



Stefan G. Koeberle
Country Director, Indonesia

CONFORMED COPY

Letter No. SK-513/MDFTIC/XII/2010

December 3, 2010

Mrs. J.G.M. (Annemieke) Ruigrok
Minister Plenipotentiary and Deputy Head of Mission
Embassy of the Kingdom of the Netherlands
Jl. H.R. Rasuna Said Kav. S-3,
Kuningan, Jakarta 12950
Republic of Indonesia

Dear Mrs Ruigrok:

**Re: World Bank Trust Fund Number TF071144
Amendment No. 1 to the Administration Arrangement
Multi-donor Trust Fund for Trade and Investment
Minister's Identification Number 17091**

We are pleased to refer to the Administration Agreement, dated November 5, 2008, between the Netherlands Minister for Development Cooperation (the "Donor") and the International Bank for Reconstruction and Development ("IBRD") and the International Development Association ("IDA") (collectively referred to as the "Bank"), pursuant to which the Donor contributed to the Multi-donor Trust Fund for Trade and Investment (the Trust Fund) administered under the Minister's internal identification number 17091 and the Bank's trust fund number TF071144 a grant (the "Grant") in the amount of US\$ 6,750,000 for the benefit of the Republic of Indonesia.

The Donor and the Bank now agree to amend the Administration Agreement by amending and restating the Standard Provisions as set out in the attachment to this letter to reflect the contribution of an additional donor to the Trust Fund and certain operational and administrative changes. All other terms and conditions of the Administration Agreement remain unchanged.

Please confirm your agreement with the foregoing, on behalf of the Donor, by signing, dating, and returning to us the enclosed copy of this letter. Upon receipt by the Bank of the copy of this letter countersigned by you, the amendment set forth herein will become effective as of the date of the countersignature.

Sincerely,

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT /
INTERNATIONAL DEVELOPMENT ASSOCIATION**

Stefan G. Koeberle
Country Director, Indonesia

AGREED:

**THE MINISTER FOR EUROPEAN AFFAIRS AND INTERNATIONAL COOPERATION
OF THE NETHERLANDS**

By: /s/ Mrs. J.G.M. (Annemieke) Ruigrok

Name: Mrs. J.G.M. (Annemieke) Ruigrok

Title: Minister Plenipotentiary and Deputy Head of Mission

Date: 3 December 2010

Amended and Restated Standard Provisions Applicable to the
Multi-Donor Trust Fund for Trade and Investment

The following provisions (hereinafter referred to as the “Standard Provisions”) shall be applicable to and from an integral part of all agreements and arrangements (each, the “Arrangement”) entered into between the International Bank for Reconstruction and Development (“Bank”) and donor countries and/or organizations (hereinafter referred to as the “Donors”) that provide grants (referred to as the “Contributions”) to be administered by the Bank for the Multi-Donor Trust Fund for Trade and Investment in the Republic of Indonesia (the “Project”)

Section I.

Description of Activities and Expenditures under the Multi-Donor Trust Fund

1. **Definitions**

1.1. Unless the context otherwise requires, the several terms defined in the Administrative Arrangement have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

(a) “Bank-Executed Activities” means activities to be executed by the Bank as described in paragraphs 2.2(a)(1) and 2.2(b)(i) of this Annex;

(b) “Contribution” means any contribution or grant to the Trust Fund made by a Donor pursuant to an agreement (Arrangement) between the Bank acting as trustee of the Trust Fund and the Donor;

(c) “Coordinating Ministry for Economic Affairs” means the Coordinating Ministry for Economic Affairs of the Republic of Indonesia, and any successor thereto;

(d) “Dollar” or “\$” means the United States dollar;

(e) “Donors” means the donors signatory to this Arrangement and other donors making Contributions to the Trust Fund;

(f) “Grant” means a grant made or proposed to be made by the Bank out of the resources of the Trust Fund to support a Project, and “Grants” means more than one Grant;

(g) “Grant Agreement” means an agreement entered into, or proposed to be entered into, between the Bank and a Grant Recipient governing a Grant, and “Grant Agreements” means more than one Grant Agreement;

