

CONFORMED COPY

LOAN NUMBER 7866-ID

Loan Agreement

(Third National Program for Community Empowerment in Urban Areas)

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated April 9, 2010

LOAN AGREEMENT

AGREEMENT dated April 9, 2010, 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 International Bank for Reconstruction and Development General Conditions for Loans, dated July 1, 2005 (as amended through February 12, 2008) (“General Conditions”) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of one hundred forty nine million nine hundred eighty thousand United States Dollars (US\$149,980,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount. The Borrower shall pay the Front-end Fee not later than sixty (60) days after the Effective Date.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty (30) days, then the interest payable by the

Borrower shall instead be calculated as provided in Section 3.02(d) of the General Conditions.

- 2.05. The Payment Dates are April 1 and October 1 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the provisions of Schedule 3 to this Agreement.
- 2.07. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; and (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through the Ministry of Public Works, in accordance with the provisions of Article V of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following: the Borrower, through the MPW, shall have adopted the Project Manual, in form and substance satisfactory to the Borrower and the Bank.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Borrower's Representative is the Minister of Finance of the Borrower.

5.02. The Borrower's Address is:

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

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

5.03. The Bank's Address is:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at Jakarta, Republic of Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By: /s/ Rahmat Waluyanto

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By: /s/ Joachim von Amsberg

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Borrower to ensure that the urban poor benefit from improved socio-economic and local governance conditions.

The Project consists of the following parts:

Part 1: Community and Local Government Capacity Building

Carrying out community development capacity building training and workshops and conducting facilitation for:

- (a) BKMs, focused on the preparation of Community Development Plans, use of Kelurahan Grants and implementation of Sub-projects, and for BKMs that have received Kelurahan Grants at least three times, assistance to support consolidation of various poverty alleviation and community driven development programs; and
- (b) community groups in Participating Kelurahans including community volunteers and Local Government officials in community development planning and participation in and monitoring of Sub-projects.

Part 2: Kelurahan Grants

Providing Kelurahan Grants to BKMs for Sub-projects for: (a) infrastructure investments, (b) Revolving Funds; and (c) social assistance activities, in each case as identified through Community Development Plans.

Part 3: Implementation and Technical Assistance

- (a) Strengthening the capacity of staff of the Project Management Unit, Province-level government agencies, Participating Kecamatans, Participating Kotas, Participating Kabupatens and Participating Kelurahans in Project implementation and monitoring, including through the National Management Consultants, Oversight Consultants and Facilitators.
- (b) Carrying out evaluations of the impact of the Project on poverty in Participating Kelurahans.

Part 4. Contingency for Disaster Risk Response

Providing preparedness and rapid response to disaster, emergency and/or catastrophic events, as needed, at the Kelurahan level through Sub-projects and/or using the Project implementation arrangements.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. At the national level, the Borrower shall:
 - (a) ensure that the Project shall be implemented under the umbrella of PNPM, and subject to the overall guidance of Tim Pengendali PNPM;
 - (b) maintain, until completion of the Project: (i) the PMU (Satker), established in MPW, headed by an appropriately qualified Project Manager, and responsible for the management and monitoring of the Project; and (ii) the Central PIU (Satker), established in MPW, responsible for day-to-day implementation of the Project including recruitment of National Management Consultants and Oversight Consultants and production of reports on the progress of the Project, in each case, with a mandate, composition and terms of reference as set out in the Project Manual and acceptable to the Bank and the Borrower;
 - (c) ensure that each of the PMU and the central PIU (Satker) are provided at all times with adequate funds and other resources and staffed by qualified personnel in adequate numbers as shall be necessary to accomplish the objectives of the Project; and
 - (d) ensure coordination, as necessary, with the Tim Pengendali PNPM.
2. The Borrower, through MPW, shall:
 - (a) at the level of each Province, cause to be established, prior to the commencement of Project activities in each such Province and thereafter maintain until completion of the Project a Provincial PIU (Satker), responsible for day-to-day implementation of the Project, including recruiting the Facilitators and City Coordinators and managing community training, in both cases with a mandate, composition and terms of reference acceptable to the Bank;
 - (b) by no later than November 30 in each calendar year of Project implementation, commencing on November 30, 2010, identify each Participating Kecamatan, Participating Kota, Participating Kabupaten and Participating Kelurahan, in each case in accordance with the Project Manual;

