bridges;
- (d) Construction of a new bridge of approximately 50 meters on an inter-urban road; and
- (e) Implementation of a Performance-Based Contract Pilot Program on an approximately 110 kilometer section of the North Java Corridor, involving betterment of approximately 10 kilometers and maintenance of approximately 110 kilometers.

#### **Part 2: Implementation Support**

- (a) Support to the DOP and the PMU in Project implementation, including environmental management, project performance monitoring, implementation of the Anti-Corruption Action Plan, financial management monitoring and reporting;
- (b) Assistance to MPW in the design of works, pre-contract activities, supervision of construction and implementation management for Sub-Projects;

(c) Assistance to MPW in preparation and implementation of the Performance-Based Contract Pilot Program;

(d) Assistance to MPW in the procurement of consultancy services and works, including in implementation of the Anti-Corruption Action Plan; and

(e) Assistance to MPW in carrying out financial and technical audits on Project works.

Part 3: Road Sector Institutional Development

(a) Supporting the Borrower's overall road safety strategy by: (i) developing an integrated road safety strategy and long-term plan, including an institutional framework; and (ii) developing a pilot integrated road accident database/analysis system, and establishing self-sustaining personnel development procedures for traffic police; and

(b) Training of Project staff in the application of the Project Management Manual, including procurement procedures, financial management procedures, reporting procedures, and in the application of the Anti-Corruption Action Plan and the Environmental and Social Assessment Management Plan.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Institutional and Other Arrangements**

##### **A. Institutional Arrangements.**

1. The Borrower, through Bappenas, shall establish within one month of the Effective Date, and maintain until completion of the Project, the Project Steering Committee, chaired by the Deputy for Infrastructure of Bappenas, and including representatives from the MPW, the MOF, the MOT, and the Directorate of Traffic Police. The Project Steering Committee shall facilitate coordination among the Borrower's Ministries, among the local governments of the Project Provinces, and among said Ministries and said local governments. The PMU shall act as the secretariat to the Project Steering Committee.

2. MPW shall be the executing agency for the Project. DGH shall be the executing unit responsible for the overall management of the Project. DOP shall be the implementing unit responsible for managing Project activities on a day-to-day basis, and for implementing Parts 1, 2 and 3(b) of the Project.

3. The Directorate General of Land Transport shall be the implementing unit responsible for Part 3(a)(i) of the Project. The Directorate of Traffic Police shall be the implementing unit responsible for Part 3(a)(ii) of the Project. The Borrower shall establish a Road Safety Steering Committee to oversee the process of implementation and coordination of Part 3(a) of the Project within one month of the Effective Date. The PMU shall act as the secretariat to the Road Safety Steering Committee.

4. MPW shall appoint a Project Manager in each local office of DGH located in an area in which one or more Sub-Projects shall be implemented. The Borrower shall ensure that each Project Manager meets the MPW Project Manager Criteria for the period of the Project. Each Project Manager shall report to the relevant sub-unit of DGH (Director of Roads and Bridges for Western Region for inter-urban roads and Director of Freeways and Urban Roads for urban roads). DGH shall be responsible for coordinating Project implementation with the respective local government agencies located in each area in which one or more Sub-Projects shall be implemented, as set out in the Project Management Manual.

5. The Borrower shall maintain until completion of the Project, the PMU, chaired by the Director of Planning of DOP, with terms of reference satisfactory to the Bank. The Borrower shall provide the PMU at all times with adequate funds and other resources, and shall ensure that the PMU is staffed by qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its functions, responsibilities and objectives, and in each case as shall be satisfactory to the Bank.

**B. Project Implementation.**

1. The Borrower shall:

(a) Adopt a Project Implementation Plan satisfactory to the Bank, which shall set out the Borrower's implementation plan for the Project;

(b) adopt a Project Management Manual, in Bahasa Indonesia, satisfactory to the Bank, which shall include: (i) Project implementation arrangements and organizational structure; (ii) financial management, reporting and auditing procedures meeting the requirements of Section II of this Schedule 2; (iii) environmental and social safeguards requirements and procedures for the Project included in the Environmental and Social Assessment Management Plan and the Land Acquisition and Resettlement Framework; (iv) procurement procedures for the Project including the Procurement Procedures set forth in Section III of this Schedule 2 and the Procurement Plan; (v) the Anti-Corruption Action Plan; (vi) procedures for monitoring and reporting the Project's progress; and (vii) the MPW Project Manager Criteria;

