
LOAN NUMBER 4009-INO

LOAN AGREEMENT
(Ordinary Operations)

(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

**LOAN AGREEMENT
(Ordinary Operations)**

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

WHEREAS

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

(B) the Loan is to be guaranteed by the Republic of Indonesia ("Guarantor") under the terms of the Guarantee Agreement dated Dec 16, 2020 between the Guarantor and ADB;

(C) by an externally financed grant agreement of even date herewith between the Borrower and ADB ("JFPR Grant Agreement"), the Borrower 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 the Program as further described in the JFPR Grant Agreement;

(D) by an externally financed grant agreement of even date herewith between the Borrower and ADB ("ACEF Grant Agreement"), the Borrower has also applied to the Asian Clean Energy Fund under the Clean Energy Financing Partnership Facility for a grant in the amount of three million Dollars (\$3,000,000) to be administered by ADB for the purpose of the Program as further described in the ACEF Grant Agreement; and

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

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

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

The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as such description may be amended from time to time by agreement between ADB and the Borrower.

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

The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.
- (d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".
- (e) Paragraph (c) of Section 7.10 (Negative Pledge) is deleted.

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

- (a) "Anticorruption Guidelines" means ADB's Guidelines to Prevent or Mitigate Fraud, Corruption and Other Prohibited Activities in Results-Based Lending for Programs as set forth in Appendix 7 to ADB's policy on Piloting Results-Based Lending for Programs (2013);
- (b) "Deposit Account" means the account referred to in paragraph 2 of Schedule 3 to this Loan Agreement;
- (c) ~~"DLI" means each disbursement-linked indicator as set forth in the DLI Matrix;~~
- (d) "DLI Matrix" means the DLI matrix for the Program as set forth in Attachment 2 of Schedule 3 to this Loan Agreement, as updated from time to time by the Borrower and ADB;
- (e) "DLI Verification Protocol" means the protocol for verifying the Borrower's achievement of each DLI, as set forth in the PID;
- (f) "Eligible Expenditures" means the eligible expenditures referred to in paragraph 2 of Schedule 4 to this Loan Agreement;
- (g) "Environmental Safeguards" means the objectives and policy principles set forth in Chapter V of the SPS;
- (h) "Fiscal Year" means the fiscal year of the Borrower, which runs from 1 January to 31 December of each year;
- (i) "High-Value Contracts" means (i) procurement of works, turnkey and supply and installation contracts that cost \$50 million equivalent or more per contract; (ii) procurement of goods contracts that cost \$30 million



equivalent or more per contract; (iii) information technology or non-consulting services contracts that cost \$20 million equivalent or more per contract; or (iv) consulting services contracts that cost \$15 million equivalent or more per contract;

- (j) "Indigenous Peoples Safeguards" means the objectives and policy principles set forth in Chapter V of the SPS;
- (k) "Involuntary Resettlement Safeguards" means the objectives and policy principles set forth in Chapter V of the SPS;
- (l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (m) "PID" means the program implementation document for the Program dated 14 October 2020, as updated from time to time by the Borrower and ADB;
- (n) "PLN's Program" means the Borrower's program described in the Electric Power Supply Business Plan (*Rencana Usaha Penyediaan Tenaga Listrik*) 2019–2028 of the Borrower, which is supported by the Program;
- (o) "Program Action Plan" means the action plan for the Program dated 12 December 2019, as updated from time to time by the Borrower and ADB;
- (p) "Program Actions" means the actions set out in the Program Action Plan;
- (q) "Program Completion Date" means the date set out in paragraph 3 of Schedule 1 to this Loan Agreement, or such other date as the Borrower and ADB may agree;
- (r) "SPS" means ADB's Safeguard Policy Statement (2009); and
- (s) "Table" means the table on the allocation and withdrawal of Loan proceeds set forth in Attachment 1 of Schedule 3 to this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of six hundred million Dollars (\$600,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

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(b) The Loan has a principal repayment period of 15 years, and a grace period as defined in subsection (c) hereinafter.

