

February 1, 2000

Mr. A. Anshari Ritonga
Director General of Budget
Directorate General of Budget
Ministry of Finance
Jakarta, Indonesia

Re: ASEM Trust Fund Grant for Improving Fiscal Policy Analysis
Grant TF022661

Dear Sir:

I am writing on behalf of the International Bank for Reconstruction and Development (the Bank) to indicate the Bank's agreement, as administrator of grant funds provided from the ASEM-EU Asian Financial Crisis Response Fund, to make a grant in an amount not exceeding four hundred forty thousand United States Dollars (\$440,000) (the Grant) to the Republic of Indonesia (the Recipient).

The Grant is made in response to the Recipient's request for financial assistance and for the purposes and on the terms and conditions set forth in the Annex to this Letter Agreement. The Recipient hereby confirms its request that the Bank carry out the activities described in paragraph 1 of the Annex to this Letter Agreement, and represents that it is authorized to contract the Grant for the said purposes and on the said terms and conditions.

Please confirm your agreement with the foregoing, on behalf of the Recipient, by signing, dating, and returning to us the enclosed copy of this Letter Agreement. Upon receipt by the Bank of the copy of this Letter Agreement countersigned by you, this Letter Agreement will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Mark Baird
Country Director, Indonesia
East Asia and Pacific Region

AGREED:

REPUBLIC OF INDONESIA

By /s/ A. Anshari Ritonga
Director General of Budget, Ministry of Finance

Date: April 14, 2000

ANNEX

Purposes, Terms and Conditions of the Grant

1. The purpose of the Grant is to assist the Recipient in improving the tools available for fiscal policy analysis. The activities (the Activities) for which the Grant is given are as follows:

(a) provision of advisory services in the development of a model for budget projection;

(b) provision of advisory services in the development of a set of models for fiscal policy analysis that analyses the effects of fiscal policy on the economy;

(c) provision of advisory services in the development of a macroeconomic model that allows simultaneous analysis of the effect of macroeconomic and policy variables on the budget and the effect of the budget on the economy;

(d) provision of training to staff of the Recipient's Ministry of Finance on the use of said models.

2. The Grant shall be used to finance consultants' services required for the Activities.

3. The Bank shall carry out the Activities on behalf of the Recipient. The Recipient shall cooperate with the Bank to the extent necessary to permit the Bank to carry out the Activities promptly and effectively, and to evaluate the results of the Activities. The Recipient shall indemnify the Bank against any costs or liabilities incurred by the Bank as a result of claims against the Bank in connection with the Activities, except those resulting from the gross negligence or willful misconduct of its staff or external consultants.

4. It is expected that the Activities will be completed by June 30, 2001. After that date, the Bank may at any time cancel the remaining balance of the Grant.

5. The engagement and supervision of the consultants (the Consultants) required to assist in the carrying out of the Activities shall be the responsibility solely of the Bank and shall be done according to the Bank's applicable procedures.

6. The Recipient shall be responsible for the payment of any taxes levied by, or in the territory of, the Recipient on the Consultants or any of the Consultants' personnel (other than nationals or permanent residents thereof) in connection with the Activities.

7. The Recipient may at any time request the Bank in writing to terminate the Activities. Whether or not the Recipient has made such a request, the Bank may at any time suspend or, after consultation with the Recipient, terminate the right of the Recipient to receive Grant funds for the Activities if any of the following events has occurred and is continuing: (a) the Recipient has failed to perform any of its obligations under this Letter Agreement; or (b) the right of the Recipient, or any other entity to which the Bank has made a loan with the guarantee of the Recipient, to make withdrawals under any loan agreement with the Bank or any development credit agreement with the International Development Association shall have been suspended.

8. The Bank is not an agent of, or trustee for, the Recipient and shall not have any fiduciary relationship with the Recipient. The Recipient shall have no right to any portion of the Grant that is not expended by the Bank pursuant to this Agreement.

9. The Bank shall not be obligated to expend funds under the Grant except to the extent the Bank shall have received funds in the ASEM-EU Asian Financial Crisis Response Fund from donors for this purpose.

