



CONFORMED COPY

Letter. No. CD-503/PAMSIMAS/XI/2010

November 25, 2010

Mr. Herry Purnomo
Director General of Treasury
Ministry of Finance
Jalan Lapangan Banteng Timur 2-4
P.O. Box 1139
Jakarta 10710, Indonesia

Dear Mr. Purnomo:

***Re: TF094792 – Grant for Support for the Third Water Supply and Sanitation for
Low-Income Communities Project (PAMSIMAS)
Additional Instructions: Disbursement***

I refer to the Letter Agreement (the “Agreement”) between the International Bank for Reconstruction and Development (the “Bank”), acting as administrator of grant funds provided by the Australian Agency for International Development under the Support for the Third Water Supply and sanitation for Low Income Communities Project (PAMSIMAS), and the Republic of Indonesia (the “Recipient”), for the above-referenced project, dated August 11, 2009. The Agreement provides that the Bank may issue additional instructions regarding the withdrawal of the proceeds of Grant TF094792 (the “Grant”). This letter revised the Disbursement Letter dated August 11, 2009 to authorize i) the use of the direct payment method, and ii) the use of Interim Financial Reports to document eligible expenditures under the Grant.

The attached *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006, (“Disbursement Guidelines”) (Attachment 1), are an integral part of the Disbursement Letter. The manner in which the provisions in the Disbursement Guidelines apply to the Grant is specified below. Sections and subsections in parentheses below refer to the relevant sections and subsections in the Disbursement Guidelines and, unless otherwise defined in this letter, the capitalized terms used have the meanings ascribed to them in the Disbursement Guidelines.

I. Disbursement Arrangements

(i) ***Disbursement Methods (section 2)***. The following Disbursement Methods may be used under the Agreement:

- Reimbursement
- Advance
- Direct Payment

(ii) **Disbursement Deadline Date (subsection 3.7).** The Disbursement Deadline Date is four months after the Closing Date specified in the Agreement. Any changes to this date will be notified by the Bank.

(iii) **Disbursement Conditions (subsection 3.8).** Please refer to the Disbursement Condition(s) in the original Agreement.

II. Withdrawal of Grant Proceeds

(i) **Authorized Signatures (subsection 3.1).** Applications for this Financing will be signed by the officials authorized to sign Applications as indicated in Ministry of Finance letters No. S6298/PB/2009, dated October 17, 2009 and No. S-4903/PB/2010 dated July 8, 2010. Please notify us promptly should there be any change in the authorized officials in this regard.

(ii) **Applications (subsections 3.2 - 3.3).** Please provide completed and signed (a) applications for withdrawal, together with supporting documents, to the address indicated below:

The World Bank Office Jakarta (WBOJ)
Jakarta Stock Exchange Building, Tower 2, 12th Floor
Jl. Jenderal Sudirman Kav. 52-53, Jakarta 12190, Indonesia
Attention: Disbursement Team

(iii) **Electronic Delivery (subsection 3.4).** The Bank may permit the Recipient to electronically deliver to the Bank Applications (with supporting documents) through the Bank's Client Connection, web-based portal. The option to deliver Applications to the Bank by electronic means may be effected if: (a) the Recipient has designated in writing, pursuant to the terms of subparagraph (i) of this Section, its officials who are authorized to sign and deliver Applications and to receive secure identification devices ("Tokens") from the Bank for the purpose of delivering such Applications by electronic means; and (b) all such officials designated by the Recipient have registered as users of Client Connection. If the Bank agrees, the Bank will provide the Recipient with Tokens for the designated officials. Following which, the designated officials may deliver Applications electronically by completing Form 2380, which is accessible through Client Connection (<https://clientconnection.worldbank.org>). The Recipient may continue to exercise the option of preparing and delivering Applications in paper form. The Bank reserves the right and may, in its sole discretion, temporarily or permanently disallow the electronic delivery of Applications by the Recipient.

