



TF016485

Rodrigo A. Chaves
Country Director, Indonesia

Letter No. CD-101/ASTAE/V/2014

May 8, 2014

Mr. Robert Pakpahan
Director General of Debt Management
Ministry of Finance
Gedung Frans Seda
Jalan DR. Wahidin Raya No. 1
Jakarta 10710
Indonesia Indonesia

Dear Mr. Pakpahan:

Paul Robert,

***Re: Republic of Indonesia: ASTAE Grant for Clean Stove Initiative
(Cooperation Relating to Clean Cooking Solution) Project
ASTAE Grant No. TF016485***

In response to the request for financial assistance made on behalf of the Republic of Indonesia ("Recipient" or "Indonesia"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Asia Sustainable and Alternative Energy Program ("ASTAE"), proposes to extend to the Recipient, a grant in an amount not to exceed three hundred thousand United States Dollars (U.S.\$300,000) ("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").

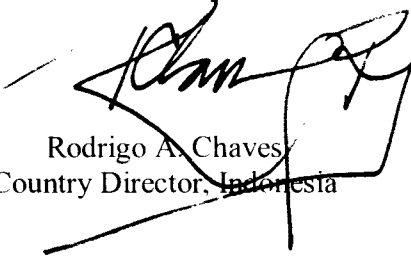
This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.

Very truly yours.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



Rodrigo A. Chaves
Country Director, Indonesia

AGREED:
REPUBLIC OF INDONESIA



By: _____
Authorized Representative

Name: Robert Pakpahan

Title: Director General of Debt Management

Date: May 22, 2014

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

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 or in this Agreement as follows:

- a. “Directorate of Bioenergy” means the Recipient’s Directorate of bioenergy within Indonesia’s Ministry of Energy and Mineral Resources.
- b. “Market Aggregators” means legal entities, such as cookstove producers, wholesalers, distributors, retailers, NGOs and/or private companies, selected to participate in the pilot Incentives program under Part 4 of the Project, and whose functions include making stoves that meet the technical requirements and pricing mechanisms described in the Operations Manual of the Implementing Agency, available for purchase to consumers/end users in the Pilot Area.
- c. “Market Facilitator” means the facilitator to be appointed by the World Bank, and to be responsible for engaging and helping potential Market Aggregators to participate in the pilot Incentives program, and for carrying out the pre-screening of Market Aggregators.
- d. “Ministry of Energy and Mineral Resources” means the Recipient’s ministry responsible for energy and mineral resources, or any successor thereto.
- e. “Operating Costs” means the incremental operating costs under the Project incurred by the Recipient for purposes of carrying out its Respective Parts of the Project and overall Project management and implementation, costs on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, building and equipment maintenance, domestic travel, lodging, and subsistence allowances, and salaries of contractual and temporary staff, but excluding salaries and any salary supplements of members of the Recipient’s civil service.
- f. “Pilot Area” means the provinces of Central Java and Yogyakarta.
- g. “Project Management Office” means the office under the Directorate of Bioenergy, responsible for the overall management and implementation of the Recipient’s Respective Parts of the Project, and for the purpose of the pilot Incentives program, the office responsible for: (i) issuing, maintaining and updating the qualifying list of clean stoves to be sold in the market; and (ii) overseeing and providing opinion on the pre-screening of Market Aggregators by the Market Facilitators, or any successor thereto.

- h. “Implementing Agency” means an implementing agency to be responsible for carrying out Part 4 of the Project.
- i. “Respective Part of the Project” means in respect of Indonesia, Parts 1, 2 and 3 of the Project and in respect of the Implementing Agency, Part 4 of the Project.
- j. “Training” means reasonable expenditures incurred in connection with training activities carried out under the Project, such as seminars, study tours, and/or workshops, along with the cost of domestic and international travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation.

Article II Project Execution

2.01. ***Project Objectives and Description.*** (a) The objective of the Project is to support the implementation of the Indonesia clean stove initiative program that aims to scale up access to clean and efficient stoves in Indonesia.

(b) The Project consists of four (4) Parts as set out below. Parts 1, 2 and 3 of the Project shall be carried out by Indonesia, through the Directorate of Bioenergy, under terms and conditions specified in the Agreement. Part 4 of the Project shall be carried out by an Implementing Agency, under terms and conditions to be set out in a separate grant agreement to be entered into between the Implementing Agency and the World Bank.

