
LOAN NUMBER 3440-INO

LOAN AGREEMENT
(Ordinary Operations)

(Flood Management in Selected River Basins Sector Project)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED 2 November 2016

INO 35182

**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 2 November 2016 between REPUBLIC OF INDONESIA (hereinafter called the "Borrower") and ASIAN DEVELOPMENT BANK (hereinafter called "ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Project described in Schedule 1 to this Loan Agreement; and

(B) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of the Ordinary Operations Loan Regulations Applicable to LIBOR-Based Loans Made from ADB's Ordinary Capital Resources, dated 1 July 2001 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 3.03 is deleted and the following is substituted therefor:

Commitment Charge; Credit (a) The Borrower shall pay a commitment charge on the unwithdrawn amount of the Loan at the rate and on the terms specified in the Loan Agreement.

(b) ADB shall provide to the Borrower a credit at the rate specified in the Loan Agreement, which credit shall remain fixed for the term of the Loan. ADB shall apply the credit against the interest payable by the Borrower.

(b) Section 3.06 is deleted and the following is substituted therefor:

Rebate. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be reduced, ADB shall provide a Rebate to any Borrower with an outstanding Loan on which a higher Fixed Spread is applicable. The amount of the Rebate shall be determined by

multiplying (i) the difference between the Fixed Spread applicable to the outstanding Loan and the Fixed Spread that will be applied to new Loans (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the lower Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB achieving savings, ADB shall provide a Rebate to the Borrower. The amount of the Rebate shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall apply the amount of the Rebate against the interest payable by the Borrower for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated.

(c) Section 3.07 is deleted and the following is substituted therefor:

Surcharge. (a) Following any announcement by ADB that the Fixed Spread applicable to new Loans shall be increased, any Borrower with an outstanding Loan on which a lower Fixed Spread is applicable shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the difference between the Fixed Spread that will be applied to new Loans and the Fixed Spread applicable to the outstanding Loan (expressed as a percentage per annum), by (ii) the principal amount of the outstanding Loan on which the Borrower shall pay interest for all interest periods commencing on and after the effective date of the higher Fixed Spread that will be applied to new Loans.

(b) Following any announcement by ADB that its Funding Cost Margin calculations with respect to any Loan Currency (or Approved Currency) in any Semester resulted in ADB incurring additional costs, the Borrower shall pay ADB a Surcharge. The amount of the Surcharge shall be determined by multiplying (i) the Funding Cost Margin (expressed as a percentage per annum) by (ii) the principal amount of the Loan on which the Borrower shall pay interest for the Interest Period commencing immediately after the Semester for which the Funding Cost Margin was calculated. ADB shall add the amount of the Surcharge to the interest payable by the Borrower for the Interest Period commencing immediately after

the Semester for which the Funding Cost Margin was calculated.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "BAPPENAS" means the Borrower's Ministry of National Development Planning/National Development Planning Agency or any successor thereto;

(b) "Basin Coordination Forum" means the forum established to ensure cross-sector coordination for water resources management at river basin level;

(c) "Bupati" means the head of the district government;

(d) "CBFRM" means community based flood risk management;

(e) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2015, as amended from time to time);

(f) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(g) "CPMU" means the Central Project Management Unit, which is further described in the PAM;

(h) "Directorate General of Water Resources" means the Directorate General of Water Resources within MPWH or any successor thereto;

(i) "Environmental Assessment and Review Framework" or "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(j) "Environmental Management Plan" or "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;

(k) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(l) "FRMP" means flood risk management plans;

(m) "GAP" means the Gender Action Plan as set out in one of the linked documents to the RRP;

(n) "Goods" means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(o) "Initial Environmental Examination" or "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Borrower and agreed with ADB;

(p) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(q) "Land Acquisition and Resettlement Framework" or "LARF" means the land acquisition and resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(r) "Land Acquisition and Resettlement Plan" or "LARP" means the land acquisition and resettlement plan for the Project, including any update thereto, prepared and submitted by the Borrower and agreed with ADB;

(s) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2015, as amended from time to time);

(t) "Local Governments" means the provincial, district and city governments that will undertake Project activities;

(u) "Ministry of Agriculture" means the Borrower's Ministry of Agriculture or any successor thereto;

(v) "Ministry of Home Affairs" means the Borrower's Ministry of Home Affairs or any successor thereto;

(w) "MPWH" means the Ministry of Public Works and Housing of the Borrower or any successor thereto;

(x) "NSCWR" means the National Steering Committee on Water Resources that has been established by the Borrower to provide coordination and advisory support at the national level on water resources;

(y) "O&M" means operations and maintenance;

