Development Credit Agreement

(Water Resources and Irrigation Sector Management Project)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 24, 2005
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 24, 2005, between the REPUBLIC OF INDONESIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter from the Borrower dated May 8, 2003, describing a program designed to strengthen the Borrower’s water resources and irrigation sector, and rehabilitate and improve the infrastructure of said sector (the Program) and declaring the Borrower’s commitment to the execution of the Program;

(B) the Borrower has requested that the Association support the Borrower’s execution of the Program through a series of credits and loans over a period of approximately 10 years to be utilized by the Borrower in the implementation of the Program;

(C) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, which Project forms the first phase of the Program, has requested the Association to assist in the financing of the Project;

(D) the Borrower has also requested the International Bank for Reconstruction and Development (the Bank) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank (the Loan Agreement), the Bank is making a loan to the Borrower in the amount of forty five million Dollars ($45,000,000) (the Loan);

(E) the Borrower has requested assistance from the Kingdom of The Netherlands (The Netherlands) to provide additional assistance towards the financing of the Project and by an agreement of even date herewith between the Borrower and the Bank, acting as administrator (the Grant Agreement) of certain grant trust funds on behalf of The Netherlands, The Netherlands through the Bank is making a grant to the Borrower in the amount of fourteen million Dollars ($14,000,000) (the Grant);

(F) the Borrower and the Association intend, to the extent practicable, that:
   (i) the proceeds of the Grant provided for in the Grant Agreement be disbursed on account of eligible expenditure categories under the Project before disbursements of the Credit provided for in this Agreement and of the Loan provided for in the Loan Agreement are made for the same eligible expenditure categories; and
   (ii) the proceeds of the Credit provided for in this Agreement be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan provided for in the Loan Agreement are made; and
WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows.

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the following modification (the General Conditions), constitute an integral part of this Agreement: Section 6.03(c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

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

(a) “A.1-Sub-Project” means a specific project carried out or to be carried out under Part B.3 of the Project to implement those components of an Annual Work Plan that concern the maintenance, rehabilitation and/or improvement of those parts of an irrigation system within a Participating Kabupaten for which said Kabupaten has either: (i) operational, maintenance, rehabilitation, improvement and funding responsibility pursuant to Water Law - UU 7/2004; or (ii) operational, maintenance, rehabilitation and improvement responsibility pursuant to a co-management arrangement between itself and MPW or the government of the Province in which said Kabupaten is situated, which project is: (X) carried out or to be carried out by a Kabupaten-level Dinas-PU; and (Y) eligible for financing out of an A1-Sub-Project Funding Allocation in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(b) “A1-Sub-Project Funding Allocation” means a funding allocation made or proposed to be made by the Borrower out of the proceeds of the Credit to a Participating Kabupaten government in respect of an A.1-Sub-Project in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(c) “A.2-Sub-Project Kabupaten-WUAF Contract” means the contract to be entered into between a Participating Kabupaten and a WUAF in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement setting out the responsibilities and undertakings of said WUAF in respect of those activities under an
approved A.2-Sub-Project which the relevant Annual Work Plan identifies are to be carried out by said WUAF.

(d) “A.2-Sub-Project” means a specific project carried out or to be carried out under Part B.3 of the Project to implement those components of an Annual Work Plan that concern the maintenance, rehabilitation and/or improvement of the irrigation system within a Participating Kabupaten, to be carried out by a WUAF, which project is eligible for financing out of an A.2-Sub-Project Funding Allocation in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(e) “A.2-Sub-Project Funding Allocation” means a funding allocation made or proposed to be made by the Borrower out of the proceeds of the Credit to a Participating Kabupaten in respect of a A.2-Sub-Project in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(f) “Annual Work Plan” means the annual plan of a NPIU, a Participating Province or Participating Kabupaten-level government, pertaining to the scheduling and specification of the activities to be funded under Parts A and B of the Project, prepared in accordance with the Project Management Manual and the provisions of paragraph 5 of Schedule 4 to this Agreement.

(g) “APBD” means the budget of a local government within the territory of the Borrower.

(h) “B.1-Sub-Project Funding Allocation” means a funding allocation made or to be made by the Borrower under Part B.3 of the Project out of the proceeds of the Credit to a Province-level Dinas PU in a Participating Province in respect of a B.1-Sub-Project in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(i) “B.1-Sub-Project” means a specific project carried out or to be carried out under Part B.3 of the Project to implement those components of an Annual Work Plan that concern the maintenance, rehabilitation and/or improvement of the irrigation system within a Participating Province, to be carried out by a Province-level Dinas, which project is eligible for financing out of a B.1-Sub-Project Funding Allocation in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(j) “B.2-Sub-Project Funding Allocation” means a funding allocation made or proposed to be made by the Borrower out of the proceeds of the Credit to a Participating Province in respect of a B.2-Sub-Project in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(k) “B.2-Sub-Project Participating Province-WUAF Contract” means the contract entered into or to be entered into between a Participating Province and a WUAF in accordance with the provisions of paragraph 10 of Schedule 4 to this Agreement.
setting out the responsibilities and undertakings of said WUAF in respect of those activities under an approved B.2-Sub-Project which the relevant Annual Work Plan identifies are to be carried out by said WUAF.

(l) “B.2-Sub-Project” means a specific project carried out or to be carried out under Part B.3 of the Project to implement those components of an Annual Work Plan that concern the maintenance, rehabilitation and/or improvement of the irrigation system within a Participating Province, to be carried out by a WUAF pursuant to a B.2-Sub-Project Participating Province-WUAF Contract, which project is eligible for financing out of a B2-Sub-Project Funding Allocation in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

(m) “Balai PSDA” means a provincial basin management unit, established by a Perda of a DPRD of a Province.

(n) “BAPEDALDA” means the Borrower’s regional Environmental Management Office in Participating Provinces and Participating Kabupaten, and any successor thereto.

(o) “BAPPEDA” means the Borrower’s regional Development Planning Agency in Participating Provinces and Participating Kabupaten, and any successor thereto.

(p) “BAPPENAS” means the National Planning Agency of the Borrower and any successor thereto.

(q) “BWRC” means a Basin Water Resources Management Council or Committee, as the case may be, an entity within a Participating Province to be established (pursuant to a decree of the Province Governor) under Part A.1 of the Project, and which Committee includes stakeholder representation.

(r) “CDMU” means the Central Dam Monitoring Unit within MPW, responsible for monitoring the safety of dams under the management responsibility of MPW.

(s) “Central Government-Province/Kabupaten MOU” means a memorandum of understanding, entered into or to be entered into pursuant to the provisions of paragraph 9 of Schedule 4 to this Agreement between the Central Government and a Participating Province or Participating Kabupaten, as the case may be, proposing to carry out A.1-, A.2-, B.1- and B.2-Sub-Projects within said Province or the geographical territory of said Kabupaten pursuant to the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement, that includes the terms set out in Part 4 of Annex B to said Schedule 4.
(t) “Community Organizers” means persons with: (i) expertise in the facilitation and development of initiatives among or within local communities; and (ii) familiarity of local or regional cultural and social economic characteristics, assigned to work with water users to facilitate the development of WUAFs under Parts B.1 and 3 of the Project.

(u) “Dinas Pertanian” means an agricultural department in Participating Provinces and Participating Kabupatens and any successor thereto.

(v) “Dinas PUP” means a public works department or a water management department or an irrigation department in Participating Provinces and Participating Kabupatens, and any successor thereto.

(w) “Displaced Person” means a person who, on account of the execution of the Project, (including, without limitation, any Sub-Project) has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person, and “Displaced Persons” means, collectively, all such Displaced Persons.

(x) “DMU” means the Dam Monitoring Unit within a Balai PSDA or Province Dinas PUP, responsible for the routine maintenance and monitoring of publicly owned dams.

(y) “DPRD” means the provincial legislative assembly of each of the Project Participating Provinces or the local legislative assembly of each Participating Kabupaten, as the case may be.

(z) “DSC” means the Dam Safety Commission, a national dam safety regulatory body established by Ministerial Decree 60/KPTS/M/2003 of the Minister of MPW, responsible for management oversight of dam safety assurance and certification of dams in Indonesia.

(aa) “DSU” means the Dam Safety Unit within the DSC, responsible for developing regulatory criteria for dam safety, for dam safety inspections and for technical clearances for the certification of dams.

(bb) “Eligible Categories” means Categories 1 through 9 set forth in the table in paragraph 1 of Part A of Schedule 1 to this Agreement.

(cc) “Eligible Expenditures” means the expenditures for goods, works, training, workshops and consultants’ services referred to in Section 2.02 of this Agreement.
(dd) “Environmental Guidelines” means the guidelines adopted by the Borrower on May 5, 2003 setting forth the measures to be taken during the implementation and operation of the Project (including, without limitation, any Sub-Project) to eliminate or offset adverse environmental impacts or to reduce such impacts to acceptable levels, and setting forth the actions needed to implement such measures.

(ee) “Financial Monitoring Report” means each report prepared in accordance with Section 4.02 of this Agreement.

(ff) “Fiscal Year” means the Borrower’s fiscal year starting January 1 and ending December 31.

(gg) “Framework for Resettlement, and Acquisition of Land and Assets” means the framework adopted by the Borrower for the Project on May 13, 2003, acceptable to the Association, for the provision of compensation, rehabilitation and resettlement assistance to Displaced Persons, as such framework may be amended from time to time in agreement with the Association.

(hh) “IAIP Fund” means the Kabupaten Irrigated Agriculture Improvement Program Fund established pursuant to a decree of the Bupati of a Kabupaten, and maintained under Part B of the Project, and operated according to the guidelines set out in the Project Management Manual.

(ii) “IAIP-Sub-Project Contract” means the contract to be entered into between the Kabupaten and a WUA or a WUAF, as the case may be, in accordance with the provisions of Paragraph 10(F) of Schedule 4 to this Agreement setting out the responsibilities and undertakings of said WUA or WUAF in respect of those activities under an approved IAIP-Sub-Project which the Annual Work Plan identifies are to be carried out by said WUA or WUAF.

