



CONFORMED COPY

Stefan G. Koeberle
Country Director, Indonesia

Letter No. SK-518/PSF/XII/2010

December 6, 2010

Mr. Gerard Howe
Head, DFID, Indonesia
British Embassy
Jl Thamrin 75,
Jarkarta 10310 Indonesia

Dear Mr. Howe:

Re: Amendment No. 4 to the Trust Fund Contribution Arrangement between the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development, and the International Bank for Reconstruction and Development for the Support Facility for the National Program for Community Empowerment (PSF) (TF070967)

We are pleased to refer to the Trust Fund Contribution Agreement, dated February 2, 2009, as amended through May 18, 2010 (“Contribution Agreement”), between the Government of the United Kingdom of Great Britain and Northern Ireland, acting through the Department for International Development (“Donor”), and the International Bank for Reconstruction and Development (“Bank”), acting as administrator of the Support Facility for National Program for Community Empowerment (“PSF”). Capitalized terms used but not defined in this amendment have the meanings given to them in the Contribution Agreement.

We are also pleased to refer to the endorsement by the Donors to the PSF, as notified on November 22, 2010, of the revised PSF Operations Manual, reflecting certain agreed changes to the operating procedures of the PSF. The Donor and the Bank now agree to amend the Standard Provisions to reflect the agreed revised PSF Operations Manual as set out below. All other terms and conditions of the Contribution 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 of all Donors to the PSF.

Sincerely,

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

/s/ Stefan G. Koeberle
Country Director, Indonesia

AGREED:

**GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN
AND NORTHERN IRELAND, acting through the DEPARTMENT FOR
INTERNATIONAL DEVELOPMENT**

By: /s/ Gerard Howe

Date: December 16, 2010

Name: Gerard Howe

Title: Head, DFID Indonesia

Standard Provisions Applicable to the Trust Fund
As Amended and Restated

1. **General**

1.1 The following terms and conditions shall govern all agreements entered into between the Bank as trustee of the Trust Fund, on the one hand, and each Donor providing a contribution in the form of a grant to the Trust Fund.

2. **Definitions**

2.1 Unless the context otherwise requires, the several terms defined in the Trust Fund Contribution Agreement have the respective meanings therein set forth, and the following additional terms and expressions have the following meanings:

(a) “Advisory Panel” means the Advisory Panel referred to in paragraph 7.4 of this Annex

(b) “Bank-Executed Activities” means activities included in a Project, and to be executed by the Bank;

(c) “BAPPENAS” means *Badan Perencanaan Pembangunan Nasional*, the Republic of Indonesia’s National Development Planning Agency, and any successor thereto.

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

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

(f) “Donor” means each donor making a Contribution to the Trust Fund;

(g) “GOI” means Government of Indonesia;

(h) “Grant” means a grant made or proposed to be made by the Bank out of the resources of the Trust Fund to support a Recipient-Executed Activity;

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

(j) “Grant Recipient” means the Republic of Indonesia or any agency of the Republic of Indonesia, or any NGO or other entity, for the benefit of which any Grant has been, or is proposed to be, made;

(k) “Joint Management Committee” and “JMC” means the Joint Management Committee referred to in paragraph 7.1 of this Annex.

(l) “NGO” means non-governmental organization;

(m) “Operations Manual” means the Operations Manual to be approved and adopted by the JMC, giving details of operational guidelines and procedures governing the eligibility for funding under the Trust Fund, approval process, terms and conditions of Grants, transfer of funds, monitoring and supervision, and reporting obligations, as such Operations Manual may be amended from time to time with the agreement of the JMC;

(n) “PNPM” and “PNPM Mandiri” means *Program Nasional Pemberdayaan Masyarakat Mandiri*, the GOI’s National Program for Community Empowerment;

(o) “Project” means one or more PSF Trust Fund Activities grouped in the form of a project which is the subject matter of a Proposal, and which has been, or is expected to be, endorsed by the Joint Management Committee, either specifically as a Project or as part of the funding for a group of Projects or “windows” for financing under the Trust Fund;