Parts of the Project:

1. Establishment of a system on how to define clean stoves as the foundation for the clean stove market development, including: (a) setting stove standards and associated testing protocols; (b) establishing a stove testing and certification lab, including installation, and commissioning of equipment required for the stove testing and certification lab; and (c) development of stove testing and certification lab operational manual and staff training.
2. Design and prepare a national clean biomass cookstoves program through stakeholder consultations, including preparing operational manuals and implementation arrangements for said program.
3. Project management and implementation support, including procurement and financial management arrangements, and monitoring, evaluation and verification arrangements.
4. Provision of Incentives to partially finance the purchase of clean biomass cookstoves by consumers/end users in the Pilot Area.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Directorate of Bioenergy, and particularly, through the Project Management Office, 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.

2.03. ***Institutional and Other Arrangements.***

- (a) The Recipient shall: (i) establish, not later than four (4) months after the countersignature date of this Agreement, and thereafter maintain, throughout Project implementation, the Project Management Office, with an institutional framework, functions, and resources, including competent personnel in adequate numbers, and working under terms of reference, satisfactory to the World Bank; and (ii) be responsible to manage its Respective Parts of the Project.
- (b) The Recipient shall, through its Project Management Office provide its opinion of pre-screened Market Aggregator(s) prior to the Implementing Agency selecting a Market Aggregator(s) to participate in the pilot Incentive program.
- (c) Without limitation upon the preceding provisions in this Section 2.03, the Recipient shall, through its Project Management Office coordinate with the Implementing Agency and Market Facilitator, as may be required on its part and in a manner acceptable to the World Bank, including making public the list of qualifying clean stoves.

2.04. ***Donor and Visit.*** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors' support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the Donor(s) to visit any part of the Recipient's territory for purposes related to the Project.

2.05. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient, through the Ministry of Energy and Mineral Resources, shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators as agreed in the Operations Manual. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The Recipient, through the Ministry of Energy and Mineral Resources, shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. ***Financial Management.*** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited for the Project in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the period during which withdrawals from the Grant Account were made, except as the World Bank may otherwise requests. The audited Financial Statements for each such period shall be furnished to the World Bank not later than four (4) months after the end of such period.

2.07. *Procurement*

(a) General. All goods, non-consulting services and consultants' services required for the Project 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:

1. 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" dated January 2011 ("Procurement Guidelines"), in the case of goods and non-consulting services;
2. Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and
3. 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 Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Non-consulting Services

The following method may be used for the procurement of goods and non-consulting services: (a) Shopping and (b) National Competitive Bidding, subject to the additional provisions set forth in the Attachment of this Annex; and (c) Direct Contracting.

(d) Particular Methods of Procurement of Consultants' Services

1. Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Selection based on Consultants' Qualifications; (b) Single-source selection of consulting firms; (c) Selection of Individual Consultants; and (d) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
Goods, Consultants' Services, Non-consulting Services, Training and Operating Costs under Parts 1, 2 and 3 of the Project	300,000	100%
TOTAL AMOUNT	300,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the countersignature date of this Agreement.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2014.

Article IV Recipient's Representative; Addresses

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its minister responsible for finance.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
Directorate General of Debt Management
Ministry of Finance
Gedung Frans Seda
Jalan Dr. Wahidin Raya No. 1
Jakarta 10710 - Indonesia

Cable:
FINMINISTRY 45799
Jakarta

Telex:
DJMLN-IA
44319 DEPKEU-IA

Facsimile:
62-21-381-2859

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD		
INDEVAS	248423 (MCI) or	1-202-477-6391
Washington, D.C.	64145 (MCI)	

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 Recipient's Presidential Regulation No. 54/2010 as amended through July 31, 2012, including amendments set forth in the Presidential Regulation No. 70/2012, 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 Recipient's procedures and these modifications, the latter shall govern.

1. Procuring entities shall use the appropriate standard bidding documents acceptable to the Recipient and the World 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 Grant 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, by mail or in person, to all international bidders who are willing to pay the required fee.
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 World Bank's prior written concurrence.
7. Bid security, 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 World Bank's prior written concurrence.
9. Government-owned enterprises in Indonesia shall be eligible to participate in bidding only if they can establish that they are legally and financially autonomous, operate under commercial law, and are not dependent agencies of the Recipient or sub-recipient.

APPENDIX

Modifications to the Standard Conditions

The Standard Conditions are modified as follows, namely, Section 3.06 (a) is modified to read as follows:

“(a) the payment is for the reasonable cost of Incentives, goods, non-consulting services, consultants’ services, Training, or Operating Costs required for the Project, to be financed out of the proceeds of the Grant and procured, all in accordance with the provisions of the Letter Agreement.”