(c) carry out the Project in accordance with the Project Implementation Plan, the Project Management Manual, the Anti-Corruption Action Plan, the Environmental and Social Assessment Management Plan, the Land Acquisition and Resettlement Framework, and the Procurement Procedures and Procurement Plan, in each case in a manner satisfactory to the Bank; and

(d) not amend, abrogate, suspend or waive any provision of the Project Implementation Plan, the Project Management Manual, the Anti-Corruption Action Plan, the Environmental and Social Assessment Management Plan, the Land Acquisition and Resettlement Framework or the Procurement Plan without the prior consent of the Bank.

2. (a) The Borrower shall engage a Procurement Agent in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this

Agreement to assist the Borrower in the selection and employment of the DSC, CTC and Procurement Advisor in accordance with the Procurement Plan; and

(b) Except as the Bank shall otherwise agree, the Borrower shall: (i) retain the services of the Procurement Agent until completion of all procurement activities for the DSC, CTC and Procurement Advisor consultants' services under the Project; and (ii) take all such steps as are necessary to ensure that the Procurement Agent is permitted to provide its services in accordance with its contractual terms of reference.

3. (a) The Borrower shall engage a Procurement Advisor in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement to assist the Borrower in the procurement in accordance with the Procurement Plan of works for all Sub-Projects; and

(b) Except as the Bank shall otherwise agree, the Borrower shall (i) retain the services of the Procurement Advisor until completion of all procurement activities for works under the Project; (ii) ensure that the Procurement Advisor shall at all times during Project implementation provide reports directly to DOP and shall provide a copy directly to the Inspectorate General in MPW and the Bank; and (iii) take all such steps as are necessary to ensure that the Procurement Advisor is permitted to provide his services in accordance with its contractual terms of reference.

4. The Borrower shall engage a Public Notary with terms of reference satisfactory to the Bank to assist the Borrower in the procurement of works for Sub-Projects under WP-1 and for consulting services where the Procurement Agent is not involved, in accordance with the Procurement Procedures set out in paragraphs 9 and 10 of Section III.E of this Schedule 2.

5. The Borrower shall engage the DSC in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement, to assist the Borrower in the design and supervision of the works to be carried out under Part 1 of the Project. Except as the Bank shall otherwise agree, the Borrower shall: (a) retain the services of the DSC until completion of the design and implementation of works under the Project; and (b) take all such steps as are necessary to ensure that the DSC are permitted to provide their services in accordance with their contractual terms of reference.

6. The Borrower shall engage the CTC in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement, to provide

support to DOP and DGH under Part 2 of the Project. Except as the Bank shall otherwise agree, the Borrower shall: (i) retain the services of the CTC until completion of the Project; and (ii) take all such steps as are necessary to ensure that the CTC are permitted to provide their services in accordance with their contractual terms of reference.

7. Except as may be otherwise agreed by the Bank, WP-1 shall consist of the six Sub-Projects set forth in the Annex to this Schedule 2.

8. With respect to WP-2 and WP-3:

(a) not later than June 30 in each year, commencing June 30, 2007, and until the completion of the Project, a draft WP for all Sub-Projects to be commenced during the following Fiscal Year is prepared and furnished to the Bank for its review and comments, including: (i) the scope of the program; (ii) feasibility studies; (iii) the results of the environmental and social impact screening of the proposed works; (iv) cost estimates; (v) time-based implementation schedules; (vi) financing plan; (vii) budget arrangements; and (viii) procurement plan; and

(b) not later than November 30 in each year, commencing November 30, 2007, finalize and submit for approval to the Bank the above mentioned WP for implementation, including: (i) detailed engineering design and bidding documents; (ii) Environmental Management Plans, social impact assessments, and LARAPs, as required by the Environmental and Social Assessment Management Plan and the Land Acquisition and Resettlement Framework; and (iii) anti-corruption actions as required by the Anti-Corruption Action Plan.

