

CONFORMED COPY

GRANT NUMBER TF098863
and GRANT NUMBER TF098869

PNPM Support Facility Trust Fund (PSF)
Grant Agreement

(COMMUNITY-BASED
SETTLEMENT REHABILITATION AND RECONSTRUCTION PROJECT (REKOMPAK) –
PSF)

between

REPUBLIC OF INDONESIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

acting as administrator of grant funds provided by donors under the Support Facility for the
National Program for Community Empowerment (PNPM) Multi Donor Trust Fund (PSF)

March 23, 2011

GRANT AGREEMENT

AGREEMENT dated March 23, 2011, entered into between:

REPUBLIC OF INDONESIA (“Recipient”); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“World Bank”), acting as administrator of grant funds provided by donors under the Support Facility for the National Program for Community Empowerment Multi Donor Trust Fund (TF070967 and TF071562) (“PSF”).

WHEREAS, this Agreement: (i) sets out the terms and conditions related to the provision of grant financing for post-disaster management -related activities described herein, which is financed out of two parent trust funds comprising the Support Facility for the National Program for Community Empowerment (TF 070967 and TF071562) which operate under a joint management structure; (ii) is in line with the Community-Based Settlement Rehabilitation and Reconstruction Project for Central and West Java and Yogyakarta Special Region (TF090014) (“Original Rekompak Project”) under the Java Reconstruction Fund; and (iii) is provided together with separate grants out of the PSF for disaster management in rural areas and in urban areas, under separate grant agreements.

The Recipient and the World Bank hereby agree as follows:

Article I Standard Conditions; Definitions

- 1.01. 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.
- 1.02. 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.

Article II The Project

- 2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement (“Project”). To this end, the Recipient shall carry out the Project, through MPW, in accordance with the provisions of Article II of the Standard Conditions.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

- 3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant from various sources in the following amounts, which in aggregate equal to eleven million five hundred thousand United States Dollars (US\$11,500,000) ("Grant"), to assist in financing the Project: (a) the amount of four hundred thousand United States Dollars (\$400,000) (Portion A of the Grant financed out of TF098863); and (b) the amount of eleven million one hundred thousand United States Dollars (\$11,100,000) (Portion B of the Grant financed out of TF098869).
- 3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.
- 3.03. The 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, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

- 4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Recipient's Minister of Finance.
- 4.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance
c/o Directorate General of Debt Management
Jalan Lapangan Banteng Timur 2-4
Jakarta 10710
Indonesia

Cable address:	Telex:	Facsimile:
FINMINISTRY Jakarta	45799 DJMLN-IA 44319 DEPKEU-IA	(21) 381 2859

4.03. 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)	

AGREED at Jakarta, Indonesia, as of the day and year first above written.

REPUBLIC OF INDONESIA

/s/ **Rahmat Waluyanto**

**By Rahmat Waluyanto
Director General of
Debt Management**

Authorized Representative

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as administrator of grant funds provided by donors
under the Support Facility for the National Program for Community
Empowerment (PNPM) Multi Donor Trust Fund (PSF)**

/s/ **Stefan Koeberle**

By

**Stefan Koeberle
Country Director, Indonesia**

SCHEDULE 1

Project Description

The objective of the Project is to assist in meeting the needs of Eligible Households for earthquake-resistant housing and community priority investment in the Affected Areas.

The Project consists of the following parts:

Part A: Housing Reconstruction Sub-grants

Provision of Housing Reconstruction Sub-grants for the benefit of Eligible Households, using a community-based approach, to facilitate the reconstruction of housing units, based on improved seismic standards, in selected Desas and Kelurahan.

Part B: Block Sub-grants for Priority Investment

1. Provision of Block Sub-grants to finance the rehabilitation and reconstruction of small-scale priority infrastructure and related facilities and priority investments identified in the Community Settlement Plans, including transitional shelter needs, investments designed to improve community-level emergency preparedness, and disaster mitigation and recovery measures.

2. Provision of capacity building assistance to Local Governments in each Participating Desa, Participating Kelurahan and Participating Kota in support of the Project, including: (i) Community Settlement Plan approval and disaster risk reduction investment prioritization; (ii) inclusion of Community Settlement Plans in each Local Government's general planning framework; (iii) information management; (iv) land use planning and development control; and (v) cultural heritage preservation.