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

Section 2.02. The Borrower shall pay to ADB interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

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

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

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 April and 15 October in each year.

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

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

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

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ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall apply the proceeds of the Loan to the financing of expenditures of the Program in accordance with the provisions of this Loan Agreement.

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

Section 3.03. The Loan Closing Date for the purposes of Section 9.02 of the Loan Regulations shall be 30 June 2026 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to this Loan Agreement.

Section 4.02. (a) The Borrower 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 of this Loan Agreement; and (v) 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 Borrower 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 actual Program expenditures versus budgeted for the previous Fiscal Year(s), the current Fiscal 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.

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(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 Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Program and the Borrower'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 Borrower, unless the Borrower shall otherwise agree.

Section 4.03. As part of the information and reports referred to in Sections 7.01 and 7.04 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB (a) quarterly reports on the implementation of the Program, including the accomplishment of the DLIs, 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 Borrower shall enable ADB's representatives to review the Program, and obtain any relevant records and documents.

Section 4.05. (a) The Borrower shall, promptly as required, take all action within its powers to maintain its corporate existence, to carry on its operations and to acquire, maintain and renew all rights, properties, powers, privileges and franchises which are necessary in the carrying out of the Program or in the conduct of its business.

(b) The Borrower shall at all times conduct its business in accordance with sound technical, financial, business and development practices, and under the supervision of competent and experienced management and personnel.

(c) The Borrower shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 4.06. Except as ADB may otherwise agree, the Borrower shall not sell, lease or otherwise dispose of any of its assets which shall be required for the efficient carrying on of its operations or the disposal of which may prejudice the ability of the Borrower to perform satisfactorily any of its obligations under this Loan Agreement.

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ARTICLE V

Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.01(m) of the Loan Regulations:

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

ARTICLE VI

Effectiveness

Section 6.01. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The President Director of the Borrower is designated as representative of the Borrower for the purposes of Section 12.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 12.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

(62-21) 722-1330

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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 Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.

PT PERUSAHAAN LISTRIK NEGARA
(PERSERO)

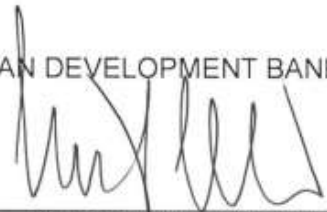
By



ZULKIFLI ZAINI
President Director

ASIAN DEVELOPMENT BANK

By



WINFRIED F. WICKLEIN
Country Director
Indonesia Resident Mission



SCHEDULE 1**Description of the Program**

1. The objective of the Program is to support the implementation of PLN's Program and enhance sustainable, equitable and reliable access to electricity for the population in Kalimantan, Maluku, and Papua.
 2. The Program shall comprise:
 - (a) strengthening and expansion of power distribution network;
 - (b) increase in renewable energy use, with the focus on power generation from solar photovoltaic, mini/micro-hydro, and small biogas plants; and
 - (c) strengthening of institutional capacity and enhancement of social monitoring.
 3. The Program is expected to be completed by 31 December 2025.
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SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Due	Installment Share (Expressed as a %)
15 April 2026	3.333333
15 October 2026	3.333333
15 April 2027	3.333333
15 October 2027	3.333333
15 April 2028	3.333333
15 October 2028	3.333333
15 April 2029	3.333333
15 October 2029	3.333333
15 April 2030	3.333333
15 October 2030	3.333333
15 April 2031	3.333333
15 October 2031	3.333333
15 April 2032	3.333333
15 October 2032	3.333333
15 April 2033	3.333333
15 October 2033	3.333333
15 April 2034	3.333333
15 October 2034	3.333333
15 April 2035	3.333333
15 October 2035	3.333333
15 April 2036	3.333333
15 October 2036	3.333333
15 April 2037	3.333333
15 October 2037	3.333333
15 April 2038	3.333333
15 October 2038	3.333333
15 April 2039	3.333333
15 October 2039	3.333333
15 April 2040	3.333333
15 October 2040	3.333343
Total	100.000000

