

CONFORMED COPY

LOAN NUMBER 3246 IND

(Third Jabotabek Urban Development Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated August 15, 1990

LOAN NUMBER 3246 IND

LOAN AGREEMENT

AGREEMENT, dated August 15, 1990, between REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS: (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Bank to assist in the financing of the Project;

(B) pursuant to a letter agreement dated June 3, 1987 between Japan and the Bank, Japan has requested the Bank, and the Bank has agreed, to administer grant funds to be made available by Japan for the financing of certain programs and projects supported by the Bank in accordance with the provisions of such letter agreement; and

(C) Japan intends to make available to the Borrower a grant (the Japanese Grant) in amount of 84,000,000, out of said funds to assist the Borrower in carrying out a portion of the technical assistance under Part C.1 of the Project;

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

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

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

(b) "DKI Jakarta Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and DKI Jakarta pursuant to Section 3.03 (a) of this Agreement, as the same may be amended from time to time, and such term includes all Schedules to the DKI Jakarta Subsidiary Loan Agreement;

(c) "BOGOR Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Kabupaten Bogor pursuant to Section 3.03 (b) of this Agreement, as the same may be amended from time to time, and such term includes all Schedules to the Bogor Subsidiary Loan Agreement;

(d) "Tangerang Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Kabupaten Tangerang pursuant to Section 3.03 (c) of this Agreement, as the same may be amended from time to time, and such term includes all Schedules to the Tangerang Subsidiary Loan Agreement;

(e) "Bekasi Subsidiary Loan Agreement" means the agreement to be entered into between the Borrower and Kabupaten Bekasi pursuant to Section 3.03 (d) of this Agreement, as the same may be amended from time to time, and such term includes all Schedules to the Bekasi Subsidiary Loan Agreement;

(f) "Participating Local Government" and the acronym "PLG" means each of the local governments of DKI Jakarta, Kabupaten Bogor, Kabupaten Tangerang and Kabupaten Bekasi; and "Participating local Governments" and the acronym "PLGs" means collectively the local governments of DKI Jakarta, Kabupaten Bogor, Kabupaten Tangerang and Kabupaten Bekasi;

(g) "Jabotabek" means the region comprising the PLGs administrative areas;

(h) "DKI Jakarta" means Jakarta Special Capital Province;

(i) "Kampung" means an urban neighborhood;

(j) "Kelurahan" means a sub-district of about 30,000 to 50,000 people;

(k) "KIP" means the Borrower's Kampung Improvement Program;

(l) "DTKTD" means the Directorate for Urban and Regional Planning established within the Directorate General of Human Settlements of the Borrower's Ministry of Public Works;

(m) "JUPCO" means the Jabotabek Urban Project Coordination

Office, established within the Regional Development Planning Board/BAPPEDA of DKI Jakarta;

(n) "BAPPEDA" means the DKI Jakarta Regional Development Planning Board;

(o) "DKUDA" means the Directorate of Regional Finance established within the Directorate General of Regional Autonomy and Public Administration of the Borrower's Ministry of Home Affairs; and

(p) "DGHS" means the Directorate General of Human Settlements in the Borrower's Ministry of Public Works.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of sixty-one million dollars (\$61,000,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special deposit account in Bank Indonesia on terms and conditions satisfactory to the Bank. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1996, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the

outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on March 1 and September 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out or cause to be carried out under the overall responsibility and supervision of DGHS: (i) Part A of the Project through each PLG; (ii) Part B of the Project through DKI Jakarta; (iii) in coordination with DKI Jakarta and West Java Provincial Government, Part C of the Project through the Office of its State Minister of Population and Environment and its Ministry of Home Affairs; (iv) Part D of the Project through its Ministry of Public Works/DTKTD and its Ministry of Home Affairs; (v) Part E of the Project through its Ministry of Home Affairs/DKUDA in coordination with the PLGs; and (vi) Part F of the Project through JUPCO, all with due diligence and efficiency and in conformity with appropriate administrative, environmental and financial practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Bank shall otherwise agree, the Borrower shall carry out, or cause to be carried out, the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required

for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) For purposes of carrying out Parts A, B and C of the Project, the Borrower shall, out of the proceeds of the Loan, relend to DKI Jakarta an amount equivalent to \$48,000,000 under a subsidiary loan agreement to be entered into between the Borrower and DKI Jakarta under terms and conditions satisfactory to the Bank.