Part C: Community Education and Quality Assurance

1. Provision of technical advisory services, through the recruitment of housing task force teams, to (1) oversee the implementation of the Project and supervise construction quality and design, (2) strengthen capacity for management of the Project at the community-level, and (3) organize training programs for the benefit of Eligible Households on technical aspects of housing design and construction, with particular emphasis on incorporating hazard-resistant design standards.

2. Provision of technical advisory services, through community facilitators to (i) educate communities with Eligible Households about continuity of disaster preparedness and the importance of quality construction; (ii) build community capacity to operate and maintain assets created by the Project; (iii) facilitate community user contributions to be collected in sufficient amount to cover operational and maintenance expenses; and (iv) support communities in preserving cultural heritage.

Part D: Project Implementation Support

1. Provision of technical advisory services, through the recruitment of a National Management Consultant and District Management Consultants, to support the overall implementation, monitoring and evaluation of the Project.
2. Provision of technical advisory services to support (a) the development and implementation of a public communications campaign strategy, (b) the establishment of a management information system (MIS) to monitor progress, as well as a complaints handling mechanism, and (c) the establishment and implementation of an internal and external monitoring and evaluation framework to maximize effectiveness, accountability and transparency during Project implementation.
3. Provision of technical assistance in conducting evaluation studies and assisting communities and Local Governments in rehabilitation of cultural heritage assets.

SCHEDULE 2**Project Execution****Section I. Institutional and Other Arrangements****A. Institutional Arrangements.**

1. The Recipient shall maintain, until completion of the Project, a National Steering Committee, whose mandate, composition and terms of reference shall be satisfactory to the World Bank, to provide policy guidance and oversight accordingly as required in the course of implementation of the Project.
2. The Recipient shall, through MPW:
 - (a) maintain, until completion of the Project, the Project Management Unit (“PMU”), whose mandate, composition and terms of reference shall be satisfactory to the World Bank, to be responsible for overall coordination of the management of the Project;
 - (b) establish and thereafter maintain, until completion of the Project, a Project Implementation Unit within MPW (“PIU-MPW”), whose mandate, composition and terms of reference shall be satisfactory to the World Bank, to be responsible for implementation of the Project at central government level, as well as a Project Implementation Unit (“PIU-PP”), whose mandate, composition and terms of reference shall be satisfactory to the World Bank, to be responsible for implementation of the Project in each Participating Province; and
 - (c) ensure that:
 - (i) the PMU shall be headed at all times by a Project Manager, whose qualifications and experience shall be acceptable to the Recipient and the World Bank, who shall be supported by the NMC, and such other administrative, technical and financial personnel in adequate numbers and having the necessary qualifications and experience as shall be necessary to accomplish the objectives of the Project; and
 - (ii) acting under the authority of NMC, a DMC team shall be assigned to provide support and technical advisory guidance to each PIU during implementation.

B. Implementation Obligations.

1. The Recipient shall:
 - (a) adopt a Project Operational Manual, which updates to the Original Rekompak Project operations manual acceptable to the Recipient and the World Bank, giving details of: (i) implementation arrangements, (ii) procurement procedures as set forth in Section III of this Schedule and standard procurement documentation, (iii) reporting requirements, financial management procedures and audit procedures, (iv) project performance indicators as set forth in Section II.A of this Schedule, (v) the Environmental and Social Safeguards Framework, (vi) criteria for the selection of Eligible Households and approval of Sub-projects, (vii) terms and conditions of Sub-grants as set forth in Part C of this Section, and (viii) the Anti-Corruption Action Plan; and
 - (b) implement the Project in accordance with the Project Operational Manual and shall not amend, suspend, abrogate, repeal or waive any provision thereof without the prior written agreement of the World Bank and the Recipient.
2. For purposes of Parts A and B of the Project, the Recipient shall apply the proceeds of the Grant allocated to provide Sub-grants to finance Sub-projects in accordance with the guidelines and procedures set forth in the Project Operational Manual, as well as the additional terms and conditions set forth in Part C of this Section.
3. Not later than November 30 of each year of Project implementation, and until completion of the Project, the Recipient shall furnish to the World Bank, for its review and comments, a proposed annual work plan, giving details of its proposed work plan and related budget for the following year, and proceed thereafter to carry out such work plan taking into account any comments which may have been provided thereon by the World Bank.