- (c) at the level of each Participating Kota and Participating Kabupaten, cause to be established, prior to the commencement of Project activities in such Participating Kota and Participating Kabupaten and thereafter maintain until completion of the Project, a Kota/Kabupaten PIU (Satker), responsible for: (i) day-to-day implementation of the Project, including channeling of Kelurahan Grants, with a mandate, composition and terms of reference acceptable to the Bank and the Borrower as set out in the Project Manual; and (ii) ensuring coordination with the Kabupaten/Kota Poverty Alleviation Coordination Team;
- (d) at the level of the Participating Kecamatan, maintain until completion of the Project, a PJOK as a Sub-project implementation unit, with a mandate, and terms of reference acceptable to the Bank and the Borrower as set out in the Project Manual, to be responsible for implementation of the Project and administration of proposals from BKMs and Sub-project Agreements;
- (e) at the level of each Participating Kelurahan, establish prior to the commencement of any Sub-project in that Participating Kelurahan, and thereafter maintain until completion of the Project, a BKM, legally established, whose mandate, composition and terms of reference shall include a financial management unit or specialist, and shall be acceptable to the Bank and the Borrower as set out in the Project Manual, to be responsible for implementation of the Project at the Kelurahan-level; and
- (f) ensure that each Provincial PIU (Satker), Kota/Kabupaten PIU (Satker), PJOK and BKM shall be provided with adequate funds and other resources, and supported by qualified technical, financial and administrative personnel in adequate numbers as needed to accomplish the objectives of the Project.

B. Implementation Arrangements

1. The Borrower, through MPW, shall:
 - (a) adopt and, thereafter ensure that the Project is implemented in accordance with, a Project Manual, acceptable to the Bank, which shall include the description of: (i) implementation arrangements; (ii) the procurement procedures set forth in Section III of this Schedule 2 and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures as set forth in Section II of this Schedule 2; (iv) the Project performance indicators; (v) the Environmental Guidelines and the environmental criteria applicable to Sub-project design including environmental impact mitigation; the Isolated Vulnerable Peoples Framework; and the Land

Acquisition and Resettlement Framework, including the technical guidelines for implementation of such frameworks; (vi) the Better Governance Action Plan; (vii) maintenance provisions for works to be carried out under a Sub-project; (viii) the criteria for the selection of Sub-projects, as well as the terms and conditions governing the Kelurahan Grants and Local Government Participation meeting the requirements set out in Annex 1 to this Schedule; (ix) the Operational Guidelines for Monitoring and Evaluation of PNPM; and (x) criteria for operation of Revolving Funds;

- (b) not amend, suspend, abrogate, repeal or waive any provisions of the Project Manual without the prior n agreement of the Borrower and the Bank;
 - (c) ensure that the Project Manual is made available, at all times until completion of the Project, to Oversight Consultants and Facilitators and Participating Kelurahans, and applied in the carrying out of Sub-projects; and
 - (d) with the prior written agreement of the Borrower and the Bank, update the Project Manual, as necessary, at all times ensuring compliance thereof with the terms of this Agreement.
2. For the purposes of providing Kelurahan Grants under the Project, the Borrower shall only submit an application for withdrawal of the proceeds of the Loan allocated to Category (1) in the Table in Section IV.A of this Schedule to finance Sub-projects prepared and selected in accordance with the criteria set forth in Annex 1 to this Schedule and the Project Manual.
3. In carrying out Part 2 of the Project, the Borrower shall ensure that prior to participating in the Project, a Participating Local Government has:
- (a) agreed in writing to carry out activities under the Project in accordance with procedures acceptable to the Bank and included in the Project Manual;
 - (b) taken all steps required to make available the Local Government Participation; and
 - (c) published a list of Project Kelurahans in accordance with the criteria set out in the Project Manual.
4. In carrying out Part 2 of the Project, the Borrower shall ensure that, prior to participating in the Project, a Participating Kelurahan has:

- (a) agreed in writing to carry out activities under the Project in accordance with procedures acceptable to the Bank and the Borrower and included in Project Manual;
 - (b) established, through the BKM, a Project office for purposes of Project coordination and disbursement of Kelurahan Grants;
 - (c) adopted, through the BKM, a Community Development Plan, or revised, through the BKM, a previous Community Development Plan meeting the requirements set out in the Project Manual and identifying each Sub-project; and
 - (d) entered into a Sub-project Agreement for the Sub-project on the terms and conditions set forth in Annex 1 to this Schedule 2.
5. The Borrower shall ensure that, for purposes of Part 2(b) of the Project, a Participating Kelurahan shall only finance Sub-projects through a Revolving Fund if the BKM proposed to receive such Revolving Fund meets the criteria for establishment and operation of a Revolving Fund set out in the Project Manual, including with respect to BKMs that have previously managed revolving funds, that they have a repayment rate meeting the requirements set out in the Project Manual.
6. The Borrower shall ensure that, prior to undertaking any activities under Part 4 of the Project: (a) the Bank and the Borrower have agreed in writing that a disaster, emergency and/or catastrophic event requiring support for such activities has occurred; and (b) the Bank and the Borrower have entered into a written arrangement and/or the Borrower has adopted a supplement to the Project Manual, satisfactory to the Bank which defines the scope of such activities, and their implementation and disbursement arrangements.
7. The Borrower shall ensure, at all times, that public information, for the purpose of disclosing to inhabitants of Participating Kelurahans all administrative, financial, environmental, social, procedural and technical aspects pertaining to the selection, design, preparation and implementation of Sub-projects, including the Project Manual, is available free of charge at the government offices of the respective Participating Kelurahan and Participating Local Government.
8. The Borrower, through the PMU (Satker), shall, by the date which is no later than three (3) months after the Effective Date, issue instructions or issue an updated Project Manual, acceptable to the PMU (Satker) and the Bank, to Local Governments of Participating Kabupaten and Participating Kota, and to Provincial governments and to relevant stakeholders defining time periods within which categories of complaints/cases must be resolved, to whom they should be escalated if not resolved within such time periods and what the

consequences will be if such cases are not resolved or escalated in accordance with such instructions.

9. The Borrower shall ensure that, except as the Bank and the Borrower shall otherwise agree, auditing activities under the Project, including those referred to in Section II.B of this Schedule, are carried out in accordance with: (a) BPKP's audit manual, dated November 30, 2007, as such manual may be amended from time to time with the prior written agreement of the Bank; and (b) in accordance with terms of reference agreed with the Bank.
10. With respect to PNPM urban sub-projects financed from sources other than the Loan, including PNPM urban sub-projects for which Facilitators are financed by the Project but the PNPM urban sub-projects are themselves financed from such other sources, the PMU (Satker) shall:
 - (i) undertake such sub-projects in accordance with the Project Manual; and
 - (ii) retain responsibility for the design, construction, fiduciary controls and implementation of such sub-projects.

C. Environmental and Social Safeguards

1. In carrying out Sub-projects, the Borrower shall:
 - (a) ensure that the proceeds of Kelurahan Grants shall not be used to finance the acquisition of land;
 - (b) take measures to avoid or minimize the acquisition of land or assets of villagers, and to avoid the displacement of such villagers; and
 - (c) shall apply, and shall ensure that each Participating Kelurahan shall apply, the Land Acquisition and Resettlement Framework to Sub-project implementation, including:
 - (i) taking all appropriate measures to avoid or minimize the acquisition of land or assets of people and to avoid the displacement of such people;
 - (ii) where the acquisition of land or assets or the displacement of people is unavoidable under a proposed Sub-project, ensuring that all Displaced Persons thereunder shall have been compensated and provided with resettlement and rehabilitation measures prior to the implementation of such Sub-project and in

accordance with the provisions of the Land Acquisition and Resettlement Framework; and

