



CONFORMED COPY

Letter No. SK-452/DSF II/X/2010

October 4, 2010

Mr. Rahmat Waluyanto
Director General of Debt Management
Ministry of Finance
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710
Indonesia

Dear Mr. Waluyanto:

***Re: TF095995 – DSF II Grant for the Government Training and Education Center Development:
Introducing Competency Based Standards for Improved Public Service Delivery –
Amendment of Grant Agreement***

I refer to the Grant Agreement, dated January 25, 2010 (the “Grant Agreement”), between the Republic of Indonesia (the “Recipient”) and the International Bank for Reconstruction and Development/International Development Association (the “World Bank”), acting as administrator of grant funds provided by donors regarding the above-mentioned project (the “Project”), and to your Ministry letter dated September 17, 2010 requesting amendment to the Grant Agreement to reflect additional activities.

The World Bank is pleased to inform you that, after due consideration, it has agreed to the request or additional financing for the additional activities and to the amendments set out below (the “Amendment”):

1. The first paragraph of the Grant Agreement is amended to provide an additional grant (the “First Additional Grant”) in the amount of four hundred twenty nine thousand four hundred and three United States dollars (US\$429,403) to support the objectives and activities of the Project as follows:

“In response to the request for financial assistance made on behalf of the Republic of Indonesia (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development/International Development Association (“World Bank”), acting as administrator of grant funds provided by donors (“Donors”) under the multi-donor Second Phase of the Decentralization Support Facility Trust Fund (TF070582), proposes to extend to the Recipient a grant in an amount not to exceed one million two hundred twenty six thousand nine hundred seventy nine United States dollars (US\$1,226,979), of which four hundred twenty nine thousand four hundred and three United States dollars (US\$429,403) constitutes the first additional grant (“First Additional Grant”), on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In

accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.”

2. Section 1.01 of the Annex to the Grant Agreement is amended to incorporate in the Grant Agreement the modifications to the Standard Conditions, which shall be applicable to the Grant as of the date of this Amendment, as follows:

“The Standard Conditions for Grants Made by the World Bank out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.”

3. The project objectives in Section 2.01 of the Annex to the Grant Agreement is amended to read as follows:

“2.01. **Project Objectives and Description.** The objective of the Project is to promote forms of strategic human resources management based on merit by introducing competency based standards and performance management through Badan Diklat for improved public service delivery and to improve performance of members of Dewan Perwakilan Rakyat Daerah (local legislature) through provision of local legislature orientation on the roles and functions of local legislature for effective implementation of local government”.

4. The description of activities in Section 2.01 of the Annex to the Grant Agreement is added to incorporate additional activities as follow:

“(h) **Part H. Training of Trainers.** Conduct training of trainers for implementation of local legislature orientation on nationalism/state affairs, system for implementation of local government, and main local legislature functions and duties.

(i) **Part I. Orientation of Local Legislature Members.** Implement orientation for provincial, kabupaten, and kota local legislatures in four provinces to provide beginning competence to members of local legislature for performing their duties and functions and understanding their role in implementation of local governance”.

5. Section 2.02(b) of the Annex to the Grant Agreement is amended to incorporate in the Grant Agreement the modifications to the Anti-Corruption Guidelines, which shall be applicable to the Grant as of the date of this Amendment, as follows:

“(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 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Annex to the Grant Agreement; and”.

6. Section 2.07(a)(i) of the Annex to the Grant Agreement is amended to incorporate in this Grant Agreement the revised Procurement Guidelines, which shall be applicable to Grant as of the date of this Amendment, as follows:

“(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods, works and non-consulting services; and”.

7. Section 2.07(a)(ii) of the Annex to the Grant Agreement is amended to incorporate in this Grant Agreement the revised Consultants Guidelines, which shall be applicable to the Grant as of the date of this Agreement, as follows:

“(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and”.

8. Section 2.07(c) of the Annex to the Grant Agreement is amended to provide additional method of procurement, as follows:

“(c) Particular Method of Procurement of Goods and Services (other than consultants’ services). The following methods may be used for procurement of goods and services (other than consultants; services) for those contracts specified in the Procurement Plan: (A) National Competitive Bidding, subject to the additional procedures set out in the Attachment to this Annex; (B) Shopping; and (C) Direct Contracting”.

9. With reference to the amendment made to Section 2.07(c) of the Annex to the Grant Agreement, a new Attachment to the Annex to the Grant Agreement is added as set out in the Attachment to this Amendment.

10. The World Bank hereby reallocates the proceeds of the Grant allocated in the Table in Section 3.01 of the Annex to the Grant Agreement to reflect the First Additional Grant as set out below:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Consultants’ services	267,296	100%
(2) Training and Workshops and Operating Expenses	959,683	100%
TOTAL AMOUNT	1,226,979	

11. A new Appendix to the Annex to the Grant Agreement is added as set out in the Appendix to this Amendment.

12. Except as specifically amended by the provisions of this Amendment, all terms and conditions of the Grant Agreement otherwise remain in full force and effect.

Please confirm your agreement to the foregoing by signing and dating both enclosed copies of this letter in the space provided and returning one signed copy to us. The above amendment will become effective as of the date of the Recipient's countersignature of this letter.

Sincerely,

/s/ Chris Hoban
Acting Country Director, Indonesia

AGREED:

REPUBLIC OF INDONESIA

By: /s/ Rahmat Waluyanto

Name: Rahmat Waluyanto

Title: Director General of Debt Management

Date: October 6, 2010

ATTACHMENT TO ANNEX
Clarifications Relating to National Competitive Bidding (NCB) Procedures

1. General

The procedures to be followed for NCB shall 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 “Guidelines for Procurement under IBRD Loans and IDA Credits” dated May 2004 and revised in October 2006 and May 2010 (the 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 and works. Normally, post-qualification shall be used. Pre-qualification shall be required only for large or complex works with the prior ‘no objection’ of the Bank. 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 (1) widely circulated national daily newspaper a minimum of thirty (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 work or 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.
- (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 this Agreement.

6. Advertising

- (a) Invitations to bid shall be advertised in at least one (1) widely circulated national daily newspaper allowing a minimum of thirty (30) days for the preparation and submission of bids and allowing potential bidders to purchase bidding documents up to twenty-four (24) hours prior 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.
- (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 letter of credit or 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 (2) 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.
- (d) 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 concurrence.

9. Rejection of Bids

- (a) All bids shall not be rejected and new bids solicited without the Bank's prior concurrence.
- (b) When the number of responsive bids is less than three (3), re-bidding shall not be carried out without the Bank's prior concurrence.

APPENDIX
Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“...(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“... (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”

“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”