
GRANT NUMBER 0753-INO (EF)

GRANT AGREEMENT
(Externally Financed)

(Sustainable Energy Access in Eastern Indonesia—Electricity Grid Development Program
Phase 2)

between

PT PERUSAHAAN LISTRIK NEGARA (PERSERO)

and

ASIAN DEVELOPMENT BANK

DATED December 8, 2020

INO 51114

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated Dec 8, 2020 between PT PERUSAHAAN LISTRIK NEGARA (PERSERO) ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make a loan to the Recipient from ADB's ordinary capital resources in the amount of six hundred million Dollars (\$600,000,000) for the purposes of the Program;

(B) by a Guarantee Agreement dated Dec 16, 2020 between Republic of Indonesia ("Guarantor") and ADB, the Guarantor will guarantee the Loan under the terms of the Guarantee Agreement;

(C) by an externally financed grant agreement of even date herewith between the Recipient and ADB ("JFPR Grant Agreement"), the Recipient has also applied to the Japan Fund for Poverty Reduction for a grant in the amount of three million Dollars (\$3,000,000) to be administered by ADB for the purpose of supporting social and gender impact evaluation, DLI 2 and DLI 7 of the Program, as further described in the JFPR Grant Agreement;

(D) the Recipient has applied to the Asian Clean Energy Fund ("ACEF") under the Clean Energy Financing Partnership Facility for a grant, to be administered by ADB, for purposes of supporting the achievement of DLI 5 of the Program, focusing on power generation from community-scale solar photovoltaics; and

(E) ADB has agreed to make the proceeds of the Grant from ACEF available to the Recipient upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All the provisions of ADB's Externally Financed Grant Regulations, dated 1 January 2017 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

(a) Section 2.01(l) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Grant, as described in the Grant Agreement and as



such description may be amended from time to time by agreement between ADB and the Recipient;

- (b) The term "Project" wherever it appears in the Grant Regulations shall be substituted by the term "Program".
- (c) Section 2.01(n) is deleted and the following is substituted therefor:

"Program Executing Agency" means the entity responsible for the carrying out of the Program as specified in the Grant Agreement;
- (d) The term "Project Executing Agency" wherever it appears in the Grant Regulations shall be substituted by the term "Program Executing Agency".

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

- (a) "PLTS" means *pembangkit listrik tenaga surya* (solar photovoltaic plant); and
- (b) "Table for ACEF Grant" means the table on the allocation and withdrawal of Grant Proceeds highlighted in Attachment 1 of Schedule 1.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from ACEF in the amount of three million Dollars (\$3,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall apply the proceeds of the Grant to the financing of expenditures on the Program in accordance with the provisions of this Grant Agreement.

Section 3.02. The Grant shall support the achievement of DLI 5 of the Program, focusing on power generation from community-scale solar photovoltaics.

Section 3.03. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2026 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 2 to this Grant Agreement and paragraphs 3 to 17 of Schedule 4 to the Loan Agreement.

Section 4.02. (a) The Recipient shall (i) prepare its annual financial statements in accordance with International Financing Reporting Standards or Indonesian Financial Accounting Standards; (ii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iii) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements, and the level of compliance on each financial covenant in the Loan Agreement; and (iv) furnish to ADB, no later than 1 month after approval by the relevant authority, copies of such audited financial statements and the audit report, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) In addition to the audited financial statements and audit report referred to in subsection (a), the Recipient shall furnish to ADB, no later than 6 months after the end of each related Fiscal Year: (i) a statement of Program expenditures incurred which covers the amount of the Program expenditures for the previous year(s), the current year and the cumulative amount, (ii) a statement summarizing the funding amount received for the Program, aggregated by sources of funding for the previous Fiscal Year(s), the current Fiscal Year and the cumulative amount, (iii) the auditor's opinion on the statement of Program expenditures incurred, and (iv) a management letter (which sets out the deficiencies in the internal control of the Program that were identified in the course of the audit, if any), all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(c) ADB shall disclose the annual audited financial statements for the Program and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(d) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Program and the Recipient's financial affairs where they relate to the Program with the auditors appointed pursuant to subsection (a)(ii) hereinabove, and shall

authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

Section 4.03. As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB (a) quarterly reports on the implementation of the Program, including the accomplishment of the DLIs, progress on the achievement of indicative targets as set out in PID, the carrying out of the Program Actions and the Eligible Expenditures; and (b) as ADB shall reasonably request, additional information in connection with the reports described in subsection (a) hereinabove and other information on Program implementation.

Section 4.04. The Recipient shall enable ADB's representatives to inspect the Program and any relevant records and documents.

ARTICLE V

Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

- (a) the Recipient shall have failed to perform any of its obligations under the Loan Agreement; and
- (b) the Recipient shall have failed to perform any of its obligations under the JFPR Grant Agreement.

ARTICLE VI

Effectiveness

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Loan Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Recipient, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Grant Agreement, shall have been fulfilled.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: that the Loan Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon the Recipient in accordance with its terms.

Section 6.03. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Termination

Section 7.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on the date on which the Loan Agreement terminates.

ARTICLE VIII

Miscellaneous

Section 8.01. The President Director of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

PT (Persero) Perusahaan Listrik Negara
Jl. Trunojoyo Blok M 1/135
Kebayoran Baru
Jakarta 12160, Indonesia

Facsimile Number:

(62-21) 722-1330

For ADB

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

Facsimile Numbers:

(632) 8636-2444
(632) 8636-2336.



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

PT PERUSAHAAN LISTRIK NEGARA
(PERSERO)

By

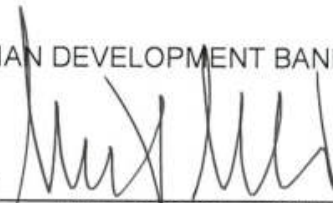


ZULKIFLI ZAINI
President Director



ASIAN DEVELOPMENT BANK

By



WINFRIED F. WICKLEIN
Country Director
Indonesia Resident Mission



SCHEDULE 1

Allocation and Withdrawal of Grant Proceeds

General

1. Except as set out in this Schedule or as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Deposit Account

2. Prior to submitting the first application to ADB for withdrawal from the Grant Account, the Recipient shall nominate a dedicated account at a commercial bank as the Deposit Account for the Grant into which all withdrawals from the Grant Account shall be deposited.

3. The Recipient shall maintain separate records in respect of the Deposit Account in accordance with accounting principles acceptable to ADB.

Basis for Withdrawal from the Grant Account

4. (a) The Table for ACEF Grant sets out the Grant amounts allocated for withdrawal in respect of a DLI upon the Recipient's achievement of the corresponding DLI targets as set out in the DLI Matrix (attached as Attachment 2 of Schedule 3 to the Loan Agreement). The years set out in the Table for ACEF Grant are indicative. They do not restrict withdrawal on account of any DLI targets achieved whether ahead of, or later than, the indicated year, provided that such DLI targets are achieved on or before the Program Completion Date.

(b) ADB may, in consultation with the Recipient, reallocate the Grant amounts set out in the Table for ACEF Grant within the same DLI or from one DLI to any other DLI.

5. Prior to submitting any application for withdrawal from the Grant Account in respect of a DLI, the Recipient shall submit to ADB in accordance with the DLI Verification Protocol satisfactory evidence showing that: (a) such DLI has been fully achieved; or (b) for a DLI for which partial disbursement is allowed (as specified in the DLI Matrix), such DLI has been achieved to the extent required for partial disbursement under the DLI Verification Protocol. Upon ADB's confirmation that the DLI has been achieved in full or in part, the Recipient may submit to ADB an application for withdrawal of the corresponding Grant amount for such DLI.

