

CONFORMED COPY

Letter No. JA-337/PEACH/VII/2010

July 9, 2010

Ms. Caroline Tupamahu
Executive Director
Yayasan Bursa Pengetahuan Kawasan Timur Indonesia (Bakti)
Jl. Dr. Sutomo No. 26
Makassar 90113
Sulawesi Selatan, Indonesia

Dear Ms. Tupamahu:

Re: Support for Indonesia Sub-National Public Expenditure Analysis and Capacity Harmonization (PEACH); Grant No. TF 097213

In response to the request for financial assistance made on behalf of Yayasan Bursa Pengetahuan Kawasan Timur Indonesia (Bakti) (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), acting as administrator of grant funds provided by donors (“Donors”) under the Multi-Donor Support for Indonesia Sub-National Public Expenditure Analysis and Capacity Harmonization Trust Fund (TF071243) (“PEACH”), proposes to extend to the Recipient for the benefit of the Republic of Indonesia (“Member Country”), a grant in an amount of three hundred two thousand United States dollars (U.S.\$ 302,000) (“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. 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.

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

/s/ Chris Hoban
Acting Country Director, Indonesia

AGREED:
YAYASAN BURSA PENGETAHUAN KAWASAN TIMUR INDONESIA (BAKTI)

By: /s/ Caroline Tupamahu
Authorized Representative
Name : Caroline Tupamahu
Title Executive Director
Date: July 26, 2010

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 1, 2008
- (2) Disbursement Letter dated July 9, 2010, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

PEACH Grant No. TF 097213
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 July 1, 2008 (“Standard Conditions”), with the modifications set forth in Section I of the Appendix to this Agreement, 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. The following terms have the meanings given in this Section 1.02.

(a) “Annual Work Plan” means each annual work plan, acceptable to the World Bank, meeting the requirements set out in Section 2.04 of this Agreement.

(b) “CSO” means a civil society organization, authorized to conduct operations in the territory of the Member Country.

(c) “Operations Manual” means the Recipient’s operations manual, applicable to all of its operations, dated February 12, 2010, acceptable to the World Bank, meeting the requirements set out in Section 2.03(b)(i) of this Agreement.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to enhance the capacity of CSOs to monitor local government public financial management. The Project consists of the following activities:

(a) **Part A. Support for Implementation of Public Expenditure Programs.** Strengthening the capacity of the Recipient to provide implementation support to public expenditure analysis and capacity harmonization activities by local governments and CSOs, specifically in PEACH programs, through:

- (i) provision of support from full-time BAKTI staff communications specialist to PEACH program outreach activities by identifying communications opportunities and developing communications materials; and
- (ii) provision of support from BAKTI staff program assistants to support program implementation in of the provinces in Eastern Indonesia where PEACH is active.

(b) **Part B. Support for Communication for Public Expenditure Programs.** Strengthening the capacity of the Recipient to provide communications, conferences, reports and media campaigns for public expenditure analysis and capacity harmonization activities by local governments and CSOs through:

- (i) provision of event management for conferences on PEACH activities;
- (ii) provision of event management services for launching the public expenditure reports;
- (iii) production of publicity materials for PEACH activities, including: (A) including a two-page editorial in Bakti news six times each year during the Project; and (B) publication of public expenditure reports; and
- (iv) undertaking a media campaign to develop and publish half-page advertorials about PEACH activities; and develop awareness among local media institutions by conducting media tours.

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 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 (“Anti-Corruption Guidelines”), with the modifications set forth in Section II of the Appendix to this Agreement; and (c) this Article II.

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

(a) ***Institutional Arrangements.*** The Recipient shall be responsible for implementation of the Project and shall establish and thereafter maintain until completion of the Project, staff dedicated to the Project as well as such support staff as may be necessary to accomplish the objective of the Project, in each case with terms of reference acceptable to the World Bank as set out in each Annual Work Plan.

(b) ***Implementation Arrangements.*** The Recipient shall implement the Project in accordance with:

- (i) the Operations Manual, acceptable to the World Bank, giving details of the operating procedures of the Recipient agreed with the World Bank that will apply for the implementation, supervision, and monitoring and evaluation, of the Project, including: (A) procurement procedures meeting the requirements of Section 2.08 of this Annex and standard procurement documentation; (B) reporting requirements, financial management procedures and audit procedures meeting the requirements of Section 2.06 and Section 2.07 of this Annex; (C) environmental and social assessment and management procedures;

- (D) human resource policies for Recipient staff applicable to the project; and (E) costing for Recipient activities;
- (ii) each Annual Work Plan meeting the requirements of Section 2.04 of this Annex; and
- (iii) the project performance indicators as set forth in Section 2.06 of this Annex.
- (iv) The Recipient shall not amend the Operations Manual or any Annual Work Plan except with the written agreement of the World Bank.