- (iii) in the case of the physical displacement of persons involving the displacement of more than two-hundred (200) people as a result of a Sub-project, ensure:
 - (A) preparing a Land Acquisition and Resettlement Action Plan in accordance with the Land Acquisition and Resettlement Framework and furnish such plan to the Bank for approval; and
 - (B) prior to the carrying out of the Sub-project, ensuring that all Displaced Persons shall have been compensated and provided with applicable resettlement and rehabilitation benefits in accordance with the provisions of such plan.
2. In carrying out Sub-projects, the Borrower shall apply, and shall ensure that each Participating Kelurahan shall apply, the Isolated Vulnerable Peoples Framework to Sub-project implementation, including:
- (a) avoiding, and, if not possible, minimizing cultural, social and economic adverse effects on Isolated Vulnerable People caused or likely to be caused by the Project; and
 - (b) through a process of informed consultation and participation, involving concerned Isolated Vulnerable People in the design and implementation of Sub-projects so as to ensure that the benefits received by the Isolated Vulnerable People under the Project are in harmony with their economic, social and cultural preferences and protect their customary user rights.
3. In carrying out Sub-projects, the Borrower shall ensure that the provisions of the Environmental Guidelines have been complied with and, where applicable, an Environmental Management Plan fully consistent with this Agreement and the Environmental Guidelines has been prepared and agreed upon in writing between the Borrower and the Bank, and applied in the implementation of such Sub-project.

D. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring, Reporting and Evaluation**A. Project Reports**

1. The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators agreed with the Bank. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.
2. The Borrower shall prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, by September 30 in each year of Project implementation an annual report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A, on the progress achieved in the carrying out of the Project during the twelve (12) month period preceding the date of said report (it being understood that the first such annual report may cover a period of less than twelve (12) months) 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.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.
2. The Borrower shall prepare and furnish to the Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.
3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

Section III. Procurement**A. General**

1. **Goods, Works and Services other than Consultants' Services.** All goods, works and services other than consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with

the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

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

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

- 1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services other than consultants’ services shall be procured under contracts awarded on the basis of International Competitive Bidding.
- 2. **Other Methods of Procurement of Goods, Works and Services other than Consultants’ Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and services other than consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) National Competitive Bidding subject to the following additional procedures set out in Annex 2 to this Schedule
(b) Shopping
(c) Direct Contracting
(d) Community Participation using procedures acceptable to the Bank as set out in the Project Manual

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.

Procurement Method
(a) Quality-based Selection
(b) Selection based on Consultants' Qualifications
(c) Least Cost Selection
(d) Selection under a Fixed Budget
(e) Single Source Selection
(f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(g) Sole Source Procedures for the Selection of Individual Consultants

D. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Kelurahan Grants under Part 2 of the Project	115,760,000	100% of Kelurahan Grant disbursed

(2) Goods, consultants' services, training and workshops and incremental operating costs* under Parts 1 and 3 of the Project	34,220,000	100%
(3) Kelurahan Grants; goods, consultants' services, training and workshops and incremental operating costs* under Part 4 of the Project	0	100%
TOTAL AMOUNT	149,980,000	

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

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) from the Loan Account until the Bank has received payment in full of the Front-end Fee; or
 - (b) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed US\$29,500,000 equivalent may be made for payments made prior to this date but on or after February 10, 2010, for Eligible Expenditures; or
 - (c) under Category (3) until: (i) the Borrower has declared a disaster, emergency or catastrophic event through the relevant national, Province- or Local Government-level or other authority, and the Bank and the Borrower have agreed to use the proceeds of the Loan under Part 4 of the Project with respect thereto; and (ii) the Bank and the Borrower have entered into a written arrangement and/or the Borrower has adopted a

supplement to the Project Manual as necessary, satisfactory to the Bank and the Borrower, which defines the scope of activities, implementation arrangements and disbursement arrangements for the activities under Part 4 of the Project.