Advance Financing

6. Prior to the achievement of the DLIs, the Recipient may withdraw from the Grant Account an advance financing amount for the purposes of meeting the Program's financing requirements and supporting the achievement of such DLIs, provided that the outstanding advance financing amount shall not, at any time, exceed 25% of the Grant amount. ADB shall deduct the outstanding advance financing amount, or any portion thereof, from the Grant proceeds to be disbursed upon achievement of the DLIs.

Reconciliation

7. If any DLI has not been achieved by the Program Completion Date, the Recipient shall, within 6 months of the Program Completion Date, provide a refund to ADB for any outstanding advance financing amount or part thereof for such DLI.
8. If the total Eligible Expenditures amount to less than the Grant amount withdrawn by the Recipient, the Recipient shall provide a refund to ADB for an amount equal to the extent of the shortfall within 6 months of the Program Completion Date.



TABLE FOR ACEF GRANT

ALLOCATION AND WITHDRAWAL OF LOAN AND GRANT PROCEEDS
(\$ million)

Disbursement-Linked Indicators (DLI)	Total ADB Financing Allocation	Share (%)	Prior Results	2020	2021	2022	2023	2024	2025
Outcome									
DLI 1	150.0	25.0	-	30.0	30.0	30.0	30.0	30.0	-
DLI 2	75.0	12.5	30.0	9.0	9.0	9.0	9.0	9.0	-
2.1	60.0	10.0	25.0	7.0	7.0	7.0	7.0	7.0	
2.1 (JFPR Grant)	3.0	-	0.6	1.0	1.0	0.4	-	-	-
2.2	15.0	2.5	5.0	2.0	2.0	2.0	2.0	2.0	-
DLI 3	90.0	15.0	-	18.0	18.0	18.0	18.0	18.0	-
Outputs									
DLI 4	120.0	20.0	-	24.0	24.0	24.0	24.0	24.0	-
DLI 5	50.0	8.3	-	5.0	9.0	9.0	9.0	9.0	9.0
5.1	30.0	5.0	-	5.0	5.0	5.0	5.0	5.0	5.0
5.1 (ACEF Grant)	3.0	-	-	1.0	1.0	1.0	-	-	-
5.2	20.0	3.3	-	-	4.0	4.0	4.0	4.0	4.0
DLI 6	65.0	10.8	-	11.0	11.0	11.0	11.0	11.0	10.0
DLI 7	30.0	5.0	-	6.0	6.0	6.0	6.0	6.0	-
DLI 8	20.0	3.3	4.0	-	4.0	4.0	4.0	4.0	-
TOTAL (ACEF Grant only)	3	100	0	1.0	1.0	1.0	0	0	0

SCHEDULE 2**Execution of Program**Implementation Arrangements

1. The Recipient shall ensure that the Program is implemented in accordance with the detailed arrangements set forth in the PID. Any subsequent change to the PID shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PID and this Grant Agreement with respect to the Grant, the provisions of this Grant Agreement shall prevail.
2. The Recipient shall ensure that the aggregate amount of Eligible Expenditures under the Program is equal to or exceeds the Grant proceeds withdrawn by the Recipient for the Program. Such Eligible Expenditures are expenditures incurred under PLN's Program, but they exclude any expenditures for (a) procurement of works, goods and services from countries which are not members of ADB; (b) procurement of works, goods and services from persons or entities debarred or suspended by ADB; (c) procurement involving High-Value Contracts; (d) any activities which are classified as category A for environmental and for involuntary resettlement impact under the SPS; and (e) any activities which are prohibited investment activities provided in Appendix 5 of the SPS.

Donor-specific Covenants

3. The Recipient shall comply with the Guidance Note on Visibility of Japan as appended to the implementation guidelines for the ACEF (May 2013, as amended from time to time). In particular, the Recipient shall cause the Program Executing Agency to include the Japan Official Development Assistance logo in all relevant Project publications and on equipment or facility funded by ACEF.