9. A project shall only qualify as a Sub-Project when the Bank has been furnished with evidence satisfactory to it that:

(a) such proposed project has been approved by DGH as a priority and as compatible with applicable regional and local plans and included in the relevant WP approved by the Bank prior to the signing of the contract for the carrying out of works or activities for the proposed Sub-Project;

(b) such proposed project has a minimum economic rate of return of fifteen percent as calculated in a manner satisfactory to the Bank, or such lower economic rate of return as the Bank may agree in exceptional circumstances;

(c) such proposed project has a minimum international roughness index (IRI) of 6.0 and a surface distress index (SDI) of more than 50, where such project is proposed for inclusion as a betterment Sub-Project under Part 1(a) and Part 1(e) of the Project;

(d) such proposed project has a minimum volume to capacity ratio (for conditions prior to Sub-Project commencement) of 0.6, where such project is proposed for inclusion as a capacity expansion Sub-Project under Part 1(b) and Part 1(e) of the Project; and

(e) necessary counterpart funding to fully finance the proposed works and other activities for such proposed project is available for such project to be implemented in accordance with the schedule in the Procurement Plan.

10. Without limitation on other provisions of this Schedule and the provisions of the ESAMP, the Borrower shall ensure that:

(a) appropriate engineering, social and environmental standards and practices that would minimize any acquisition of land and avoid involuntary resettlement of displaced persons have been applied in the design of the proposed works and activities of each Sub-Project and such works and activities will meet the requirements of the Environmental and Social Assessment Management Plan;

(b) for each Sub-Project involving the involuntary resettlement of PAPs: (i) a LARAP, or an abbreviated LARAP when fewer than 200 PAPs are concerned, is prepared in accordance with the Land Acquisition and Resettlement Framework and in consultation with the PAPs; and (ii) no contract for the carrying out of works or activities for the proposed Sub-Project is entered into until: (A) the Bank has approved such LARAP or abbreviated LARAP; and (B) every PAP is compensated and/or has been provided with a resettlement site and moving allowance prior to the taking of the land and related assets, in each case in accordance with the provisions of such LARAP or abbreviated LARAP, and such compensation and/or provision of resettlement site and moving allowance has been substantially completed to the satisfaction of the Bank;

(c) the environmental impact assessment requirements for each Sub-Project are completed under terms and conditions which shall have been approved by the Bank and the Environmental Assessment Documents have been approved by the Bank pursuant to the provisions of the Environmental and Social Assessment Management Plan prior to the signing of the contract for the carrying

out of works or activities for such Sub-Project, including the provisions relating to cultural property; and

(d) screening is conducted to identify potential isolated vulnerable peoples in the area to be covered by each proposed Sub-Project and in the event that any such isolated vulnerable peoples are identified in the area to be covered by any such proposed Sub-Project, such Sub-Project shall not be included in the Project and shall not qualify as a Sub-Project.

11. The Borrower shall carry out the traffic safety program under Part 3(a) of the Project and the training activities under Part 3(b) of the Project, in accordance with terms of reference and following a time-bound implementation plan satisfactory to the Bank.

12. In carrying out Part 3(a)(i) of the Project, the Borrower, through the Directorate General of Land Transport, shall, not later than November 30, 2008, submit to the Bank for review and comments, a report on carrying out such activities and thereafter finalize the report taking into account the Bank's comments thereon. In carrying out Part 3(a)(ii) of the Project, the Borrower, through the Directorate of Traffic Police shall, not later than November 30, 2008, submit to the Bank for review and comments, a report on carrying out such activities and thereafter finalize the report taking into account the Bank's comments thereon.

13. In carrying out Part 3(b) of the Project, the Borrower shall ensure that the Project staff at the provincial level shall be trained annually in the application of the Project Management Manual, including the Bank's financial management and procurement procedures, with the first annual training carried out by December 31, 2006.

## **Section II. Project Monitoring, Reporting, Evaluation**

### **A. Project Reports.**

1. (a) The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (c) of this paragraph. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Bank not later than one month after the end of the period covered by such report;

(b) Without limiting the generality of sub-paragraph (a) above, each Project Report shall include: (i) progress on pre-contract preparation, including land acquisition and resettlement and environmental assessment; (ii) physical progress in Project implementation; (iii) procurement under the Project and expenditures by contract; (iv) financial monitoring reporting including projected sources and application of funds for the six month period following the reporting period in such Project Report; and (v) the extent and quality of compliance with the implementation procedures set out in the Project Management Manual, including the Anti-Corruption Action Plan;

(c) The Borrower, through MPW, shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank for review and comment, on or about November 30, 2008, a mid-term review report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 1, on the progress achieved in the carrying out of the Project during the period preceding the date of such 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. The Borrower through MPW shall make such mid-term review report publicly available on MPW's official website ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto) promptly after the completion of such mid-term review and the acceptance by the Bank of such mid-term review report; and

