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RODRIGO A. CHAVES
Country Director, Indonesia

Letter No.: CD-260/WB/FCPF/XI/2016

November 23, 2016

Mr. Robert Pakpahan
Director General of Budget Financing and Risk management
Ministry of Finance
Gedung Frans Seda
Jalan DR. Wahidin Raya No. 1
Jakarta 10710 - Indonesia

Dear Mr. Pakpahan:

***Re: Republic of Indonesia: FCPF Readiness Fund Grant: REDD+ Readiness Preparation
Grant No. TF099721
Additional Financing – Amendment of Grant Agreement***

I refer to the Grant Agreement, dated May 27, 2011 (the “Grant Agreement”), as amended between the Republic of Indonesia (the “Recipient”) and the International Bank for Reconstruction and Development (the “World Bank”), acting as Trustee of the Readiness Fund for the Forest Carbon Partnership Facility (“FCPF”), regarding the above-mentioned grant.

I also refer to: (a) discussions between representatives of the Recipient and the World Bank pursuant to which the Recipient requested additional financing, an amendment to the Grant Agreement to reflect a scale-up of activities at the subnational level and an extension of Closing Date; and (b) Resolution PC/17/2014/3 of the Participants’ Committee (“PC”) of the FCPF, which decides to allocate additional grant funding of up to US\$5,000,000 for the Recipient to continue with its readiness preparation, subject to the terms and conditions set out in said Resolution.

The World Bank is pleased to inform you that, after due consideration, it has agreed to the request for additional financing and additional amendments to the Grant Agreement as set forth below.

1. The fourth paragraph of the Grant Agreement is amended to provide for the grant of an additional five million United States Dollars (US\$5,000,000) as follows:

“In response to the request for financial assistance made on behalf of the Recipient and the decision of the PC referred to above, I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as Trustee of the Readiness Fund for the FCPT (“Trustee”), agrees to extend to the Recipient a grant in an amount not to exceed eight million one hundred ninety six thousand four hundred twenty eight United States Dollars (US\$8,196,428) (“Grant”), of which three million one hundred ninety six thousand four hundred twenty eight United States Dollars (US\$3,196,428) and five million United States Dollars (US\$5,000,000) comprise the original grant and the additional grant, respectively, to assist in the financing of the carrying out of the R-PP. The Grant shall subject to the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex setting out a description of the activities to be financed (“Readiness Preparation Activities”).”

2. Section 1.01 (a) of the Annex to the Grant Agreement is amended as follows:

“1.01. *Standard Conditions*

- (a) The Standard Conditions for Grants Made by the World Bank out of Various Funds dated **February 15, 2012** (“Standard Conditions”), with the modifications set forth in paragraphs (b) and (c) below, constitute an integral part of this Agreement.”

3. Section 1.02 of the Annex to the Grant Agreement is amended and restated as indicated in the Attachment I to this amendment letter.

4. The Readiness Preparation Activities in Section 2.01 of the Annex to the Grant Agreement are amended and restated as follows:

“The Readiness Preparation Activities are as follows:

(a) Analytical Activities

Development of national policy frameworks and institutional capacity to allow effective promotion of REDD+ and meet international standards for results-based payments, including:

- (i) the development of a framework for a national reference level and a monitoring, reporting and verification system that allows consistent, repeated and transparent measurements of emissions and their reduction in various parts of the country;
- (ii) the development of a framework for the collection, processing and management of information generated at the sub-national level;
- (iii) the development of a framework for the application of safeguards and benefit sharing, including its flow of funds, to guide implementation at the sub-national level; and
- (iv) the facilitation of a policy decision-making process at the national level.

(b) Support to Readiness Process

Development of a detailed investment and implementation plan for the proposed REDD+ program in East Kalimantan and a proposed BioCF ISFL, including:

- (i) Capacity building of institutions and stakeholders involved in the implementation of REDD+ activities, including training of trainers in relation to carbon accounting and monitoring at national and sub-national levels.
- (ii) Consultation and outreach.

- (iii) Carrying out an assessment of potential strategic environmental and social impacts that may ensue from future REDD+ activities or projects, including policy reforms (“Strategic Environmental and Social Assessment”), and including the development of a framework for managing and mitigating the environmental and social risks related to investments and carbon finance transactions in the context of the future implementation of REDD+, including (A) guidelines and procedures for the carrying out of consultations with potentially affected indigenous peoples and forest-dependent communities, the conservation of natural habitats, and the carrying out of environmental and social assessments; (B) a resettlement policy framework; (C) an indigenous peoples’ planning framework; (D) a pest management framework; (E) a physical cultural resources management framework; and (F) guidelines and procedures for the development of environmental and social management plans, resettlement action plans, indigenous peoples’ development plans, pest management plans, and physical cultural resources management plans (“Environmental and Social Management Framework”).
 - (iv) Development of a provincial investment and implementation plan for East Kalimantan with prioritized and budgeted interventions, estimated results (carbon and non-carbon), required capacity building and financing and roles and responsibilities of local and provincial stakeholders.
 - (v) Development of a benefits sharing plan encompassing monetary and non-monetary benefits associated with REDD+ implementation.
 - (vi) Development of a feedback and grievance redress mechanism.
- (c) Reference Emissions Levels and Measurement, Reporting and Verification