(p) “Proposal” means a proposal for Project, meeting the requirements set out in the Operations Manual;

(q) “PSF” means the PSF facility consisting of this Trust Fund and any other trust funds administered by the Bank and agreed by the Donors to be subject to the governance arrangements set out in the Operations Manual;

(r) “PSF Trust Fund Activity” means each activity for which an allocation is made out of the Trust Fund either specifically as a Project or as part of the funding for a group of Projects or “windows”, and may be Bank-Executed or Recipient-Executed;

(s) “Recipient-Executed Activities” means activities included in a Project, and to be executed by an entity other than the Bank;

(t) “Technical Committee” means the Technical Committee referred to in paragraph 7.2 of this Annex;

(u) “Technical Secretariat” means the Technical Secretariat referred to in paragraph 7.3 of this Annex; and

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

3. Purpose, Description of Activities and Expenditure Categories

3.1 The purpose of the Trust Fund is to establish a common platform to mobilize donor resources and channel financial assistance in support of the Republic of Indonesia’s efforts to reduce poverty through PNPM, through: (a) provision of strategic oversight of PNPM and related poverty reduction programs, and (b) coordination of donor-provided grant funds.

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

(a) Provision of support for small infrastructure investment works, social services projects and other community-led poverty reduction activities, through co-financing of Bank and International Development Association operations, and other investments, including provision of block grants for the benefit of communities.

(b) Provision of grants to intermediary NGOs and other civil society groups which engage in poverty reduction activities at grassroots level to be on-granted to groups which provide special services to poor communities, or to develop the capacity of such intermediary NGOs or groups to engage in such on-granting activities.

(c) Provision of technical advisory services and other material assistance to agencies of the Republic of Indonesia to support their long-term capacity to engage in the long-term management of the PNPM.

(d) Provision of technical advisory services to support PNPM-related special studies and programs, including establishment and operation of a partnership office for harmonization and coordination of PNPM-related programs and technical advisory services, monitoring and evaluation activities, special activities, workshops and facilitated comparative studies, as well as activities in support of national and local government poverty reduction programs or to develop the capacities of universities, think-tanks and other organizations likely to contribute to achievement of the purposes of the PNPM.

3.3. Eligible Categories of Expenditure

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

- (a) For Recipient-Executed Activities: consultants' services, other services, goods, works, block grants (sub-grants), non-government organization/entity staff costs (excludes civil servant salaries), non-government organization/entity management fees (not to exceed 10% of the total amount of the grant to the recipient), training and workshop costs and operating costs; and
- (b) For Bank-Executed Activities: communications and translation; consultants' fees (individuals and firms); contractual services; equipment purchase; leased office premises and equipment; extended term consultants; field benefits; media, workshops/conferences and meetings; staff costs (salary + benefits + indirect costs); staff costs (salary + benefits); temporary staff costs; and travel expenses.

4. Administration of the Contribution

The Bank will be responsible only for performing those functions specifically set forth in this Trust Fund Contribution Agreement and will not be subject to any other duties or responsibilities to the Donor, 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 Trust Fund Contribution Agreement 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.

5. Commingling, Exchange and Investment of the Contribution

5.1. The Contribution funds may be commingled with other trust fund assets maintained by the Bank, but will be kept separate and apart from the funds of Bank.

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

5.3. The Bank will invest and reinvest the Contribution 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.

6. Administrative Cost Recovery

In order to assist in the defrayment of the costs of administration of the Contribution funds and other expenses incurred by the Bank pursuant to this Trust Fund Contribution Agreement, the Bank may, following deposit of the Contribution by the Donor, deduct from the Contribution and retain for the Bank's own account an amount equal to one percent (1%) of the Contribution. In addition, the Bank may also charge an amount with prior approval by the Donors and reflected in the Operations Manual (it being understood that the amendment to the Operations Manual may be affected by minutes of a JMC meeting signed by all Donors), and sufficient to cover the actual costs of: (a) incremental supervision activities and fiduciary and operational reviews; and (b) program management, including the operating costs of the Technical Secretariat.