(d) The performance indicators referred to above in sub-paragraph (a) consist of the following:

- (i) percentage reduction in travel times on Sub-Project roads;
- (ii) annual average daily traffic (AADT) on Sub-Project roads relative to forecast flows as reported in the Project Implementation Plan;
- (iii) Performance-Based Contract Pilot Program implemented as designed;
- (iv) road safety studies and pilot program carried out as designed;
- (v) Anti-Corruption Action Plan implemented and construction supervision carried out as designed (percentage of new contracts fully compliant with no breaches);

- (vi) number of technical audits carried out; and
- (vii) number of kilometers of betterment, capacity expansion, and new roads constructed, and number of meters of bridges completed.

2. The Borrower shall carry out at regular intervals during Project implementation, risk-based internal audits of financial controls and technical audits of selected road sections to determine if the quality of construction meets the specifications and technical standards included in the bidding documents and contracts. Such audits shall be carried out in accordance with terms of reference satisfactory to the Bank and the schedule set forth in the Project Management Manual. Copies of the reports from such audits shall be made available to the Bank promptly upon their completion. Should either the Borrower or the Bank determine that any such audit identifies any significant lapse in internal controls, quality of outputs realized or any significant delay in execution of the works contracts under the Project, the Borrower shall prepare and submit to the Bank for its review and comments a time-bound action plan for remedy of the identified problems; and shall, promptly after the Bank has discussed the results of its review with the Borrower, take all necessary actions to carry out the time-bound action plan, taking into account the Bank's comments on such plan.

3. The Borrower through MPW shall make publicly available promptly after receipt of all final financial audit reports (including qualified audit reports) and all technical audit reports for the Project prepared in accordance with this Agreement and all formal responses of the Borrower in relation to such reports. The Borrower shall ensure that MPW shall place the information provided for in this paragraph on the MPW official website ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto) within one month of the report being accepted as final by the Borrower.

**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. Without limitation on the provisions of Part A of this Section II, the Borrower shall prepare and furnish to the Bank as part of the Project Report, not later than one month after the end of each calendar quarter, interim un-audited

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 fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

### **Section III. Procurement**

#### **A. General.**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule.

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 Schedule.

3. **Definitions.** The capitalized terms used below in this Section III to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

#### **B. Particular Methods of Procurement of Goods and Works.**

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

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

<b>Procurement Method</b>
National Competitive Bidding, subject to the modifications set out in Part F of this Section III.

**C. Particular Methods of Procurement of Consultants' Services.**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b>Procurement Method</b>
Selection Based on Consultants' Qualifications

**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.

**E. Procurement Procedures.**

Without limitation on the other provisions of this Schedule 2, of the Procurement Guidelines and Consultant Guidelines (as such term is defined in this Schedule 2), and of the Anti-Corruption Action Plan, the following provisions shall apply in respect of goods, works and consultants' services to be procured under the Project:

1. MPW shall make publicly available on the official website of MPW ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto) each WP and the Procurement Plan, including all updates thereto, promptly after their finalization.

2. MPW shall publish on its website ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto) a quarterly newsletter concerning the Project, including a list of

contracts awarded, implementation progress, project-related workshops, complaint handling mechanisms and the number, typology and status of any complaints received. MPW shall send the quarterly newsletter to the civil society (e.g. NGO) forum in each project province in hardcopy or through an electronic mailing list.

3. MPW shall make publicly available on its website ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto) promptly after completion: (a) the mid-term review report described in paragraph 1(c) of Section II.A of this Schedule 2; and (b) all final audit reports described in paragraph 3 of Section II.B of this Schedule 2.

4. MPW shall make publicly available the Indonesian version of the Anti-Corruption Action Plan, as approved by the Bank on the official website of MPW ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto).

5. The Borrower shall, except as the Bank shall otherwise agree, use e-procurement in a manner satisfactory to the Bank for all works and consultant services contracts under the Project.

6. The Borrower shall make available to any member of the public promptly upon request, all bidding documents and requests for proposals issued in accordance with this Section III, subject to payment of a reasonable fee to cover the cost of printing and delivery. The Borrower shall continue to make available each such bidding document and request for proposal until one year after completion of the contract entered into for the goods, works or services in question.

