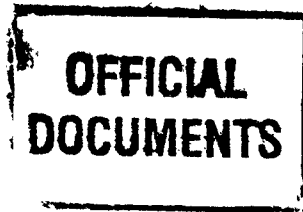


GPOBA GRANT NUMBER TF092629



*Global Partnership on Output-based Aid*

**Grant Agreement**

**(Extending Telecommunications in Rural Indonesia Project)**

**between**

**REPUBLIC OF INDONESIA**

**and**

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT**

**acting as Administrator of the Global Partnership on Output-based Aid**

**March 30 , 2009**

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**GPOBA GRANT NUMBER TF092629**

**GLOBAL PARTNERSHIP ON OUTPUT-BASED AID  
GRANT AGREEMENT**

AGREEMENT dated March 30, 2009, entered into between:

REPUBLIC OF INDONESIA (“Recipient”); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of the Global Partnership on Output-based Aid (“GPOBA”).

The Recipient and the World Bank hereby agree as follows:

**Article I  
Standard Conditions; Definitions**

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

**Article II  
The Project**

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project through the Ministry of Communications and Information Technology in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

**Article III  
The Grant**

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to one million eight hundred sixty eight thousand three hundred thirty eight United States Dollars (\$1,868,338) (“Grant”) to assist in financing the Project. The total Grant amount will be financed by the Multi-Donor Trust Fund TF070734.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

**Article IV  
Additional Remedies**

4.01. The Additional Event of Suspension referred to in Section 4.02 (i) of the Standard Conditions consists of the following: the World Bank has determined after the date on which this Agreement becomes effective that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement has been effective on the date such event occurred.

**Article V  
Effectiveness; Termination**

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied: (a) the Recipient has adopted the Operations Manual, acceptable to the World Bank including the procedures and guidelines set forth in paragraph 1 of Section I(B) of Schedule 2 to this Agreement; and (b) has provided confirmation that no new licenses or any other permits shall be required to be issued by any authority of the Recipient for the Project; and that the regulatory treatment applicable to Internet tariffs (whether fixed or wireless) shall apply to the wholesale payments by Local Entrepreneurs to Contractors.

5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article VI  
Recipient's Representative; Addresses**

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
c/o Directorate General of Debt Management  
Jalan Lapangan Banteng Timur 2-4  
Jakarta 10710, Indonesia  
Cable address:           Telex:                           Facsimile:  
FINMINISTRY           45799 DJMLN-IA           (21) 381 2859  
Jakarta                   44319 DEPKEU-IA

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	

AGREED at Jakarta, Indonesia, as of the day and year first above written.

**REPUBLIC OF INDONESIA**

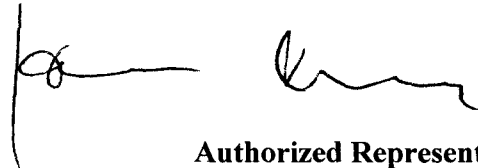
By



**Authorized Representative**  
**Name: Rahmat Waluyanto**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT /INTERNATIONAL  
DEVELOPMENT ASSOCIATION**  
Acting as administrator of the  
Global Partnership on Output-based Aid

By



**Authorized Representative**  
**Joachim von Amsberg**  
**Country Director, Indonesia**



## SCHEDULE 1

### Project Description

The objective of the Project is to pilot an output based approach to facilitate access to Internet and associated telecommunications and data services in districts (*kecamatan*) in the Project Area through competitive bidding for lowest-subsidy.

The Project consists of the following parts:

Part 1: Java Community Access Point Internet Services (Group 1)

- (a) Provision of public access Internet services at Community Access Points in approximately 112 *kecamatans* in Java by competitively selected Contractors.
- (b) Provision of training, contracting and supervision support from Contractors to Local Entrepreneurs for installation, operation, maintenance, contracting and usage monitoring and documentation for Internet access facilities.

Part 2: Sumatra Community Access Point Internet Services (Group 2)

- (a) Provision of public access Internet services at Community Access Points in approximately 110 *kecamatans* in Sumatra by competitively selected Contractors.
- (b) Provision of training, contracting and supervision support from Contractors to Local Entrepreneurs for installation, operation, maintenance, contracting and usage monitoring and documentation for Internet access facilities.

Part 3: Project Management and Supervisions Support

Provision of support for project administration, including organization of tenders, financial management, technical supervision audits and monitoring and evaluation.



## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

##### A. Institutional Arrangements

1. The Recipient shall establish and maintain, until completion of the Project, the project management team in the Ministry of Communications and Information Technology in accordance with the Operations Manual, to coordinate and oversee implementation of the Project, including procurement practices, environment implementation, fiduciary management, monitoring of Project progress, and submission of Project Reports. The Recipient shall ensure that the project management team shall be staffed by qualified and experienced personnel in adequate numbers and with terms of reference agreed by the Recipient and the World Bank, as shall be necessary to carry out its responsibilities under the Operations Manual and this Agreement.

##### B. Implementation Program

1. (a) The Recipient shall adopt and thereafter implement the Project in accordance with the Operations Manual agreed by the Recipient and the World Bank, which shall include:
  - (i) the detailed description of project implementation and activities for each Community Access Point;
  - (ii) geographical eligibility criteria;
  - (iii) the eligibility criteria for the competitive selection of Contractors for each of Group 1 Areas and Group 2 Areas, and the terms and conditions of the Service Agreements for each of Group 1 Areas and Group 2 Areas;
  - (iv) the eligibility criteria for Local Entrepreneurs for each of Group 1 Areas and Group 2 Areas, and the terms and conditions of the Local Entrepreneur Agreements between Contractors and Local Entrepreneurs which may include: (a) independent ownership by the Local Entrepreneur; (b) ownership and management by the Contractor; or (c) subcontract agreement or franchise agreement arrangements between the Contractor and the Local Entrepreneur;
  - (v) equipment specifications for Community Access Point internet facilities;
  - (vi) the mechanism for determining the subsidy per Community Access Point, including performance targets and disbursement schedule, and model forms for withdrawal applications;
  - (vii) the Project's administrative, accounting, financial, disbursement and procurement procedures;



- (viii) the Environmental Management Plan setting forth the guidelines for mitigating potential harmful effects of Project implementation including an equipment disposal plan;
  - (ix) the plan for the monitoring and supervision of the Project, including all environmental and social aspects in relation thereto; and
  - (x) the performance indicators for the Project.
- (b) In the event of any conflict between the Operations Manual and this Agreement, the terms of this Agreement shall prevail.
  - (c) The Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the Operations Manual without the prior agreement between the Recipient and the World Bank;
  - (d) The Recipient shall, subject to the prior agreement of the Recipient and the World Bank, periodically update the Operations Manual
2. The Recipient shall, prior to entering into any Service Agreement in accordance with paragraph 3 of this Section I.B enter into a contract with an Independent Verification Agent, with experience, qualifications and under terms of reference acceptable to the World Bank, to undertake monitoring and evaluation of Project implementation and to confirm Subsidy disbursement in accordance with paragraph 6 of Section I(B) of this Schedule.
3. (a) The Recipient shall undertake competitive tenders to identify Contractors for each of Group 1 and Group 2 based on bidding procedures acceptable to the World Bank.
- (b) The Recipient shall within six months of the Effective Date, or such later date as may be agreed by the Recipient and the World Bank, enter into a Service Agreement acceptable to the World Bank with a Contractor to implement Part 1 of the Project. Such Service Agreement shall require the Contractor to implement the Project in accordance with the Operations Manual.
- (c) The Recipient shall within nine months of the Effective Date, or such later date as may be agreed by the Recipient and the World Bank, enter into a Service Agreement acceptable to the World Bank with a Contractor to implement Part 2 of the Project. Such Service Agreement shall require the Contractor to implement the Project in accordance with the Operations Manual.
4. The Recipient shall ensure through the Service Agreements that each Contractor shall identify and enter into a Local Entrepreneur Agreement with each Local Entrepreneurs for the operation and maintenance of the Community Access Point Internet services and the training of the Local Entrepreneur, on terms and conditions acceptable to the World Bank and in accordance with the Operations Manual.