7. Management of Trust Fund Operations

7.1. Joint Management Committee (JMC). (a) There shall be established a Joint Management Committee (JMC) to be chaired by BAPPENAS and co-chaired by the Bank's country director for Indonesia or his representative. Voting members of the JMC shall be BAPPENAS, the Bank, each Donor contributing at least US\$1 million to the PSF prior to December 2013, and representatives from GOI agencies appointed from time to time by BAPPENAS.

(b) The JMC is responsible for: (i) providing strategy development direction; (ii) supporting the GOI in promoting harmonization and coordination among all Indonesian poverty-reduction programs; (iii) reviewing and approving Project proposals concerning PSF Trust Fund Activity budget allocations; (iv) overall review of progress; and (v) adoption of the Operations Manual and any changes to it.

(c) The JMC will determine its procedures and regulate its proceedings as set out in the Operations Manual.

7.2. Technical Committee. (a) There shall also be established a Technical Committee to be co-chaired by a representative of BAPPENAS and the chair of the Technical Secretariat. The co-chairs may invite additional individuals to participate as members of the Technical Committee for particular PSF Trust Fund Activity discussions, depending on the agenda of a specific meeting. Decisions regarding recommendations proposed to the Joint Management Committee will be made on a consensus basis among the co-chairs of the Technical Committee.

(b) The Technical Committee will be responsible for: (i) designing appropriate interventions; (ii) monitoring/ analyzing the findings of programmatic/technical evaluations of PNPM Mandiri activities and preparing associated recommendations for the Joint Management Committee's consideration; (iii) contributing to the development of Project Proposals and endorsing them prior to the Joint Management Committee's review; and (iv) updating the Operations Manual from time to time for approval by the Joint Management Committee and other PNPM Mandiri publications.

(c) The Technical Committee will determine its procedures and regulate its proceedings as set out in the Operations Manual.

7.3. Technical Secretariat. (a) The Technical Committee will be supported by a Technical Secretariat at the World Bank Office Jakarta, consisting of a team of suitably qualified and experienced administrative and technical experts. The chair of the Technical Secretariat is appointed by the Joint Management Committee.

(b) The Technical Secretariat will be responsible for: (i) administering Grant Agreements issued through both the Trust Fund and any other PSF trust funds; (ii) developing/conducting evaluations and analytical work; (iii) coordinating program supervision missions and appraisals; (iv) providing operational and technical assistance to GOI agencies managing PNPM Mandiri programs; (v) preparing reports in accordance with the Operations Manual; (vi) preparing PSF annual work plans; and (vii) administering the Joint Management Committee meetings.

(c) The Technical Secretariat will determine its procedures and regulate its proceedings as set out in the Operations Manual.

7.4. Advisory Panel. (a) The JMC may from time to time appoint an Advisory Panel consisting of Indonesian professionals noted for their expertise in poverty reduction and/or community empowerment issues to serve as individual advisors to the JMC.

(b) The terms of reference for the Advisory Panel will be developed by the Technical Committee with the support of the Technical Secretariat and will be approved by the JMC.

(c) The Advisory Panel will determine its procedures and regulate its proceedings as set out in the Operations Manual.

8. Endorsement of PSF Trust Fund Activities Proposals

8.1. The resources of the Trust Fund shall be applied to provide funding for PSF Trust Fund Activities approved and allocated in accordance with the Operations Manual to finance activities which are of high priority, relevant to the development needs of Republic of Indonesia and consistent with the objectives of the PSF.

8.2 Each PSF Trust Fund Activity or any modification thereto will be prepared and approved by the appropriate approving authority as set out in the Operations Manual.

