

Financing No: AIPRD-L002



Australia Indonesia Partnership
Kemitraan Australia Indonesia



Project Loan Agreement

(Eastern Indonesia National Road Improvement Project)

Parties

Commonwealth of Australia

Republic of Indonesia

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An Agreement for Concessional Loan Financing of
National Road and Bridge Improvement Works under
the Eastern Indonesia National Road Improvement Project

Parties Commonwealth of Australia, as represented by the Australian Agency for International Development
("Commonwealth")

Republic of Indonesia, acting by and through its Ministry of Finance, duly represented by the Directorate General of Debt Management
("Republic of Indonesia")

Introduction

- A. On 7 December 2005, and in accordance with Part D of the Introduction to the AIPRD Partnership Loan Agreement, AIPRD Joint Commission Ministers agreed to provide AIPRD funding to finance the Eastern Indonesia National Road Improvement Project ("EINRIP"), which will support the Republic of Indonesia's regional economic and social development in Eastern Indonesia by improving the condition of the national road network through:
- (i) improving national roads in Eastern Indonesia to standards acceptable to the Commonwealth and suitable to their status as national roads; and
 - (ii) supplying superstructures for the replacement of selected bridges in Eastern and Western Indonesia..
- B. The Commonwealth will provide an amount of up to three hundred million Australian Dollars (AUD 300,000,000) for the EINRIP.
- C. The Republic of Indonesia will finance, or cause to be financed, the cost of Republic of Indonesia staff, office, administrative, training and associated costs, and the cost of land acquisition and any required compensation for resettlement or other impacts.
- D. The Republic of Indonesia will finance the applicable taxes under the Project. For such purpose, and without limitation to the provisions of Section 4.03 of the General Conditions, the Republic of Indonesia will provide an amount of AU\$ 30,000,000 (or equivalent in IDR) for the EINRIP as adjusted from time to time to reflect any changes to applicable tax laws in the Republic of Indonesia.

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It is agreed:

1. AIPRD Partnership Loan Agreement; AIPRD General Conditions;
Definitions

- 1.1 This Agreement constitutes a Project Loan Agreement for the purposes of the AIPRD Partnership Loan Agreement (as defined in the Appendix to this Agreement).
- 1.2 The AIPRD General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.3 Unless the context requires otherwise, the capitalized terms used in this Project Loan Agreement have the meanings ascribed to them in the AIPRD Partnership Loan Agreement or in the Appendix to this Agreement.

2. The Project Loan

- 2.1 The Commonwealth agrees to extend to the Republic of Indonesia, on the terms and conditions set forth or referred to in this Agreement, a loan in an amount up to three hundred million Australian Dollars (AUD 300,000,000) ("Project Loan") to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.2 The Republic of Indonesia may withdraw the proceeds of the Project Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.3 The Repayment Dates are 1 March and 1 September in each year.
- 2.4 The principal amount of the Project Loan shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

3. The Project

- 3.1 The Republic of Indonesia declares its commitment to the objectives of the Project. To this end, the Republic of Indonesia shall carry out the Project through its MPW in accordance with the provisions of Article IV of the AIPRD General Conditions.
- 3.2 Without limitation upon the provisions of clause 3.1 of this Agreement, and except as the Republic of Indonesia and the Commonwealth shall otherwise agree, the Republic of Indonesia shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
- 3.3 The Republic of Indonesia shall finance, or cause to be financed:
 - i. the cost of Republic of Indonesia staff, and office and other administrative recurrent costs necessary for the efficient implementation of the EINRIP;
 - ii. training in Project management (including environmental and social impact

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mitigation and monitoring) and administration to support the efficient implementation of the EJRIP; and

iii. cost of land acquisition for right of way and cost of any required resettlement or other impact.