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2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule;
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

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

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

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SCHEDULE 3

Allocation and Withdrawal of Loan Proceeds

General

1. Except as set out in this Schedule or as ADB may otherwise agree, the Loan 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 Loan Account, the Borrower shall nominate an account at a commercial bank as the Deposit Account for the Program into which all withdrawals from the Loan Account shall be deposited.

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

Basis for Withdrawal from the Loan Account

4. (a) The Table sets out the Loan amounts allocated for withdrawal in respect of a DLI upon the Borrower's achievement of the corresponding DLI targets as set out in the DLI Matrix. The years set out in the Table 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 Borrower, reallocate the Loan amounts set out in the Table within the same DLI or from one DLI to any other DLI.

5. Prior to submitting any application for withdrawal from the Loan Account in respect of a DLI, the Borrower 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 Borrower may submit to ADB an application for withdrawal of the corresponding Loan amount for such DLI.

Advance Financing and Financing for Prior Results

6. (a) Prior to the achievement of the DLIs, the Borrower may withdraw from the Loan 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 Loan amount. ADB shall deduct the outstanding advance financing amount, or any portion thereof, from the Loan proceeds to be disbursed upon achievement of the DLIs.

(b) The Borrower may withdraw from the Loan Account for DLIs achieved prior to the Effective Date but not earlier than 12 months before the date of this Loan Agreement, provided that the aggregate of such withdrawals for prior results shall not exceed 20% of the Loan amount.

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(c) The aggregate of the outstanding advance financing amount and the amount withdrawn for financing for prior results under subparagraphs (a) and (b) hereinabove shall not, at any time, exceed 30% of the Loan amount.

Reconciliation

7. If any DLI has not been achieved by the Program Completion Date, the Borrower 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 Loan amount withdrawn by the Borrower, the Borrower shall provide a refund to ADB for an amount equal to the extent of the shortfall within 6 months of the Program Completion Date.

J. Lee
Mr. Lee
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TABLE

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 (Loan only)	600.0	100*	34.0	103.0	111.0	111.0	111.0	111.0	19.0

*Total does not add up to 100 due to rounding

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

Disbursement-Linked Indicator	Baseline and Year	2020	2021	2022	2023	2024	2025
DLI 1. Expanded access to electricity services: Number of PLN customers in KMP increased to reach at least 6.77 million customers by 2024.	2018 baseline: 5.22 million customers	At least 5.94 million customers (cumulative) connected	At least 6.12 million customers (cumulative) connected	At least 6.38 million customers (cumulative) connected	At least 6.58 million customers (cumulative) connected	At least 6.77 million customers (cumulative) connected	
DLI 2. Pro-poor and gender focus: An additional 112,428 poor households provided with PLN electricity by 2024, with data disaggregated by female/male-headed household; at least 10% of households are headed by women: 2.1. All poor households Supported by JFPR grant 2.2. Poor female-headed households	2018 baseline: 0 additional poor households provided with PLN electricity. <i>Prior results:</i> PLN executes an interface module able to transfer the most recent TNP2K data on female- and male-headed households and poor households to PLN for PLN's use.	Additional poor HHs provided with PLN electricity, disaggregated by female/male-headed households: 2.1. At least 29,414 poor HHs 2.2. At least 2,941 poor female-headed households	Additional poor HHs (cumulative) provided with PLN electricity, disaggregated by female/male-headed households 2.1. At least 51,808 poor HHs 2.2. At least 5,181 poor female-headed households	Additional poor HHs (cumulative) provided with PLN electricity, disaggregated by female/male-headed households 2.1. At least 73,368 poor HHs 2.2. At least 7,337 poor female-headed households	Additional poor HHs (cumulative) provided with PLN electricity, disaggregated by female/male-headed households 2.1. At least 92,866 poor HHs 2.2. At least 9,287 poor female-headed households	Additional poor HHs (cumulative) provided with PLN electricity, disaggregated by female/male-headed households 2.1. At least 112,428 poor HHs 2.2. At least 11,243 poor female-headed households	
DLI 3. Improved reliability of services: Feeder line permanent interruptions in the distribution system reduced to less than 17.12 per 100 ckm by 2024	2018 baseline: MV feeder permanent interruptions 23.29/ 100 ckm	MV feeder permanent interruptions less than 20.58 per 100 ckm	MV feeder permanent interruptions less than 19.55 per 100 ckm	MV feeder permanent interruptions less than 18.57 per 100 ckm	MV feeder permanent interruptions less than 17.83 per 100 ckm	MV feeder permanent interruptions less than 17.12 per 100 ckm	