(iv) **Terms and Conditions of Use of Tokens to Process Applications.** By designating officials to accept Tokens and by choosing to deliver the Applications electronically, the Recipient confirms through the authorized signatory letter its agreement to: (a) abide by the *Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation* ("Terms and Conditions of Use of Tokens") provided in Attachment 2; and (b) to deliver the Terms and Conditions of Use of Tokens to each such official and to cause such official to abide by those terms and conditions.

(v) **Minimum Value of Applications (subsection 3.5).** Not applicable for Advances, USD 100,000 for Reimbursements and Direct Payments.

(vi) **Advances (sections 5 and 6).**

- **Type of Designated Account (subsection 5.3):** Segregated.
- **Currency of Designated Account (subsection 5.4):** U.S. Dollar (USD).
- **Financial Institution at which the Designated Account Will Be Opened (subsection 5.5):** Bank of Indonesia or another financial institution acceptable to the Bank.
- **Ceiling (subsection 6.1):** Based on six months cash forecasts contained in Interim Financial Reports (IFRs).

III. Reporting on Use of Grant Proceeds

(i) **Supporting Documentation (section 4).** Supporting documentation should be provided with each application for withdrawal as set out below:

- **For requests for Reimbursement:**
 - Interim Financial Reports in the form attached;
 - List of payments against contracts that are subject to the World Bank's prior review, in the form attached; and
 - Evidence that amounts to be reimbursed have actually been paid.
- **For reporting eligible expenditures paid from the Designated Account:**
 - Interim Financial Reports in the form attached; and
 - List of payments against contracts that are subject to the World Bank's prior review, in the form attached.
- **For Requests for Direct Payment:** records evidencing eligible expenditures, e.g., copies of receipts, supplier invoices

(ii) **Frequency of Reporting Eligible Expenditures Paid from the Designated Account (subsection 6.3):** Quarterly based on IFRs for Advances, and anytime for Reimbursements and Direct Payments.

IV. Other Important Information

For additional information on disbursement arrangements, please refer to the Disbursement Handbook available on the Bank's public website at <http://www.worldbank.org> and its secure website "Client Connection" at <https://clientconnection.worldbank.org>. Print copies are available upon request.

If you have not already done so, the Bank recommends that you register as a user of the Client Connection website (<https://clientconnection.worldbank.org>). From this website you will be able to download Applications, monitor the near real-time status of the Grant, and retrieve related policy, financial, and procurement information. For more information about the website and registration arrangements, please contact the Bank by email at <clientconnection@worldbank.org>.

If you have any queries in relation to the above, please contact Robert O'Leary, Senior Finance Officer, at loa-eap@worldbank.org using the above reference.

Sincerely,

/s/ Shubham Chaudhuri
Acting Country Director, Indonesia

Attachments

1. *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006
2. Terms and Conditions of Use of Secure Identification Devices in connection with Use of Electronic Means to Process Applications and Supporting Documentation, dated January 20, 2010
3. Forms for Interim Financial Reports and Payments Against Contracts Subject to the World Bank's Prior Review

cc: - Mr. Rahmat Waluyanto, Director General of Debt Management, Ministry of Finance

**Terms and Conditions of Use of Secure Identification Devices
in connection with Use of Electronic Means
to Process Applications and Supporting Documentation**

January 20, 2010

The World Bank (Bank) will provide secure identification devices (Tokens) to permit the Borrower to deliver applications for withdrawal and applications for special commitments under the Agreement(s) and supporting documentation (such applications and supporting documentation together referred to in these Terms and Conditions of Use as Applications) to the Bank electronically, on the terms and conditions of use specified herein.

A. Identification of Users.

1. The Borrower will be required to identify in a completed Authorized Signatory Letter (ASL) duly delivered to and received by the Bank each person who will be authorized to deliver Applications. The Bank will provide Tokens to each person identified in the ASL (Signatory), as provided below. The Borrower shall also immediately notify the Bank if a Signatory is no longer authorized by the Borrower to act as a Signatory.
2. Each Signatory must register as a user on the Bank's Client Connection (CC) website (<https://clientconnection.worldbank.org>) prior to delivery of Tokens. Registration on CC will require that the Signatory establish a CC password (CC Password). The Signatory shall not reveal his/her CC Password to anyone or store or record the CC Password in written or other form. Upon registration as a CC user, the Signatory will be assigned a unique identifying account name.