(z) "PAM" means the project administration manual for the Project dated 31 May 2016 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(aa) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);

(bb) "Procurement Plan" means the procurement plan for the Project dated 31 May 2016 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(cc) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means, Directorate General of Water Resources or any

successor thereto acceptable to ADB, which shall be responsible for the carrying out of the Project;

(dd) "Project facilities" means the facilities to be constructed, upgraded, or rehabilitated under the Project;

(ee) "Project Implementing Agencies" means the agencies that will be responsible for implementation of certain Project activities, namely the Ministry of Home Affairs, the Ministry of Agriculture and BAPPENAS;

(ff) "RBO" means river basin organization(s), otherwise known as *Balai Besar Wilayah Sungai/Balai Wilayah Sungai*;

(gg) "RBT" means the river basin territory, otherwise known as *Wilayah Sungai*;

(hh) "RRP" means the Report and Recommendation of the President of ADB to the Board of Directors of ADB for the Loan;

(ii) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(jj) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP and the RP, including any corrective and preventative actions;

(kk) "Subprojects" means an integrated package of investments and activities in a given river basin territory and meet the criteria set out in paragraph 3 of Schedule 5 to the Loan Agreement;

(ll) "Walikota" means the head of the city government; and

(mm) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as soil investigation or topographic survey, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred eight million seven hundred thousand Dollars (\$108,700,000) as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(b) The Loan has a principal repayment period of 9 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB 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 sum of:

- (a) LIBOR; and
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 1 February and 1 August in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (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, whether withdrawn and outstanding 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 Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating 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 said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(6) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2023 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. (a) The Borrower shall cause the Project to be carried out with due diligence and efficiency and in conformity with sound applicable technical, financial, developmental, and business practices.

(b) In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement.

Section 4.02. The Borrower shall make available, promptly as needed and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources, as required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) Whenever applicable, in the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors,

acceptable to ADB to be employed to an extent and upon terms and conditions satisfactory to the Borrower and ADB.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and ADB, as applicable. The Borrower shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower through the Project Executing Agency shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower through the Project Executing Agency shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Project Executing Agency, unless the Borrower through the Project Executing Agency shall otherwise agree.

Section 4.06. The Borrower shall enable ADB's representatives to review the Project, inspect the Goods and Works, and obtain any relevant records and documents.

Section 4.07. The Borrower shall ensure that any facilities relevant to the Project are operated, maintained and repaired in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

ARTICLE V

Effectiveness

Section 5.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VI

Miscellaneous

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

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

For Correspondence:
Directorate of Loans and Grants
Facsimile Number:

(62-21) 381-2859

For Disbursement and Payment:
Directorate of Evaluation, Accounting and Settlements
Facsimile Number:

(62-21) 384-3712

For ADB

Asian Development Bank
6 ADB Avenue
Mandaluyong City
1550 Metro Manila
Philippines

Facsimile Numbers:

(632) 636-2444
(632) 636-2231.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

REPUBLIC OF INDONESIA

By  _____
ROBERT PAKPAHAN
Authorized Representative

ASIAN DEVELOPMENT BANK

By  _____
SONA SHRESTHA
Officer-in-Charge and
Deputy Country Director
Indonesia Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project shall be reduced flood risks in selected river basins, *including those in the Cidanau–Cijung–Cidurian and Ambon–Seram RBTs*, through flood risk management.

2. The Project shall comprise the following outputs:

(a) **Enhanced Planning for flood risk management.** Under this output, the Project shall (i) support the RBOs to (A) improve hydro-meteorological data management, (B) develop flood models as the basis for the preparation of FRMP, and (C) develop flood forecasting and early warning system and hazard, vulnerability, risk and emergency response mapping, and to establish communication procedures; and (ii) implement institutional strengthening, planning and coordination at provincial and district/city levels to ensure that the FRMPs are used as reference in updating the spatial, mid-term and annual plans by the relevant provincial and district/city governments.

(b) **Improved land management and upgraded flood infrastructure.** Under this output, the Project shall (i) support RBOs to select, appraise, prepare detailed engineering design, environmental and social safeguards, tendering and operation and maintenance planning, and implement infrastructure subprojects. The infrastructure subprojects comprise rehabilitation and upgrading of existing flood control structures and construction of new structures such as river dikes, spillways, retention basins, coastal protection, and check dams; (ii) improve selected degraded land areas by implementing soil and water conservation measures to reduce soil erosion; (iii) empower farmers groups in the 3 Cis RBT to adopt sustainable agriculture practices including terracing and development of retention ponds; and (iv) implement measures to stop landslide for reducing the sediment yields in both RBTs.