Disbursement-Linked Indicator	Baseline and Year	2020	2021	2022	2023	2024	2025
DLI 4. Installed length of MV distribution lines increased to reach at least 63,692 ckm by 2024.	2018 baseline: 47,639 ckm of MV distribution lines installed	At least 53,885 ckm (cumulative) of MV distribution lines installed	At least 56,685 ckm (cumulative) of MV distribution lines installed	At least 58,792 ckm (cumulative) of MV distribution lines installed	At least 61,229 ckm (cumulative) of MV distribution lines installed	At least 63,692 ckm (cumulative) of MV distribution lines installed	
DLI 5. Green energy promotion. Power generation from solar PVs (<10 MW), mini/micro-hydro (<1 MW) and small biogas plants (<100 kW) increased by 5.1. An additional 40,000 MWh annually by 2025. <i>Supported by ACEF grant</i> 5.2 A further additional 48,000 MWh annually by 2025	2018 baseline: zero additional MWh generated from solar PV, mini/micro-hydro, and small biogas plants.	(i) List of EBTKE assets to be transferred cleared by PLN (ii) Model KSO or another legal instrument with PEMDA approved by PLN Director	5.1. Additional 9,600 MWh generated from solar PV, mini/micro-hydro and small biogas plants. 5.2. Another 4,000 MWh generated from solar PV, mini/micro-hydro and small biogas plants	5.1. Additional 16,800 MWh generated from solar PV, mini/micro-hydro, and small biogas plants. 5.2. Another 12,000 MWh generated from solar PV, mini/micro-hydro and small biogas plants	5.1. Additional 25,600 MWh generated from solar PV, mini/micro-hydro, and small biogas plants. 5.2. Another 24,000 MWh generated from solar PV, mini/micro-hydro, and small biogas plants	5.1. Additional 35,200 MWh generated from solar PV, mini/micro-hydro and small biogas plants. 5.2. Another 40,000 MWh generated from solar PV, mini/micro-hydro, and small biogas plants	5.1. Additional 40,000 MWh generated from solar PV, mini/micro-hydro, and small biogas plants 5.2. Another 48,000 MWh generated from solar PV, mini/micro-hydro and small biogas plants
DLI 6. Institutional strengthening: Asset and waste management improved, with (i) 90% of used PLN-owned equipment in Kalimantan, Maluku and Papua included in the disposal inventory as of the end of 2019 safely disposed by 2025, and (ii) 25 additional warehouses holding environmental permits by 2024	2018 baseline: 0% disposal rate 0 additional warehouses with permit from DLH	(i) Inventory of used equipment for disposal as of end of 2019 prepared by UIWs (ii) 5 additional warehouses have secured the environment permit from DLH	(i) 20% of inventory of used equipment for disposal as of end-2019 approved by MSOE (ii) 10 (cumulative) additional warehouses have secured the environment permit from DLH	(i) 40% inventory of used equipment for disposal as of end-2019 approved by MSOE (ii) 20% in 2019 inventory safely disposed (iii) 15 (cumulative) additional warehouses have secured the environment permit from DLH	(i) 65% inventory of used equipment for disposal as of end-2019 approved by MSOE (ii) 40% in 2019 inventory safely disposed (iii) 20 (cumulative) additional warehouses have secured the environment permit from DLH	(i) 90% inventory of used equipment for disposal as of end-2019 approved by MSOE (ii) 65% in 2019 inventory safely disposed (iii) 25 (cumulative) additional warehouses have secured the environment permit from the DLH	(i) 100% inventory of used equipment for disposal as of end-2019 approved by MSOE (ii) 90% in 2019 inventory safely disposed