(jj) “IAIP-Sub-Project Funding Allocation” means a funding allocation made or proposed to be made by the Borrower under Part A.4 of the Project out of the proceeds of the Credit to a Dinas PUP in a Participating Kabupaten in respect of an eligible IAIP-Sub-Project.

(kk) “IAIP-Sub-Project” means a specific project carried out or to be carried out under Part B.4 of the Project to implement those components of an Annual Work Plan that concern the access to, and acquisition or construction of, facilities and services to support irrigated agriculture within a Participating Kabupaten, to be carried out by a WUA or a WUAF, which project is eligible for financing out of a IAIP-Sub-Project Funding Allocation in accordance with the provisions of the Project Management Manual and paragraph 10 of Schedule 4 to this Agreement.
(II) “IMEU” means the impact monitoring and evaluation unit engaged pursuant to the provisions of paragraph 13(b) of Schedule to 4 to this Agreement, responsible for providing an independent evaluation of the outcomes and impacts of the Project in all Participating Provinces and Participating Kabupaten.

(mm) “IMF” means the Irrigation Management Fund (Dana Pengelolaan Irigasi) established pursuant to a joint ministerial decree issued pursuant to the terms of Section 6.01(f) of this Agreement.

(nn) “Isolated Vulnerable People Development Framework” means the framework adopted by the Borrower on May 6, 2003, for: (i) the informed involvement of Isolated Vulnerable People, through a process of informed participation, in the design and implementation of any Sub-Project to be, or being, carried out in a location in which such people reside or use for their livelihood; and (ii) designing and implementing mitigation of any social or cultural impact of the Project (including, without limitation, any Sub-Project) on Isolated Vulnerable People carried out in a location in which such people reside or use for their livelihood; and (iii) designing and implementing mitigation measures on possible impacts of any Sub-Project which are socially and culturally acceptable to them.

(oo) “Isolated Vulnerable People” means those social groups in Indonesia that have a distinct social and cultural identity, and that are susceptible to being disadvantaged in the development process induced by the Project or any part thereof.

(pp) “Kabupaten Project Management Unit” means the Kabupaten level team established pursuant to a decree of the Bupati of a Participating Kabupaten, chaired by a representative of the BAPPEDA of the relevant Kabupaten and including representatives of the Dinas Pertanian and the Dinas PUP, and with the terms of reference described in the Project Management Manual.

(qq) “Kabupaten” means a district, an administrative division of the Borrower, within a Participating Province.

(rr) “Kabupaten-WUAF MOU” means a memorandum of understanding, entered into between a Participating Kabupaten and WUAFs proposing to carry out A.1- and A.2-Sub-Projects within the geographical territory of said Kabupaten pursuant to the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement, that includes the terms set out in Part 2 of Annex B to said Schedule 4.

(ss) “Komisi Irigasi” means an irrigation committee established and maintained under Part B of the Project, with the responsibilities set out in the Project Management Manual and in paragraph 10 of Schedule 4 to this Agreement.

(tt) “Komisi Penyuluhan” means an inter-agency agricultural extension services committee, or equivalent, established pursuant a decree of the Bupati of a
Kabupaten, and maintained under Part B of the Project, with adequate stakeholder representation, and with the responsibilities set out in the Project Management Manual and in paragraph 10 of Schedule 4 to this Agreement, based on the guidelines as applied under the Borrower’s Decentralized Agriculture and Forestry Extension Project (Loan Number 4510-IND).

(uu) “KPIU” means, for each Participating Kabupaten, a Kabupaten Project Implementation Unit established in the Dinas-PUP, BAPPEDA and/or Dinas Pertanian thereof and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement, each responsible for those Project implementation activities assigned to such entity in accordance with the provisions of the Project Management Manual, which activities include: (i) Project procurement at the Kabupaten level other than for RIM-B Sub-Projects; (ii) Project financial management activities at the Kabupaten level; and (iii) coordinating actions at the Kabupaten level to prepare projects to qualify as A-Sub-Projects and B-Sub-Projects.

(vv) “Loan Agreement” means the agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time; and such term includes the “General Conditions applicable to Loan and Guarantee Agreements” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), as applied to such agreement, and all schedules and agreements supplemental to the Loan Agreement.

(ww) “MOA” means the Ministry of Agriculture of the Borrower and any successor thereto.

(xx) “MOEnv” means the Borrower’s State Ministry of the Environment and any successor thereto.

(yy) “MOF” means the Ministry of Finance of the Borrower and any successor thereto.

(zz) “MOHA” means the Ministry of Home Affairs of the Borrower and any successor thereto.

(aaa) “MPW” means the Ministry of Public Works (formerly the Ministry of Settlement and Regional Infrastructure (Kimpraswil)) of the Borrower and any successor thereto.

(bbb) “National Coordination Team on Water Resources Management” means the team of ministers established pursuant to Presidential Decree 123 of 2001, responsible for developing and coordinating national policy affecting water resources in Indonesia.
(ccc) “National Steering Committee for Water Resources” and “NSCWR” means the inter-agency committee established pursuant to Ministerial Decree 303/M.PPN/10/2002 of the Minister of BAPPENAS, responsible for the operational and programmatic coordination of activities undertaken by government at the national and local levels affecting water resources infrastructure, and any successor thereto.

(ddd) “National Water Council” means the council responsible for the development and coordination of national policies affecting water resources in Indonesia, to be established under Part A.1 of the Project.

(eee) “NPIUs” means the National Project Implementation Units established by MPW, MOA, MOHA and MOEnv respectively, pursuant to decrees issued in accordance with the provision of Section 6.01(c) of this Agreement and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement, each responsible for carrying out those Project implementation activities assigned to such ministries in accordance with the provisions of the Project Management Manual.

(ff) “NPMU” means the National Project Management Unit established at the national level by decree no.KEP.013/D6/05/2003 issued by the National Steering Committee for Water Resources on May 12, 2003, and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement, responsible for the overall management and coordination of the Project.

(ggg) “Participating Kabupaten” means a Kabupaten that has met the eligibility criteria for carrying out, or having carried out within its geographical territory, as the case may be, an A.1-Sub-Project or an A.2-Sub-Project pursuant to the provisions of paragraph 10 of Schedule 4 to this Agreement.

(hhh) “Participating Province - WUAF MOU” means a memorandum of understanding, entered into between a Participating Province and WUAFs proposing to carry out B.2-Sub-Projects within the geographical territory of said Province pursuant to the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement, that includes the terms set out in Part 3 of Annex B to said Schedule 4.

(iii) “Participating Province-Kabupaten MOU” means a memorandum of understanding entered into between a Participating Province and Participating Kabupaten within the geographical territory of said province pursuant to the provisions of paragraph 5 of Schedule 4 to this Agreement that includes the terms set out in Part 1 of Annex B to said Schedule 4 and the arrangements for the co-management by the government of said Participating Kabupaten of certain irrigation schemes for which said Province has financial responsibility pursuant to the Water Law - UU 7/2004.

(jjj) “Participating Provinces” means the Province of Aceh, East, Central and West Java, Banten, D.I. Yogyakarta, North, West and South Sumatra, Lampung, Central and South Sulawesi, and Nusa Tenggara Timur.
(kkk) “Perda” means a regional regulation.

(III) “PJT” means a Basin Management Corporation established pursuant to a Government Regulation.

(mmm) “PPIU” means, for each Participating Province, Province Project Implementation Units established in each of the Dinas-PUP and the BAPPEDA of said Province and maintained in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement, each responsible for carrying out those Project implementation activities assigned to such departments in accordance with the Project Management Manual, which activities include: (i) Project procurement at the Province level, (ii) Project financial management activities at the Province level; and coordination of Project financial management activities at the Kabupaten level; and (iii) coordinating actions at the Province level to prepare projects to qualify as B.1, B.2, RIM-A or RIM-B -Sub-Projects, as the case may be.

(nnn) “PPSIP” means Pengembangan & Pengelolaan Sistem Irigasi Partisipatif, a national policy on irrigation to be adopted by the Government of Indonesia and based on Water Law - UU 7/2004, which policy will include certain operational provisions applicable to the Project as set forth in Annex A to Schedule 4 of this Agreement.

(ooo) “PPTPA” means a river basin water management committee, established by a decree of the Province Governor.

(ppp) “Project Management Manual” means the manual adopted by the Borrower pursuant to the provisions of paragraph 2 of Schedule 4 to this Agreement, to assist the NPMU, the NPIUs, the PPIUs, the KPIUs, Province and Kabupaten Dinas PUP, Province and Kabupaten Dinas Pertanian, the PTPAs, the PPTPAs, the WUAs and the WUAFs, in the implementation of the Project documentation, as such Project Management Manual may be amended from time to time with the prior agreement of the Association.

(qqq) “Province Project Management Unit” means the Province-level team established pursuant to a decree of the Governor of a Participating Province, chaired by a representative of the BAPPEDA of the relevant Province and including representatives of the Province-level Dinas PUP and BAPEDALDA and the Balai PSDA, and with the terms of reference described in the Project Management Manual.

(rrr) “Province” means a province, an administrative division of the Borrower.

(sss) “PTPA” means a provincial water management committee established by a decree of the Province Governor.
“PWRC” means a provincial water resources management council, within a Participating Province, to be established under Parts A.1 and A.3 of the Project and in accordance with the provisions of paragraph 5 of Schedule 4 to this Agreement.

“Report-based Disbursements” means the Borrower’s option for withdrawal of funds from the Loan Account referred to in paragraph 5 of Part A of Schedule 1 to this Agreement.

“RIM Sub-Project” means either a RIM-A Sub-Project or a RIM-B Sub-Project, and “RIM Sub-Projects” means both RIM-A Sub-Projects and RIM-B Sub-Projects.