7. The Borrower shall make available to any member of the public promptly upon request, all shortlists of consultants under the Project.

8. The Borrower shall invite in a timely manner representatives of civil society groups to attend the public bid openings and be included as observers of the procurement/selection process. The Borrower shall implement the procedures for selection of civil society observers and the procedures for their attendance as set out in the Project Management Manual in a manner satisfactory to the Bank.

9. The Borrower shall ensure that: (a) for the procurement of the DSC, CTC and Procurement Advisor consultants' services, all technical and financial proposals shall be submitted directly to the Procurement Agent; and (b) for the procurement of all other consultant's services: (i) a Public Notary shall be invited to officially witness the opening of technical and financial proposals, and to

certify the minutes of opening of such technical and financial proposals; and (ii) such Public Notary shall be required to keep in a safe place one sealed copy of the technical and financial proposal submitted by each consultant.

10. With respect to all Sub-Projects under WP-1, until the Procurement Advisor has been engaged in accordance with paragraph 3 of Section I.B of this Schedule 2, the Borrower shall: (a) ensure that a Public Notary attends all bid opening sessions, certify the records of the bid opening sessions, receive a copy of such records and receive and hold in escrow a sealed copy of each bid submitted; and (b) not enter into any contract for, the procurement of works unless: (i) the Public Notary has provided to the Procurement Advisor a sealed copy of the bids submitted and the record of bid opening sessions; and (ii) the Procurement Advisor has reviewed the Borrower's bid evaluation reports in respect of bids submitted for such contract for Sub-Projects under WP-1 and furnished copies of such review to the Borrower and the Bank.

11. With respect to all Sub-Projects under WP-2 and WP-3: (a) the Procurement Advisor shall undertake the steps set out for the Public Notary in paragraph 10(a) above; (b) the Borrower shall not issue any bidding documents for the procurement of goods or works unless the Procurement Advisor has provided his review and approval of such bidding documents as required under its contractual terms of reference; and (c) the Borrower shall not enter into any contract for the procurement of goods or works unless the Procurement Advisor has provided his approval of the relevant bid evaluation report as required under his contractual terms of reference.

12. The Borrower shall, within two weeks of contract award, send to each bidder/consultant, and publish in UNDB online, dgMarket and on the MPW website ([www.pu.go.id](http://www.pu.go.id), or any successor website thereto) contract award information identifying the bid and lot numbers and the following information: (a) the name of each bidder/consultant who submitted a bid/proposal; (b) the bid/proposal prices read out at the bid opening; (c) the name and evaluated prices of each bid/proposal that was evaluated; (d) the name of bidders/consultants whose bids/proposals were rejected and the reason for their rejection; and (e) the name of the winning bidders/consultants and the price offered, as well as the duration and summary scope of the contract awarded.

13. The Borrower shall make available, promptly upon request by a member of the public, a list of all contracts for goods, works and consultants' services awarded in the three months preceding the date of such request, including, with respect to each such contract, the name of the contractor/supplier/consultant, the

contract amount, the number of bidders/makers of proposals in respect thereof, the procurement method followed, and the purpose of such contract.

14. The Borrower shall establish and maintain under an implementation schedule satisfactory to the Bank a complaints handling system satisfactory to the Bank.

15. Each member of the procurement committee for a Sub-Project and each Echelon I–IV official of MPW (“Official”), who is involved in the procurement process for a Sub-Project, shall disclose to the head of the procurement committee for that Sub-Project and to the Procurement Advisor, if they or any of their immediate family members are related or otherwise connected to any of the members of the boards of directors or commissioners of the bidders and/or consultants participating in any of the procurement packages for any Sub-Project under the Project (“Interested Member”). Any Interested Member shall recuse himself or herself from further participation in the evaluation process for that Sub-Project; and any Interested Member who is an Official shall recuse himself or herself from any decisions relating to the evaluation process or contract award for that Sub-Project.

16. In the case of consultants’ services, the Borrower shall ensure that:

- (a) the technical evaluation report shall be completed within four weeks of proposal submission, and the proposal for the award of contract made available, along with the draft contract, within four weeks after completion of the technical evaluation report or following the Bank’s no-objection, whichever occurs later;
- (b) the qualifications and experience of members of the procurement committee for the selection of consultants shall be readily available on file to serve as evidence of their suitability to serve as members of the committee;
- (c) at least one Public Notary shall be invited to officially witness the opening of technical and financial proposals, and certify the minutes of opening of technical/financial proposals; and
- (d) the Public Notary shall be required to keep in a safe place one copy of the technical proposals submitted by each consultant (once they are open), the whole copy of the financial proposals (before they

are open), and one copy of the financial proposals submitted by each consultant (once they are open).