C. Terms and Conditions Governing Sub-grants.

1. (a) For purposes of every Sub-grant, a Sub-project Implementation Agreement shall be entered into between the relevant PIU and the Beneficiary, setting forth the respective obligations of the parties thereunder, including: (i) the total amount of the Sub-grant and the purpose thereof; (ii) in the case of a Housing Reconstruction Sub-grant, the total number of housing units to be repaired or reconstructed, and details of the Implementation Plans; (iii) details of the agreed disbursement schedule; (iv) procurement procedures that are fully consistent with the provisions of Section III of this Schedule; (v) provisions for audits of the Sub-grant; (vi) environmental and social safeguards requirements consistent with the Environmental and Social Safeguards Framework, (vii) the amount of any required local counterpart contribution, whether in cash or in kind; (viii) that the Beneficiary shall execute the Sub-project with due diligence and efficiency and, upon its completion, to provide for any required maintenance of the Sub-project and otherwise ensure the continued achievement of the objectives of the Sub-grant; (ix) that the Beneficiary shall enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and (x) rights adequate to protect the interests of the Recipient and the World Bank, including the right of the Recipient to: (A) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-grant; or (B) obtain a refund of the Sub-grant upon the failure of the Beneficiary to perform any of its obligations under the Sub-project Implementation Agreement.
- (b) No Sub-project shall be eligible for financing out of the proceeds of a Sub-grant unless a Sub-project Implementation Agreement has been concluded to this effect on terms and conditions set forth in this Agreement and the Project Operational Manual.
2. No Sub-grant shall be made to finance expenditures involving or likely to involve: (a) a military or paramilitary purpose; (b) civil works for government administration or religious purposes; (c) the manufacture or use of tackle or dynamite; (d) the financing of government salaries; (e) the purchase of non-approved pesticides, ozone-depleting substances, or the use of pesticides or herbicides without an approved basic integrated pesticides management plan and monitoring procedures; (f) the manufacture or use of environmentally hazardous goods (including asbestos, pesticides and herbicides), arms or drugs; (g) the production, processing, handling, storage or sale of tobacco or products containing tobacco; (h) activities within a nature reserve or any other area designated by the Recipient for the management and/or the protection of biodiversity, except with the prior written approval of the Recipient's agency responsible for the management and/or protection of such area; (i) agricultural extension into natural areas or activities with the potential for significant conversion or degradation of critical forest areas or related critical natural habitats; (j) mining or excavation of live coral; (k) water resources development on rivers which flow into or out of another country; (l) alterations to river courses; (m) land reclamation covering an area in excess of 50 hectares; (n) new irrigation schemes covering an area in excess of 50 hectares; (o) construction of water retaining or storage structures of a capacity greater than 10,000 cubic meters; (p) over-exploitation of water resources and/or contamination of domestic water supplies; or (q) the provision of goods, works or services, directly or through intermediaries, by suppliers or

contractors, as the case may be, who have been declared ineligible to participate in the procurement of any World Bank-financed project or World Bank-financed contract or the contract of any other financier whether indefinitely or for a stated period of time, as a result of a decision of the World Bank, and in accordance with the terms of the decision; or (r) to finance land acquisition.

