
LOAN NUMBER 8280-INO (AIF)

LOAN AGREEMENT
(Metropolitan Sanitation Management Investment Project)

between

REPUBLIC OF INDONESIA

and

ASIAN DEVELOPMENT BANK

DATED May 13, 2014

INO 43251

LOAN AGREEMENT

LOAN AGREEMENT dated May 13, 2014 between REPUBLIC OF INDONESIA ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Borrower and ADB ("A Loan Agreement"), ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources in an amount of eighty million Dollars (\$80,000,000) ("A Loan") for the purposes of the project described in Schedule 1 to the A Loan Agreement ("Project").

(B) the Borrower has also applied to ADB for a loan ("Loan") for the purposes of the Project to be funded by ADB entirely from a participation in the Loan by ASEAN Infrastructure Fund Limited ("AIF");

(C) by a participation agreement of even date herewith between ADB and AIF ("Participation Agreement"), ADB has agreed to grant to AIF a participation in the Loan ("Participation") on the terms and conditions set forth therein; and

(D) ADB has agreed to make a Loan to the Borrower upon the terms and conditions set forth herein.

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. All the provisions of the General Conditions Applicable to Loans made by ADB Funded Through Participations of ASEAN Infrastructure Fund Limited, dated 13 September 2013 ("General Conditions"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the General Conditions and in the A Loan Agreement have the respective meanings therein set forth.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to make to the Borrower the Loan in an amount of forty million Dollars (\$40,000,000), with funds to be obtained entirely through the Participation in the Loan by AIF.

(b) The Loan has a principal repayment period of 10 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 1 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 The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of: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) 1.40% as provided by Section 3.02 of the General Conditions.

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 1 to this Loan Agreement.

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 2 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 the A 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 8.02 of the General Conditions shall be 31 December 2020 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, business, and development 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 the A Loan Agreement.

Section 4.02. The Borrower shall make available, or cause to be made 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.

Section 4.03. (a) In the carrying out of the Project, the Borrower through the Project Executing Agency 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 through the Project Executing Agency 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. The Borrower shall enable ADB's representatives to review the Project, inspect the Goods and Works, and obtain any relevant records and documents.

Section 4.06. (a) The Borrower 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 4.07. 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.

Section 4.08. ADB's obligation to disburse any amount from the Loan Account shall be subject to ADB's receipt of a corresponding amount from AIF in accordance with the terms of the Participation Agreement. In the event AIF does not pay any amount of the Participation in the Loan to ADB, ADB, by notice to the Borrower, shall cancel the corresponding amount of the Loan.

ARTICLE V

Suspension; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(l) of the General Conditions: the A Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

Section 5.02. The following is specified as an additional event for cancellation of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.02(vi) of the General Conditions: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the General Conditions: the A Loan Agreement shall have been duly executed and delivered and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the General Conditions, to be included in the opinion or opinions to be furnished to ADB: the A Loan Agreement has been duly authorized or approved by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. 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 9.04 of the General Conditions.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 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

Ministry of Finance
Directorate General of Debt Management
Frans Seda Building 2nd Floor
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710, Indonesia

For Correspondence

Directorate of Loans and Grants

Facsimile Number:

(62-21) 381-2859.

For Disbursements and Payments

Directorate of Evaluation
Accounting and Settlements

Facsimile Number:

(62-21) 3843712.

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 
ADRIAN RUTHENBERG
Country Director
Indonesia Resident Mission

SCHEDULE 1**Amortization Schedule****(Metropolitan Sanitation Management Investment 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.

<u>Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
1 August 2021	3.914713
1 February 2022	4.012581
1 August 2022	4.112895
1 February 2023	4.215718
1 August 2023	4.321111
1 February 2024	4.429138
1 August 2024	4.539867
1 February 2025	4.653364
1 August 2025	4.769698
1 February 2026	4.888940
1 August 2026	5.011164
1 February 2027	5.136443
1 August 2027	5.264854
1 February 2028	5.396475
1 August 2028	5.531387
1 February 2029	5.669672
1 August 2029	5.811413
1 February 2030	5.956699
1 August 2030	6.105616
1 February 2031	6.258252

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.

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.

SCHEDULE 2

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, subject to the commitment procedure in the Loan Disbursement Handbook shall be applied in accordance with, and be subject to, Section 5.02 of the General Conditions.

Condition for Withdrawal from the Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawal shall be made from the Loan Account until the CPMU has been established in accordance with the relevant provisions of the PAM.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Metropolitan Sanitation Management Investment Project)				
No.	Item	Total Amount Allocated for ADB Financing ASEAN Infrastructure Fund (\$)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Works	34,469,000		
1A	Cimahi Wastewater Treatment Plant and Collection System		11,406,000	100% of total expenditure claimed*
1B	Makassar Wastewater Treatment Plant and Collection System		10,938,000	100% of total expenditure claimed*
1C	Pekanbaru Wastewater Treatment Plant and Collection System		12,125,000	100% of total expenditure claimed*
2	Unallocated	5,531,000		
	Total	40,000,000		

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