(h) “Grant Proposal” means a proposal for financing of a Project by the Grant Recipient presented or to be presented to the Management Committee for endorsement, and “Grant Proposals” means more than one Grant Proposal;

(i) “Grant Recipient” means the Republic of Indonesia or any agency of the Republic of Indonesia, or any non-governmental entity or academic institution, for the benefit of which any Grant has been, or is proposed to be, made, and “Grant Recipients” means more than one Grant Recipient;

(j) “MoT” means the Ministry of Trade of the Republic of Indonesia, and any successor thereto;

(k) “National Single Window” means a trade facilitation mechanism which enables exporters and importers to apply simultaneously and in a single transaction to multiple government agencies for approvals for the import or export of goods;

(l) “Operational Manual” means the Operational Manual to be approved and adopted by the Management Committee, giving details of operational guidelines and procedures governing the form and content of Grant Proposals, rules of eligibility for funding under the Trust Fund, selection criteria and approval process for Grant Recipients, approval process, terms and conditions of Grants, transfer of funds, monitoring and supervision, and reporting obligations, as such Operational Manual may be amended from time to time;

(m) “Part 1 – Trade” means the Activities set out in paragraph 2.2 (a) of this Annex;

(n) “Part 2 – Investment Climate” means the Activities set out in paragraph 2.2(b) of this Annex;

(o) “Policy Advisory Committee” means the Policy Advisory Committee referred to in paragraph 3.1 of this Annex;

(p) “Project” means one or more activities grouped in the form of a project which is the subject matter of a Grant Proposal by a Grant Recipient, and which has been, or is expected to be, endorsed by the Management Committee for financing under the Trust Fund;

(q) “Recipient-Executed Activities” means activities included in a Project, and to be executed by a Grant Recipient as described in paragraphs 2.2(a)(ii) and 2.2(b)(ii) of this Annex;

(r) “Technical Secretariat” means the Technical Secretariat referred to in paragraph 3.3 of this Annex; and

(s) “Trustee” means the Bank acting as Trustee of the Trust Fund.

2. Purpose, Description of Activities and Expenditure Categories

2.1. The purpose of the Trust Fund is to strengthen the capacity of Indonesia’s institutions to effectively and efficiently manage the challenge of improving trade competitiveness and investment climate in accordance with the Program. The objectives of the Project are (a) with respect to trade, to support the MoT and key related agencies to be more effective in the design and implementation of trade policies by providing technical advice, building staff capacity and supporting organizational reform; and (b) with respect to investment climate, to support the Coordinating Ministry for Economic Affairs and key supporting agencies in conducting reforms and building capacity.

2.2. The activities (“Activities”) for which the Contribution is provided are as follows:

(a) Part 1: Trade

(i) Bank-Executed Activities:

Provision of advice for specialist teams; advice on best practice management of human resources training and development and organizational reform; and provision of analytical and advisory support.

(ii) Recipient-Executed Activities:

Provision of technical assistance and capacity building for MoT to deliver core services, establish specialized teams, increase staff skills and improve HR management and development; support for organizational reform; and provision of studies to facilitate informed policy decisions in international and domestic trade.

(b) Part 2: Investment Climate. Priority areas will be economic regulatory reform, streamlining investment procedures, capacity building for investment policy formulation and investor problem solving, customs and port improvement, and addressing key constraints in the financial sectors.

(i) Bank-Executed Activities:

Provision of best practice advice on economic regulatory reform, and trade and investment facilitation; advice on improving financial sector structure and regulation; advice on harmonizing tax regulation across the financial sector and improving access to finance; and analytical and advisory services.

(ii) Recipient-Executed Activities:

Provision of technical assistance to support investment policy formulation and investor problem solving; support for trade and investment facilitation and the National Single Window; reform of state-owned enterprises; and an improved framework for a stronger, more diversified and inclusive financial sector.

All Bank-Executed Activities and all Recipient-Executed Activities include supervision.

2.3. Eligible Categories of Expenditure

The Contribution will be used exclusively for the financing of the following categories:

(a) For Recipient-Executed Activities: as set out in the Grant Agreements for Part 1 - Trade and Part 2 – Investment Climate; and

(b) For Bank-Executed Activities: associated overheads; consultant fees*; contractual services; equipment costs purchase**; equipment costs lease; extended term consultants*; field assignment benefits; media and workshop costs; staff costs; staff costs – no indirect costs; temporary support staff costs*; and travel***.