Disbursement-Linked Indicator	Baseline and Year	2020	2021	2022	2023	2024	2025
DLI 7. Consumer education: By 2024, consumer education workshops on safe and productive energy use implemented in 5 UIWs and at UP3 level, with a minimum of 30% female participation for each workshop, based on a scoring system to promote female participation <i>Supported by JFPR grant</i>	2019 baseline: 0 workshop, 0 points.	(i) Consumer training materials for safe & productive energy use developed and shared with UIW offices. (ii) One workshop in each of the 5 UIW with minimum 30% female participation. <i>Minimum points required for disbursement: 5</i>	Consumer education workshops held at each of 29 UP3 with minimum 30% female participation among consumers. <i>Cumulative points required for disbursement: 34</i>	Consumer education workshops held at each of 29 UP3 with minimum 30% female participation among consumers. <i>Cumulative points required for disbursement: 63</i>	Consumer education workshops held at each of 29 UP3 with minimum 30% female participation among consumers. <i>Cumulative points required for disbursement: 92</i>	Consumer education workshops held at UP3 level with minimum 30% female participation among consumers. <i>Cumulative points required for disbursement: 121.</i>	
DLI 8. E-Procurement and SAP systems are integrated and rolled out by 2020, and 80% of contracts in financial value are recorded in the E-Procurement-SAP integrated system by 2024.	2018 baseline: E-Proc and SAP systems are separate. <i>Prior results:</i> E-Proc and SAP are integrated.	E-Proc and SAP integrated and rolled out.	50% of contracts in financial value executed by UIW (including units under them) recorded in E-Proc+SAP system	60% of contracts in financial value executed by UIW (including units under them) recorded in E-Proc+SAP system	70% of contracts in financial value executed by UIW (including units under them) recorded in E-Proc+SAP system	80% of contracts in financial value executed by UIW (including units under them) recorded in E-Proc+SAP system	

ACEF = Asian Clean Energy Fund, ADB = Asian Development Bank, ckm = circuit kilometer, DLH = Provincial/District Environmental Agency (*Dinas Lingkungan Hidup*), DLI = disbursement-linked indicator, JFPR = Japan Fund for Poverty Reduction, KSO = *Kontrak Kerjasama Operasi* or Memorandum of Understanding, KW = kilowatt, MEMR = Ministry of Energy and Mineral Resources, MSOE = Ministry of State Owned Enterprises, MV = medium voltage, MWh = megawatt hour, PLN = State Electricity Corporation, PV = photovoltaic (system), UIW = *Wilayah* (PLN administrative region), UP3 = Area (PLN administrative unit).

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SCHEDULE 4

Execution of Program

Implementation Arrangements

1. The Borrower 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 Borrower and ADB. In the event of any discrepancy between the PID and this Loan Agreement with respect to the Loan, the provisions of this Loan Agreement shall prevail.

2. The Borrower shall ensure that the aggregate amount of Eligible Expenditures under the Program is equal to or exceeds the Loan proceeds withdrawn by the Borrower for the Program. Such Eligible Expenditures are part of the expenditures incurred under the 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 involve any significant adverse environmental or involuntary resettlement impacts, both within the meaning of the SPS; and (e) any activities which are prohibited investment activities provided in Appendix 5 of the SPS.