5. The Recipient shall ensure that the following Outputs shall be the basis for calculating Invoices for Subsidy withdrawals for each of Part 1 and Part 2 of the Project:
  - (a) upon signature of the Service Agreement contract by the relevant Contractor: 10% of the Subsidy amount;
  - (b) upon start of operations in the designated Community Access Point internet facilities, in 50% of the designated locations and at the level of quality specified in the Service Agreement, as verified by the Independent Verification Agent: 25% of the Subsidy amount;
  - (c) upon operation of the designated Community Access Point Internet facilities in up to 100% of the designated locations and at the level of quality specified in the Service Agreement, as verified by the Independent Verification Agent: 25% of the Subsidy amount;
  - (d) at the end of year two (2) of the Service Agreement, upon verification by the Independent Verification Agent of service delivered, to be measured as hours of operation, pricing schemes, quality of Internet connection and equipment specified in the Service Agreement: 20% of the Subsidy amount; and
  - (e) at the end of year three (3) of the Service Agreement, upon verification by the Independent Verification Agent of service delivered, hours of operation, pricing schemes, quality of Internet connection and equipment specified in the Service Agreement: 20% of the Subsidy amount
6. The Recipient shall ensure that (a) the Independent Verification Agent shall verify each Output in accordance with the Operations Manual; (b) applications for withdrawal of the proceeds of the Grant shall be made on the basis of verified Invoices, which shall be prepared in accordance with the Operations Manual, shall attach all supporting evidence required by the Operations Manual, and shall be calculated in accordance with the subsidy mechanism set out in the Operations Manual; and (c) withdrawals of the proceeds of the Grant are in each case made only against a properly documented Output and on the basis of a properly document Invoice in accordance with the Operations Manual.
7. The Recipient shall ensure that no new licenses or permits shall be required to be issued by any authority of the Recipient for the Project; the regulatory treatment applicable to Internet tariffs (whether fixed or wireless) shall apply to the wholesale payments by Local Entrepreneurs to Contractors; and each Service Agreement shall specify the retail tariffs to be charged by the Local Entrepreneur to the users of the Community Access Point Internet Facilities.
8. All service support appliances to be installed for the Community Access Point Internet facilities shall initially be the property of the respective Contractors and shall be transferred to the Local Entrepreneurs in accordance with the terms of the respective Service Agreements. The Recipient shall have no responsibility for service support appliances in the Community Access Point Internet Facilities.



**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports; Completion Report**

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators agreed between the Recipient and the World Bank and included in the Operations Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.
- (b) Each Project Report shall include the results of the audits performed by the Independent Verification Agent during the period of such Project Report.
2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Recipient shall prepare the Recipient's Completion Report no later than six months after the Closing Date. In addition, the Recipient shall prepare two additional reports ("Post Project Reports"), each of such scope and in such detail as the World Bank shall reasonably request, on the execution of the plan set out in the Recipient's Completion Report, and setting out measures designed to ensure the continued efficient and effective achievement of the Project's objectives. The Recipient shall furnish the Post-Project Reports to the World Bank not later than one month after of the first and second anniversaries of the Closing Date, respectively

**B. Financial Management; Financial Reports; Audits**

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one month after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.
3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.



**Section III. Procurement**

**A. General**

1. **Procurement and Consultant Guidelines.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:
  - (a) Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits published by the World Bank in May 2004 ("Procurement Guidelines") and Section I and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004 ("Consultant Guidelines"); and
  - (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines ("Procurement Plan").
2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan: (a) National Competitive Bidding, subject to the additional provisions set out in the Annex to this Schedule 2; and (b) Shopping.

**C. Particular Methods of Procurement of Consultants' Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Selection based on Consultants' Qualifications; (b) Single-source Selection; (c) Selection of Individual Consultants; and (d) Sole Source Procedures for the Selection of Individual Consultants.

**D. Review by the World Bank of Procurement Decisions**

1. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Section IV. Withdrawal of Grant Proceeds**

**A. General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of (a) Article III of the Standard Conditions, (b) this Section, and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of Grant Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Payments against Invoices for Community Access Points under Part 1 of the Project	776,477	100%
(2) Payments against Invoices for Community Access Points under Part 2 of the Project	762,611	100%
(3) Consulting Services	319,250	100%
(4) Incremental Operating Costs	10,000	100%
<b>TOTAL AMOUNT</b>	<b>1,868,338</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2011.

ANNEX

**Modifications to National Competitive Bidding**

1. Subject to the provisions of this Schedule, the procedures to be followed for national competitive bidding shall, to the extent applicable, 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 Procurement 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. Normally, post-qualification shall be used. 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 widely circulated national daily newspaper a minimum of 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 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; and
  - (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 Grant Agreement.
6. Advertising
  - (a) Invitations to bid shall be advertised in at least one widely circulated national daily newspaper allowing a minimum of 30 days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to 24 hours prior to 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; and
- (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.