3.
 - (a) Housing Reconstruction Sub-grants shall be made exclusively to one or more KPs to finance housing reconstruction activities for the benefit of Eligible Households belonging to KPs in Participating Desas and Participating Kelurahan, and in accordance with the relevant Implementation Plans.
 - (b) The amount of each Housing Reconstruction Sub-grant shall be calculated taking into account the number of Eligible Households involved, the number of housing units to be repaired or reconstructed, and a uniform maximum value attached to each housing repair or reconstruction activity, as the case may be.
 - (c) Housing Reconstruction Sub-grants will be disbursed in tranches, in accordance with the disbursement schedule set forth in the relevant Sub-project Implementation Agreement, with the first tranche payable upon signature of the Sub-project Implementation Agreement, and subsequent tranches payable upon demonstrated evidence of progress in the implementation of the relevant Implementation Plans.
4. Block Sub-grants shall be provided exclusively to community groups to finance the rehabilitation of small-scale priority infrastructure in accordance with the relevant CSP, including transitional shelters, investments designed to improve community-level emergency preparedness, and disaster mitigation and community recovery measures, as well as other facilities and utilities required to enhance the effectiveness of the Housing Reconstruction Sub-grants.
5. Each Sub-Grant Implementation Agreement shall contain: the requirement that each Participating Kelurahan enable the Recipient and the World Bank to inspect the Sub-project, its operation and any relevant records and documents; and prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing; and rights adequate to protect the interests of the Recipient and the World Bank, including the right to: (i) suspend or terminate the right of the Beneficiary to use the proceeds of the Sub-Grant; or (ii) obtain a refund of the Sub-Grant upon the failure of the Beneficiary, as applicable, to perform any of its obligations under the Sub-grant Implementation Agreement

D. Environmental and Social Safeguards

1. The Recipient shall cause the PMU to collate and submit quarterly consolidated reports on compliance with Environmental and Social Safeguards Framework, giving details of: (a) measures taken in furtherance of the Environmental and Social Safeguards Framework; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of Environmental and Social Safeguards Framework, and (c) remedial measures taken or required to be taken to address such conditions.

2. In carrying out Sub-projects, the Recipient shall:
 - (a) ensure that the proceeds of Sub-grants shall not be used to finance the acquisition of land;
 - (b) take measures to avoid or minimize the acquisition of land or assets of villagers, and to avoid the displacement of such villagers;
 - (c) where the acquisition of land or assets, or the displacement of people is unavoidable under a proposed Sub-project, ensure that the Beneficiary shall, before carrying out the works which would result in such acquisition or displacement, provide to such people, adequate compensation, and other resettlement and rehabilitation benefits, in accordance with the Land Acquisition and Resettlement Policy Framework; and
 - (d) in the case of the physical displacement of persons involving the loss of more than ten percent (10%) of their productive assets or the displacement of more than two hundred (200) people as a result of a Sub-project, ensure that:
 - (i) a land acquisition and resettlement action plan shall be prepared in accordance with Land Acquisition and Resettlement Policy Framework, and furnished to the World Bank for approval; and
 - (ii) prior to the carrying out of the Sub-project, ensure that all Displaced Persons shall have been compensated and provided with applicable resettlement and rehabilitation benefits in accordance with the provisions of such land acquisition and resettlement action plan.

3. In carrying out Sub-projects, the Recipient shall ensure that the provisions of the Environmental Guidelines have been complied with and, where applicable, an environmental management plan fully consistent with this Agreement and the Environmental has been prepared and agreed in writing between the Recipient and the World Bank upon and applied in the implementation of such Sub-project.

4. Without limiting the obligations under Section II.A of this Schedule 2, the Recipient shall take all measures necessary on its part to regularly collect, compile, and submit to the World Bank, as part of the Project Reports, (a) information on the status of compliance with the Environmental and Social Safeguards Framework; (b) giving details of measures taken in furtherance of the Environmental and Social Safeguards Framework; (c) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Environmental and Social Safeguards Framework, and remedial measures taken or required to be taken to address such conditions.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

1. 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 indicators agreed with the World Bank. Each Project Report shall cover the period of one (1) calendar quarter, 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.
2. 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.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall prepare and furnish to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the World Bank.
3. 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement**A. General**

1. **Goods, Works and Services other than Consultants' Services.** All goods, works and services other than 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 Section I of the Procurement Guidelines, and with 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.
2. **Consultants' Services.** All 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 Sections I and IV of the Consultant Guidelines and with 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 1.24 of the Consultant Guidelines.
3. **Definitions.** The capitalized terms used below in 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 Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Services other than Consultants' Services