2. The Closing Date is December 31, 2013.

ANNEX 1 to SCHEDULE 2

Selection Criteria for Sub-projects and Kelurahan Grants

A. Selection Criteria for Sub-projects

1. Each Sub-Project shall be selected from the Community Development Plan developed by the BKM of the Participating Kelurahan and meet the requirements set out in the Project Manual.
2. No Sub-project shall: (a) include expenditures intended for a military or paramilitary purpose; (b) include civil works for government administration or religious purposes; (c) relate to the manufacture or use of environmentally harmful products (including pesticides, ozone-depleting substances, tobacco or tobacco products, materials containing asbestos, arms and drugs); (d) relate to activities producing liquid or gaseous effluents or emissions at harmful levels; (e) relate to activities using, producing, storing or transporting hazardous materials and wastes; (f) relate to logging; (g) relate to activities in protected areas; (h) relate to fisheries activities that are not in accordance with standards set by the Borrower's Fishery Service Agency; (i) include the financing of government salaries; (j) mining or excavation of live coral or coral reef; (k) include the provision of goods, works or services, directly or through intermediaries, by suppliers or contractors, as the case may be, who have been declared ineligible to participate in the procurement of any Bank-financed or Bank-financed contract, whether indefinitely or for a stated period of time, as a result of a decision of the Bank, and in accordance with the terms of the decision; or (l) finance land acquisition.
3. No project shall qualify as a Sub-project eligible for financing out of the proceeds of a Kelurahan Grant until a Sub-project Agreement: (a) has been entered into between the relevant Participating Kelurahan, through the relevant PJOK, and BKM, in each case on terms and conditions set forth in Section B of this Annex; and (b) has been reviewed and approved by the relevant Oversight Consultants.
4. Additional criteria for Sub-projects under Part 2(a) of the Project.
 - (a) Each Sub-project proposed under Part 2(a) of the Project shall be a public infrastructure or equipment investment project or a social service project (which may include emergency preparedness or risk reduction to reduce vulnerability to natural disasters) which is technically, financially and environmentally viable, and economically justified by the number of people benefiting from it.

- (b) Each Sub-project proposed under Part 2(a) of the Project in the education sector shall be compatible with the relevant Kabupaten/Kota education master plan, if such plan exists.
 - (c) Each Sub-project proposed under Part 2(a) of the Project in the health sector shall be compatible with the relevant Kabupaten/Kota health master plan, if such plan exists.
5. Additional criteria for Sub-projects under Part 2(b) of the Project. A Sub-project proposed under Part 2(b) of the Project as a Revolving Fund may only be undertaken by a BKM meeting the requirements set out in the Project Manual, including a sufficient repayment history with respect to any other revolving funds managed by such BKM.
 6. Additional criteria for Sub-projects under Part 2(c) of the Project. Each Sub-project proposed under Part 2(c) of the Project as a social assistance project shall be designed to meet the needs of Highly Vulnerable Groups.
 7. Additional criteria for Sub-projects (if any) under Part 4 of the Project.
 - (a) The Borrower has declared a disaster, emergency or catastrophic event through the relevant national, Province- or Local Government- level or other authority and the Bank and the Borrower have agreed in writing that such an event eligible for support for such activities under the Project has occurred; and
 - (b) the Bank and the Borrower have entered into a written arrangement and/or the Borrower has adopted a supplement to the Project Manual, satisfactory to the Bank which defines the scope of such activities, and their implementation and disbursement arrangements.

B. Sub-project Review and Selection

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

C. Terms and Conditions of Sub-project Agreements

Each Sub-project Agreement shall be on terms and conditions set forth in the Project Manual, which shall include:

- (a) the requirement that the Participating Kelurahan carry out its Sub-project in accordance with the Project Manual;
- (b) the requirement that the Participating Kelurahan carry out its Sub-Project in accordance with the provisions of the Better Governance Action Plan, the Anti-Corruption Guidelines applicable to recipients of Loan proceeds other than the Borrower, the Environmental Guidelines, the Land Acquisition and Resettlement Framework and the Isolated Vulnerable Peoples Framework;
- (c) the disbursement schedule for the Kelurahan Grant;
- (d) the requirement that each Participating Kelurahan procure the goods, works and services to be financed out of the Sub-project in accordance with provisions that are fully consistent with the provisions of Section III of Schedule 2 to this Agreement;
- (e) the requirement that each Participating Kelurahan monitor and evaluate the progress of the Sub-project in accordance with the Project Manual;
- (f) the requirement that each Participating Kelurahan maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank; and at the Bank's or the Borrower's request, have such financial statements audited by independent auditors acceptable to the Bank and the Borrower, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank;
- (g) the requirement that each Participating Kelurahan enable the Borrower and the Bank to inspect the Sub-project, its operation and any relevant records and documents; and prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing; and
- (h) include rights adequate to protect the interests of the Borrower and the Bank, including the right to: (i) suspend or terminate the right of the Participating Kelurahan to use the proceeds of the Kelurahan Grant; or (ii) obtain a refund of the Kelurahan Grant upon the failure of the Participating Kelurahan, as applicable, to perform any of its obligations under the Sub-project Agreement.

ANNEX 2 to SCHEDULE 2**Clarifications Relating to National Competitive Bidding Procedures**1. General

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

2. Registration

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

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

3. Pre-qualification

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

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

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

4. Joint Ventures

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

5. Preferences

(a) No preference of any kind shall be given to national bidders.