3.4 The Republic of Indonesia shall finance the applicable taxes under the Project. For such purpose, and without limitation to the provisions of Section 4.03 of the General Conditions, the Republic of Indonesia shall provide an amount of AU\$ 30,000,000 (or equivalent in IDR) for the Project. The Republic of Indonesia acknowledges that this amount is based on an assessment of taxes under applicable tax laws of the Republic of Indonesia, as those laws stand as at the date of this Agreement. The above amount shall, subject to the prior agreement of the Commonwealth, be adjusted from time to time by the Republic of Indonesia to reflect any changes to applicable tax laws over the course of the Project.

3.5 The Republic of Indonesia shall implement the Project in a manner consistent with the Project Management Manual.

4. Effectiveness

4.1 The Additional Conditions of Effectiveness consist of the following:

- (1) the Steering Committee has been established pursuant to Part A of Section I of Schedule 2 to this Agreement;
- (2) the PMU has been established and the executive head and all of the required staff have been appointed pursuant to Part A of Section I of Schedule 2 to this Agreement;
- (3) the Project Management Manual, in form and substance satisfactory to the Commonwealth, has been duly adopted by the Republic of Indonesia, pursuant to Part B of Section I of Schedule 2 to this Agreement;
- (4) the Tax Letter, in form and substance satisfactory to the Commonwealth, has been issued by the Republic of Indonesia;
- (5) the Procurement Committees for the procurement of the PAS, PMSC and RSC have been appointed, and expressions of interest for these consultant services has been advertised;
- (6) guidelines consistent with the Anti Corruption Action Plan and Indonesian Law, setting out the sanctions that shall be applied to consultants and contractors found to be involved in corrupt conduct associated with the Project, have been adopted, such guidelines to include that:
 - (a) where evidence of fraud, collusion or corruption is found, MPW shall immediately terminate the contract and may impose additional sanctions such as claiming forfeiture of the performance security, and blacklisting

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of the company; and

(b) in cases where evidence of corruption is found and sanctions are imposed such cases shall be publicized on the EINRIP website; and

(7) guidelines, consistent with the Anti Corruption Action Plan and Indonesian Law setting out the sanctions that shall be applied to public officials found to be involved in corrupt conduct associated with the Project, have been adopted, such sanctions to include relieving the officer of his or her duties on the Project during the investigation period.

4.2 The Additional Legal Matters consist of the following:

(1) the Environmental and Social Safeguards have been adopted by the Republic of Indonesia and are legally binding upon the Republic of Indonesia; and

(2) the Anti-Corruption Action Plan has been adopted by the Republic of Indonesia and is legally binding upon the Republic of Indonesia.

4.3 The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, or such later date as the Commonwealth may specify in writing to the Republic of Indonesia.

4.4 In accordance with Section 5.01 of the AIPRD General Conditions, and subject to the exception specified in that Section 5.01, the Republic of Indonesia may cancel any amount of the Unwithdrawn Project Loan Balance.

5. Representative; Addresses

5.1 The Republic of Indonesia's Representative is the Minister for Finance.

5.2 The Republic of Indonesia's Address is:

Directorate General of Debt Management
Ministry of Finance of the Republic of Indonesia
Jl. Lapangan Banteng Timur No. 2 - 4
Jakarta 10710, Indonesia
P.O. Box 1139

Facsimile Number:
(62-21) 381-2859

5.3 The Commonwealth's Address is:

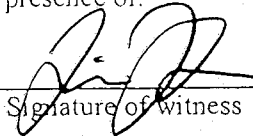
Senior Representative
AusAID
Australian Embassy Jakarta
JI H.R. Rasuna Said Kav. C15-16
Jakarta Selatan 12940

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Done at Jakarta on 7/9/07 in at least two duplicates in the English language, each of which shall be an original.

Signed for and on behalf of the
Commonwealth of Australia in the
presence of:



Signature of witness

T.O. VISTARINI

Name of witness



Signature

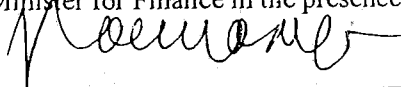
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Name

Minister - commerce

Title

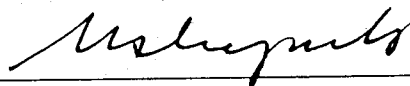
Signed for and on behalf of the **Republic
of Indonesia** acting by and through its
Minister for Finance in the presence of:



Signature of witness

Roestam Sjarief

Name of witness



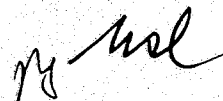
Signature

Rahmat Waluyanto

Name

Director General

Title



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Schedule 1

Project Description

The objective of the Project is to assist the Republic of Indonesia in its regional economic and social development in Eastern Indonesia by improving the condition of the national road network.