7. Bid Security. Bid security, at the bidder's option, shall be in the form of a bank guarantee from a reputable bank.

8. 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 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; and
- (d) No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the World Bank's prior concurrence.

9. Rejection of Bids

- (a) Bids shall not be rejected and new bids solicited without the World Bank's prior concurrence; and
- (b) When the number of responsive bids is less than three, re-bidding shall not be carried out without the World Bank's prior concurrence.



**APPENDIX**  
**Definitions**

1. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
2. "Community Access Point" means the Internet and associated telecommunications and data services to be offered under each of Part 1 and Part 2 of the Project.
3. "Consultant Guidelines" means the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the World Bank in May 2004.
4. "Contractor" means the entity with experience in telecommunications facilities engaged on terms and conditions acceptable to the World Bank pursuant to a competitive tender process described in paragraph 3 of Section I(B) of Schedule 2 to this Agreement, and "Contractors" means the Contractor for the Group 1 Area and the Contractor for the Group 2 Area, collectively.
5. "Environmental Management Plan" means the environmental management plan, included in the Operations Manual, setting forth measure to mitigate any adverse impacts of the Project, including for equipment disposal.
6. "Group 1 Area" means each of 112 *kecamatan*s in the provinces of West Java and Banten identified in the Operations Manual in which Project activities will be carried out under Part 1 of the Project.
7. "Group 2 Area" means each of 110 *kecamatan*s in the province of Lampung identified in the Operations Manual in which Project activities will be carried out under Part 2 of the Project.
8. "Incremental Operating Costs" means operating costs required for the Project including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the Project, travel, lodging and per diems, and the portion of salaries for staff of the Recipient that have been demonstrated as being directly attributable to the Project, but excluding salaries of staff of the Government of Indonesia's civil service.
9. "Independent Verification Agent" means the consultant, to be procured by the Recipient, with experience, qualifications and under terms of reference acceptable to the World Bank, to undertake verification of each Output and Invoice and the Project implementation in Group 1 Areas and Group 2 Areas in accordance with this Agreement.
10. "Invoice" means the invoice the invoice prepared by the Recipient as part of an application for withdrawal against an Output, which invoice shall be prepared in accordance with, shall attach all supporting evidence required by, and shall be calculated in accordance with the Subsidy mechanism set out in the Operations Manual.
11. "*kecamatan*" means an administrative district of the Recipient.



12. "Local Entrepreneur" means each entity with which a Contractor makes contractual arrangements for the installation, operation and/or maintenance of Community Access Point Internet facilities as described in paragraph 4 of Section I(B) of Schedule 2 to this Agreement; and "Local Entrepreneurs" means more than one Local Entrepreneur.
13. "Local Entrepreneur Agreement" means the agreement to be entered into between a Contractor and a Local Entrepreneur setting out the contractual arrangements for the operation of the Local Entrepreneur in accordance with the Operations Manual as described in Section I.B paragraph 1(a)(iv) of Schedule 2 to this Agreement; and "Local Entrepreneur Agreements" means more than one Local Entrepreneur Agreement.
14. "Operations Manual" means the manual adopted and implemented by the Recipient setting forth the implementation rules and procedures for the Project as described in paragraph 1 of Section I(B) of Schedule 2 to this Agreement, as the same may be amended from time to time by agreement between the World Bank and the Recipient.
15. "Output" means, with respect to each Service Agreement, the outputs specified in paragraph 5 of Section I(B) of Schedule 2 to this Agreement.
16. "Project Area" means the Group 1 Areas and Group 2 Areas.
17. "Service Agreement" means each agreement on terms and conditions acceptable to the World Bank to be entered into between the Recipient and a Contractor in accordance with paragraph 2(b) of Section I(B) of Schedule 2 to this Agreement for Group 1 Areas and paragraph 2(c) of Section I(B) of Schedule 2 to this Agreement for Group 2 Areas; and "Service Agreements" means the Service Agreement for Group 1 Areas and the Service Agreement for Group 2 Areas collectively
18. "Subsidy" means the amount that each Contractor will receive for implementing its respective portion of the Project, in each case as set out in the Service Agreement between each such Contractor and the Recipient.