“RIM-A Sub-Project” means a river infrastructure maintenance and rehabilitation project estimated to cost more than $15,000 equivalent, carried out or to be carried out under Part A.4 of the Project by a Province-level Dinas-PUP to implement those components of an Annual Work Program that concern the maintenance, rehabilitation and/or improvement of river basin infrastructure, which project is eligible for financing out of a RIM-A-Funding Allocation in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

“RIM-A-Sub-Project Funding Allocation” means a funding allocation made or proposed to be made by the Borrower out of the proceeds of the Credit to a Dinas PUP in a Participating Province in respect of an Eligible RIM-A-Sub-Project.

“RIM-B Sub-Project” means a river infrastructure maintenance and rehabilitation project estimated to cost $15,000 equivalent or less, carried out or to be carried out under Part A.4 of the Project by a UPTD/Balai PSDA to implement those components of an Annual Work Program that concern the maintenance, rehabilitation and/or improvement of river basin infrastructure, which project is eligible for financing out of a RIM-B-Funding Allocation in accordance with the provisions of paragraphs 5 and 10 of Schedule 4 to this Agreement.

“RIM-B-Sub-Project Funding Allocation” means a funding allocation made or proposed to be made by the Borrower out of the proceeds of the Credit to a UPTD /Balai PSDA in a Participating Province in respect of an Eligible RIM-B-Sub-Project.

“Special Account” means the account referred to in Part B of Schedule 1 to this Agreement.

“Sub-Project Funding Allocations” means RIM-Sub-Project Funding Allocations, IAIP-Sub-Project Funding Allocations, A.1-Sub-Project Funding Allocations, A.2-Sub-Project Funding Allocations, B.1-Sub-Project Funding Allocations and B.2 Sub-Project Funding Allocations collectively, or any one of said sub-project funding allocations.
“(cccc) “Sub-Projects” means A.1-Sub-Projects, A.2-Sub-Projects, B.1-Sub-Projects, B.2-Sub-Projects, IAIP-Sub-Projects and RIM-Sub-Projects collectively, or any one of said sub-projects.

(dddd) “UPTD” means Unit Pelaksanaan Teknis, an operational unit within a Dinas PUP, responsible for the implementation of river basin management activities, established through a Perda of a DPRD of a Participating Province, as a temporary administrative arrangement in the process of establishing a Balai PSDA.

(eeee) “WUA” means a Water Users Association, an autonomous association of irrigators and other water users in a specific irrigation scheme, established pursuant to registration with a Notary Public, owning accounts and empowered to raise and retain revenue, and having a democratically elected leadership.

(ffff) “WUAF” means a federated or aggregated group of WUAs.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to seventeen million nine hundred thousand Special Drawing Rights (SDR 17,900,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement: (i) for amounts paid (or, if the Association shall so agree, to be paid) by the Borrower on account of a Sub-Project Funding Allocation to meet the reasonable cost of goods, works and services required for a Sub-Project and in respect of which the withdrawal from the Credit Account is requested; and (ii) for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works, training, workshops, incremental operating costs and consultant services required for Parts A.1, A.2, A.3, A.5, B.1, B.2, B.4 and C of the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.
(b) The commitment charge shall accrue: (i) from the date sixty (60) days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on February 15 and August 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each February 15 and August 15 commencing August 15, 2013 and ending February 15, 2038. Each installment to and including the installment payable on February 15, 2023, shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid;

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date
referred to in paragraph (a) above falling six (6) months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five (5) years on such repayment of principal;

(C) if so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification; and

(D) if, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower’s economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out, or cause to be carried out, the Project, with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, water resource management, educational, and engineering practices, and with sound ecological, environmental and social standards acceptable to the Association, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants’ services required for the Project and to be financed out of
the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan for the continued achievement of the objectives of the Project; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

(i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;

(ii) furnish to the Association as soon as available, but in any case not later than six (6) months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and

(iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.
For all expenditures with respect to which withdrawals from the Credit Account were Report-based Disbursements or were made on the basis of statements of expenditure, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;

(ii) retain, until at least one (1) year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association’s representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure or the reports referred to in Part A.4 of Schedule 1 to this Agreement, as the case may be, submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower’s progress reporting obligations set out in paragraph 13 of Schedule 4 to this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

(i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;

(ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and

(iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.
(b) The first Financial Management Report shall be furnished to the Association not later than forty-five (45) days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each Financial Management Report shall be furnished to the Association not later than forty-five (45) days after each subsequent calendar quarter, and shall cover such calendar quarter.

Section 4.03. The Borrower shall make publicly available promptly after their finalization, and agrees that the Association may make publicly available, each final audit report referred to in Section 4.01 of this Article IV, promptly after its issuance by the independent auditors referred to therein.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02(l) of the General Conditions, the following additional event is specified, namely that either the joint ministerial decree on irrigation financing or the ministerial decree on the revision of mandates, tasks and functions of local government irrigation departments, in each case referred to in Section 6.01(f) of this Agreement shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Borrower to perform any of its obligations under this Agreement.

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

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

(a) each of the Loan Agreement and the Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder, except only the effectiveness of the Development Credit Agreement, have been fulfilled;

(b) the Project Management Manual, acceptable to the Association, has been adopted in accordance with the provisions of paragraph 2 of Schedule 4 to this Agreement;
(c) the NPMU, the NPIUs, the PPIUs for each of the Participating Provinces, and the KPIUs for at least (18) of the Participating Kabupaten have been established in accordance with the provisions of paragraph 1 of Schedule 4 to this Agreement;

(d) the consulting firm for project financial management services under Part C of the Project (the contract for which services are included in the plan for the selection of consultants referred to in Section II, Part D.1 of Schedule 3 to this Agreement) has been selected in accordance with the provisions of Part B of Section II of said Schedule;

(e) the relevant staff of the NPMU and the NPIUs have received financial management training in a manner satisfactory to the Association;

(f) (i) a joint ministerial decree on irrigation financing acceptable to the Association has been issued; and (ii) a ministerial decree on the revision of mandates, tasks and functions of local government irrigation departments (dinas), acceptable to the Association, has been issued;

(g) a Ministerial decree or a surat acceptable to the Association authorizing the revision of Province governors’ decrees concerning PPTPA and PTPA to provide for stakeholder representation; has been issued by MPW;

(h) a directive has been issued by the Director-General, Regional Development, of MOHA to the Governor of each Participating Province and the Bupati of each Participating Kabupaten, requiring that access in a manner that permits full and timely discharge of their mandate be provided to the auditors appointed by the Borrower pursuant to the provisions of Section 4.01(b) of this Agreement; and

(i) each Participating Province and at least 30 Kabupaten within the geographical boundaries of the Participating Provinces have, through their respective Governors and Bupati, issued a letter of intent to the National Steering Committee confirming: (i) their intent to participate in the Project; (ii) their adoption, or intent to adopt within a reasonable timeframe, of PPSIP; (iii) their adoption of a Province-Kabupaten MOU; and (iv) their commitment to apply the Project Management Manual throughout their participation in the Project.

Section 6.02. The following are specified as additional matters, within the meaning of Section 12.02(c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Environmental Guidelines, the Framework for Resettlement, and Acquisition of Land and Assets and the Isolated Vulnerable Persons Development Framework have each been adopted by the Borrower and are each legally binding upon the Borrower in accordance with the laws of the Republic of Indonesia.

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

Representative of the Borrower; Addresses

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

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

For the Borrower:

Ministry of Finance
c/o Directorate General of Treasury
Jalan Lapangan Banteng Timur 2-4
P.O. Box 1139
Jakarta 10710
Indonesia

Cable address: FINMINISTRY
Jakarta

Telex: 45799 DJMLN-IA (21) 381 2859
Facsimile: 44319 DEPKEU-IA

For the Association:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address: INDEVAS
Washington, D.C.

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: (202) 477-6391
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Jakarta, Republic of Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

By: /s/ Mulia Nasution
   Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Andrew Steer
   Authorized Representative
SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. **General**

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (Expressed in SDR Equivalent)</th>
<th>Amount of the Loan Allocated (Expressed in dollars)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works (except under Parts A.4 and B.3 of the Project)</td>
<td>100,000</td>
<td>240,000</td>
<td>80%</td>
</tr>
<tr>
<td>(2) Goods (except under Parts A.4 and B.3 of the Project)</td>
<td>1,800,000</td>
<td>4,485,000</td>
<td>100% of foreign expenditures and 80% of local expenditures</td>
</tr>
<tr>
<td>(3) Consultants’ services (except under Parts A.4 and B.3 of the Project)</td>
<td>3,060,000</td>
<td>7,620,000</td>
<td>80%</td>
</tr>
<tr>
<td>(4) Training, workshops (except under Parts A.4 and B.3 of the Project) and Incremental Operating Costs</td>
<td>5,300,000</td>
<td>13,195,000</td>
<td>100% of foreign expenditures and 80% of local expenditures</td>
</tr>
<tr>
<td>(5) RIM-A Sub-Project Funding Allocations</td>
<td>2,135,000</td>
<td>5,315,000</td>
<td>80%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount of the Credit Allocated (Expressed in SDR Equivalent)</td>
<td>Amount of the Loan Allocated (Expressed in dollars)</td>
<td>% of Expenditures to be Financed</td>
</tr>
<tr>
<td>-----------------------------------------------</td>
<td>------------------------------------------------------------</td>
<td>---------------------------------------------------</td>
<td>----------------------------------</td>
</tr>
<tr>
<td>(6) RIM-B Sub-Project Funding Allocations</td>
<td>520,000</td>
<td>1,295,000</td>
<td>80%</td>
</tr>
<tr>
<td>(7) A.1 Sub-Project Funding Allocations</td>
<td>2,020,000</td>
<td>5,030,000</td>
<td>80%</td>
</tr>
<tr>
<td>(8) A.2 Sub-Project Funding Allocations</td>
<td>1,650,000</td>
<td>4,100,000</td>
<td>80%</td>
</tr>
<tr>
<td>(9) B.1 and B.2 Sub-Project Funding Allocations</td>
<td>335,000</td>
<td>835,000</td>
<td>80%</td>
</tr>
<tr>
<td>(10) Front –end Fee</td>
<td></td>
<td>450,000</td>
<td>Amount due under Section 2.04 of the Loan Agreement</td>
</tr>
<tr>
<td>(11) Unallocated</td>
<td>980,000</td>
<td>2,435,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>17,900,000</strong></td>
<td><strong>45,000,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

