
LOAN NUMBER 8979-ID

Loan Agreement

(Central Sulawesi Rehabilitation and Reconstruction Project)

between

REPUBLIC OF INDONESIA

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**



LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF INDONESIA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 the amount of one hundred fifty million United States Dollars (USD150,000,000), as such amount may be converted from time to time through a Currency Conversion (“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 III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.06. The Payment Dates are March 15 and September 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.
- 2.08. (a) If on any given day, the Total Exposure exceeds the Standard Exposure Limit (as said terms are defined in sub-paragraphs (b)(ii) and (b)(iii) of this Section), the Borrower shall pay to the Bank a surcharge at the rate of one half of one percent (0.5%) per annum of the Allocated Excess Exposure Amount (as defined in sub-paragraph (b)(i) of this Section) for each said day (“Exposure Surcharge”). The Exposure Surcharge (if any) shall be payable semi-annually in arrears on each Payment Date.

- (b) For purposes of this Section the following terms have the meanings set forth below:
- (i) “Allocated Excess Exposure Amount” means for each day during which the Total Exposure exceeds the Standard Exposure Limit, the product of: (A) the total amount of said excess; and (B) the ratio of all (or, if the Bank so determines, a portion) of the Loan to the aggregate amount of all (or the equivalent portions) of the loans made by the Bank to the Borrower and to other borrowers guaranteed by the Borrower that are also subject to an exposure surcharge, as said excess and ratio are reasonably determined from time to time by the Bank.
 - (ii) “Standard Exposure Limit” means the standard limit on the Bank’s financial exposure to the Borrower which, if exceeded, would subject the Loan to the Exposure Surcharge, as determined from time to time by the Bank.
 - (iii) “Total Exposure” means for any given day, the Bank’s total financial exposure to the Borrower, as reasonably determined by the Bank.

ARTICLE III — PROJECT

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall carry out the Project, through the Ministry of Public Works and Housing, in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS

- 4.01. The Additional Conditions of Effectiveness consist of the following:
- (a) the Borrower has adopted the Project Operations Manual in form and substance satisfactory to the Bank; and
 - (b) the Borrower has established the Project Management Unit with composition, terms of reference and resources satisfactory to the Bank.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Borrower’s Representative is the Minister of Finance.
- 5.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower’s address is:

Direktorat General of Budget Financing and Risk Management, Ministry of Finance
 Gedung Frans Seda
 Jalan Dr. Wahidin Raya No. 1
 Jakarta 10710 Indonesia; and

(b) the Borrower’s Electronic Address is: Facsimile: +62-21-381-2859

5.03. For purposes of Section 10.01 of the General Conditions: (a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:
 248423(MCI) or 64145(MCI)

Facsimile:
 1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF INDONESIA

By

Authorized Representative

Name: LUKY ALFIRMAN

Title: DIRECTOR GENERAL OF BUDGET FINANCING
AND RISK MANAGEMENT

Date: JUNE 4, 2020

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**

By

Authorized Representative

Name: SATU KÄHKÖNEN

Title: COUNTRY DIRECTOR

Date: JUNE 5, 2020

SCHEDULE 1

Project Description

The objective of the Project is to reconstruct and strengthen Public Facilities and safer housing in selected disaster affected areas.

The Project consists of the following parts:

Part 1: Resilient construction of permanent housing units and settlement infrastructure

- 1.1. Resilient construction of permanent housing units, and related settlement infrastructure (including water supply, waste water, sewage and drainage facilities; local access roads; and waste recycling facilities) in Central Sulawesi through (a) carrying out civil works for the construction of housing units; and (b) civil works for the construction of settlement infrastructure.
- 1.2. Provision of Grants to finance community-based reconstruction of housing units in Central Sulawesi.

Part 2: Resilient reconstruction and strengthening of Public Facilities

Resilient reconstruction and structural strengthening of Public Facilities in Central Sulawesi to improve seismic performance and safety, reduce disaster vulnerability, increase climate resilience and improve functionality and service standards through carrying out civil works for: (a) reconstruction, rehabilitation and structural strengthening of select Public Facilities; (b) seismic strengthening and upgrading of select Public Facilities; and (c) adding design features to select Public Facilities to mitigate structural damage from potential disasters.