B. Distribution, Initialization and Return of Tokens.

1. The Bank will physically deliver a Token to each Signatory in a manner to be determined by and satisfactory to the Bank.
2. At the time of delivery of a Token to a Signatory, the Signatory will receive a copy of these Terms and Conditions of Use for purposes of initializing the Token.
3. The Bank will verify that the Token, Temporary Password and Terms and Conditions of Use have been duly delivered to and received by the CC User.
4. Promptly upon receipt of the Token and Terms and Conditions of Use, the Signatory will access CC using his/her account name and CC Password and register his/her Token and set a personal identification number (PIN) to be used in connection with the use of his/her Token, after which the Token will be initialized for use by the Signatory exclusively for purposes of delivering Applications. Upon initialization of the Token, the Signatory will be a "Token User". The Bank will maintain in its database a user account (Account) for each Token User for purposes of managing the Token of the Token User. Neither the Borrower nor the Token User will have any access to the Account.

5. Prior to first use of the Token by the Token User for delivering Applications, the Borrower shall ensure that the Token User has received training materials provided by the Bank in use of the Token.
6. Tokens shall be promptly returned to the Bank upon request of the Bank.

C. Management of Tokens.

1. Tokens will remain the property of the Bank.
2. Use of the Token is strictly limited to use in the delivery of Applications by the Token User in the manner prescribed by the Bank in the Agreement(s) and these Terms and Conditions. Any other use of the Token is prohibited.
3. The Bank assumes no responsibility or liability whatsoever for any misuse of the Token by the Token User, other representatives of the Borrower, or third parties.
4. The Borrower undertakes to ensure, and represents and warrants to the Bank (such representation and warranty being expressly relied upon by the Bank in delivery of a Token to each Token User) that each Token User is provided, understands and will abide by, these Terms and Conditions of Use, including without limitation the following:

Security

- 4.1. The Token User shall not reveal his/her PIN to anyone or store or record the PIN in written or other form.
- 4.2. The Token User shall not allow anyone else to utilize a Token to deliver an Application to the Bank.
- 4.3. The Token User shall always logout from CC when not using the system. Failure to logout properly can create a route into the system that is unprotected.
- 4.4. If the Token User believes a third party has learned his/her PIN or has lost his/her Token he/she shall immediately notify clientconnection@worldbank.org.
- 4.5. The Borrower shall immediately notify the Bank at clientconnection@worldbank.org of any lost, stolen or compromised Tokens, and take other reasonable steps to ensure such Tokens are disabled immediately.

Care of Tokens

4.6. Tokens contain delicate and sophisticated instrumentation and therefore should be handled with due care, and should not be immersed in liquids, exposed to extreme temperatures, crushed or bent. Also, Tokens should be kept more than five (5) cm from devices that generate electromagnetic radiation (EMR), such as mobile phones, phone-enabled PDAs, smart phones and other similar devices. Tokens should be carried and stored separate from any EMR device. At close range (less than 5 cm), these devices can output high levels of EMR that can interfere with the proper operation of electronic equipment, including the Token.

4.7 Without derogating from these Terms and Conditions of Use, other technical instructions on the proper use and care Tokens are available at <http://www.rsa.com>.

5. *Replacement*

5.1. Lost, damaged, compromised (in terms of 4.5, above) or destroyed Tokens will be replaced at the expense of the Borrower.

5.2. The Bank reserves the right, in its sole discretion, not to replace any Token in the case of misuse, or not to reactivate a Token User's Account

6. *Reservation of Right to disable Token*

6.1. The Borrower shall reserve the right to revoke the authorization of a Token User to use a Token for any reason.

6.2. The Bank reserves the right, in its sole discretion, to temporarily or permanently disable a Token, de-activate a Token User's Account or both.

Drafted by Robert O'Leary, Finance Officer, LOAFC

Cleared with and cc: Melinda Good, Lawyer, LEGES
George Soraya, Task Team Leader, EASIS