(b) For purposes of carrying out Part A of the Project, the Borrower shall, out of the proceeds of the Loan, relend to Kabupaten Bogor an amount equivalent to \$2,400,000 under a subsidiary loan agreement to be entered into between the Borrower and Kabupaten Bogor under terms and conditions satisfactory to the Bank.

(c) For purposes of carrying out Part A of the Project, the Borrower shall, out of the proceeds of the Loan, relend to Kabupaten Tangerang an amount equivalent to \$2,000,000 under a subsidiary loan agreement to be entered into between the Borrower and Kabupaten Tangerang under terms and conditions satisfactory to the Bank.

(d) For purposes of carrying out Part A of the Project, the Borrower shall, out of the proceeds of the Loan, relend to Kabupaten Bekasi an amount equivalent to \$2,400,000 under a subsidiary loan agreement to be entered into between the Borrower and Kabupaten Bekasi under terms and conditions satisfactory to the Bank.

(e) The Borrower shall exercise its rights under each of the DKI Jakarta Subsidiary Loan Agreement, Bogor Subsidiary Loan Agreement, Tangerang Subsidiary Loan Agreement and Bekasi Subsidiary Loan Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan, and except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any of the DKI Jakarta Subsidiary Loan Agreement, Bogor Subsidiary Loan Agreement, Tangerang Subsidiary Loan Agreement and Bekasi Subsidiary Loan Agreement or any portion thereof.

ARTICLE IV

Financial Covenants

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

(b) The Borrower shall:

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

(c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Remedies of the Bank

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

- (a) subject to paragraph (b) of this Section:
 - (i) the right of the Borrower to withdraw the proceeds of any loan or grant made to the Borrower for the financing of the Project shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms thereof, or
 - (ii) any such loan shall have become due and payable prior to the agreed maturity thereof.

(b) Paragraph (a) of this Section shall not apply if the Borrower establishes to the satisfaction of the Bank that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely that the event specified in Section 5.01 (a) (ii) of this Agreement shall occur, subject to the proviso of Section 5.01 (b) of this Agreement.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the

meaning of Section 12.01 (c) of the General Conditions:

(a) that the DKI Jakarta Subsidiary Loan Agreement, the Bogor Subsidiary Loan Agreement, the Tangerang Subsidiary Loan Agreement and the Bekasi Subsidiary Loan Agreement, each has been executed on behalf of the Borrower and the respective Participating Local Government;

(b) that the Division in JUPCO referred to in paragraph 9 of Schedule 5 to this Agreement shall have been established and the position of Division Manager, Financial Accountant, and Monitoring Officer shall have been filled; and

(c) that a model of the Memorandum of Understanding referred to in paragraph 6 of Schedule 5 to this Agreement shall have been adopted by each PLG.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank:

(a) that the DKI Jakarta Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and DKI Jakarta and is legally binding upon the Borrower and DKI Jakarta in accordance with its terms;

(b) that the Bogor Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Kabupaten Bogor and is legally binding upon the Borrower and Kabupaten Bogor in accordance with its terms;

(c) that the Tangerang Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Kabupaten Tangerang and is legally binding upon the Borrower and Kabupaten Tangerang in accordance with its terms; and

(d) that the Bekasi Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and Kabupaten Bekasi and is legally binding upon the Borrower and Kabupaten Bekasi in accordance with its terms.

Section 6.03. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
c/o Directorate General of Budget
Jalan Lapangan Banteng Timur 2-4
P.O. Box 139
Jakarta, Indonesia

Cable address:

Telex:

FINMINISTRY
Jakarta

44319 DEPKEU IA
45799 DJMLN IA

For the Bank:

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

Cable address:

Telex:

INTBAFRAD
Washington, D.C.

197688 (TRT)
248423 (RCA)
64145 (WUI) or
82987 (FTCC)

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Russell Cheetham
Acting Regional Vice President
Asia

REPUBLIC OF INDONESIA

By /s/ Abdul Rachman Ramly
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Civil works		53%
(a) DKI Jakarta	21,600,000	
(b) Kabupaten Bogor	1,100,000	
(c) Kabupaten Tangerang	900,000	
(d) Kabupaten Bekasi	1,100,000	
(2) Equipment (other than container trucks):		100% of foreign expenditures; 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items procured locally
(a) DKI Jakarta	3,900,000	
(b) Kabupaten Bogor	100,000	
(c) Kabupaten	100,000	