2. For the purposes of this Schedule:

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

   (b) the term “local expenditures” means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

   (c) the term “incremental operating costs” means reasonable expenditures incurred by the NPMU, the NPIUs, the PPIUs and the KPIUs for staff travel (including per diem costs), staff training, communications, consumable materials, and operating costs of equipment, but excluding staff salaries and honoraria, which expenditures would not have been incurred absent the Project; and

   (d) the terms “training” and “workshops” means expenditures incurred by the Borrower in connection with the holding of training or workshops, as the case may be, under the Project, including the travel costs and per diem of: (i) the trainers and
trainees, in the case of training, and: (ii) the organizers and participants, in the case of workshops, and the rental of facilities and the acquisition of training or workshop materials, as the case may be.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding $900,000 may be made on account of payments made for expenditures before that date but after August 1, 2003.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: Sub-Project Funding Allocations; training; workshops; incremental operating costs; goods under contracts costing less than $100,000 equivalent each, works under contracts costing less than $250,000 equivalent each, contracts for the employment of consulting firms valued at less than $100,000 equivalent each and contracts for the employment of individuals costing less than $50,000 equivalent each; under such terms and conditions as the Association shall specify by notice to the Borrower.

5. The Borrower may request withdrawals from the Credit Account to be made on the basis of reports to be submitted to the Association in form and substance satisfactory to the Association, such reports to include the Report-based Disbursements and any other information as the Association shall specify by notice to the Borrower (Report-based Disbursements). In the case of the first such request submitted to the Association before any withdrawal has been made from the Credit Account, the Borrower shall submit to the Association only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Borrower may open and maintain in Dollars a special deposit account in Bank Indonesia or a commercial bank acceptable to the Association, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

   (a) if the Borrower is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

   (b) if the Borrower is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.
3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

   (a) if the Association, at any time, is not satisfied that the reports referred to in paragraph 4 of Part A of this Schedule 1 adequately provide the information required for Report-based Disbursements;

   (b) if the Association determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Borrower directly from the Credit Account; or

   (c) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of paragraph 2 of Part B of this Schedule if, at any time, the Association shall have notified the Borrower and the Guarantor of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower and the Guarantor of its determination.

6. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.
(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

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

Refunds to the Association made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Credit Agreement.
Annex A

to

SCHEDULE 1

Operation of Special Account When Withdrawals Are Not Report-based Disbursements

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of $7,000,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

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

(b) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposit into the Special Account at such intervals as the Association shall specify. Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

3. The Association shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Credit minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Credit shall have been satisfied that all such amounts remaining on
deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.
Annex B

to

SCHEDULE 1

Operation of Special Account
When Withdrawals Are
Report-based Disbursements

1. Withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Eligible Categories.

2. Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Association has determined, based on the reports referred to in Part A.4 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.
SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in attaining a strengthened water and irrigation sector by improving the performance of its water resources and irrigation sector, and rehabilitating and upgrading the infrastructure of said sector.

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

Part A: Strengthening Water Resources and River Basin Management at the National Level and in the territories of Participating Provinces and Participating Kabupaten

1. Improving water resources management and planning capacity by:

   (a) the establishment of a National Water Council and the strengthening of the DSC;

   (b) the establishment of: (i) PWRCs in each of the Participating Provinces; and (ii) BWRCs with respect to each river basin located within the territories of the Participating Provinces; and

   (c) the preparation of basin water management plans by Province level Dinas-PUPs in the Participating Provinces and by MPW;

through the provision of technical assistance, training and workshops to Province-level Dinas PUPs, UPTDs, Balai PSDAs, and other relevant national and Province-level government departments and agencies to support, inter alia, activities needed to establish the regulatory framework for water management and water infrastructure management and development, create and/or strengthen the executive secretariats of the National Water Council, the National Steering Committee for Water Resources, the PWRCs and the BWRCs; raise policy-maker and stakeholder awareness of water resource needs and issues; improve and institutionalize public consultation procedures; strengthen integrated planning capabilities, with a particular focus on the use of basin water management plans prepared under Part A.1(b) of the Project; and strengthen dam safety assurance capabilities of the DSC.

2. Strengthening river basin management capacity through the establishment of Balai PSDAs in the Participating Provinces of West, Central and East Java, Banten, DI Jogyakarta, North, West and South Sumatra, Aceh, Lampung, Central and South Sulawesi, and Nusa Tenggara Timur, and strengthening the Balai-PSDAs in all Participating Provinces, through the provision of: (a) technical assistance to support Province-level Dinas PUPs, including UPTDs and Balai PSDAs, inter alia, in: (i) the
preparation of quality assurances programs, asset management; cost accounting procedures manuals, and staff training modules; (ii) the carrying out of studies and the preparation of procedures manuals for Database/MIS systems; (iii) the preparation of programs to assume responsibility for operational hydrology and water quality measurements and the implementation of measures to improve the quality and reliability of provincial hydrological and water quality data systems; (iv) the establishment of DMUs; (v) the carrying out of flood management activities; and (vi) the carrying out of a water allocation program for the provision of more effective water allocation among users, including a pilot of water use rights/water licensing in two basins; and (b) training and workshops in respect of the above activities and responsibilities.

3. Strengthening fiscal and cost recovery policies related to river basin management within the territories of the Participating Provinces through the provision of technical assistance to Balai PSDAs, BWRCs, PJTs, PWRCs, BAPEDALDA and Province-level Dinas PUPs, including assistance in the carrying out of studies, the conducting of field work and the preparation of guidelines for needs-based budgeting, programming and budgeting.

4. Carrying out RIM-Sub-Projects for improving river basin infrastructure through the provision of RIM-Sub-Project Funding Allocations.

5. Strengthening the national capacity building network for water resources and irrigation through the provision of equipment, technical assistance (which assistance will include the preparation and delivery of training modules and the carrying out of public awareness campaigns) and training.

6. Strengthening the Borrower’s Dam Safety Assurance program through the provision of technical assistance for capacity development of the CDMU, the DSC and its DSUs, and DMUs.

7. Establishment and operationalization of a National Water Quality Monitoring Network through the provision of technical assistance, equipment and training and capacity building of Bappedaladas, UPTDs and Balai PSDAs.

Part B: Strengthening Participatory Irrigation Management in Participating Provinces and Participating Kabupatenes

1. Developing the capacity of WUAs and WUAFs in eligible Kabupatenes to participate in irrigation management systems through the provision of: (a) technical assistance and expert services to help carry out, inter alia, social economic analyses of communities within Project irrigation areas, technical and management audits, and the establishment of networks or associations of WUAFs; and (b) training and workshops to develop, inter alia, WUAF technical and administrative management skills, mechanisms for information exchange among WUAFs and an action program for the resolution of emerging constraints in meeting WUA objectives.
2. Developing the capacity of Dinas PUPs, BAPPEDA, and other relevant agencies, to manage water resources in Participating Provinces and Participating Kabupatens in a participatory manner and in conformity with the principles and policies embodied in PPSIP through the provision of: (a) technical assistance to assist, *inter alia*, in the establishment and/or development of Komisi Irigasi and Forum Daerah Irigasi, the design of training modules for communications skills and O&M skills, the adoption of agreed irrigation service levels, the preparation of asset management skills for irrigation schemes, the development of quality assurance procedures, the preparation of Dinas schedules of labor and material rates, the introduction of needs-based budgeting procedures, and the review and updating of standard designs and procedures for works; (b) expert services for activities such as the calibration of regulators and hydraulic division structures; (c) computer, transportation and communications equipment; and (d) training.

3. Carrying out A.1-Sub-Projects, A.2-Sub-Projects, B.1 Sub-Projects and B.2 - Sub-Projects through the provision of relevant Sub-Project Funding Allocations.

4. Developing irrigated agriculture support services in Participating Kabupatens with established WUAFs and carrying out IAIP Sub-Projects, through technical assistance, *(including, inter alia, integrated extension services)*, training on micro-credit, the provision of agricultural equipment the construction of rice storage and marketing facilities, and the provision of IAIP Sub-Project Funding Allocations.

**Part C: Strengthening Project Management at the National Level**

Strengthening the institutional capacity of BAPPENAS, MOF, MPW, MOA MOHA, MOEnv to carry out their respective management responsibilities under the Project, through the provision of technical assistance, office equipment and supplies and incremental operational funding.

***

The Project is expected to be completed by June 30, 2009.
SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines), the provisions of Annex A to this Schedule 3 and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods and works shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.
   
   (a) Grouping of contracts

   To the extent practicable, contracts for goods and works shall be grouped in bid packages estimated to cost $200,000 equivalent or more each.

   (b) Preference for domestically manufactured goods

   The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

   Works estimated to cost less than $500,000 equivalent per contract, up to an aggregate amount not to exceed $29,000,000 equivalent, and goods estimated to cost less than $200,000 equivalent per contract, up to an aggregate amount not to exceed $8,030,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines and in accordance with the provisions of Annex B to this Schedule 3.
2. **National Shopping**

Goods estimated to cost less than $25,000 equivalent per contract, up to an aggregate amount not to exceed $2,500,000 equivalent, may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. **Procurement of Small Works**

Works estimated to cost less than $25,000 equivalent per contract, up to an aggregate amount of $5,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from at least three (3) qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Association, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

4. **Direct Contracting**

Goods which are required to respond to natural disasters (including flooding, land slides and the impact of droughts) and costing $2,500,000 equivalent or less in the aggregate, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

5. **Force Account**

Works which are estimated to cost less than $15,000 per contract and meet the requirements of paragraph 3.8 of the Guidelines, and cost $2,500,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be carried out by force account in accordance with the provisions of said paragraph of the Guidelines.