(c) **Enhanced capacity for CBFRM.** Under this output, the Project shall establish, strengthen and engage CBFRM community groups to (i) identify flood risks at the local level; (ii) prioritize community-based measures to reduce flood risk; (iii) implement priority measures to reduce flood risks; and (iv) improve disaster preparedness.

(d) **Improved Policy, Coordination and Capacity.** Under this output, the Project shall (i) support the Project Executing Agency and Project implementing agencies to undertake overall Project supervision and strengthen the planning, implementation, and management capacities of the Project implementing agencies; (ii) support independent monitoring, evaluation and strategic coordination under the NSCWR; and (iii) prepare national strategy and guidelines to institutionalize the flood risk management approach.

3. The Project shall include provision for consulting services. The Project is expected to be completed by 31 December 2022.

SCHEDULE 2

Amortization Schedule

(Flood Management in Selected River Basins Sector Project)

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 shall 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 ADB by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 February 2025	5.555556
1 August 2025	5.555556
1 February 2026	5.555556
1 August 2026	5.555556
1 February 2027	5.555556
1 August 2027	5.555556
1 February 2028	5.555556
1 August 2028	5.555556
1 February 2029	5.555556
1 August 2029	5.555556
1 February 2030	5.555556
1 August 2030	5.555556
1 February 2031	5.555556
1 August 2031	5.555556
1 February 2032	5.555556
1 August 2032	5.555556
1 February 2033	5.555556
1 August 2033	5.555548
Total	100.000000

2. If the proceeds of the Loan shall not 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 as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made 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 ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within two 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.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (i) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or (ii) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be 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.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Flood Management in Selected River Basins Sector Project)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Loan Account
1	Works and Equipment	64,070,000	100% of total expenditure claimed*
2	Consulting Services, Training and Project Management	21,780,000	100% of total expenditure claimed*
3	Community Driven Development	22,850,000	100% of total expenditure claimed*
	Total	108,700,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4

Procurement of Goods, Works and Consulting Services

General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
 - (a) International Competitive Bidding;
 - (b) National Competitive Bidding;
 - (c) Shopping; and
 - (d) Community Participation in Procurement.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

Community Participation in Procurement

6. Borrower may use community participation in procurement for Works contracts for land and water conservation, land optimization, community grass root fund and drainage system improvement, in accordance with the agreed procedures set out in the Procurement Plan.

Conditions for Award of Contract

7. The Borrower shall not award any Works contract for a Subproject which involves environmental impacts until:
 - (a) The relevant authority of the Borrower has granted the final approval of the IEE; and

- (b) the relevant provisions from the EMP have been incorporated into the Works contract.

8. The Borrower shall not award any Works contract which involves involuntary resettlement impacts for a Subproject, until the Borrower has prepared and submitted to ADB the final LARP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such LARP.

Consulting Services

9. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

10. The Borrower shall apply the following methods for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Cost Quality Selection for surveys, initial environmental examination, CBFMR support and facilitation, Project management, monitoring and evaluation (including external safeguard monitoring).

Industrial or Intellectual Property Rights

11. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

12. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

ADB's Review of Procurement Decisions

13. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project; Financial Matters

Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower through the Project Executing Agency and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of this Loan Agreement shall prevail.

2. The Borrower through the Project Executing Agency shall ensure that the subprojects shall be identified, prioritized, formulated, appraised, approved and implemented through the following steps:

- (a) Step 1: to screen and select candidate subprojects from the sector development plan, consult with the Basin Coordination Forum and submit the proposed subprojects to ADB for approval;
- (b) Step 2: to prepare the subproject appraisal report covering technical, economic, social, environment and financial aspects; hold required consultations; revise, and submit to the CPMU for appraisal and approval;
- (c) Step 3: to submit the subproject appraisal report to ADB for review and approval;
- (d) Step 4: to prepare the detailed engineering design and social and environmental safeguards documents and take climate change aspects into consideration;
- (e) Step 5: to submit the social and environmental safeguards documents for ADB approval; and
- (f) Step 6: to implement activities including tendering, land acquisition and resettlement, and other activities.