* Extended term consultants, short term consultants, short term temporary staff and extended term temporary staff may be financed on a full time and/or part time basis. Eligible expenditures include training for such staff necessary for the purposes of the Trust Fund.

** Equipment purchased will be handed over to the ministry utilizing such equipment by no later than the closing date of the Trust Fund referred to in Section 8.1.

*** Travel includes visa processing and accommodation.

The foregoing categories of expenditures may include the financing of taxes.

3. Management of Trust Fund Operations

3.1. Policy Advisory Committee. (a) There shall be established a Policy Advisory Committee (“PAC”) to be co-chaired by the representatives of the Coordinating Ministry for Economic Affairs and the MoT, and to include other concerned Government staff, representatives of other concerned agencies and organizations of Indonesia, representatives of Donors and representatives of the Bank, which shall meet as often as necessary and in any event not less than on an annual basis, to: (i) provide strategic guidance for activities supported under the Trust Fund; (ii) ensure coherence amongst activities supported under the Trust Fund as well as between them and other donor-funded activities; and (iii) review progress achieved both under the Trust Fund.

(b) The PAC may invite other participants from amongst other major stakeholders and the business community to participate in the PAC meetings as observers.

3.2. Management Committee. (a) There shall also be established a Management Committee to be co-chaired by representatives of the Coordinating Ministry for Economic Affairs, MoT and the Bank, and to include other concerned Government staff, representatives of other concerned agencies and organizations of Indonesia, representatives of Donors and representatives of the Bank as deemed necessary or appropriate. The membership of the Management Committee will be established at the first meeting of the Management Committee and may be changed from time to time by agreement of a meeting of the Management Committee. The Management Committee will: (i) review and adopt the Operational Manual prior to the endorsement of the first Grant Proposal; (ii) review and, where appropriate, endorse proposed Grant Recipients and Recipient-executed Grant Proposals in accordance with the Operational Manual, provided however that Grant Proposals for amounts below the threshold for Bank approval set out in the Operational Manual shall be approved by the Bank and reported in to the Donors in accordance with the Operational Manual; (iii) review progress achieved in the implementation of the Trust Fund, including Bank and Recipient-executed activities; (iv) make proposals for the dissemination of information on activities supported under the Trust Fund; and (v) generally ensure that such activities are undertaken in full compliance with applicable policies and procedures

(b) Technical staff of Donors, along with Indonesia's representatives and other stakeholders and business community representatives may be invited to participate as observers in meetings of the Management Committee.

(c) The Management Committee will determine its procedures and regulate its proceedings as set out in the Operational Manual. It will meet as often as its chairs consider necessary to conduct its business and, in any event, not less than on a semi-annual basis. Except as otherwise provided in the Operational Manual, decisions of the Management Committee will be taken by consensus.

3.3. Technical Secretariat. The Management Committee will be supported by a Technical Secretariat, consisting of a team of suitably qualified and experienced administrative and technical experts, which will be responsible for: (a) coordination and management of the work program of the Trust Fund; (b) review of the overall progress of Projects; (c) monitoring and evaluation of the Program; and (d) review of the status of disbursement of Grants.

3.4. The Bank will conduct one annual supervision mission and review of activities financed by the Trust Fund (and each Grant) in accordance with the Operational Manual. Except as may be otherwise agreed by the Management Committee, a mid-term review will be undertaken in the third year of the Trust Fund. Six months before expiry of the Trust Fund, a review will be held to decide on possible closure or extension of the Program.

4. Endorsement of Grant Proposals

4.1. The resources of the Trust Fund shall be applied to provide Grants in accordance with the Operational Manual to finance Recipient-executed activities which are of high priority, relevant to the development needs of Indonesia and consistent with the objectives of the Trust Fund.

4.2. Pursuant to the provisions of the Operational Manual, a Grant Recipient will submit a Grant Proposal to the Technical Secretariat for its preliminary review in view of onward transmittal to the Management Committee for its endorsement.