DLI Compliance and Program Dialogue

3. The Borrower shall ensure that all DLIs achieved under the Program continue to be complied with for the duration of PLN's Program.

4. The Borrower shall keep ADB informed of discussions with other multilateral or bilateral aid agencies that may have implications for the implementation of PLN's Program and shall provide ADB with an opportunity to comment on any resulting proposals. The Borrower shall give due consideration to ADB's views before finalizing and implementing any such proposal.

Technical Design

5. The Borrower shall ensure that all Program Actions in the area of technical design are implemented in a timely and efficient manner.

Financial Management

6. The Borrower shall ensure that all Program Actions in the area of financial management are implemented in a timely and efficient manner.

Procurement

7. The Borrower shall ensure that each contract under the Program is awarded on the basis of the Program's procurement system, having due regard for principles of competition, economy and efficiency, transparency, and fairness and equal opportunity.

8. The Borrower shall ensure that all Program Actions in the area of procurement are implemented in a timely and efficient manner.

Environmental and Social Safeguards

9. The Borrower shall ensure that all Program Actions in the area of safeguards are implemented in a timely and efficient manner.

10. (a) The Borrower shall ensure that no construction or rehabilitation works under the Program involve significant adverse environmental or involuntary resettlement impacts, both within the meaning of the SPS. Prior to commencing any construction or rehabilitation works under the Program, the Borrower shall conduct a screening to ensure that any works that may have potential significant adverse environmental or involuntary resettlement impacts within the meaning of the SPS are excluded from the Program.

(b) The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (i) all applicable laws, regulations and guidelines of the Borrower relating to environment, health and safety; (ii) the Environmental Safeguards; and (iii) all measures and requirements, including monitoring requirements set forth in the Program Action Plan.

11. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (a) all applicable laws and regulations of the Borrower relating to resettlement; (b) Involuntary Resettlement Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the Program Action Plan.

12. The Borrower shall ensure that the preparation, design, construction, implementation, operation and decommissioning of all activities under the Program comply with (a) all applicable laws and regulations of the Borrower relating to indigenous peoples; (b) Indigenous Peoples Safeguards; and (c) all measures and requirements, including monitoring requirements set forth in the Program Action Plan.

Gender

13. The Borrower shall ensure that all Program Actions in the areas of gender are implemented in a timely and efficient manner.

Financial Covenants

14. Except as ADB shall otherwise agree, the Borrower shall perform all actions necessary to ensure that, for Fiscal Year ending 31 December 2020 and for each succeeding Fiscal Year, the Borrower shall achieve a self-financing ratio of at least 15%. For the purposes of this paragraph:

- (a) the term "self-financing ratio" means the sum of cash from internal sources for the 3 consecutive previous Fiscal Years divided by the sum of capital expenditures for the same 3 consecutive previous Fiscal Years.

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- (b) the term "cash from internal sources" means the difference between:
- (i) the sum of cash flows from all sources related to operations, plus cash generated from consumer deposits and consumer advances of any kind, sale of assets, cash yield of interest on investments, and net non-operating income; and
 - (ii) the sum of all expenses related to operations, including administration, adequate maintenance and taxes and payments in lieu of taxes (excluding provision for depreciation and other non-cash operating charges), debt service requirements, all cash dividends paid and other cash distributions of surplus, increase in working capital other than cash and other cash outflows other than capital expenditures;
- (c) the term "net non-operating income" means the difference between:
- (i) revenues from all sources other than those related to operations, after making adequate provisions for uncollectible debts; and
 - (ii) expenses, including taxes and payments in lieu of taxes incurred in the generation of revenues in (i) above;
- (d) the term "working capital other than cash" means the difference between current assets excluding cash and current liabilities at the end of each Fiscal Year;
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- (e) the term "current assets excluding cash" means all other assets other than cash which could in the ordinary course of business be converted into cash within 12 months, including accounts receivable, marketable securities, inventories and prepaid expenses properly chargeable to operating expense within the next Fiscal Year;
- (f) the term "current liabilities" means all liabilities which will become due and payable or could under circumstances then existing be called for payment within 12 months, including accounts payable, customer advances, debt service requirements taxes and payments in lieu of taxes, and dividends;
- (g) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments if any) of, and interest and other charges on, debt, excluding interest charged to construction and financed from loans;
- (h) the term "capital expenditures" means all expenditures incurred on account of fixed assets, including interest charged to construction, related to operations;