Tangerang

(d) Kabupaten Bekasi 100,000

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(3) Trucks and containers for solid waste manage- ment	4,100,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 65% of local expenditures for other items pro- cured locally
(4) Technical Assistance and Training:		100%
(a) DKI Jakarta	11,400,000	
(b) Kabupaten Bogor	800,000	
(c) Kabupaten Tangerang	700,000	
(d) Kabupaten Bekasi	800,000	
(e) Ministry of Home Affairs	800,000	
(f) Office of State Minister of Population and Environment	1,300,000	
(g) Ministry of Public Works	3,000,000	
(5) Unallocated	9,200,000	
TOTAL	61,000,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures: (a) prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding \$1,000,000 equivalent, may be made in respect of Category (4) on account of payments made for expenditures before that date but after March 1, 1990; (b) under Categories (1) (b), (2) (b) and (4) (b) until Kabupaten Bogor shall have taken all action as shall be required to implement staffing and organizational arrangements, and community and social development aspects satisfactory to the Bank; (c) under Categories (1) (c), (2) (c) and (4) (c) until Kabupaten Tangerang shall have taken all action as shall be required to implement staffing and organizational arrangements, and community and social development aspects satisfactory to the Bank; and (d) under

Categories (1) (d), (2) (d) and (4) (d) until Kabupaten Bekasi shall have taken all action as shall be necessary to implement staffing and organizational arrangements, and community and social development aspects satisfactory to the Bank.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in (a) alleviating poverty in Jabotabek by upgrading the economic, environmental and social conditions of low-income urban communities through a community-based approach and private sector participation; (b) strengthening pollution control and environmental protection in Jabotabek; (c) improving infrastructure maintenance in Jabotabek; and (d) improving development planning in Jabotabek.

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

Part A: Kampung Improvement Program

Upgrading low-income Kampung in approximately 75 Kelurahan in DKI Jakarta and approximately 20 in Kabupaten Bogor, Kabupaten Tangerang and Kabupaten Bekasi, by providing basic infrastructure, including water supply, drainage, sanitation, primary collection of household refuse, access roads and footpaths, community organization, social and economic development, health education and services, training, and related technical assistance.

Part B: Solid Waste Management

Extending secondary collection of household refuse to the upgraded Kampung in the selected Kelurahan and eight additional Kelurahan in priority flood-prone areas including provision of equipment thereof; cleaning up informal dump sites; and improving resource recovery through waste materials separation programs, including provision of technical assistance therefor, all of the foregoing in DKI Jakarta.

Part C: Environmental Protection and Pollution Control

1. Strengthening the environmental and pollution control capabilities of the relevant provincial agencies in DKI Jakarta and West Java, with special emphasis for monitoring ambient water and air quality and enforcement of controls on waste discharges, including provision of technical assistance, training and equipment.
2. Development of a natural resources inventory and preparation of a pollution reduction strategy for Jabotabek.
3. Feasibility studies to prepare environmentally-oriented projects in areas of industrial joint waste treatment, high polluting small-scale industries, and hazardous waste management in Jabotabek.

Part D: Urban Spatial Management and Monitoring

Updating the Jabotabek Metropolitan Development Plan; establishing a development monitoring system for Jabotabek; updating existing base maps for development planning, tax administration and environmental management in each PLG (except DKI Jakarta); and carrying out planning studies for urbanizing areas adjacent to DKI Jakarta.

Part E: Infrastructure Maintenance

Improvement of operations and maintenance of infrastructure by the PLGs by providing technical assistance thereto in the areas of management, policy, institutions and finance.

Part F:

Overall coordination of Project implementation, including provision of technical assistance therefor.

* * *

The Project is expected to be completed by June 30, 1996.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
March 1, 1996	1,110,000
September 1, 1996	1,155,000
March 1, 1997	1,200,000
September 1, 1997	1,245,000
March 1, 1998	1,295,000
September 1, 1998	1,345,000
March 1, 1999	1,395,000
September 1, 1999	1,450,000
March 1, 2000	1,505,000
September 1, 2000	1,565,000
March 1, 2001	1,625,000
September 1, 2001	1,685,000
March 1, 2002	1,755,000
September 1, 2002	1,820,000
March 1, 2003	1,890,000
September 1, 2003	1,965,000
March 1, 2004	2,040,000
September 1, 2004	2,120,000
March 1, 2005	2,200,000
September 1, 2005	2,285,000
March 1, 2006	2,375,000
September 1, 2006	2,470,000
March 1, 2007	2,565,000
September 1, 2007	2,660,000
March 1, 2008	2,765,000
September 1, 2008	2,875,000
March 1, 2009	2,985,000
September 1, 2009	3,100,000
March 1, 2010	3,220,000
September 1, 2010	3,335,000

* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.15

More than three years but not more than six years before maturity	0.30
More than six years but not more than 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods and Works

Part A: International Competitive Bidding

Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines).