(b) Regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures under the Loan or the Loan.

6. Advertising

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

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

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

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

7. Bid Security

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

8. Bid Opening and Bid Evaluation

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

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

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

(d) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the World Bank's prior concurrence.

9. Rejection of Bids

- (a) All bids shall not be rejected and new bids solicited without the World Bank's prior concurrence.
- (b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the World Bank's prior concurrence.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Principal Payment Date	Installment Share (Expressed as a Percentage)
April 1, 2019	2.17
October 1, 2019	2.22
April 1, 2020	2.28
October 1, 2020	2.34
April 1, 2021	2.40
October 1, 2021	2.46
April 1, 2022	2.52
October 1, 2022	2.58
April 1, 2023	2.64
October 1, 2023	2.71
April 1, 2024	2.78
October 1, 2024	2.85
April 1, 2025	2.92
October 1, 2025	2.99
April 1, 2026	3.07
October 1, 2026	3.14
April 1, 2027	3.22
October 1, 2027	3.30
April 1, 2028	3.38
October 1, 2028	3.47
April 1, 2029	3.56
October 1, 2029	3.65
April 1, 2030	3.74
October 1, 2030	3.83
April 1, 2031	3.93
October 1, 2031	4.02

April 1, 2032	4.12
October 1, 2032	4.23
April 1, 2033	4.33
October 1, 2033	4.44
April 1, 2034	4.71

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:
 - (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
 - (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.
3. (a) Amounts of the Loan withdrawn within two (2) calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.
 - (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.
4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion

Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

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

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “BAPPENAS” means *Badan Perencanaan Pembangunan Nasional*, the Borrower’s National Development Planning Agency, and any successor thereto.
3. “Better Governance Action Plan” means a stand-alone chapter of the Project Manual designed to integrate the contents of the Anti-Corruption Guidelines and to give effect thereto, and giving details of a program of actions, measures and policies designed to reduce or eliminate fraud and corruption in all its forms under the Project, including enhanced information disclosure provisions, civil society oversight provisions, mitigation measures to deal with the risks associated with collusion, forgery and fraud, a complaint handling mechanism, and an appropriate regime of sanctions and remedies, and included as applicable in each Sub-project Agreement.
4. “BKM” means *Badan Keswadayaan Masyarakat*, a Kelurahan level organization with elected members, legally empowered by registering as an association to act on behalf of the Kelurahan community to take actions aimed at reducing poverty in the Participating Kelurahan, and “BKMs” means more than one BKM.
5. “BPKP” means *Badan Pengawas Keuangan dan Pembangunan*, the Borrower’s Financial and Development Supervisory Agency, or any successor thereto.
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “Central PIU (Satker)” means the central-level Project implementation unit (*Satuan Kerja, or Satker*) established and operating in accordance with paragraph 1(b) and paragraph 1(c) of Section I.A of Schedule 2 to this Agreement.
8. “City Coordinator” means the consultant assigned to each Participating Kota and/or Participating Kabupaten to manage implementation of the Project, including coordination of Facilitators, and “City Coordinators” means more than one City Coordinator.
9. “Community Development Plan” means each multi-year development plan for a Participating Kelurahan prepared by a BKM in accordance the procedures and criteria set out in the Project Manual, and “Community Development Plans” means more than one Community Development Plan.

10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
11. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, all such Displaced Persons.
12. “Eligible Expenditures” means the expenditures for goods, works and services referred to in Section 2.02 of this Agreement.
13. “Environmental Guidelines” means the guidelines adopted by the Borrower through MPW on February 24, 2010 (Letter No. UM 0206-CB/189), setting forth the measures and actions to be taken during the implementation of the Project to eliminate, mitigate or offset adverse environmental impacts or to reduce such impacts to acceptable levels in the design and implementation of Sub-projects, as such guidelines may be amended from time to time with the prior written agreement of the Bank.
14. “Environmental Management Plan” or “EMP” means an Environmental Management Plan, acceptable to the Bank and consistent with the Environmental Guidelines, adopted for the purposes of a Sub-project, and giving details of the agreed actions and policies designed to maximize the benefits of the Sub-project, eliminate or offset any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions and policies
15. “Facilitator” means a technical, economic or social consultant assigned to work with Participating Kelurahan to develop and implement a Community Development Plan and Sub-projects, and “Facilitators” means more than one Facilitator.
16. “Fiscal Year” and “FY” means the Borrower’s fiscal year commencing January 1 and ending December 31.
17. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008).