2.04. *Annual Planning*

(a) The Recipient shall ensure that Project activities are undertaken, and expenditures are incurred and charged to the Project only in accordance with the terms of an Annual Work Plan acceptable to the Recipient and the World Bank (by issuance of a no objection letter) which shall include the scope of service for the following year, terms of reference for Recipient staff working on the Project, and the related budget

- (i) The Annual Work Plan for calendar year 2010, dated June 3, 2010 shall apply to the Project activities from July 1, 2010 through December 31, 2010.
- (ii) The Recipient shall prepare and present to the World Bank for review and comment an Annual Work Plan for each subsequent calendar year of Project implementation, by no later than October 31 in each such year, beginning with October 31, 2010. The Recipient shall finalize each Annual Work Plan, incorporating the comments of the World Bank, by no later than November 30 in each subsequent calendar year of Project implementation, beginning with November 30, 2010.
- (iii) Each Annual Work Plan may only be amended with the prior written agreement of the Recipient and the World Bank, including with respect to any budgetary implication of a proposed amendments.

(b) The World Bank reserves the right, after appropriate consultations with the Recipient, to terminate this Agreement at any time in case the Recipient's execution of the Project is deemed unsatisfactory and/or not in compliance with the Annual Work Plan in effect at the time of such determination.

2.05. *Donor Visibility 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, take all measures required on its part to enable the

representatives of the Donor(s) to visit any part of the Member Country's territory for purposes related to the Project.

2.06. ***Project Monitoring, Reporting and Evaluation.*** (a) The Recipient 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 set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of six months, 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 performance indicators referred to above in paragraph (a) consist of the following:

- (i) *Communications:* (A) existence of an annual communications plan for each province; and (B) at least 5 of communications opportunities identified and implemented per year.
- (ii) *Conference:* Conference report, participants list and participant feedback.
- (iii) *PEACH Report Launch:* event report, participants list and participant feedback.
- (iv) *Media campaign and publicity materials:* (A) Increase in the number of media institutions requesting information about PEACH; (B) Existence of a PEACH specific media database; (C) Increase in the number of CSO institutions requesting information from BAKTI about PEACH; and (D) Existence of a PEACH specific CSO database.

(c) The Project Reports, as well as indicating progress on the above indicators, will include the following details:

- (i) A summary of office and administrative services provided countersigned by PEACH representatives based in the Recipient's office.
- (ii) A summary communications activities which have been conducted in support of the PEACH program and an overview of the potential communications opportunities for the next six-months.
- (iii) Stakeholder reports from each Programme Assistant summarizing the interaction with stakeholders with details of any issues or opportunities which require further attention Report of any events conducted.

(d) The Recipient shall cooperate with an annual evaluation conducted by an independent consultant appointed by the World Bank to assess the quality of services provided and to suggest recommendations or changes. This evaluation will be conducted in October of each year in order that the findings of evaluation can be included in the annual planning sessions which will take place in November.

(e) The Recipient 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 months after the Closing Date.

2.07. **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 as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.08. **Procurement**

(a) General. All goods and 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:

(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 and services other than consultants’ services;

(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

(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 Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 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 the Procurement Guidelines or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods and Services Other Than Consultants' Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and services other than consultants' services shall be procured under contracts awarded on the basis of Shopping.

(d) Particular Methods of Procurement of Consultants' Services

(i) 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.

(ii) The following methods may be used for the procurement of consultants' services for those assignments: (A) Selection based on Consultants' Qualifications; (B) Single-source Selection; (C) Selection of Individual Consultants; and (D) Sole 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)
(1) Goods	28,000	100%
(2) Consultants' Services	177,000	100%
(3) Training and Workshops	52,000	100%
(4) Direct Operating Costs	17,000	100%
(5) Indirect Operating Costs	28,000	100%
TOTAL AMOUNT	302,000	

For the purpose of this paragraph:

(i) the term "Training and Workshops" means training and workshops conducted in the territory of the Member Country, including purchase and publication of materials, rental or use of facilities, course fees, and travel costs of trainees and resource persons, in each case in accordance with the Annual Work Plan in effect at the time the expenditure is incurred;

(ii) "Direct Operating Costs" means: (A) the incremental costs of reasonable expenditures directly attributable to the Project and incurred by the Recipient on account of office supplies, printing, photocopying, travel and other travel-related expenditures, vehicle rental and operation costs, supplies and materials, in each case which would not have been incurred but for the Project; and (B) the reasonable cost of technical or professional expertise provided by the Recipient's employees who dedicate time to the specific activities of the Project, whether on a full-time basis or otherwise; in each case in accordance with the Annual Work Plan in effect at the time the expenditure is incurred; and

(iii) the term "Indirect Operating Costs" means a reasonable portion of the Recipient's indirect overhead costs, in each case in accordance with the Annual Work Plan in effect at the time the expenditure is incurred.

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 date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is March 31, 2012.

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 the Recipient's Chief Executive Officer.

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

Yayasan Bursa Pengetahuan Kawasan Timur Indonesia (BAKTI)
Jl. Dr. Sutomo No. 26
Makassar 90113
Sulawesi Selatan, Indonesia

Phone: + 62-411-3650320 – 22
Fax: +62-411-3650323

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 Washington, D.C.	248423 (MCI) or 64145 (MCI)	1-202-477-6391

APPENDIX
Modifications to the Standard Conditions and the Anti-Corruption Guidelines

Section I. The Standard Conditions are modified as follows:

1. The provisions of Section 4.02 (j) of the Standard Conditions are modified to read as follows:

... (j) *Ineligibility.* IBRD or IDA has declared the Recipient (other than the Member Country) ineligible to receive proceeds of any financing made by IBRD or IDA or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA, as a result of: (i) a determination by IBRD or IDA that the Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Recipient is 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 Recipient has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Section II. 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.”