17. Without limiting the generality of paragraph 16 above, the Borrower shall ensure that no requests for proposal for DSC, CTC or Procurement Advisor consultants' services shall be issued until the Procurement Agent has: (i) been engaged by the Borrower in accordance with the provisions of the Procurement Plan and Part C of this Section III; and (ii) taken up its duties in accordance with the terms of its contract with the Borrower.

**F. National Competitive Bidding Procedures**

1. Subject to the provisions of this Schedule, the procedures to be followed for national competitive bidding shall, to the extent applicable, be those set forth in Presidential Decree No.80/2003 of the Republic of Indonesia with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the Procurement Guidelines.

2. Registration

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

3. Pre-qualification. Pre-qualification shall not be used for simple goods. Normally, post-qualification shall be used. When pre-qualification shall be required:

- (a) eligible bidders (both national and foreign) shall not be denied pre-qualification; and
- (b) invitations to pre-qualify for bidding shall be advertised in at least one widely circulated national daily newspaper a minimum of 30 days prior to the deadline for the submission of pre-qualification applications.

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

5. Preferences

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

6. Advertising

- (a) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to 24 hours prior the deadline for the submission of bids;
- (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract; and
- (d) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm declared the lowest evaluated bidder shall be given a reasonable opportunity for registering.

7. Bid Security. Bid security, at the bidder's option, shall be in the form of a bank guarantee from a reputable bank.

8. Bid Opening and Bid Evaluation

- (a) Bids shall be opened in public, immediately after the deadline for submission of bids, and if bids are invited in two envelopes, both envelopes (technical and price) shall be opened at the same time;
- (b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder;
- (c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations; and
- (d) 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 concurrence.

9. Rejection of Bids

- (a) Bids shall not be rejected and new bids solicited without the Bank's prior concurrence; and
- (b) When the number of responsive bids is less than three, re-bidding shall not be carried out without the Bank's prior concurrence.

**Section IV. Withdrawal of Loan Proceeds**

**A. General.**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section IV and such additional instructions as the Bank shall specify by notice to the Borrower 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:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed</b>
(1) Works	174,000,000	70%
(2) Goods	1,325,000	100%
(3) Consultants' services and training	19,950,000	100%
(4) Incremental operating costs	720,000	80%
(5) Refund of the Project Preparation Advance	2,050,000	Amount payable pursuant to Section 2.07(a) of the General Conditions
(6) Front-end Fee	520,000	Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(7) Unallocated	9,435,000	
<b>TOTAL AMOUNT</b>	<b>208,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A of this Section IV no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed \$300,000 equivalent may be made for payments made prior to this date but on or after May 15, 2006, for Eligible Expenditures for the Procurement Agent and for training under Category 3; or

(b) under Category 1 for any works contract until the Borrower has engaged the Procurement Advisor satisfactory to the Bank under terms of reference satisfactory to the Bank.

2. The Closing Date is December 31, 2011.

**ANNEX TO SCHEDULE 2**

**WP-1 Sub-Projects**

<b>No.</b>	<b>Sub-Project Name</b>	<b>Km</b>	<b>Type</b>	<b>Province</b>
1.	Karawang Bypass	11.47	New Road	West Java
2.	Semarang NRR	2.23	Capacity Expansion	Central Java
3.	Demak Bypass	7.00	Capacity Expansion	Central Java
4.	Ngawi Ring Road	10.75	New Road	East Java
5.	Karangampel - Cirebon	28.51	Betterment	West Java
6.	Cianjur Ring Road	7.50	New Road	West Java

### SCHEDULE 3

#### Amortization Schedule

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in Dollars*)</u>
November 15, 2011	4,615,000
May 15, 2012	4,735,000
November 15, 2012	4,865,000
May 15, 2013	4,995,000
November 15, 2013	5,125,000
May 15, 2014	5,265,000
November 15, 2014	5,405,000
May 15, 2015	5,545,000
November 15, 2015	5,695,000
May 15, 2016	5,845,000
November 15, 2016	6,005,000
May 15, 2017	6,165,000
November 15, 2017	6,325,000
May 15, 2018	6,495,000
November 15, 2018	6,670,000
May 15, 2019	6,845,000
November 15, 2019	7,030,000
May 15, 2020	7,215,000
November 15, 2020	7,410,000
May 15, 2021	7,605,000
November 15, 2021	7,810,000
May 15, 2022	8,015,000
November 15, 2022	8,230,000
May 15, 2023	8,450,000
November 15, 2023	8,675,000
May 15, 2024	8,905,000
November 15, 2024	9,145,000
May 15, 2025	9,385,000
November 15, 2025	9,635,000
May 15, 2026	9,895,000

#### APPENDIX

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\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 3.10 of the General Conditions.