18. “Highly Vulnerable Groups” means groups of peoples, including widows, the elderly, the disabled and the victims of natural disaster, having special poverty alleviation needs and to be addressed in the Community Development Plan.
19. “Isolated Vulnerable People” means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.
20. “Isolated Vulnerable Peoples Framework” means the framework, acceptable to the Bank, adopted by the Borrower through MPW on February 24, 2010 (Letter No. UM 0206-CB/189) setting forth the measures and actions to be taken during the implementation of the Project for: (i) the informed involvement of Isolated Vulnerable People, through a process of informed participation, in the design and implementation of each Sub-project to be, or being, carried out in a location in which such people reside or use for their livelihood; and (ii) designing and implementing measures to provide benefits which are socially and culturally acceptable to them, and reduce, mitigate and offset adverse impacts of Sub-projects, as such Isolated Vulnerable People Framework; as such framework may be amended from time to time with the prior written agreement of the Bank and the Borrower.
21. “Kabupaten” means a district, an administrative division of the Borrower.
22. “Kapupaten/Kota Poverty Alleviation Coordination Team” means the local government-level working group established under Perpres 13/2009 in each Participating Kabupaten, Participating Kecamatan or Participating Kota, or any successor thereto
23. “Kecamatan” means a sub-district, an administrative sub-district of a Kabupaten.
24. “Kelurahan” mean an urban section of a Kecamatan.
25. “Kelurahan Grant” means a grant made available by the Borrower out of the proceeds of the Loan to a Participating Kelurahan for a Sub-project under Part 2 or Part 4 of the Project, and “Kelurahan Grants” means more than one Kelurahan Grant.
26. “Kota” means a municipality, an administrative division within a province of the Borrower.
27. “Kota/Kabupaten PIU (Satker)” means each Project implementation unit (*Satuan Kerja, or Satker*) established and operated by each Participating Kota and each Participating Kabupaten in accordance with paragraph 2(c) and paragraph 2(f) of Section I.A of Schedule 2 to this Agreement.

28. “Land Acquisition and Resettlement Action Plan” means a resettlement and rehabilitation action plan for a Sub-project giving details of the agreed provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons under the Sub-project, along with the procedural and institutional measures needed to implement such agreed provisions, acceptable to the Bank and the Borrower, prepared and implemented by a BKM, pursuant to the Land Acquisition and Resettlement Framework.
29. “Land Acquisition and Resettlement Framework” means the Land Acquisition and Resettlement Policy adopted by the Borrower through MPW on February 24, 2010 (Letter No. UM 0206-CB/189) setting forth the measures and actions to be taken during the implementation of the Project for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as such framework may be amended from time to time with the prior written agreement of the Bank and the Borrower.
30. “Local Government” means the government of a Kabupaten, Kecamatan or Kota, as the context requires.
31. “Local Government Participation” means Local Government funding contributed to the total Sub-project cost for participating in the Project, to be made available by a Participating Local Government to a Participating Kelurahan for a Sub-project in accordance with the formula set forth in the Project Manual.
32. “Menko Kesra” means the Borrower’s Coordinating Ministry for Social Welfare, and any successor thereto.
33. “Ministry of Finance” means the Borrower’s Ministry of Finance, and any successor thereto.
34. “Ministry of Home Affairs” and “MOHA” means the Borrower’s Ministry of Home Affairs, and any successor thereto.
35. “Ministry of Public Works” and “MPW” means the Ministry of Public Works of the Borrower, and any successor thereto.
36. “National Management Consultants” means the team of consultants within the Project Management Unit at the central level engaged to assist in Project implementation and monitoring.
37. “Operational Guidelines for Monitoring and Evaluation of PNPM” means the guidelines, included in the Project Manual, outlining the common objectives, mechanisms and responsibilities for monitoring and evaluation of the Project.