4.3. The Technical Secretariat will review such Grant Proposals, checking for consistency with eligibility requirements and compliance with relevant guidelines and procedures, and recommend action as appropriate to the Management Committee.

4.4. Upon review of a Grant Proposal, the Management Committee may opt to reject it, endorse it with or without changes, seek further particulars or propose modifications to the original Grant Proposal.

5. Additional Provisions governing Grants.

5.1. Upon the approval of a Grant Proposal to support a Project,

(a) the Bank will administer the Grant in accordance with its own policies and procedures governing fiduciary controls, procurement, and social and environmental safeguards;

(b) except in the case of Bank-Executed Activities, the Bank will enter into one or more Grant Agreements with the Grant Recipient(s) for the provision of the Grants on the terms and conditions set forth in the respective Grant Agreements;

(c) the Bank will be solely responsible for the appraisal, supervision, and monitoring and evaluation, of the Projects; and

(d) the Bank, as Trustee, will furnish copies of the Grant Agreements to the Management Committee.

Section II. Standard Provisions

1. Administration and Disbursement of the Contribution

1.1. The Bank shall be responsible only for performing those functions specifically set forth in this Arrangement and shall not be subject to any other duties or responsibilities to the Donors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Arrangement will be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

1.2. The Contribution shall be administered in accordance with the Bank's applicable policies and procedures, as the same may be amended from time to time, including its framework to prevent and combat fraud and corruption and its screening procedures to prevent the use of Bank resources to finance terrorist activity, in line with the Bank's obligations to give effect to the relevant decisions of the Security Council, taken under Chapter VII of the Charter of the United Nations. The Donor acknowledges that this provision does not create any obligations of the Bank under the anti-terrorist financing and asset control laws, regulations, rules and executive orders of an individual member country that may apply to the Donor, nor shall it be deemed a waiver, express or implied, of any of the privileges and immunities of the Bank.

2. Commingling, Exchange and Investment of the Contribution

2.1. The Grant funds shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of Bank. The Grant funds may be commingled with other trust fund assets maintained by the Bank.

2.2. The Grant funds may be freely exchanged by the Bank into other currencies as may facilitate their disbursement.

2.3. The Bank shall invest and reinvest the Grant funds pending their disbursement in accordance with the Bank's policies and procedures for the investment of trust funds administered by the Bank. The Bank will credit all income from such investment to the Trust Fund to be used for the same purposes as the Contribution funds.

2.4 When making deposits, the Donor shall instruct its bank to include in its payment detailed information (remittance advice) field of its SWIFT payment message, information indicating: the amount paid, that the payment is from the Donor for the Multi-Donor Trust Fund for Trade and Investment (TF071144) and the date of the deposit. In addition, the Donor will provide a copy of the Donor's deposit instruction to the Bank's Accounting Trust Funds Division by e-mail sent to tfremiadvice@worldbank.org or by fax sent to (202) 614-1315. The Donor will also fax a copy to the Bank's Jakarta office (+62 21 5299 3111) for the attention of the Bank's official responsible for coordination of matters related to this.

3. Administrative Cost Recovery

3.1. In order to assist in the defrayment of the costs of administration and other expenses incurred by the Bank under this Arrangement, the Bank may, following deposit of the Contribution by the Donors, deduct from the Contribution and retain for the Bank's own account an amount equal to two percent (2%) of each Contribution. In addition, the Bank may also charge the actual costs of program management/administration (fiduciary and operational reviews; and administration costs) in an amount up to a maximum of 8% of each Contribution. If additional funds are made available to the Trust Fund, corresponding additional resources will be sought for program management as per prevailing Bank rules.

4. Grants to Recipients

4.1. The Bank shall, as administrator on behalf of the Donors, enter into grant agreements (the "Grant Agreements") with the "Recipients for the provision of Contribution funds for the purposes of this Arrangement and on the terms and conditions set forth in the Grant Agreements. Grant Agreements may be entered into up to the maximum amount of the Contributions that all Donors have agreed to make available under the Administration Agreements between the Bank and the Donors. The Bank shall furnish a copy of the Grant Agreements to the Donors.