6. **Community Participation**

Goods and works required for B-Sub-Projects and IAIP Sub-Projects that are estimated to cost less than $50,000 equivalent per contract, up to an aggregate amount not to exceed $17,500,000 equivalent, may be procured in accordance with procedures acceptable to the Association.
Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Such plan shall be updated every four (4) months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Procurement of all goods and works under the Project shall be undertaken in accordance with such procurement plan (including updates thereof) as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to:

(i) each contract for goods or works to be awarded on the basis of international competitive bidding procedures in accordance with the provisions of paragraph 1 of Part B of Section 1 of this Schedule 3;

(ii) each contract for goods estimated to cost more than $100,000 equivalent and each contract for works estimated to cost more than $250,000 equivalent;

(iii) each contract for goods to be procured on the basis of direct contracting in accordance with the provisions of paragraph 4 of Part C of Section 1 of this Schedule 3; and

(iv) (without limitation on the provisions of sub-paragraph (ii) of this paragraph 2) the first contract for goods or works estimated to cost $25,000 equivalent or more and to be awarded by each NPIU, PPIU and KPIU;

the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to goods procured on the basis of national shopping in accordance with the provisions of paragraph 2 of Section 1, Part C of this Schedule 3, and works procured on the basis of the provisions of paragraph 3 of Section 1, Part C of this Schedule 3, the following procedures shall apply:
(i) prior to the selection of any supplier or contractor, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;

(ii) prior to the execution of such contract, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and

(iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants’ services shall be procured in accordance with the provisions of Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto, the provisions of Annex A to this Schedule 3 and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants’ services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants’ services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. the short list of consultants for services estimated to cost less than $400,000 equivalent per contract may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 and footnote 8 of the Consultant Guidelines.
Part C: Other Procedures for the Selection of Consultants

1. Quality-based Selection

Services for studies may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Based on Consultants’ Qualifications

Services estimated to cost less than $100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

3. Single Source Selection

Services for studies under Parts A.2, 3, 5, B.1 and 2 of the Project and estimated to cost less than $100,000 equivalent per contract, up to an aggregate amount not to exceed $1,200,000 equivalent, may, with the Association’s prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, up to an aggregate contract value of $500,000, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; provided, however, that where services for tasks that meet the requirements of paragraphs 5.1 and 5.4 of the Consultant Guidelines, such services may be selected on a sole-source basis in accordance with the provisions of said paragraph 5.4, subject to prior approval of the Association.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection method, shall be furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every four (4) months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants’ services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.
2. Prior Review

(a) With respect to: (i) the first contract for the employment of consulting firms to be entered into by each NPIU, PPIU and KPIU to be awarded under the Project; (ii) each contract for the employment of consulting firms estimated to cost the equivalent of $100,000 or more; and (iii) each contract for the employment of consulting firms or individual consultants to be awarded on a sole-source basis in accordance with the provisions of paragraphs 3 or 4 (as the case may be) of Part C to Section II of this Schedule 3, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to: (i) the first contract for the employment of individual consultants to be entered into by each NPIU, PPIU and KPIU to be awarded under the Project; and (ii) each contract for the employment of individual consultants estimated to cost the equivalent of $50,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.
Annex A

To

SCHEDULE 3

Without limitation on the provisions of Schedule 3 to the Development Credit Agreement (Schedule 3) and of the Guidelines and the Consultant Guidelines (as such terms are defined in said schedule and referred to hereafter as the Procurement Guidelines), the following provisions shall apply in respect of goods, works and consultants’ services to be procured under the Project:

1. To ensure end-user participation in the procurement of goods, works and consultant services under the Project, the request for such goods, works or consultant services (as the case may be) to be acquired, shall be represented with observer status on the relevant procurement/selection committee. The criteria for the selection of procurement committee/selection members shall in all cases be consistent with the provisions of the Procurement Guidelines and the Project Management Manual (provided, however, that in the event of any inconsistency between the Project Management Manual and the Procurement Guidelines, the provisions of the Procurement Guidelines shall apply).

2. The annual procurement plans and consultant selection plans referred to in Section I, Part D.1 and Section II, Part D.1 of Schedule 3 and schedules, including all updates thereof; shall be made publicly available promptly after their finalization.

3. All bidding documents and requests for proposals issued in accordance with Schedule 3 shall be made available to any member of the public promptly upon request, subject only to payment of a reasonable fee to cover the cost of printing and delivery. In the case of requests for proposals, the relevant documents will only be made available after notification of award to the successful firm. Each such document will continue to be made publicly available until a year after completion of the contract entered into for the goods, works or consultants’ services in question.

4. All short lists of consultants and, in cases of pre-qualification, lists of pre-qualified contractors and suppliers shall be made available to any member of the public promptly upon request.

5. A summary of the evaluation of all bids and proposals for specific contracts shall be disclosed to all bidders and parties submitting proposals therefor, promptly after the notification of award to the successful bidder/consultant. Information in such summaries will be limited to a list of bidders/consultants, all bid prices and financial proposals as read out at public openings for bids and financial proposals, all bids and proposals declared non responsive (together with reasons for such an assessment), the name of
winning bidder/consultant and the contract price. Such summaries will be made available to any member of the public promptly upon request.

6. Contract award information for all contracts for goods and works of $100,000 equivalent or more and all contracts for consultants of $50,000 equivalent or more shall be made publicly available and published widely, and be made available to any member of the public upon request, promptly after such award.

7. A list of all contracts awarded in the three (3) months preceding the date of such request, including, with respect to each such contract, the name of the contractor/consultant selected, the contract amount, the number of bidders/makers of proposals in respect thereof, the procurement method followed and the purpose of such contract shall be made available, promptly upon request by member of the public.

8. Representatives of the end-users of goods or works being procured shall be permitted to attend public bid openings in respect thereof.
Annex B
to
SCHEDULE 3

1. General

Subject to the provisions of paragraph 3 of Section 1, Part C to Schedule 3 of this Agreement, the procedures to be followed for national competitive bidding shall be those set forth in Presidential Decree No. 80/2003 of the Republic of Indonesia with the clarifications and modifications described in the following paragraphs required for compliance with the provisions of the “Guidelines for Procurement under IBRD Loans and IDA Credits” (the Guidelines).

2. Registration

(a) Bidding shall not be restricted to pre-registered firms and shall not be a condition for participation in the bidding process.

(b) Where registration is required prior to award of contract, bidders: (i) shall be allowed a reasonable time to complete the registration process; and (ii) shall not be denied registration for reasons unrelated to their capability and resources to successfully perform the contract, which shall be verified through post-qualification.

3. Pre-qualification

Pre-qualification shall not be used for simple goods and works. Normally, post-qualification shall be used. Pre-qualification shall be required only for large or complex works with the prior ‘no objection’ of the Association. When pre-qualification shall be required:

(a) eligible bidders (both national and foreign) shall not be denied pre-qualification, and

(b) invitations to pre-qualify for bidding shall be advertised in at least one (1) widely circulated national daily newspaper a minimum of thirty (30) days prior to the deadline for the submission of pre-qualification applications.

4. Joint Ventures

A bidder declared the lowest evaluated responsive bidder shall not be required to form a joint venture or to sub-contract part of work or part of the supply of goods as a condition of award of the contract.
5. **Preferences**

   (a) No preference of any kind shall be given to national bidders.

   b) Regulations issued by a sectoral ministry, provincial regulations and local regulations, which restrict national competitive bidding procedures to a class of contractors or a class of suppliers shall not be applicable to procurement procedures under the Development Credit Agreement.

6. **Advertising**

   (a) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to twenty-four (24) hours prior the deadline for the submission of bids.

   (b) Bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee.

   (c) Bidders domiciled outside the area/district/province of the unit responsible for procurement shall be allowed to participate regardless of the estimated value of the contract.

   (d) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm declared the lowest evaluated bidder shall be given a reasonable opportunity for registering.

6. **Bid Security**

   Bid security, at the bidder’s option, shall be in the form of a letter of credit or bank guarantee from a reputable bank.

7. **Bid Opening and Bid Evaluation**

   (a) Bids shall be opened in public, immediately after the deadline for submission of bids, and if bids are invited in two (2) envelopes, both envelopes (technical and price) shall be opened at the same time.

   (b) Evaluation of bids shall be made in strict adherence to the criteria declared in the bidding documents and contracts shall be awarded to the lowest evaluated bidder.

   (c) Bidders shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.
d) No bidder shall be rejected merely on the basis of a comparison with the owner’s estimate and budget ceiling without the Association’s prior concurrence.

8. Rejection of Bids

(a) All bids shall not be rejected and new bids solicited without the Association’s prior concurrence.

(b) When the number of responsive bids is less than three (3), rebidding shall not be carried out without the Association’s prior concurrence.
SCHEDULE 4

Implementation Program

The provisions of this Schedule shall apply for the purposes of Section 3.01(b) of this Agreement.

1. The Borrower shall: (a) maintain until completion of the Project, with terms of reference acceptable to the Association, the NSCWR and the NPMU; and (b) establish and thereafter maintain, or cause to be established and thereafter maintained, as the case may be, until completion of the Project, with terms of reference acceptable to the Association; (i) the NPIUs; (ii) the PPIU within each Participating Province; and (iii) by no later than December 31, 2005, each of:

   (a) the KPIU within each Participating Kabupaten;

   (b) the Kabupaten Project Management Unit and the Province Project Management Unit for each Participating Kabupaten and Participating Province respectively; and

   (c) the PWRC and BWRC within each Participating Province.

The Borrower shall also provide, or cause to be provided, as the case may be, each unit referred to in this paragraph 1 at all times with adequate funds and other resources, and with qualified and experienced personnel in adequate numbers, acceptable to the Association and in all cases as shall be necessary to accomplish its terms of reference and objectives.