Part B: Preference for Domestic Manufacturers

In the procurement of goods in accordance with the procedures described in Part A hereof, goods manufactured in Indonesia may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for civil works shall be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank. Bidders for works shall be prequalified in accordance with procedures satisfactory to the Bank; provided, however, that contracts for civil works estimated to cost \$12,000 each or less and in the aggregate not to exceed the equivalent of \$4,300,000, may be carried out by contracts for labor with residents of the Kelurahan selected for improvements under the Project pursuant to selection guidelines approved by the Bank.

2. Small items of equipment for solid waste management and office equipment up to an aggregate amount equivalent to \$1,900,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods procured in accordance with international competitive bidding, and the first five civil works contracts estimated to cost the equivalent of \$75,000 each or more, the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Provided, however, in the procurement of trucks and containers for social waste management the documentation to be furnished to the Bank pursuant to this

paragraph shall also include proposed arrangements for the use of such trucks and containers including leasing arrangements thereof. Where payments for such contracts are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contracts required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contracts.

(b) With respect to each contract not governed by the preceding paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 6 to this Agreement.

(c) The provisions of the preceding subparagraphs (a) and (b) shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

3. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

In order to assist the Borrower in carrying out the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981.

SCHEDULE 5

Implementation Program

1. The Borrower shall carry out an annual performance review of the Project each year during October/November and shall invite the Bank to participate in such reviews.

2. The Borrower shall carry out, by December 1, 1990, an environmental assessment of Part A of the Project, satisfactory to the Bank, with a view to implement measures to mitigate adverse environmental effects that such Part of the Project may cause, and shall furnish to the Bank such assessment and proposed measures for its review and comments.

3. By September 30, 1992, the Borrower shall prepare and furnish to the Bank, or cause to be prepared and furnish to the Bank, a pollution control strategy and terms of reference for special topic studies under Parts C.2 and C.3 of the Project, and thereafter, carry out such strategy and studies.

4. The Borrower shall cause, or cause DKI Jakarta to make, arrangements, satisfactory to the Bank, for the disposal of solid waste, including the following:

(a) model contract with private contractors, including the terms and conditions of equipment leasing; and

(b) monitoring the air and water quality in the area surrounding the disposal site at Kabupaten Bekasi.

5. The Borrower shall carry out, or cause to be carried out, the staffing schedules and training programs with regard to the KIP in

DKI Jakarta, Kabupaten Bogor, Kabupaten Tangerang and Kabupaten Bekasi in accordance with an implementation plan satisfactory to the Bank.

6. Prior to commencing works in any community, the Borrower and each PLG shall enter into a Memorandum of Understanding (MOU) with each beneficiary community consistent with a model MOU approved by the Bank with respect to the implementation arrangements for that particular community.

7. Within 10 years following Project completion, the Borrower shall not undertake further major redevelopment efforts with regard to the kampungs improved under the Project without prior consultation with the Bank.

8. The Borrower shall cause all its departments, agencies and administrative subdivisions and all departments and agencies of the PLGs, responsible for carrying out the Project or any part thereof, to cooperate effectively with each other in the execution of the Project, and shall second, or cause to be seconded, staff to the project management units as required.

9. The Borrower shall cause DKI Jakarta to establish in JUPCO a Division responsible for the overall coordination of the Project, headed by a qualified and experienced officer, and assigned, at all times, with such staffing, resources, facilities and responsibilities as shall be required to enable JUPCO to undertake the overall coordination of the Project.

10. Each PLG shall issue decrees (SK) satisfactory to the Bank, for the Kampung Improvement Program in their respective jurisdictions.

SCHEDULE 6

Special Account

1. For the purposes of this Schedule:

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

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

(c) the term "Authorized Allocation" means an amount equivalent to \$3,000,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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

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

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

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for

deposits into the Special Account at such intervals as the Bank shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the Loan Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

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

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

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

- (b) once the total unwithdrawn amount of the Loan allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

- 6. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; and (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

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

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