Part 3: Project implementation support

Carrying out a program of technical assistance and project implementation support, including: (a) provision of technical assistance, training and capacity building to support implementation of all Project activities and strengthen government capacity at national and subnational level on post-disaster recovery including through recruitment of expert consultants and community facilitators for these purposes; (b) carrying out preparatory studies, environmental and social assessments, resettlement planning, development of conceptual and detailed engineering designs as well as development of standard operating procedures, technical guidelines and operational manuals; (c) procurement management and financial management, including financial and technical audits; (d) environmental and social safeguards management and oversight, including citizen engagement; (e) monitoring, reviewing and evaluation of the Project including preparation and maintenance of a project database and web-based management information system and the development of an improved data and knowledge management system that will support disaster recovery operations and future climate-resilient spatial planning for long term risk reduction; and (f) carrying out contract management, and construction supervision including through recruitment of consultants for these purposes.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall:
 - (a) establish and maintain until completion of the Project the Project Management Unit (PMU) in the Ministry of Public Works and Housing (Directorate General for Human Settlements), which shall be responsible for overall management of the Project;
 - (b) maintain until completion of the Project, Project Implementation Units (PIUs) at (i) the Ministry of Public Works and Housing (Directorate General for Human Settlements), which will manage the implementation of a portion of Part 1 and Part 2 of the Project; (ii) the Ministry of Public Works and Housing (Directorate General for Housing Provision), which will manage the implementation of a portion of Part 1 of the Project, in each case in coordination with relevant national level agencies and ministries, as well as relevant subnational agencies.
2. The Borrower shall provide, or cause to be provided, as the case may be, each of the PMU, and the PIUs at all times with adequate funds (allocated in the DIPA) and other resources, and with qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its terms of reference and objectives, as further detailed in the Project Operations Manual.
3. Without limitation to the provision of paragraphs 1 and 2 of this Section I.A, the Borrower shall recruit and retain such consultants as may be needed to support the functions of the entities referred to in these paragraphs, all with composition and terms of reference acceptable to the Bank and the Borrower as further detailed in the Project Operations Manual.

B. Manuals

1. The Borrower shall:
 - (a) prepare a manual, in form and substance satisfactory to the Bank, for the purpose of ensuring proper implementation of the Project. The said manual shall include *inter alia* the description of: (i) implementation arrangements including delineation of roles and responsibilities of various entities, institutions and agencies involved in Project implementation and their coordination; (ii) the procurement procedures and standard procurement documentation; (iii) disbursement arrangements, reporting requirements, financial management arrangements and audit requirements; (iv) procedures for preparing and reviewing a consolidated annual work plan and budget for each Fiscal Year; (v) the Project performance indicators and monitoring and evaluation arrangements; (vi) arrangement and procedures for environment and social management ; (vii) grievance redress mechanism; (viii) minimum technical standards to mitigate seismic and flood risks to be incorporated in the design and construction of houses and other infrastructure under the Project; and (ix) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project;

- (b) (i) furnish to, and exchange views with the Bank on such manual promptly upon its preparation; (ii) adopt such manual as shall have been approved by the Bank (“Project Operations Manual”); (iii) thereafter implement the Project in accordance with the Project Operations Manual;
 - (c) not amend, suspend, abrogate, repeal or waive any provisions of the Project Operations Manual without the prior written agreement of the Bank; and
 - (d) with the prior written agreement of the Bank, update the Project Operations Manual, as necessary, at all times ensuring compliance thereof with the terms of this Agreement.
2. In order to ensure the proper implementation of Part 1.2 of the Project, the Borrower shall:
- (a) prepare a manual which shall set forth detailed arrangements and procedures for community-based reconstruction of housing units, including: (i) eligibility criteria and selection of Grant recipients; (ii) eligible activities and eligible expenditures required therefor; (iii) arrangements for disbursement of such Grants and reporting and accounting for the use of the Grants proceeds; (iv) such other administrative, financial, technical and organizational arrangements and procedures as shall be required proper coordination and implementation of Part 1.2 of the Project;
 - (b) afford the Bank a reasonable opportunity to review said proposed manual;
 - (c) adopt such manual as shall have been approved by the Bank (“Grants Manual”);
 - (d) ensure that Part 1.2 of the Project is carried out in accordance with the Grants Manual; and
 - (e) not amend, suspend, abrogate, repeal or waive any provision of the Grants Manual without prior written agreement by the Bank.
3. In the event of any conflict between the provisions of: (a) the Project Operations Manual or the Grants Manual; and (b) those of this Agreement, the provisions of this Agreement shall prevail.

C. Annual Work Plans and Budgets

1. The Borrower shall: (a) prepare and furnish to the Bank by September 30 in each year - beginning in the Fiscal Year 2019 - a proposed Project’s consolidated annual work plan and budget for the following Fiscal Year; (b) taking into account the Bank’s comments, finalize the plan and furnish it to Bank for its approval not later than November 30 in each year - beginning in the Fiscal Year 2019; and (c) adopt the plan as shall have been approved by the Bank (Annual Work Plan and Budget) and thereafter ensure that the Project is carried out in accordance with each of such Annual Work Plan and Budget, in a manner satisfactory to the Bank.
2. The Borrower shall not amend, suspend, abrogate or waive said Annual Work Plan and Budget or any of its provisions without the prior written agreement of the Bank.

D. Environmental and Social Standards

1. The Borrower shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Bank.
2. Without limitation upon paragraph 1 above, the Borrower shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan (“ESCP”), in a manner acceptable to the Bank. To this end, the Borrower shall ensure that:

- (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, and as further specified in the ESCP;
- (b) sufficient funds are available to cover the costs of implementing the ESCP;
- (c) policies, procedures and qualified staff are maintained to enable it to implement the ESCP, as further specified in the ESCP; and
- (d) the ESCP or any provision thereof, is not amended, revised or waived, except as the Bank shall otherwise agree in writing and the Borrower has, thereafter, disclosed the revised ESCP.