The Project consists of the following parts:

Part 1: Civil Works

Carrying out, in selected Provinces, improvements to national roads, including:

- (i) betterment treatments, including minor widening of selected national roads in Eastern Indonesia;
- (ii) bridge replacement or major bridge repair in Eastern Indonesia as required for bridges on links for which betterment treatments have been identified;
- (iii) selected capacity expansion in Eastern Indonesia; and
- (iv) acquisition of pre-fabricated steel bridge material and replacement of selected deteriorated bridges by steel truss bridges and associated works in Eastern and Western Indonesia.

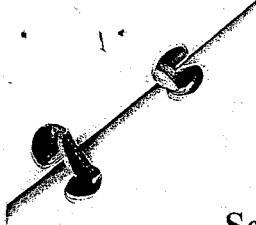
Part 2: Implementation Support

Provision of implementation support to ensure efficiency in implementation and overall quality of the civil works, through:

- (i) provision of technical assistance to the DGH and the PMU in the management of the Project through the provision of Project Management Support Consultants;
- (ii) provision of technical assistance to the DGH through the provision of Regional Supervision Consultants responsible for supervision of civil works;
- (iii) provision of technical assistance to the DGH, Project Managers and Procurement Committees through the provision of Procurement Advisory Services;
- (iv) provision of communications and office equipment for the PMU for Project management;
- (v) funding of Incremental Operating Costs of the PMU and of Central and Provincial level units carrying out Project activities; and
- (vi) provision of (i) training in Project management and Project administration, including procurement and financial management, to relevant Project staff, and (ii) Project environmental and social impact mitigation, management and monitoring workshops for Provincial works agencies, supervising consultants and contractors.

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Schedule 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements

1. The Republic of Indonesia shall maintain until completion of the Project:
 - (a) The Executing Agency as the Directorate General of Highways (DGH)
 - (b) the inter-agency Steering Committee chaired by the Deputy Minister for Infrastructure of Bappenas and members or representatives from the Ministry of Finance and the Ministry of Public Works, and responsible for facilitation of coordination among the Ministries for purposes of Project implementation;
 - (c) the Secretariat to support the Steering Committee, chaired by the Director of Transportation in BAPPENAS will include working groups as required;
 - (d) separate working group(s) for each project (such as EINRIP) and ad-hoc working group(s) for separate issues (such as road safety). This is not a structural organisation but shall be established by Letter from the Deputy Minister for Infrastructure of Bappenas;
 - (e) the PMU, located within DGH, chaired by the Director of Planning in DGH and responsible for coordination of the Project activities; and
 - (f) the five regional implementation agencies of national inter-urban roads in Eastern Indonesia under the DGH: (i) *Balai Besar Pelaksanaan Jalan Nasional* in Banjarmasin; (ii) *Balai Besar Pelaksanaan Jalan Nasional* in Makassar; (iii) *Balai Pelaksanaan Jalan Nasional* in Denpasar; (iv) *Balai Pelaksanaan Jalan Nasional* in Ambon; and (v) *Balai Pelaksanaan Jalan Nasional* in Jayapura .
2. The Republic of Indonesia shall ensure that the PMU is at all times provided with:
 - (a) an executive head who shall be a government official at an appropriate senior level with sufficient project experience to provide for the efficient functioning of the PMU; and
 - (b) adequate funds and other resources, and staffed by qualified and experienced personnel in adequate numbers, as shall be necessary to accomplish its functions, responsibilities and objectives, including an assistant for planning and procurement, an assistant for implementation and supervision, an assistant for financial reporting and an assistant for environmental management and monitoring.