### **Definitions**

1. “Anti-Corruption Action Plan” means the Borrower’s anti-corruption action plan adopted on May 22, 2006 pursuant to Letter No. HL.02.01-SJ/369 from the Secretary General of MPW, which sets forth the measures and actions to be taken during implementation of the Project with respect to disclosure, civil society oversight, collusion mitigation, mitigation of forgery and fraud, complaints handling and sanctions and remedies.
2. “Bapedalda” means the provincial environmental agency of each Project Province or any successor thereto.
3. “Bappenas” means the Borrower’s National Development Planning Agency, or any successor thereto.
4. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
6. “CTC” means the core team consultants, including the Financial Management Consultant, to be engaged under the Project in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement, to provide support to DOP and DGH under Part 2 of the Project.
7. “DGH” means the Borrower’s Directorate General of Highways of MPW, or any successor agency thereto.
8. “Directorate General of Land Transport” means the Borrower’s Directorate General of Land Transport in the MOT, or any successor thereto.
9. “Directorate of Traffic Police” means the Borrower’s Directorate of Traffic Police within the Indonesian National Police (POLRI), or any successor thereto.

10. “DOP” means the Directorate of Planning of DGH, or any successor agency thereto.
11. “DSC” means the firms of design and supervision consultants to be engaged under the Project in accordance with the Procurement Plan and the provisions of Section III of Schedule 2 to this Agreement, to assist DOP and DGH in the design and supervision for Sub-Projects.
12. “Environmental and Social Assessment Management Plan” and “ESAMP” mean the plan adopted on May 22, 2006, pursuant to Letter No. HL.02.01-SJ/369 from the Secretary General of MPW, setting forth the measures to be taken during the implementation of the Project to eliminate or offset adverse environmental and social impacts of said implementation or to reduce such impacts to acceptable levels, and setting forth the actions needed to implement such measures including the required Environmental Assessment Documents and the Land Acquisition and Resettlement Framework and related LARAPs, as such plan may be amended from time to time in agreement with the Bank.
13. “Environmental Assessment Documents” means any Analisa Mengenai Dampak Lingkungan (AMDAL) (Environmental Impact Assessment), Upaya Pengelolaan Lingkungan (UKL) (Environmental Management Effort), Upaya Pemantauan Lingkungan (UPL) (Environmental Monitoring Effort), or Standard Operational Procedure required by the ESAMP.
14. “Financial Management Experts” means the financial management experts under the CTC to assist DOP and DGH in financial management of the Project, including the preparation of consolidated financial reports.
15. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005.
16. “Incremental Operating Costs” means reasonable expenditures incurred by the DOP, the Inspectorate General of MPW and the PMU for the purposes of implementing the Project, including provision for staff travel, per diem while out of station communications, consumables, web page establishment and maintenance, advertisement of bidding, printing and publication of Project information, rental of meeting facilities but excluding staff salaries, which expenditures would not have been incurred absent the Project.