38. “Oversight Consultants” means the team of consultants and facilitators at the provincial and district level engaged to assist Participating Kelurahan with Project implementation and monitoring.
39. “Part” means a part of the Project described in Schedule 1 to this Agreement.
40. “Participating Kabupaten” means a Kabupaten which is responsible for a Local Government Participation for a Sub-project in accordance with the Project Manual, and “Participating Kabupatens” means more than one Participating Kabupaten.
41. “Participating Kecamatan” means a Kecamatan in which one or more Participating Kelurahan are located and which establishes a PJOK for the Project in accordance with the Project Manual, and “Participating Kecamantans” means more than one Participating Kecamatan.
42. “Participating Kelurahan” means a Kelurahan participating in the Project meeting the eligibility requirements set out in the Project Manual.
43. “Participating Kota” means a Kota which is responsible for a Local Government Participation for a Sub-project, and “Participating Kotas” means more than one Participating Kota.
44. “Participating Local Government” means the government of a Participating Kota or a Participating Kabupaten designated by the Borrower as one in which a Participating Kelurahan shall carry out a Sub-project in accordance with the Project Manual, and “Participating Local Governments” means more than one Participating Local Government.
45. “Perpres” means a *Peraturan Presiden*, a presidential regulation.
46. “PJOK” means the Project operations officer at the Kecamatan level responsible for each Sub-project in the relevant Participating Kelurahan, established in accordance with paragraph 2(d) of Section I.A of Schedule 2 to this Agreement, and “PJOKs” means more than one PJOK.
47. “PMU (Satker)” means the central-level Project management unit established and operating in accordance with paragraph 1(b) of Section I.A of Schedule 2 to this Agreement.
48. “PNPM” means *Program Nasional Pemberdayaan Masyarakat Mandiri*, the Borrower’s National Program for Community Empowerment, as described in Perpres 13/2009, as the same may be amended or updated from time to time.

49. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
50. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 25, 2010 (Letter no.HL.0202-Cb/129), 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.
51. “Project Manual” means the Project Manual, referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement, as such Project Manual may be amended or supplemented from time to time with the prior written agreement of the Bank.
52. “Province” means an administrative sub-division of the Borrower’s territory at the first level below the national level.
53. “Provincial PIU (Satker)” means each Province-level Project implementation unit (*Satuan Kerja, or Satker*) established and operated by each Province in accordance with paragraph 2(a) and paragraph 2(f) of Section I.A of Schedule 2 to this Agreement, and “Provincial PIUs (Satkers)” means more than one Provincial PIU (Satker).
54. “Provincial Poverty Alleviation Coordination Team” means the province-level working group established under Perpres 13/2009 in each Province, or any successor thereto.
55. “Revolving Fund” means a fund established and managed by a BKM or through other arrangements satisfactory to the Bank and the Borrower and set out in the Project Manual to support investments identified in Community Development Plans and meeting the requirements set out in the Project Manual, and “Revolving Funds” means more than one Revolving Fund.
56. “Rupiah” and “Rp” means the currency of the Borrower.
57. “State Ministry for Development of Disadvantaged Regions” means the Borrower’s State Ministry for Development of Disadvantaged Regions, and any successor thereto.
58. “Sub-project” means a specific infrastructure or equipment investment project, Revolving Fund project or social assistance project under Part 2 of the Project selected pursuant to criteria and procedures set forth in the Project Manual and utilizing the proceeds of a Kelurahan Grant, and “Sub-projects” means more than one Sub-project.

59. “Sub-project Agreement” means the agreement to be entered into between the relevant Participating Kelurahan, through the BKM, and the relevant PJOK for purposes of implementing a Sub-project on the terms and conditions set forth in Annex 2 to Schedule 2 to this Agreement and included in the Project Manual, and “Sub-project Agreements” means more than one Sub-project Agreement.
60. “Tim Pengendali PNPM” means the national-level oversight body of PNPM, chaired by Menko Kesra (Tim Pengendali PNPM), with representatives of relevant ministries, including BAPPENAS, MOHA, Ministry of Finance, Ministry of Public Works, and State Ministry for Development of Disadvantaged Regions, and any successor thereto.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

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

“Section 7.02. *Suspension by the Bank*

... (1) *Ineligibility*. The Bank or the Bank has declared the Borrower (other than the Member Country) or the Project Implementing Entity ineligible to receive proceeds of any financing made by the Bank or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Bank or the Bank, as a result of a determination by the Bank or the Bank that the Borrower or the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Bank or the Bank.”

2. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

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

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