1. **National Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and services other than consultants' services shall be procured under contracts awarded on the basis of Competitive Bidding, subject to the additional procedures set out in Annex 1 to this Schedule.
2. **Other Methods of Procurement of Goods, Works and Services other than Consultants' Services.** The following table specifies the methods of procurement, other than National Competitive Bidding, which may be used for goods, works and services other than consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method

- | |
|--|
| (a) Community Participation using procedures acceptable to the World Bank as set out in the Project Manual |
|--|

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies the methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Selection based on Consultants’ Qualifications
(b) Single-source Selection
(c) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants
(d) Sole Source Procedures for the Selection of Individual Consultants

D. 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.

E. Procurement Procedures

Without limitation on the provisions of this Section III and of the Procurement Guidelines and Consultant Guidelines (“Guidelines”), the following provisions shall apply in respect of goods, works, services other consultants’ services and consultants’ services to be procured under the Project:

1. To ensure end-user participation in the procurement of goods, works and services other than consultants and consultant services under the Project, the requestor/user of such goods, works or consultant services (as the case may be) to be acquired, shall be represented on the relevant procurement/selection committee. The criteria for the selection of procurement committee/selection members shall in all cases be consistent with the provisions of the Guidelines and the Project Operational Manual (provided, however, that in the event of any inconsistency between the Project Operational Manual and the Guidelines, the provisions of the Guidelines shall apply).
2. The Procurement Plans, including all updates thereof, shall be made publicly available promptly after their finalization.
3. All bidding documents and requests for proposals issued in accordance with this Section shall be made available to any member of the public promptly upon request, subject only to payment of a reasonable fee to cover the cost of printing and delivery. In the case of requests for proposals, the relevant documents will only be made available after notification of award to the successful firm. Each such document will continue to be made publicly available until

a year after completion of the contract entered into for the goods, works or consultants' services in question.

4. All short lists of consultants and, in cases of pre-qualification, lists of pre-qualified contractors and suppliers shall be made available to any member of the public promptly upon request.
5. A summary of the evaluation of all bids and proposals for specific contracts shall be disclosed to all bidders and parties submitting proposals therefore, promptly after the notification of award to the successful bidder/consultant. Information in such summaries will be limited to a list of bidders/consultants, all bid prices and financial proposals as read out at public openings for bids and financial proposals, all bids and proposals declared non-responsive (together with reasons for such an assessment), the name of winning bidder/consultant and the contract price. Such summaries will be made available to any member of the public promptly upon request.
6. Contract award information for all contracts for goods and works of \$100,000 equivalent or more, and all contracts for consultants of \$50,000 equivalent or more, shall be made publicly available and published widely, and provided to any member of the public upon request, promptly after such award.
7. A list of all contracts awarded during the three months preceding the date of such request, including, with respect to each such contract, the name of the contractor/consultant selected, the contract amount, the number of bidders/makers of proposals in respect thereof, the procurement method followed and the purpose of such contract shall be made available, promptly upon request by member of the public.
8. Representatives of the end-users of goods or works being procured shall be permitted to attend public bid openings in respect thereof

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 table in paragraph 2 below.
2. The following 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:

<u>Category</u>	Amount of Portion A of the Grant Allocated (TF098863) (Expressed in US\$)	Amount of Portion B of the Grant Allocated (TF098869) (Expressed in US\$)	Percentage of Expenditure to be Financed
(1) Housing Reconstruction Sub-grants	0	5,000,000	100% of Sub-grant amount disbursed
(2) Block Sub-grants	0	4,100,000	100% of Sub-grant amount disbursed
(3) Consultants' services under Part C of the Project	400,000	800,000	100%
(4) Consultants' services under Part D of the Project	0	1,200,000	100%
TOTAL	400,000	11,100,000	

3. Without limiting the generality of paragraph 1 of this Section IV.A, it is expected that the Project will use the designated account established for the Original Rekompak Project (TF090014).

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
- (a) payments made prior to the date of this Agreement except that withdrawals up to an aggregate amount not to exceed: (i) \$80,000 equivalent may be made out of Portion A of the Grant; and (ii) \$2,220,000 equivalent may be made out of Portion B of the Grant, in each case may be made for payments made prior to this date but on or after December 9, 2010, for Eligible Expenditures; or
- (b) for payments under Category (1) or Category (2) unless the Project Operational Manual, with updates as required from the Original Rekompak Project manual, including sections and/or addenda related to the Environmental and Social Safeguards Framework, has been revised in a manner acceptable to the Recipient and the World Bank has been adopted by the Recipient.
2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2012.