17. “Land Acquisition and Resettlement Framework” means the policy framework, adopted on May 22, 2006, pursuant to Letter No. HL.02.01-SJ/369 from the Secretary General of MPW, for the provision of compensation, rehabilitation and resettlement assistance to PAPs, as such framework may be amended from time to time in agreement with the Bank.
18. “Land Acquisition and Resettlement Action Plan” or “LARAP” means a land acquisition and resettlement action plan under one or more Sub-Projects for the provision of compensation, rehabilitation and resettlement assistance to PAPs, prepared and implemented pursuant to the Land Acquisition and Resettlement Framework, as such plan may be amended from time to time in agreement with the Bank.
19. “MOF” means the Borrower’s Ministry of Finance, or any successor thereto.
20. “MOT” means the Borrower’s Ministry of Transport, or any successor thereto.
21. “MPW” means the Borrower’s Ministry of Public Works, or any successor thereto.
22. “MPW Criteria” means the agreed criteria for the Project Managers provided by MPW to the Bank by letter dated May 23, 2006.
23. “PAP” or “Project Affected Person” means a person who, on account of the execution of Part 1 of the Project, has experienced or would experience direct economic and social impacts caused by the involuntary taking of land, resulting in: (a) relocation or loss of shelter; (b) loss of assets or access to assets; or (c) loss of income sources or means of livelihood, whether or not such person must move to another location, and “Project Affected Persons” and “PAPs” means, collectively, all such persons.
24. “Performance-Based Contract Pilot Program” means the program referred to in Part 1(e) of Schedule 1 to this Agreement.
25. “Procurement Advisor” means the procurement advisor to be engaged under the Project in accordance with the Procurement Plan and the provisions of Section I.B.3 and Section III of Schedule 2 to this

Agreement, to assist the Borrower in the procurement of works in accordance with the Procurement Plan for all Sub-Projects.

26. “Procurement Agent” means the procurement agent to be engaged under the Project in accordance with the Procurement Plan and the provisions of Section I.B.2 and Section III of Schedule 2 to this Agreement, to assist the Borrower in the selection of the DSC, the CTC and the Procurement Advisor in accordance with the Procurement Plan.
27. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
28. “Procurement Plan” means the Borrower’s procurement plan for the Project, adopted on May 22, 2006, pursuant to Letter No. HL.02.01-SJ/369 from the Secretary General of MPW, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
29. “Procurement Procedures” means the procedures set forth in Section III.E of Schedule 2 to this Agreement.
30. “Project Management Manual” means the manual adopted by the Borrower in accordance with the provisions of paragraph 1(b) of Section I. B of Schedule 2 to this Agreement, to assist the staff assigned to the Project in the implementation of the Project, as such Project Management Manual may be amended from time to time in agreement with the Bank.
31. “Project Management Unit” or “PMU” mean the project management unit established by DOP responsible for the carrying out Project implementation activities in accordance with the provisions of the Project Management Manual.
32. “Project Manager” means a project manager (*Kepala Satuan Kerja*) appointed by MPW in accordance with the MPW Criteria located in a local office of DGH in an area in which one or more Sub-Project is implemented.
33. “Project Preparation Advance” means the advance referred to in Section 2.07(a) of the General Conditions, granted by the Bank to the Borrower

pursuant to the letter agreements signed: (a) on behalf of the Bank on June 11, 2004 and on behalf of the Borrower on June 29, 2004 (P4080); and (b) on behalf of the Bank on March 30, 2005 and on behalf of the Borrower on April 5, 2005 (P4081).

34. "Project Provinces" means the Borrower's provinces of Banten, West Java, Central Java, East Java, Jambi, South Sumatra and Lampung and any province or provinces that may be established in the future within the geographical boundaries of the provinces referred above, and "Project Province" means any one of them.
35. "Project Steering Committee" means the committee to be established by the Borrower through Bappenas, within one month of the Effective Date as set out in paragraph 1 of Section I.A of Schedule 2 to this Agreement.
36. "Public Notary" means a public notary, sworn or otherwise registered in accordance with the relevant laws of the Borrower, acting under terms of reference satisfactory to the Bank, to assist MPW in implementing the Procurement Procedures as set out in paragraphs 9 and 10 of Section III.E of Schedule 2 to this Agreement.
37. "Road Safety Steering Committee" means the committee to be established by the Borrower within one month of the Effective Date as set out in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
38. "Sub-Project" means each sub-project for road or bridge construction, betterment or expansion under Part 1 of the Project that is included in a WP and meets the requirements set forth in paragraph 9 of Section I.B of Schedule 2 to this Agreement.
39. "WP" means each work program satisfactory to the Bank setting out Sub-Projects for financing under Part 1 of the Project, as the same may be revised with the prior agreement of the Bank; "WP-1" means, except as may be otherwise agreed by the Bank, the six Sub-Projects for fiscal year 2007 set out in the Annex to Schedule 2 to this Agreement; "WP-2" means the second WP for fiscal year 2008 to be submitted to the Bank on or before November 30, 2007 for its approval; and "WP-3" means the third WP for fiscal year 2009 to be submitted to the Bank on or before November 30, 2008 for its approval.