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- (i) the terms "operations" or "operating" refer to all operations of the Borrower; and
- (j) whenever for the purposes of this paragraph it shall be necessary to value, in terms, of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

15. Except as ADB shall otherwise agree, the Borrower shall perform all actions necessary to ensure that it shall not incur any debt, unless its net revenues for the 12 months prior to the date of such incurrence shall be at least 1.2 times for each of its Fiscal Years beginning Fiscal Year 31 December 2020, of its estimated maximum debt service requirements for any succeeding Fiscal Year on all its debt, including the debt to be incurred. For the purposes of this paragraph:

- (a) the term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred;
- (b) debt shall be deemed to be incurred: (i) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment on the date of such contract, agreement or instrument; and (ii) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into;
- (c) the term "net revenues" means the difference between:
 - (i) the sum of revenues from all sources related to operations, after making adequate provisions for uncollectible debts, adjusted to take account of Borrower's rates. In effect at the time of the incurrence of debt even though they were not in effect during the twelve-month period to which such revenues relate and net non-operating income; and
 - (ii) the sum of all expenses related to operations including administration, adequate maintenance, taxes and payments in lieu of taxes, but excluding provision for depreciation, other non-cash operating charges and interest and other charges on debt;
- (d) the term "net non-operating income" means the difference between:
 - (i) revenues from all sources other than those related to operations; and
 - (ii) expenses including taxes and payments in lieu of taxes incurred in the generation of revenues in (i) above;

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- (e) the term "debt service requirements" means the aggregate amount of repayments (including sinking fund payments, if any) of, and interest and other charges on debt. Interest charges which are incurred in financing capital expenditures during development should be excluded, if such charges are capitalized. However, if the Borrower's policy is to meet the cost from operating income, such interest charges should be included in "debt service requirements". Lease payments under finance leases should also be included;
- (f) the terms "operations" or "operating" refer to all the operations of the Borrower; and
- (g) whenever for the purposes of this paragraph it shall be necessary to value, in terms of the currency of the Borrower, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to ADB.

16. Except as ADB shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 75 to 25. For the purpose of this paragraph, the term "debt" means any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.

17. Prior to 30 June of each Fiscal Year and on the basis of a forecast satisfactory to ADB, the Borrower shall review whether it would meet the requirements set forth in paragraphs 14 to 16 above in respect of such year and the next following Fiscal Year, and shall furnish to ADB the result of such review upon its completion.

Governance and Anticorruption

18. The Borrower shall ensure, or cause the Program Executing Agency to ensure, that the Program complies with the Anticorruption Guidelines and that all appropriate and timely measures are taken to prevent, detect and respond to allegations of fraud, corruption or any other prohibited activities relating to the Program in accordance with the Anticorruption Guidelines.

19. The Borrower shall (a) promptly inform ADB of any allegations of fraud, corruption or any other prohibited activities relating to the Program; and (b) cooperate fully with any investigation by ADB on such allegations and extend all necessary assistance, including providing access to all relevant records, for satisfactory completion of such investigation.

20. Within 90 days of the Effective Date, the Borrower shall update its public website to (a) provide information on progress of the Program; (b) post the annual audited financial statements for the Program, as such financial statements become available; and (c) disseminate other relevant information on Program implementation.