2. The Borrower, through the NSCWR, shall adopt and thereafter cause the NPMU, the NPIUs, and each PPMU, PPIU, KPMU and KPIU, and each of the Participating Provinces and Participating Kabupatens (through a Surat Keputusan) to apply, a Project Management Manual acceptable to the Association for the carrying out of the Project or their respective responsibilities therefore, as the case may be. Such Project Management Manual shall include the description of *inter alia*:

   (i) The institutional arrangements for carrying out the Project, including, without limitation: (a) the terms of reference of those entities referred to in paragraph 1 above of this Schedule 4; and (b) the responsibilities of BAPPEDAs, BAPEDALDAs and Dinas PUPs and Dinas Pertanian in the Participating Provinces and Participating Kabupatens, Balai PSDAs and PJTs under Part A.4 of the Project, Komisi Irigasi under Part B of the Project, and Community Organizers and WUAFs under Parts B.1 and B.3 of the Project;
(ii) the procurement procedures set out in Schedule 3 to this Agreement and in the Annex thereto;

(iii) standard procurement documentation;

(iv) reporting requirements, financial management procedures and audit procedures as set out in Article 4 of this Agreement; and

(v) the Project Performance Indicators set out in Schedule 5 to this Agreement.

The Project Management Manual shall also set forth, _inter alia:

(a) the eligibility criteria and procedures for Provinces and Kabupatens to become Participating Provinces and Participating Kabupatens, which criteria shall include: (i) a formal commitment to provide adequate counterpart funds for Project activities; (ii) a formal written assurance that adequate funds for routine operation and maintenance will be provided for water and irrigation infrastructure within said Provinces or Kabupatens, as the case may be; and (iii) a formal commitment to transparency in budget allocation and use, including committing to the participation of stakeholders as observers in all tendering procedures under the Project; submitting to Bupatis only such proposed Annual Work Plans as have been endorsed by the Kabupaten Komisi Irigasi, the publication of Annual Work Plans and financial overviews relating thereto; and the provision of access to the NPMU, the IMEU, and all relevant official national and Province-level audit agencies, to all data and information pertaining to the Project;

(b) the requirements for preparing and processing Annual Work Plans, including the requirements for timely public consultations in the preparation process; and

(c) the eligibility requirements, and preparation, appraisal and selection procedures, for Sub-Projects, which requirements and procedures are to include: (i) arrangements for, and the carrying out of, timely public and stakeholder consultations; (ii) technical standards and design criteria; and (iii) the standards and criteria set out in the Environmental Plan, the Land Acquisition and Resettlement Guidelines and the Isolated Vulnerable People Development Framework.

Except as the Association may otherwise agree, the Borrower shall not amend, suspend, abrogate or waive the Project Management Manual or any part thereof.

3. For the purposes of carrying out the Project, the Borrower shall, through NPMU: (a) furnish to the Association, not later than November 1 in each year, commencing November 1, 2005, for review and approval, an annual work program for the Project (and, commencing November 1, 2006, a report reviewing performance of the annual work program of the year to date) for the following year, based, in respect of Parts A and B of the Project, upon the annual work plans referred to in paragraph 5 of this Schedule 4, for the implementation of the Project in the following year; and (b) afford the
Association a reasonable opportunity to exchange views with the Borrower on said program and, thereafter, promptly take all actions necessary to implement said program, taking into account the views of the Association on the matter.

4. The Borrower shall cause all training components under the Project to be carried out in accordance with an overall training program acceptable to the Association, which program shall be prepared by NPMU by no later than November 1, 2005, and included in the Annual Work Plans of the Participating Provinces and Participating Kabupatens.

5. The Borrower shall:

   (a) cause each Participating Province and Participating Kabupaten to prepare and furnish to the NSCWR by not later than September 1 in each year, commencing September 1, 2005, for the following Fiscal Year, for its review an Annual Work Plan, which shall include:

      (i) a detailed description of: (x) the activities under Parts A and B of the Project that such Participating Province or Participating Kabupaten, as the case may be, proposes to undertake in the following Fiscal Year; and (y) the proposed Sub-Project or Sub-Projects to be undertaken the following Fiscal Year for which it is seeking a Sub-Project Funding Allocation, locations and the activities to be undertaken (which description is to include timelines, an economic feasibility analysis, proposed social and environmental safeguards, and, where appropriate, Gantt charts);

      (ii) the proposed budget allocation for (x) each activity and (y) each line item activity pertaining to each proposed Sub-Project, described pursuant to sub-paragraphs (i) (x) and (y) of this paragraph 5 respectively;

      (iii) a breakdown of the amounts for each line item to be financed from the Credit proceeds and the corresponding amount of counterpart funding to be provided from either national, Province or Kabupaten fiscal sources, or, in the case of proposed A.2- and B.2-Sub-Projects, the counterpart contribution of said WUAFs intending to participate in said sub-project;

      (iv) with respect to each annual work plan submitted by a Participating Province that includes proposals for carrying out B.1- and B.2-Sub-Projects, confirmation that a Participating Province-Kabupaten MOU between such Participating Province and each Participating Kabupaten intending to participate in such sub-projects has been entered into in respect of said proposed Sub-Project; and
(v) with respect to each annual work plan submitted by a Participating Kabupaten that includes proposals for A.1- and A.2-Sub-Projects under which certain activities are to be carried out by WUAFs, confirmation that a Kabupaten-WUAF MOU has been entered into between said Kabupaten and each such WUAF in respect of said proposed Sub-Project;

(b) furnish to the Association by no later than October 15 in each year, commencing October 15, 2005, for its comments and clearance the Annual Work Plans referred to in sub-paragraph (a) of this paragraph 5;

(c) exchange views in a timely manner with each Participating Province and Participating Kabupaten on the proposed Annual Work Plans submitted by said province and kabupaten, taking into account the comments, if any, provided by the Association thereon;

(d) by no later than December 1 of each year, commencing December 1, 2005, confirm to each Participating Province and Participating Kabupaten those Annual Work Plans submitted by said provinces and kabupaten pursuant to sub-paragraph (a) of this paragraph 5, as such may have been modified by said provinces and kabupatens pursuant to the exchange of views referred to in sub-paragraph (c) of this paragraph 5, which are approved for inclusion in the Project in the following Fiscal Year (which approval shall, in the case of Sub-Projects, only be provided in accordance with the provisions of paragraph 10 of this Schedule 4); and

(e) thereafter cause the approved Annual Work Plans to be carried out in accordance with their provisions, including the provision of counterpart funding from local revenues and from national fiscal transfers.

6. In carrying out Part A.1(a) of the Project, the Borrower shall ensure that by no later than December 31, 2006: (a) each PWRC and BWRC is established in accordance with the criteria and the mandate established for this purpose in the Project Management Manual and with a membership that includes appropriate representation of all relevant stakeholders; and (b) the Governor of each Participating Province has taken all such actions as may be necessary to provide for appropriate stakeholder representation in the PWRC and BWRC pursuant to the provisions of the surat referred to in Section 6.01(g) of this Agreement.

7. In carrying out Part A.1(b) of the Project, the Borrower shall ensure that the planning activities by MPW and the planning unit in the Dinas PUP of each Participating Province are in conformity with the provisions of the Project Management Manual and include:

(a) the use of public consultation procedures in plan formulation, and
(b) a timely process for the review of proposed basin water management plans and programs by the relevant PWRCs and BWRCs or equivalent institutions.

8. A UPTD or Balai-PSDA, as the case may be, shall only be eligible to: (a) receive assistance under Part A.2 of the Project; and (b) carry out RIM-Sub-Projects under Part A.4 of the Project, where:

(a) a Perda has been enacted for the establishment of a Dinas PUP that includes said UPTD or Balai PSDA, as the case may be, and a decree on the staffing of said UPTD or Balai PSDA has been issued by the relevant Governor;

(b) an appropriate program for upgrading the skills of staff of said UPTD or Balai PSDA has been prepared;

(c) the relevant Participating Province has formally committed APBD resources for the financing of the staff and the basic operation of said UPTD or Balai PSDA; and

(d) A chief for said UPTD or Balai PSDA has been accorded financial and executive powers under a 'satuan kerja' issued in accordance with Minister of Finance Regulation No. 606/PMK.06/2004 and No. 571/PMK.06/2004 and their Implementation Guidelines, in order to facilitate planning, programming, budgeting and implementation in line with the relevant Annual Work Plan approved in accordance with the provisions of paragraph 5 of this Schedule 4.

9. For the purposes of carrying out Part B of the Project, the Borrower shall:

(a) cause each Participating Province, acting through the Governor thereof, to enter into, and thereafter maintain in effect, a Province-Kabupaten MOU with each Kabupaten within said province, which MOU shall include terms consistent with those specified in Part 1 of Annex B to this Schedule 4; and

(b) acting through MPW, enter into, and thereafter maintain in effect, a Central Government-Provence/Kabupaten MOU with each Participating Province and with each Participating Kabupaten, each of which MOU shall include terms consistent with those specified in Part 4 of Annex B to this Schedule 4.

10. For the purposes of carrying out Parts A.4 and B.3 of the Project, the Borrower shall: ensure that the following actions have been taken and eligibility criteria have been applied for the financing of proposed Sub-Projects through Sub-Project Funding Allocations:
(A) For RIM-A Sub-Projects:

(i) the Participating Province within whose geographical boundaries the proposed Sub-Project is to be carried out shall have adopted, through a Surat Keputusan of the Governor, the Project Management Manual, confirming, inter alia, the application of the provisions of said manual to all RIM-A-Sub-Project activities which the Dinas PUP of said province or a UPTD or Balai PSDA established by a Perda of said province intends to carry out and to the use of all RIM-A-Sub-Project Funding Allocation resources which are made available to it; and

(ii) such proposed RIM-A-Sub-Project shall have: (a) been endorsed by the Dinas PUP of the relevant Participating Province as being of strategic or economic priority; (b) been formally allocated an adequate O&M budget by said UPTD or Balai PSDA; and (c) been reviewed and recommended by the relevant BWRC.