ANNEX 1 to SCHEDULE 2
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 Borrower's Presidential Regulation No. 54/2010, 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 Borrower's procedures and these modifications, the latter shall govern.

- (i) Procuring entities shall use the appropriate standard bidding documents acceptable to the Borrower and the Bank. The provisions of Section 1.14 (Fraud and Corruption) of the Procurement Guidelines shall apply, and each bidding document and contract financed out of the proceeds of the Loan shall include provisions on matters pertaining to fraud and corruption as defined in paragraph 1.14 (a) of said Guidelines and the contract provisions set out in paragraph 1.14 (e) of said Guidelines.
- (ii) Foreign bidders shall not be precluded from bidding. If a registration process is required, a foreign firm determined to be the lowest evaluated 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.
- (iii) No preference of any kind shall be given to any bidders.
- (iv) 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.
- (v) Bids invited under the *Pelelangan Umum* method shall be submitted in one (1) envelope and evaluated using post-qualification.
- (vi) 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 written concurrence.
- (vii) 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.
- (viii) All bids shall not be rejected and new bids solicited without the Bank's prior written concurrence.

- (ix) 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 Borrower or sub-borrower.

APPENDIX

Definitions

1. “Affected Area” means the areas of Yogyakarta, West Java and Central Java in which natural disasters have occurred as identified in the Project Operational Manual. .
2. “Anti-Corruption Action Plan” means a stand-alone chapter of the Project Operational Manual exclusively dedicated to the Recipient’s anti-corruption action plan, giving details of a program of actions, measures and policies designed to reduce or eliminate fraud and corruption in all its forms under the Project, including enhanced information disclosure provisions, civil society oversight provisions, mitigation measures to deal with the risks associated with collusion, forgery and fraud, a complaint handling mechanism, and an appropriate regime of sanctions and remedies.
3. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 as revised in January 2011.
4. “Beneficiary” means the party to a Sub-project Implementation Agreement who is the beneficiary of a Sub-grant.
5. “Block Sub-grant” means a block sub-grant made or to be made out of the proceeds of the Grant to finance one or more Sub-projects under Part B of the Project.
6. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
7. “Community Settlement Plan” or “CSP” means a Community Settlement Plan developed by the community in consultation with the population of Affected Areas pursuant to Part B of the Project.
8. “Consultant Guidelines” means 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.
9. “Desa” means a village in the Recipient’s territory.
10. “Displaced Person” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land, resulting in (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Displaced Persons” means, collectively, all such Displaced Persons.

11. “District Management Consultants” means the consultants, financed by the proceeds of the Grant, assigned at the district level to assist in Project implementation and monitoring.
12. “Eligible Household” means a household who is declared eligible, having regard to the eligibility criteria set forth in the Project Operational Manual, to share in the benefits of a Housing Reconstruction Sub-grant.
13. “Environmental and Social Safeguards Framework” means the Recipient’s Environmental and Social Safeguards Framework, dated November 7, 2006, as updated and delivered to the Bank on March 1, 2011, which is the umbrella safeguards document and consists of the Environmental Guidelines, and the Land Acquisition and Resettlement Policy Framework, along with details of disclosure requirements and grievance redress mechanisms, and provisions designed to promote transparency and facilitate the full participation of stakeholders in the implementation of the Environmental and Social Safeguards Framework, as such framework maybe amended from time to time with the prior agreement of the World Bank, and such term includes any annexes or schedules to such Environmental and Social Safeguards Framework.
14. “Environmental Guidelines” means the Environmental Guidelines, setting forth guidelines for actions, measures and policies designed to eliminate or offset adverse environmental impacts, both direct and indirect, in the design and implementation of Sub-projects and, if such impacts are unavoidable, to manage or mitigate such impacts, including appropriate standards and codes of practice, as well as measures designed to protect and preserve local forest resources.
15. “Housing Reconstruction Sub-grant” means a grant made or to be made by the Recipient to a Beneficiary out of the proceeds of the Grant to finance one or more Sub-projects under Part A of the Project.
16. “Implementation Plan” means an implementation plan developed pursuant to Part A of the Project to guide the design and implementation of housing construction activities, and facilitate the implementation and monitoring of a Housing Reconstruction Sub-grant.
17. “Joint Management Committee” means the joint management committee of the PSF as defined in the operational documents of the PSF, and any successor thereto.
18. “Kabupaten” means a district, an administrative division of the Recipient.
19. “Kecamatan” means an administrative sub-district of a Kabupaten.
20. “Kelurahan” means an urban section of a Kecamatan.
21. “Kota” means a municipality, an administrative division within a province of the Recipient.
22. “KP” means *Kelompok Pemukim*, a group of Eligible Households constituted pursuant to Part C of the Project to coordinate housing reconstruction activities under the Project and to receive and implement Housing Reconstruction Sub-grants.