9. Specific Provisions governing Recipient-Executed Grants and Bank-Executed Grants, respectively.

9.1. Recipient-Executed Grants. (a) In the case of Grants to be made by the Bank to a Grant Recipient,

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

(2) the Bank will enter into one or more Grant Agreements with the Grant Recipients for the provision of the Grants on the terms and conditions set forth in the respective Grant Agreements.

(b) Each Grant Agreement will provide that the funds will be used exclusively by the Grant Recipient to finance expenditures for goods, works 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 on the date of the Grant Agreement.

9.2. Bank-Executed Grants. In the case of Bank-Executed Activities, the employment and supervision of consultants and the procurement of goods and works financed by the Contribution will be the responsibility solely of the Bank and will be carried out in accordance with its applicable policies and procedures.

10. Authority to Deny Funding

10.1. The Bank, as Trustee, has a duty to ensure that Contribution funds are actually applied for the purposes for which they are intended.

10.2. The Bank will have the authority to deny funding to any proposal for a Grant where, in the Bank's view, reasonable doubts exist as to whether the Contribution funds concerned will be effectively utilized for the agreed purposes.

11. Accounting and Financial Reporting

11.1. The Bank will maintain separate records and ledger accounts in respect of the Contribution funds deposited by the Donors in the Trust Fund account and disbursements made therefrom. Separate records and ledger accounts shall be kept for the Trust Fund account and each PSF Facility trust fund.

11.2. The Bank shall 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 the trust fund have been satisfied and the trust fund has been closed, the final financial information relating to receipts, disbursements and fund balance in the United States Dollars with respect to the Contribution funds will be made available to the Donors via the Bank's Trust Funds Donor Center secure website.

11.3. The Bank will also provide the Donor with copies of all financial statements and auditors' reports received by the Bank from the Recipients pursuant to the Grant Agreements.

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

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

12. Coordination and Reporting

12.1. The Bank will provide the Donor 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 13.1 of this Annex, the Bank will furnish to the Donor a final report on activities supported under the Trust Fund.

12.2. The Bank may prepare a single report covering both this Trust Fund and other PSF facility trust funds.

12.2. The Bank will promptly inform the Donor 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 Donor the opportunity to exchange views before effecting any such modification or exercising any such remedy.

13. Disbursement Deadline; Cancellation; Refund

13.1. It is expected that the Contribution funds will be fully disbursed by the Bank in accordance with the provisions of this Trust Fund Contribution Agreement by June 30, 2013. The Bank will only disburse Contribution funds for the purposes of this Trust Fund Contribution Agreement after such date with the written approval of the Donor.

13.2. Either party may, upon giving three (3) months' prior notice in writing to the other, cancel all or part of any remaining balance of the Contribution that is not committed pursuant to the Grant Agreement or any other agreement entered into between the Bank and any consultants and/or other third parties for the purposes of this Trust Fund Contribution Agreement prior to the receipt of such notice.

13.3. Upon the final disbursement date specified in paragraph 13.1, or upon the date of cancellation of uncommitted Contribution funds in accordance with paragraph 13.2, as the case may be, the Bank will return to the Donor any remaining funds or, if the Donor so agrees, allocate all or any part thereof to such other initiatives as may be agreed upon between the Bank and the Donor.

13.4. Where there is more than one Donor contributing to the Trust Fund, any reference in this Section to the balance of uncommitted Contribution funds outstanding in the Trust Fund account and to be returned to Donors, or otherwise disposed of, shall be construed as a reference to each Donor's pro-rata share of the outstanding balance (defined as the ratio of the Donor's paid-in Contribution to the total paid-in Contributions of all Donors) of any uncommitted funds remaining in the Trust Fund, including any applicable investment income.

14. Commencement; Disclosure

14.1. The Trust Fund will commence its operations as of the date of deposit of the first Contribution by any Donor to the Trust Fund.

14.2. The Bank may disclose this Trust Fund Contribution Agreement and information on this trust fund in accordance with the Bank's policy on Access to Information.