Provision of support to enable provinces in meeting the methodological and technical requirements to receive carbon payments through the implementation of a comprehensive REDD+ program, including:

- (i) Establishment of permanent sample plots for ground-based forest carbon monitoring.
- (ii) Development of a provincial reference level (baseline emission), a forest monitoring approach that supports transparent, repeated and quality measurements of emissions and their reduction across the province and a respective data management system.
- (iii) Carrying out technical assessments that inform the management of risks associated with displacement of emission (leakage) and reversal (non-permanence) of emission reduction.

(d) Regional Data Collection and Capacity Building

Provision of support for program management and operations, including:

- (i) Provision of support to REDD+ readiness preparation at sub-national level, including capacity building in selected areas and development of socioeconomic and biophysical studies to support baseline work.
- (ii) Program management and administration.”

5. Section 2.02 of the Annex to the Grant Agreement is amended as follows:

“2.02. *Execution Generally.* The Recipient declares its commitment to the objective of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the Agency for Environment and Forestry Research, Development and Innovation, in particular the Center for Research and Development on Social, Economy, Policy, and Climate Change, in collaboration with Directorate General for Climate Change and the Center for International Cooperation, and acting with the support of the National Forestry Council with respect to the activities set forth in Sections 2.01 (b) (iv) and (vi) of this Annex in accordance with the provisions of: (a) Article II of the Standard Conditions, (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”), and (c) this Article II.”

6. Section 2.07 of the Annex to the Grant Agreement is amended as follows:

“2.07 *Procurement*

(a) General. All goods and services required for the Readiness Preparation Activities 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:

- (i) Section I of the “Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the World Bank in January 2011, revised July 2014 (“Procurement Guidelines”), in the case of goods and non-consulting services;
- (ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the World Bank in January 2011, revised July 2014 (“Consultant Guidelines”) in the case of consultants’ services; and
- (iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Readiness Preparation Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).”

7. The Bank has established November 30, 2019 as the later date for purposes of Section 3.03 of the Annex to the Grant Agreement.

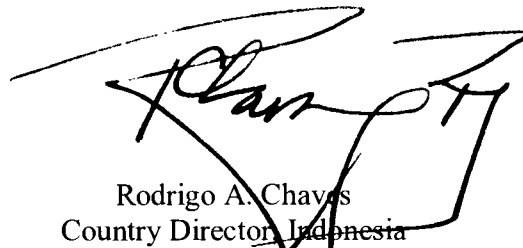
8. The attachment to Annex to the Grant Agreement, "National Competitive Bidding: Modification to the Procedures", is replaced by the Attachment II annexed to this amendment letter.

Except as specifically provided for in this amendment letter, all of the terms and conditions set out in the Grant Agreement shall remain in full force and effect.

The World Bank will disclose this amendment letter and related information on this Project in accordance with the World Bank Policy on Access to Information. By entering into this agreement, the Recipient consents to disclosure of this agreement and related information on this Project.

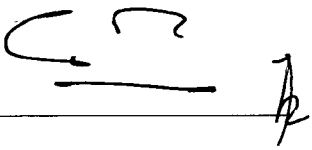
Please confirm the Recipient's agreement with the foregoing by having an authorized official of the Recipient countersign and date one (1) of the two (2) originals of this amendment letter, and returning it to the World Bank. This amendment letter will become effective as of the date of the Recipient's countersignature of the letter.

Sincerely,


Rodrigo A. Chaves
Country Director, Indonesia

AGREED:

REPUBLIC OF INDONESIA

By: 

Name: Robert Pakpahan

Title: Director General of Budget Financing and Risk Management

Date: 29 November 2016

Attachment 1Section 1.02 of the Annex to the Grant Agreement
Amended and Restated Definitions

“1.02 Definitions. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Charter, or this Agreement. For the purpose of this Agreement, the following terms have the meanings given to them as follows:

- (a) “Agency for Environment and Forestry Research, Development and Innovation” means the Recipient’s entity under the Ministry of Environment and Forestry responsible for the management of forest research and development, or any successor thereto.
- (b) “BioCF ISFL” means the BioCarbon Fund Initiative for Sustainable Forest Landscapes, a multi-donor trust fund managed by the World Bank that provides financing to promote reduced greenhouse gas emissions from the land sector from deforestation and forest degradation in developing countries (REDD+), sustainable agriculture, and smarter land-use planning, policies and practices, or any successor thereto.
- (c) “Center for International Cooperation” means the Recipient’s entity, under the Ministry of Environment and Forestry (as hereinafter defined), responsible for the management of international cooperation, or any successor thereto.
- (d) “Center for Research and Development on Social, Economy, Policy, and Climate Change” means the Recipient’s entity, under the Agency for Environment and Forestry Research, Development and Innovation (as hereinafter defined) responsible for management of climate change policy, or any successor thereto.
- (e) “Directorate General for Climate Change” means the department of the Ministry of Environment and Forestry responsible for formulating and implementing policies on climate change control, or any successor thereto.
- (f) “Inspectorate General” means the department of the Ministry of Environment and Forestry responsible for governance and antic-corruption, or any successor thereto.
- (g) “Ministry of Environment and Forestry” means the Recipient’s ministry responsible for the management of forestry, or any successor thereto.
- (h) “National Forestry Council” means the quasi-autonomous non-governmental organization, established and operating pursuant to the decision of September 15, 2006 of the Fourth Indonesian Forestry Congress, the Articles of Association of said Council dated November 11, 2006, and Deed No. 31 of said Council dated December 17, 2007, whose objective is to encourage the realization of effective forestry policies, or any successor thereto.

- (i) “Operating Costs” means the incremental operating costs under the Readiness Preparation Activities, incurred by the Recipient for purposes of the implementation, management, and monitoring and evaluation of the Readiness Preparation Activities, on account of office supplies and consumables, utilities (including electricity), bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.
- (j) “Readiness Preparation Activities Management Manual” means the Recipient’s manual, referred to in Section 2.04(a)(i)(A) of this Annex, as the same may be modified from time to time, with prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.
- (k) “Readiness Preparation Activities Secretariat” means the Recipient’s entity, referred to in Section 2.03(b) of this Annex, established under the Center for Research and Development on Social, Economy, Policy, and Climate Change.
- (l) “Training” means the costs of training under the Readiness Preparation Activities, attributable to seminars, workshops, conferences, and study tours, and including domestic and international travel costs and subsistence allowances for training participants, costs associated with securing the services of trainers and speakers, rental of training facilities, preparation and reproduction of training materials, refreshments, and other costs directly related to training preparation and implementation.”

Attachment II**ATTACHMENT TO ANNEX
National Competitive Bidding: Modifications to Procedures**

The procedures applicable to the procurement of goods, works, and non-consulting services under contracts awarded on the basis of National Competitive Bidding shall be those of the *Pelelangan Umum* (Public Tendering) and *Pemilihan Langsung / Pelelangan Sederhana* (Simplified Tendering) methods as set forth in the Borrower's Presidential Regulation No. 54/2010 and its subsequent amendments as of January 16, 2015, with the modifications set out below in order to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I of the Procurement Guidelines, pursuant to paragraph 3.3 of said Guidelines. The *Pemilihan Langsung / Pelelangan Sederhana* method shall apply to such procurement up to the financial thresholds specified in said Regulation. In the event of a conflict between the Borrower's procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Borrower and the Bank. The provisions of Section 1.16 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Loan shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.16(a) of said Guidelines and the contract provisions set out in paragraph 1.16(e) of said Guidelines.
2. Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated responsive bidder shall be given reasonable time for registration. Foreign bidders shall not be required to form a joint venture or sub-contract part of the supply of goods, non-consulting services, and works as a condition for submitting bids or the award of the contract. Bidding documents shall be made available to all international bidders.
3. No preference of any kind shall be given to any bidders.
4. Under the *Pelelangan Umum* method, bidders shall be allowed at least twenty-one (21) days from the date of the invitation to bid or the date of availability of bidding documents, whichever is later, to prepare and submit bids; this period shall be ten (10) days under the *Pemilihan Langsung / Pelelangan Sederhana* method.
5. Bids invited under the *Pelelangan Umum* method shall be submitted in one (1) envelope and evaluated using post-qualification.
6. No bidder shall be rejected merely on the basis of a comparison with the owner's estimate and budget ceiling without the Bank's prior written concurrence.
7. Bid security, if it is required by the bidding documents, at the bidder's option, shall be in the form of a letter of credit or guarantee from a reputable bank or other reputable financial institution and shall without exception follow the form provided for this purpose in the bidding documents.
8. All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.
9. Government-owned enterprises in Indonesia shall be eligible to participate in provided that they comply with paragraph 1.10(b) of the Procurement Guidelines.