4.2. The Bank shall be solely responsible for the supervision of Project activities financed under the Grant Agreements.

If, in the Bank's opinion, an amount of the Contribution funds allocated to any of the expenditure categories specified in this Annex will be insufficient to finance the expenditures for such category, the Bank may reallocate to such category an amount of the Contribution funds then allocated to another category which, in the Bank's opinion, will not be necessary to meet other expenditures. The Bank will provide timely information to the Donors and the Management Committee about reallocations.

5. Employment of Consultants and Procurement of Goods and Services

5.1. The employment and supervision of consultants and the procurement of goods financed by the Contributions shall be the responsibility solely of the Bank and shall be carried out in accordance with its applicable policies and procedures. For Recipient-executed activities, the Grant Agreements shall provide that the Contributions shall be used by the Recipients to finance expenditures for goods and services, as the case may be, in accordance with the Bank's Guidelines on "Procurement under IBRD Loans and IDA Credits" and the Bank's Guidelines on the "Selection and Employment of Consultants by World Bank Borrowers," as in effect at the date of the Grant Agreements.

5.2. For Bank-executed activities, the employment and supervision of any consultants and the procurement of any goods financed by the Contributions shall be the responsibility of the Bank and shall be carried out in accordance with its applicable policies and procedures.

6. Accounting and Financial Reporting

6.1. The Bank will maintain separate records and ledger accounts in respect of the Contribution funds deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Bank furnish to the Donors current financial information relating to receipts, disbursements and fund balance in United States Dollars with respect to the Contribution funds via the World Bank's Trust Funds Donor Center secure website. Within six (6) months after all commitments and liabilities under this trust fund have been satisfied and the trust fund has been closed, the final financial information relating to receipts, disbursements and fund balance in United States Dollars with respect to the Contribution funds will be made available to the Donors via the World Bank's Trust Funds Donor Center secure website.

6.3. The Bank shall provide to the Donors within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole and (2) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the Bank.

6.4. If the Donors wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the trust fund established under this Arrangement, the Donors and the Bank shall first consult as to whether such an external audit is necessary. The Bank and the Donors shall agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, the Bank shall arrange for such external audit. The costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Donors.

6.5. The Bank shall provide the Donors with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements

7. Coordination and Reporting

7.1. The Bank will provide the Donors with an annual report on the progress of activities financed by the Contribution. Within six (6) months of the final disbursement date specified in paragraph 8.1 of this Annex, the Bank will furnish to the Donors a final report on activities supported under the Trust Fund.

7.2. The Bank will promptly inform the Donors of any significant modification to the terms of the Grant Agreements and of any contractual remedy that is exercised by the Bank under the Grant Agreements. To the extent practicable, the Bank will afford the Donors the opportunity to exchange views before effecting any such modification or exercising any such remedy.

7.3. Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and the Bank shall agree on the scope and conduct of such review or evaluation, and the Bank shall provide all relevant information within the limits of its policies and procedures. All associated costs shall be borne by the Donor. It is understood that any such review or evaluation will not constitute a financial, compliance or other audit of the Trust Fund.

8. Disbursement Deadline; Cancellation; Refund

8.1. It is expected that the Contribution funds will be fully disbursed by the Bank in accordance with the provisions of this Arrangement by March 30, 2013. The Bank will only disburse Contribution funds for the purposes of this Arrangement after such date with the written approval of the Donors.

8.2. Any Donor or the Bank may, upon giving three (3) months' prior notice in writing to the other, cancel all or part of the Donor's pro rata share of any remaining balance of the Contribution that is not committed pursuant to the Grant Agreements or any other agreement entered into between the Bank and any consultants and/or other third parties for the purposes of this Arrangement prior to the receipt of such notice, including the Grant Agreements.

8.3. Upon the final disbursement date specified in paragraph 8.1, the Bank shall return any remaining balance of the Contribution funds to the Donors on a pro rata basis based on the Donor's paid Contribution. In the event of cancellation of any individual Donor's pro-rata share of uncommitted Contribution funds in accordance with the foregoing paragraph, the Bank shall return such cancelled funds to the Donor.

9. Disclosure

The Bank may disclose this Arrangement and information on this trust fund in accordance with the Bank's policy on disclosure of information. By entering into this Agreement, Donors consent to disclosure of this Agreement and related information on this Trust Fund.