(B) For RIM-B-Sub-Projects:

(i) the UPTD or Balai PSDA in whose jurisdiction the proposed Sub-Project is to take place shall have adopted, through a Surat Keputusan of the Head of the Dinas-PUP of the relevant Province, the Project Management Manual, confirming its commitment to apply the provisions of said manual to all RIM-B-Sub-Project activities which it intends to carry out and to the use of all RIM-B-Sub-Project Funding Allocation resources which are made available to it; and

(ii) such proposed RIM-B-Sub-Project shall have been: (a) endorsed by the relevant UPTD or Balai PSDA as being of strategic or economic priority; and (b) formally allocated an adequate O&M budget in respect thereof by the UPTD or Balai PSDA.

(C) For A.1-Sub-Projects:

(i) Each Participating Kabupaten within whose geographical boundaries the proposed Sub-Project is to take place shall have:

(a) adopted, through a Surat Keputusan of the Bupati of said Kabuten, the Project Management Manual, confirming the application of the provisions of said manual to all A.1-Sub-Project activities within the geographical boundaries of said Kabupaten and to the use of A.1-Sub-Project Funding Allocation resources;

(b) through the Bupati, entered into a Participating Province-Kabupaten MOU with the Participating Province within whose geographical boundaries said Kabupaten is located;
(c) adopted, the PPSIP principles set forth in Annex A to this Schedule 4 through the issuance of a surat keputusan from the Bupati of said Kabupaten; and

(d) formally established a Komisi Irigasi and appointed all members thereof by the issuance of a Surat Keputusan by the Bupati, of which members no less than one third shall be representatives of WUAs/WUAFs of such Kabupaten.

(ii) The proposed Annual Work Plan for the proposed A1-Sub-Project shall have received the endorsement of said Komisi Irigasi for it to be eligible for funding out of a A1-Sub-Project Funding Allocation.

D. For A.2-Sub-Projects:

(i) The Participating Kabupaten within whose geographical boundaries the proposed A.2-Sub-Project is to take place shall:

(a) have ensured that each of the measures described in section (C)(i) above of this paragraph 10 of Schedule 4 to this Agreement have been taken;

(b) through the Bupati, have entered into: (i) a Kabupaten-WUAF MOU with each WUAF that intends to participate in a A.2-Sub-Project for which a A.2-Sub-Project Funding Allocation is being requested, which terms include the terms set out in Part 2 of Annex B to this Schedule 4; and (ii) a A.2-Sub-Project Contract with each said WUAF which is legally binding on the parties according to its terms and pursuant to which, inter alia, the WUAF commits to the application of all relevant provisions of the Project Management Manual, including the principles of participatory design and participatory construction described therein;

(c) have ensured that the WUA intending to participate in said Sub-project has made such arrangements for making available in a timely manner the counterpart funds required for such Sub-Project as such are identified in the Kabupaten-WUAF MOU; and

(d) have ensured that an IMF has been established through the issuance of a surat keputusan by the Bupati of said Kabupaten.

(ii) The proposed Annual Work Plan for the proposed A.2-Sub-Project must have received the endorsement of the Komisi Irigasi for the Participating Kabupaten
within whose geographical boundaries it is to take place for it to be eligible for funding out of a A.2-Sub-Project Funding Allocation.

(E) For B.1 Sub-Projects:

(i) The Participating Province within whose geographical boundaries the proposed B.1-Sub-Project is to take place shall have:

(a) adopted, through a Surat Keputusan of the Governor; (i) the Project Management Manual, confirming the application of the provisions of said manual to all B-Sub-Project activities and to the use of B-Sub-Project Funding Allocation resources; and (ii) the PPSIP;

(b) entered into a Province-Kabupaten MOU with each Kabupaten in whose territory the activities for the proposed B.1-Sub-Project are to take place; and

(c) formally established a Komisi Irigasi and appointed all members thereof through the issuance of a surat keputusan by its Governor, of which members no less than one third shall be representatives of WUAs/WUAFs.

(ii) The proposed Annual Work Plan for the proposed B.1-Sub-Project must have received the endorsement of the Komisi Irigasi of each Participating Province and each Participating Kabupaten within whose geographical boundaries it is to take place for it to be eligible for funding out of a B.1-Sub-Project Funding Allocation.

(F) For B.2-Sub-Projects:

(i) The Participating Province within whose geographical boundaries the proposed B.2-Sub-Project is to take place shall:

(a) have ensured that each of the measures described in section (C)(i) above of this paragraph 10 of Schedule 4 to this Agreement have been taken;

(b) through its Governor, have entered into: (i) a Participating Province-WUAF MOU with each WUAF that intends to participate in a B.2-Sub-Project for which a B.2-Sub-Project Funding Allocation is being requested, which terms include the terms set out in Part 2 of Annex B to this Schedule 4; and (ii) a B.2-Sub-Project Participating Province-WUAF Contract with each said WUAF which is legally binding on the parties according to its terms and pursuant to which, inter alia, the
WUAF commits to the application of all relevant provisions of the Project Management Manual, including the principles of participatory design and participatory construction described therein;

(c) have ensured that the WUA intending to participate in said Sub-project has made such arrangements for making available in a timely manner the counterpart funds required for such Sub-Project as such are identified in the Participating Province-WUAF MOU; and

(d) have ensured that an IMF has been established through the issuance of a surat keputusan by the Governor of said Province;

(ii) The proposed Annual Work Plan for the proposed B2-Sub-Project must have received the endorsement of the Komisi Irigasi for the Participating Province and the Participating Kabupatens within whose geographical boundaries it is to take place for it to be eligible for funding out of a B.2-Sub-Project Funding Allocation.

(G) For IAIP-Sub-Projects:

(i) The Participating Kabupaten within whose geographical boundaries the proposed IAIP-Sub-Project is to take place shall:

(a) have adopted, through a Surat Keputusan of the Bupati of said Kabupaten, the Project Management Manual, confirming the application of the provisions of said manual to all IAIP-Sub-Project activities within the geographical boundaries of said Kabupaten and to the use of IAIP-Sub-Project Funding Allocation resources;

(b) formally established a Komisi Penyuluhan and appointed all members thereof by the issuance of a Surat Keputusan by the Bupati, of which members no less than one third shall be representatives of WUAFs of such Kabupaten;

(c) established an IAIP Fund through the issuance of a surat keputusan by the Bupati of said Kabupaten; and

(d) through the Bupati, have entered into an IAIP-Sub-Project Contract with each WUAF or WUA that seeks to receive an IAIP-Sub-Project Funding Allocation, which is legally binding on the parties according to its terms and pursuant to which, inter alia, the WUAF commits to the application of all relevant provisions of the Project Management Manual, including the
principles of financial contribution, participatory design and participatory construction described therein.

The proposed IAIP-Sub-Project must have received the endorsement of the Komisi Penyuluhan for the Participating Kabupaten within whose geographical boundaries it is to take place for it to be eligible for funding out of a IAIP-Sub-Project Funding Allocation.

11. Without limitation upon the provisions of paragraph 10 above of this Schedule 4 and the requirements of the Project Management Manual, the Borrower shall further ensure that a Sub-Project proposal shall only be eligible for financing out of the proceeds of a Sub-Project Funding Allocation:

(a) where such sub-project proposal is determined by the Borrower on the basis of the guidelines and criteria set out in the Project Management Manual, to be technically feasible, economically warranted and cost effective, and to have been designed on the basis of appropriate water resources indicators and priorities;

(b) for which such sub-project proposal has been prepared in compliance with the Environmental Plan;

(c) for which sub-project proposal the Borrower has, where the acquisition of land or assets or the displacement of any person is unavoidable, made or caused to be made available to all Displaced Persons under such sub-project proposal, before the works are carried out which would result in such acquisition or displacement, compensation in accordance with principles and guidelines set out in the Framework for Resettlement and Acquisition of Land and Assets; and

(d) for which sub-project proposal, concerned Isolated Vulnerable People, if any, have been involved, through a process of informed participation, in its design in compliance with the Isolated Vulnerable People Development Guidelines.

12. The Borrower shall, in respect of all activities to be implemented at the level of a Participating Kabupaten or a Participating Province, apply the national government’s flow of funds mechanism whereby all Credit proceeds withdrawn from the Credit Account in respect of expenditures for such activities shall be transferred from the national government budget to the local government budget of the said Participating Kabupaten or Participating Province.

13. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, satisfactory to the Association, and in accordance with the indicators set forth in Schedule 5 to this Agreement and with the Project Management Manual, the carrying out of the Project and the achievement of the objectives thereof;
(b) engage, by no later than January 1, 2006, and thereafter retain consultants to constitute the IMEU, with terms of reference acceptable to the Association for the purpose of carrying out impact monitoring and evaluation of the Project;

(c) ensure that the IMEU shall have access in a timely manner to all documents it considers necessary for the discharge of its responsibilities pursuant to its terms of reference, including all financial records pertaining to the Project maintained at the Province and Kabupaten level, and to such end, shall obtain by no later than September 30, 2006, a formal letter from the Governor of each Participating Province and the Bupati of each Participating Kabupaten undertaking to ensure such access is provided by all governmental entities within the jurisdiction of such province or Kabupaten.