3. The Borrower through the Project Executing Agency shall ensure that the subprojects selected to be financed under the Project fulfill the following criteria:

- (a) it is in line with the sector development plan;
- (b) its flood-risk analysis is based on technical requirements for hydrological and hydraulic survey data for estimating flood flow and impact, and structural designs meet national technical requirements;
- (c) it is designed to maximize the benefit to cost ratio with a combination of structural and nonstructural measures for optimal flood management;
- (d) its social and poverty impact assessment assesses that the proposed flood protection measures will have a net positive impact, and can be monitored;

- (e) it is designed to minimize social impacts and ensure that people adversely affected by civil works under the project are compensated in compliance with the principles set in the Land Acquisition and Resettlement Framework.
- (f) its initial environmental examination assesses that the environmental impact during construction can be minimized, in line with principles set in the EARF; and the subproject is designed to minimize detrimental environmental impact.
- (g) its implementation timeframe is reasonable, and surveys and design can be prepared, reviewed, and safeguard processes and procedures followed, and implemented within the project period.
- (h) it provides commitment to facilitate land acquisition and resettlement process (as required), including implementation of the social action plan in accordance with the principles set out in the Land Acquisition and Resettlement Framework;
- (i) it has no impact to indigenous people, and screening process of each future sub-projects will be done to ensure that indigenous people safeguards are not triggered;
- (j) local communities and beneficiaries demonstrate commitment to the investment through willingness to contribute, in cash or in kind, to the cost of development as appropriate; and
- (k) its economic internal rate of return exceeds 12%.

Flood risk management plans

4. The Borrower shall ensure that the recommendations in the FRMPs on land use zoning shall be endorsed by Bupati or Walikota and included as inputs to update district/city spatial plans, whereas, the other recommendations in the FRMPs shall be used as reference in updating the provincial and district/city government medium term development plans.

On-granting mechanism

5. The Borrower shall make available portion of the Loan proceeds to the Local Governments, through on-grant mechanism, to undertake Project activities that fall under their responsibilities.

O&M of Project Facilities

6. The Borrower shall ensure that (a) O&M mechanism for the Project is established; (b) the Project facilities procured, constructed or upgraded are maintained properly; and (c) adequate budget and resources are provided for O&M of the said Project facilities.

Environment

7. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Land Acquisition and Involuntary Resettlement

8. The Borrower shall ensure that all land and all access to land required for the Project are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the Involuntary Resettlement Safeguards; (c) the LARF; and (d) all measures and requirements set forth in the LARP, and any corrective or preventative actions set forth in the Safeguards Monitoring Report.

9. Without limiting the application of the Involuntary Resettlement Safeguards, the LARF or the LARP, the Borrower shall ensure that no physical or economic displacement takes place in connection with the Subproject until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the LARP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the LARP.

10. The Borrower shall cause the Project Executing Agency to enter into an agreement with each relevant provincial or city government for the provision of the income restoration program prior to the financing of a subproject. The agreement shall stipulate the roles and responsibilities of the provincial or local government agencies and their funding commitments for the delivery of the income restoration program.

Indigenous Peoples

11. The Borrower shall ensure that the Project does not have any indigenous peoples' impact, within the meaning of ADB's Safeguard Policy Statement (2009). In the event that the Project does have any such impact, the Borrower shall take all steps required to ensure that the Project complies with the applicable laws and regulations of the Borrower and with ADB's Safeguard Policy Statement.

Human and Financial Resources to Implement Safeguards Requirements

12. The Borrower shall make necessary budgetary and human resources to fully implement the EMP and the LARP.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

13. The Borrower shall ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP and the LARP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP, and the LARP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

14. The Borrower through the Project Executing Agency shall do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the LARP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan;
- (c) no later than five months after the Effective Date, engage qualified and experienced external experts or qualified independent entities under a selection process and terms of reference acceptable to ADB, to verify information produced through the Project monitoring process, and facilitate the carrying out of any verification activities by such external experts; and
- (d) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP or the LARP promptly after becoming aware of the breach.

Prohibited List of Investments

15. The Borrower shall ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards, Health and Safety

16. The Borrower shall ensure that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow workers lawful means of expressing their grievances and protecting their rights regarding working conditions and terms of employment; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

17. The Borrower through the Project Executing Agency shall strictly monitor compliance with the requirements set forth in paragraph 16 above and provide ADB with regular reports.

Gender and Development

18. The Borrower shall ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB; and (e) key gender outcome and output targets include, but not limited to: (i) around 20% of the trainees in all training on flood risk assessment and analysis are female; (ii) around 30% of the participants are female in consultation meetings on (A) hazard analysis, risk awareness and assessment and vulnerability/capacity analysis; (B) developing the risk and hazard maps; and (C) identification of indicators for assessing gender specific aspects of risk and vulnerability; (iii) at least 10% of the members of the community groups for water and soil conservation are female; and (iv) at least 30% of those involved in the identification and design of community-level infrastructure (such as small embankments, drainage, flood barriers, and shelters) and subsequent regular O&M are female.

Governance and Anticorruption

19. The Borrower, the Project Executing Agency, and the Project Implementing Agencies shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

20. The Borrower, the Project Executing Agency and the Project Implementing Agencies shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.