23. “Land Acquisition and Resettlement Policy Framework” means the Recipient’s Land Acquisition and Resettlement Policy Framework, setting forth a framework of actions, measures and policies designed to avoid or minimize any adverse impact or hardship to Displaced Persons as a result of the Project or, if such adverse impact or hardship cannot be avoided altogether, provide for the compensation, rehabilitation and resettlement of such Displaced Persons.
24. "Local Government" means the government of each Participating Desa, Participating Kelurahan and Participating Kota.
25. “MPW” means the Ministry of Public Works of the Recipient and any successor thereto.
26. “National Management Consultants” and “NMC” means the consultants, financed by the proceeds of the Grant, assigned at the central level to assist in Project implementation and monitoring.
27. “National Steering Committee” means the national-level committee established and operating in accordance with paragraph 1 of Section I.A of Schedule 2 to this Agreement.
28. “Original Rekompak Project” means the Community-Based Settlement Rehabilitation and Reconstruction Project for Central and West Java and Yogyakarta Special Region under the Java Reconstruction Fund (TF090014).
29. “Part” means a part of the Project as described in Schedule 1 to this Agreement.
30. “Participating Desa” means a Desa participating in the Project.
31. “Participating Kelurahan” means a Kelurahan participating in the Project.
32. “Participating Kota” means a Kota participating in the Project.
33. “Participating Province” means any province of the Recipient in a designated Affected Area.
34. “PIU” means PIU-MPW or PIU-PP, as the case may be.
35. “PIU-MPW” means the project implementation unit within MPW established and operating in accordance with paragraph 2(b) of Section I.A of Schedule 2 to this Agreement.
36. “PIU-PP” means the project implementation unit established in each Participating Province in accordance with paragraph 2(b) of Section I.A of Schedule 2 to this Agreement.
37. “Project Management Unit” or “PMU” means the project management unit established and operating in accordance with paragraph 2(a) of Section I.A of Schedule 2 to this Agreement.

38. “Procurement Guidelines” means 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.
39. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 14, 2011 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
40. “Project Operational Manual” means the Project Operational Manual, referred to in paragraph 1 of Section I.B of Schedule 2 to this Agreement, as such Project Manual may be amended or supplemented from time to time with the prior written agreement of the Recipient and the World Bank, and such term includes any annexes or schedules to such manual.
41. “Province” means an administrative sub-division of the Recipient’s territory at the first level below the national level.
42. “PSF” means the Support Facility for the National Program for Community Empowerment Multi-Donor Trust Fund (TF070967 and TF071562).
43. “Standard Conditions” means the Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 (“Standard Conditions”).
44. “Sub-grant” means a Housing Reconstruction Sub-grant or a Block Sub-grant, as the case may be.
45. “Sub-project” means any investment activity referred to under Part A or Part B of the Project, and to be financed by a Sub-grant.
46. “Sub-project Implementation Agreement” means the agreement to be entered into between the relevant Beneficiary and the Recipient for purposes of implementing a Sub-project on the terms and conditions set forth in Section C of Schedule 2 to this Agreement, and “Sub-project Implementation Agreements” means more than one Sub-project Implementation Agreement.