(d) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, by May 1 and November 1 of each year, commencing May 1, 2006, and until completion of the Project, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 13, on the progress achieved in the carrying out of the Project during the preceding six (6) months and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the six months following such date, which measures shall include: (i) in each report due by November 1 in any year, a detailed procurement plan for carrying out the Project during the next fiscal year following the date of such report; and (ii) in each report due by May 1 in any year, an update of the detailed procurement plan for the fiscal year in which such month falls;

(e) review with the Association, on or about May 15 and November 15 of each year, commencing May 15, 2006, or such later date as the Association shall request, the report referred to in sub-paragraph (d) of this paragraph 13, and, thereafter, take all measures required to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the twelve (12) months following the date of such report, based on the conclusions and recommendations of said report and the Association’s views on the matter;

(f) by November 15, 2006, prepare under terms of reference satisfactory to the Association and furnish to the Association, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (a) of this paragraph 13, on the progress achieved in carrying out the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the remainder of the Project;

(g) review with the Association, on or about January 15, 2007, or such later date as the Association shall request, the report referred to in sub-paragraph (e) of this paragraph 13, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the
conclusions and recommendations of such report and the Association’s views on the matter; and

(h) make publicly available the report referred to in sub-paragraph (f) of this paragraph 13 at the same time it is furnished to the Association pursuant to said sub-paragraph.
Annex A
to

SCHEDULE 4

The following principles and operational procedures, based on the PSSIP, shall be followed in the Project:

(1) Participatory irrigation management and development is the implementation of irrigation management based on the active participation of farmers in decision-making and implementation related to the initiation, planning, design, construction, upgrading, operation, maintenance and rehabilitation through the federated and legalized WUAFs.

(2) Participatory irrigation management and development in the Project will be implemented through legally established WUAFs in, and Dinas PUPs of, the Participating Kabupatens and Participating Provinces.

(3) Activities under Part B of the Project are intended to include strengthening the capacity of Dinas PUPs and the WUAs and WUAFs at the level of each complete irrigation scheme. To this effect, the proceeds of the Credit will be made available under Part B of the Project, subject to the provisions of this Development Credit Agreement, to those schemes: (a) that are under the co-management authority of the Kabupaten and/or Province or are under kabupaten or provincial management; and (b) where the participatory role of WUAs and WUAFs therein has been established in accordance with the principle set out in paragraph (1) of this Annex A.

(4) The development of WUAF participation will take place in a phased manner and is intended to lead to a self reliant WUAF that, if willing and capable, will plan and implement the operation (with exclusion of possessing the keys to the irrigation gates) and maintenance tasks of the secondary and primary system within their area of jurisdiction with government support.

(5) The Kabupaten and/or Province Komisi Irigasi, with the assistance of the Kabupaten and/or Province Dinas PUP, as the case may be, will review the priority funding and Annual Work Plans, including the proposals for works under Sub-projects A1, A2, B1 and B2 from the WUAFs and the Kabupaten and Provincial Dinas PUPs, and endorse the funding and Work Plans to the Bupati and Governor.

(6) Participating Provinces and Participating Kabupatens will allocate from the IMF the budget for A.2 and B.2 Sub-Projects to cover part of the expenditures of the works carried out by WUAFs through contract, sub-contract, or on a force-account basis,
and for which works the said WUAFs are to make a contribution in cash or in kind, in accordance with the provisions of the Project Management Manual.

(7) Participating Provinces and Participating Kabupatenes will establish in the IMF a routine operation and maintenance budget from which WUAFs can receive funds on short notice for the carrying out of urgent small repairs for the effective and efficient operation of irrigation schemes.
Annex B

to

SCHEDULE 4

Part 1

For the purposes of paragraphs 5 and 9 of Schedule 4 to this Agreement, each Province-Kabupaten MOU shall include the provisions set forth below:

(a) Confirmation that the parties thereto subscribe to, and intend to implement, the process of participatory irrigation management and development set out in the PPSIP and their consequent management responsibilities (as such are to be further described in the Ministerial Decrees referred to in Section 6.01(f) of this Agreement).

(b) Confirmation that the operations and maintenance responsibilities for irrigation systems under Province-level government financing authority will be transferred promptly to Kabupaten government management.

(c) Confirmation from the Province-level government that, at the request of the Kabupaten-level government, it will agree to assume the operation and maintenance responsibilities for large scale or complex irrigation infrastructure located within the geographical boundaries of such Kabupaten.

Part 2

For the purposes of paragraphs 5 and 10 of Schedule 4 to this Agreement, each Kabupaten-WUAF MOU shall include the provisions set forth below:

(a) Confirmation that the parties thereto subscribe to, and intend to implement, the process of participatory irrigation management and development set out in the PPSIP and their consequent management responsibilities (as such are to be further described in the Ministerial Decrees referred to in Section 6.01(f) of this Agreement).

(b) Confirmation by the Kabupaten-level government that, at the request of a WUAF, the authority and responsibility for the operation (other than possessing the keys to the irrigation gates) and maintenance of irrigation systems under Kabupaten-level government management will be planned and implemented by such WUAF in accordance with and subject to the provisions of the Project Management Manual and a mutually agreed-upon schedule, provided such WUAF is capable of assuming such responsibility (as such is determined pursuant to a joint Kabupaten-WUAF assessment carried out in accordance with procedures set forth in the Project Management Manual).
(c) Confirmation from the Kabupaten-level government that adequate budget will be allocated for technical, institutional and financial support for the operation and maintenance of irrigation systems and will be implemented in accordance with the principles of PPSIP.

Part 3

For the purposes of paragraph 10 of Schedule 4 to this Agreement, each Participating Province-WUAF MOU shall include the provisions set forth below:

(a) Confirmation that the parties thereto subscribe to, and intend to implement, the process of participatory irrigation management and development set out in the PPSIP and their consequent management responsibilities (as such are to be further described in the Ministerial Decrees referred to in Section 6.01(f) of this Agreement).

(b) Confirmation by the Province-level government that, at the request of a WUAF, the authority and responsibility for the operation (other than possessing the keys to the irrigation gates) and maintenance of irrigation systems under Province-level government management will be planned and implemented by such WUAF in accordance with and subject to the provisions of the Project Management Manual and a mutually agreed-upon schedule, provided such WUAF is capable of assuming this responsibility (as such is determined pursuant to a joint Province-WUAF assessment in accordance with procedures established in the Project Management Manual).

(c) Confirmation from the Province-level government that adequate budget will be allocated for technical, institutional and financial support for the operation and maintenance of all irrigation systems in their jurisdiction in accordance with the principles of PPSIP.

Part 4

For the purposes of paragraphs 5 and 9 of Schedule 4 to this Agreement, each Central Government – Province /Kabupaten MOU shall include the provisions set forth below:

(a) Confirmation from each of the parties that they subscribe to, and intend to implement, the process of participatory irrigation management (PPSIP) as set out in the water law UU7, 2004, and supporting Government and ministerial Regulations and ministerial decrees, their consequent management responsibilities (as such are to be further described in the Ministerial Decrees referred to in Section 6.01(f) of this Agreement).

(b) Confirmation from each of the parties that: (i) irrigation systems that will be included in the Project and are under national Government authority will be transferred to the Kabupaten or Province government, together with the associated
funding therefor; and (ii) the national government’s flow of funds mechanism will be applied whereby all Credit proceeds withdrawn from the Credit Account in respect of expenditures for Project activities shall be transferred from the national government budget to the local government budget of the said Participating Kabupaten or Participating Province.
SCHEDULE 5

Performance Indicators

For Part A of the Project:

By December 31, 2006:

- The National Water Council has representative stakeholders representation, reflecting gender sensitivity, and has its Secretariat fully established, staffed, funded and operational as evidenced by the policy decisions made.

- Each PWRC has representative stakeholder representation, reflecting gender sensitivity and, where Isolated Vulnerable People are present in the relevant Province, providing a mechanism for the representation of the interests of such people, and has an appropriately staffed and funded secretariat that is appropriately functioned, as evidenced by the frequency and regularity of meetings held and the correlation between decisions made and the formal mandate of the PWRC.

- Each BWRC has representative stakeholders representation, reflecting gender sensitivity and, where Isolated Vulnerable People are present in the relevant Province, providing a mechanism for the representation of the interests of such people, and is fully functioning as evidenced by the number of meetings held, basin programs reviewed and conflict issues addressed.

- Each UPTD and Balai PSDA is established and appropriately staffed and is fully operational as determined by the UPTD and Balai PSDA annual institutional review; and at least half of all such entities are receiving 50% of their budget from the relevant Province government budget for operational costs.

- A Dinas PUP Surat Keputusan has been issued for role sharing in hydrometeorology between the relevant Dinas PUP and UPTD or Balai PSDA in each Participating Province; hydrometeorology asset management has been fully transferred from the Dinas PUP to the relevant UPTD or Balai PSDA with respect to at least 30% of the UPTDs and/or Balais PSDA participating Part A.2 of the Project; and hydrometeorology network rationalization has been fully implemented and rendered fully operational, as evidenced by the adequacy of budget allocation and hydrometric data collection in at least five (5) of the UPTDs or Balais PSDA participating in the Project.
• MPW has appropriately staffed and funded its central basin planning unit; and at least four (4) provincial planning units have been established in the relevant Dinas PUP and are appropriately staffed and funded.

• At least ten (10) universities and/or polytechnics are participating in the capacity building network established under Part A.5 of the Project; at least five (5) new modules on integrated water resource management, covering inter alia aquatic ecology and water quality, and on multi-disciplinary aspects of irrigation management, are incorporated in the educational programs of such institutions.

For Part B of the Project

By December 31, 2008:

• At least one hundred and fifty (150) WUAFs in thirty-five (35) Participating Kabupatens have presented to the relevant Komisi Irigasi proposals for IMF application endorsed by the relevant Dinas PUP, based on annual work plans and asset management profiles.

• In at least thirty-five (35) Participating Kabupatens and the relevant Komisi Irigasi has received, reviewed, evaluated and recommended at least two hundred (200) WUAF proposals for IMF funding that have been endorsed by the relevant Dinas PUP and made public its outcomes.

• At least fifteen (15) Participating Kabupaten-level governments have supplied from their APBD, the relevant IMF within their jurisdiction with at least 60,000 Rp/ha per year over the total irrigated area in their respective Kabupatens, additional to the requirements for providing counterpart budget for A.1 and A.2 -Sub-Projects.