In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.

3. The Borrower shall:
 - (a) take all measures necessary on its part to collect, compile, and furnish to the Bank through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Bank, information on the status of compliance with the ESCP and the management tools and instruments referred to therein, all such reports in form and substance acceptable to the Bank, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
 - (b) promptly notify the Bank of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the instruments referenced therein and the Environmental and Social Standards.
4. The Borrower shall maintain and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all complaints raised in relation to the Project and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Bank.

Section II. Project Monitoring Reporting and Evaluation

1. The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar year, covering the calendar year.
2. No later than thirty (30) months after Effective Date, the Borrower shall, in conjunction with the Bank, carry out a mid-term review of the Project (the "Mid-term Review"), covering the progress achieved in the implementation of the Project. To this end, the Borrower shall prepare - under terms of reference satisfactory to the Bank - and furnish to the Bank not less than three (3) months prior to the beginning of the Mid-term Review, a report integrating the results of the Project's monitoring and evaluation activities, on the progress achieved in the carrying out of the Project during the period preceding the date of such report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective of the Project during the period following such date. Following the Mid-term Review, the Borrower shall act promptly and diligently in order to take, or cause to be taken, measures recommended to ensure the efficient completion of the Project and the achievement of the objective as well as any corrective action deemed necessary by the Bank to remedy any shortcoming noted in the carrying out of the Project in furtherance of the objective of the Project.

Section III. Withdrawal of Loan Proceeds

A. General.

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Loan Allocated (expressed in USD)	Percentage of Expenditures to be financed (inclusive of Taxes)
(1) Works, consulting services, Training and Workshops, non-consulting services and goods under Parts 1.1, 2 and 3 of the Project	150,000,000	100%
(2) Grants under Part 1.2 of the Project	0	100% of Grants amount disbursed
TOTAL AMOUNT	150,000,000	

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date; or
 - (b) under Category (2) until the Borrower has adopted the Grants Manual in form and substance satisfactory to the Bank.
2. The Closing Date is June 30, 2024.

SCHEDULE 3**Amortization Schedule**

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”).

Principal Payment Date	Installment Share
On each March 15 and September 15 Beginning September 15, 2026 through September 15, 2031	8.33%
On March 15, 2032	8.37%

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “DIPA” means *daftar isian pelaksanaan anggaran*, a government budget document setting forth the budget activity list for a Fiscal Year.
4. “Environmental and Social Commitment Plan” or the acronym “ESCP” means the Borrower’s environmental and social commitment plan, acceptable to the Bank, dated May 29, 2019, which sets out a summary of the material measures and actions to address the potential environmental and social risks and impacts of the Project, including the timing of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any instruments to be prepared thereunder; as the ESCP may be revised from time to time, with prior written agreement of the Bank, and such term includes any annexes or schedules to such plan.
5. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Bank at <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>.
6. “Fiscal Year” means the Borrower’s fiscal year commencing January 1 and ending December 31 of the same year.
7. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated December 14, 2018.
8. “Grant” means a grant made available by the Borrower out of the proceeds of the Loan for a Sub-project under Part 1.2 of the Project, and “Grants” means more than one Grant.
9. “Grants Manual” means the manual acceptable to the Bank, referred to in Section I.B.2(c) of Schedule 2 to this Agreement, as the same may be amended from time to time in agreement with the Bank, and such term includes any schedules to the Grants Manual.

10. “Indigenous Peoples” means those social groups in the Borrower’s territory that have a distinct, vulnerable, social and cultural identity, and that possess the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the Project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society and culture; and (d) an indigenous language.
11. “Ministry of Finance” means the Borrower’s ministry responsible for finance, or any successor thereto.
12. “Ministry of Public Works and Housing” means the Borrower’s ministry responsible for public works and housing or any successor thereto.
13. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.
14. “Project Implementation Unit” and the acronym “PIU” mean any of the units referred to in Section I.A.1(b) of Schedule 2 to this Agreement and the term “Project Implementation Units” means all such units.
15. “Project Management Unit” and the acronym “PMU” means the unit referred to in Section I.A.1(a) of Schedule 2 to this Agreement.
16. “Project Operations Manual” means the manual acceptable to the Bank, referred to in Section I.B.1(b) of Schedule 2 to this Agreement, as the same may be amended from time to time in agreement with the Bank, and such term includes any schedules to the Project Operations Manual.
17. “Public Facilities” means publicly owned physical buildings housing health and education facilities as well as markets and government service facilities.¹
18. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.
19. “Sub-project” means a set of activities under Part 1.2 of the Project identified, assessed and proposed to be implemented pursuant to criteria and procedures set forth in the Grants Manual and “Sub-projects” means more than one Sub-project
20. “Training and Workshops” means the costs of training activities under the Project, based on the Annual Work Plans and Budgets approved in advance by the Bank, and attributable to seminars, workshops, and domestic and overseas training, along with travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.